Meeting of:	**Audit Committee**
Date of Meeting:	**Monday, 14 December 2020**
Relevant Scrutiny Committee:	Corporate Performance and Resources
Report Title:	Fighting Fraud - a Local & National Perspective
Purpose of Report:	To provide members of the Committee with a summary of the national and local findings of recent work in respect of tackling fraud.
Report Owner:	Head of Section 151 Officer
Responsible Officer:	Head of Finance & Section 151 Officer
Elected Member and Officer Consultation:	No Elected Members have been consulted. Legal Services and Head of Finance.
Policy Framework:	The proposals in this report are in accordance with the policy framework and budget.

Executive Summary:

- An overview of the counter fraud landscape across the Welsh public sector was reported by Audit Wales in June 2019.

- In July 2020, these findings were published in a report entitled 'Raising Our Game – Tackling Fraud in Wales'.

- Appendix A provides a summary of the key national findings within Local Government as well as the key local findings in respect of the Vale of Glamorgan Council.

Recommendations

1. That the Committee consider and note the information provided.

Reasons for Recommendations

1. To ensure the Audit Committee is aware of and informed.

1. Background

1.1 The Crime Survey for England and Wales recognises fraud as one of the most prevalent crimes in society today. Applying the Cabinet Office estimates to annual devolved expenditure in Wales of around £20 billion gives a possible estimated value of losses to fraud and error in the Welsh public sector of £100 million to £1 billion per annum.

1.2 An overview of the counter fraud landscape across the Welsh public sector was reported by Audit Wales in June 2019.

1.3 Audit Wales also undertook an exercise across audited bodies in Wales, including the Vale of Glamorgan. In July 2020, these findings were published in a report entitled 'Raising Our Game – Tackling Fraud in Wales'.

1.4 Appendix A provides slides that summarise both the national and local findings from the work done on this area.

2. Key Issues for Consideration

2.1 Appendix A provides a summary of the key national findings within Local Government as well as the key local findings in respect of the Vale of Glamorgan Council.

2.2 Appendix A also summarises related ongoing work being undertaken by Audit Wales.

3. How do proposals evidence the Five Ways of Working and contribute to our Well-being Objectives?

3.1   The aim is to prevent or reduce the risk of fraud occurring in order to make improvements over the longer term.

4. Resources and Legal Considerations

Financial

4.1   There are no resource implications as a direct consequence of this report however any fraud impacts on the resources available to the Council.

Employment

4.2   None as a direct consequence of this report.

Legal (Including Equalities)

4.3   Public Sector organisations have a responsibility to embed effective standards for countering fraud, corruption and bribery into the organisations. This supports good governance and demonstrates effective financial stewardship and strong public financial management.

5.   Background Papers

None

'Raising our Game': tackling fraud in Wales

A national and local picture – Vale of Glamorgan Council

The scale of fraud I
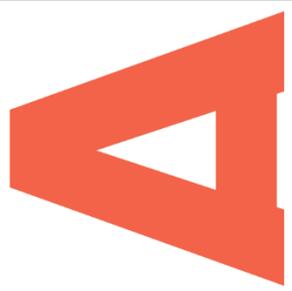
- The Crime Survey for England and Wales recognises fraud as one of the most prevalent crimes in society today.

- The Association of Certified Fraud Examiners (ACFE) estimates that organisations lose 5% of their annual revenues to fraud. Worldwide, this yields an annual economic loss of £60 trillion.

- Cabinet Office estimate an upper and lower range for likely losses in government spend between 0.5% and 5% of expenditure.

- Applying the Cabinet Office estimates to annual devolved expenditure in Wales of around £20 billion gives a possible estimated value of losses to fraud and error in the Welsh public sector of £100 million to £1 billion per annum.

The scale of fraud II
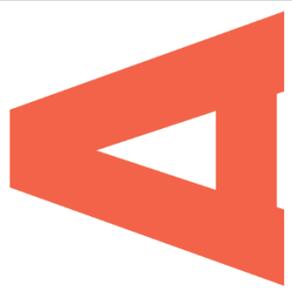
- Some public sector leaders are sceptical about the levels of fraud within their organisations.

- They put little resource into counter-fraud arrangements and assign a low priority to investigating cases of potential fraud identified to them by the National Fraud Initiative.

- Their stance runs contrary to all the research being done by recognised leaders in the field such as CIPFA and the UK Government.

- Such scepticism is not based on any significant local counter-fraud work or fraud risk assessments.

- Fraudsters appear the very instant that an opportunity presents itself. Fifteen individuals have to date been jailed for fraud in the light of the Grenfell fire tragedy. Scammers were quickly on the scene whilst the flooding in South Wales was ruining the homes and lives of local people. There has been an explosion in fraudulent activity, and especially in cyber-crime, during the current Covid-19 pandemic.

Counter fraud Phase I Study
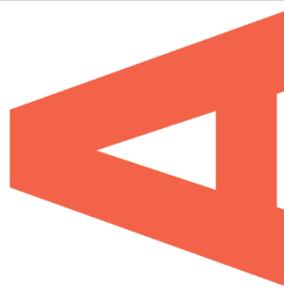
- Our Phase 1 report (June 2019) provided an overview of the counter-fraud landscape across the Welsh public sector.
- The report did not examine the scope or effectiveness of arrangements at a local level. But:
- ➤ the losses caused by fraud in the public sector are significant. In a time of austerity, every pound lost to fraud is a pound that could be spent on public services;
- ➤ fraud in all its forms is constantly evolving, so counter-fraud measures need to keep pace with the fraudsters; and
- ➤ resources devoted to counter-fraud activity vary widely across the public sector in Wales. We believe there is scope for greater collaboration and cross-agency working to combat the fraudsters.

Phase II study – early 2020
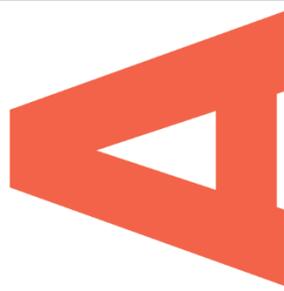
We asked the following questions at 40 audited bodies in Wales, including the Vale:

➤ Does the top tier demonstrate a commitment to counter-fraud and provide the necessary leadership to fight fraud?

➤ Does the organisation have a suitable structure and sufficient skilled resources to prevent and detect fraud?

➤ Does the organisation have a sound policy framework to support effective counter-fraud arrangements?

➤ Does the organisation have an effective fraud risk assessment together with appropriate responses to emerging issues?

➤ Does the organisation's internal control environment support effective arrangements for preventing and detecting fraud?

➤ Does the organisation have an appropriate response to fraud?

➤ Does the organisation have proper reporting and scrutiny in place to ensure its counter-fraud culture and framework is operating effectively?

Counter Fraud National Report
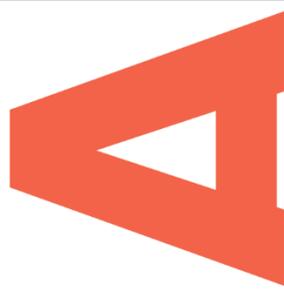
"**Raising Our Game - Tackling Fraud in Wales**" was published July 2020:

https://www.audit.wales/publication/raising-our-game-tackling-fraud-wales
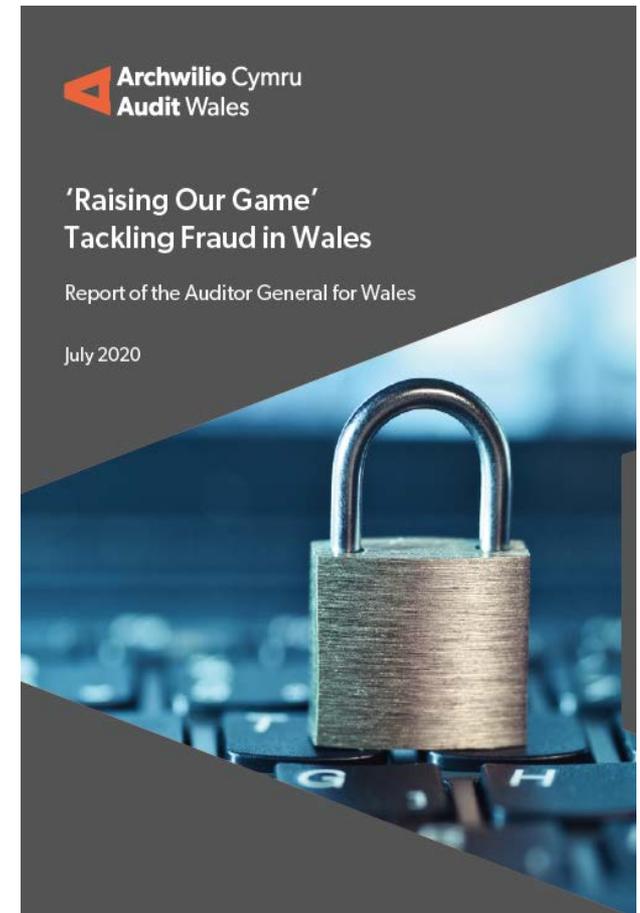
Key national findings: overall
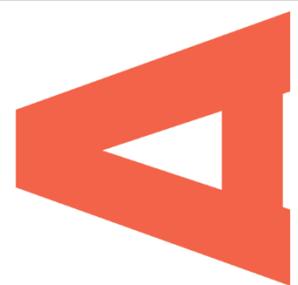
We have identified a number of improvement opportunities to:

➢ strengthen strategic leadership, co-ordination and oversight for counter-fraud across the Welsh public sector;

➢ increase counter-fraud capacity and capabilities, especially across local government, and exploring the potential for sharing resources and expertise across public bodies;

➢ get the right balance between proactive and reactive counter-fraud activities;

➢ improve awareness-raising and staff training in counter-fraud; and

➢ better evaluate fraud risks and sharing of fraud information, both within and across sectors.

Key national findings: Local Government
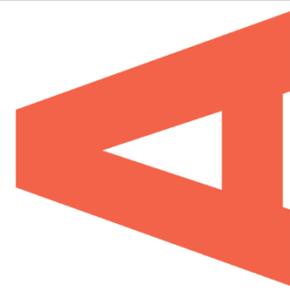
- Across local authorities there is an absence of sector-wide strategic leadership, guidance, co-ordination and oversight of counter-fraud.

- Within the individual authorities we found statements espousing a zero tolerance of fraud in policies and strategic documents but there is much more that can be done to re-enforce the tone from the top at a practical level.

- Many local authorities have invested so little in counter-fraud arrangements that they have only a few of the key components in place.

- Many local authorities have not prepared a fraud risk assessment for several years.

- Lack of capacity remains a challenge.

- A small number of authorities have retained experienced and skilled counter-fraud staff, but the workload has mostly fallen on Internal Audit teams.

- Counter-fraud arrangements are generally more advanced in the local authorities that retained a dedicated and specialist counter-fraud resource.

- Where Internal Audit teams carry out the counter-fraud work we found a trade-off between counter-fraud work and the general programme of assurance work due to limited resources and competing priorities.

Key national findings: Local Government
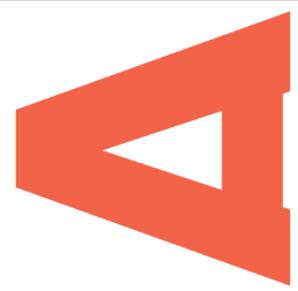
- Pooling and sharing resources needs to be considered as a solution.
- Other than NFI, only a few examples found of data analytics being used as a means of preventing fraud.
- Within some local authorities, several teams play a role in counter-fraud work; for example, Internal Audit, Council Tax, and Human Resources teams all contribute. Whilst helpful in terms of adding capacity, this can result in a lack of coordination and integration between these teams and a lack of clarity in the overall picture of counter-fraud activity.
- Some local authorities did not have a fraud response plan that was communicated to all staff and which made it clear that all allegations of fraud would be investigated.
- There were very few examples of local authorities working frequently across internal and external boundaries and sharing information. Common reasons for this lack of collaboration was lack of time and resources, and concerns about the sharing of data.
- Fewer than half the authorities report information about fraud cases, losses and recoveries to their audit committees on a regular basis
- Audit committees outside of the NHS Wales have not been sufficiently proactive in recognising the increasing risk of fraud and in asking the searching questions necessary about the matching of resources to risk or about the lack of information being supplied about fraud risk.

Key local findings – Vale of Glamorgan Council
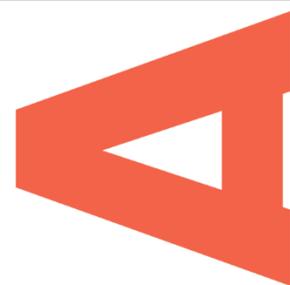
- The Council's procedures and policies are considered appropriate and reasonable;

- A dedicated and sufficiently experienced and trained counter-fraud officer is in place; and

- A planned programme of counter-fraud work exists.

However:

- More can be done to rollout fraud and corruption awareness training among staff to help embed counter fraud arrangements within the Council;

- It was felt that the Council should consider introducing a case management system to record, monitor and track potential frauds; and

- Should also consider 'publicising' identified cases of frauds, more widely, to act as a deterrent.

Related ongoing Audit Wales work ...
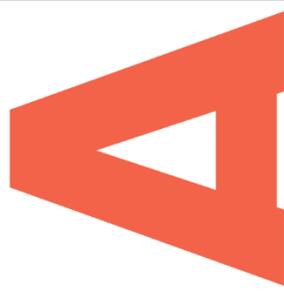
Public bodies' digital resilience – cyber security

- We are currently undertaking a high-level review considering how public bodies in Wales, including the Vale, are responding to cyber-security risks.

- The review is being undertaken remotely via a survey and no detailed fieldwork is currently planned.

- This information will inform a summary report expected to be published January 2020.