

Counter-fraud Arrangements – Monmouthshire County Council

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What we looked at

- 1 In 2020, Audit Wales made 15 recommendations to improve the way the Welsh public sector tackles fraud¹. In this audit, we looked at the Council's arrangements for preventing and detecting fraud and checked the progress it has made to implement our recommendations. Our audit is part of our statutory requirement to check whether councils have proper arrangements to secure value for money. This is under section 17 of the Public Audit (Wales) Act 2004.



Why counter-fraud is important

- 2 Fraud is prevalent across all sectors including the public sector. Every pound stolen from the public sector means that there is less to spend on key services. In the current financial climate, it is more important than ever for all public bodies in Wales to seek to minimise the risk of losses through fraud.
- 3 A 2019 report² by the Auditor General for Wales stated that the value the public sector loses to fraud is unknown. A Cabinet Office report³ in 2019 identified an upper and lower range for likely losses in government spending of between 0.5% and 5% of expenditure. Applying those estimates to Monmouthshire County Council's £204 million expenditure in 2023-24⁴ suggests that as much as £10 million could have been lost.

What we found

The Council has recently strengthened its counter-fraud arrangements but recognises there are further steps it can take

- 4 Overall, we found that **the Council has recently strengthened its counter-fraud arrangements but recognises there are further steps it can take**. We set out below why we reached this conclusion.

¹ Auditor General for Wales, ['Raising Our Game' Tackling Fraud in Wales](#), July 2020

² Auditor General for Wales, [Counter-Fraud Arrangements in the Welsh Public Sector](#), June 2019

³ Cabinet Office, [Cross-Government Fraud Landscape Annual Report 2019](#), February 2020

⁴ Welsh Government, Stats Wales, [Local Government Revenue Outturns](#)

The Council has set out a zero-tolerance approach to fraud and has appropriate policies in place

- 5 The Council has a suite of policies that collectively represent its strategy for identifying, managing and responding to fraud risks. This includes the Code of Conduct, Whistleblowing Policy and Counter Fraud, Bribery and Corruption Policy. These policies set out a zero-tolerance approach to fraud and provide clear guidance for the Council's staff and members.
- 6 The Council plans to update all its HR policies by April 2026 and last reviewed the Whistleblowing and Counter Fraud, Bribery and Corruption Policy in 2024. The Council is rolling out new software to ensure policies are accessible to front line staff and contractors who may not have regular access to the Council's intranet. The software will also provide data on the number of times policies have been viewed and the ability to send notifications to raise awareness of policy changes. Ensuring policies are accessible to staff, members and contractors is important to raise awareness of responsibilities and promote an anti-fraud culture.
- 7 The Council's Code of Conduct sets out that all staff and members must disclose any interests and should keep this updated as necessary. The Council identified that staff interests were recorded in an inconsistent manner across services and, subsequently, it has developed a central register of staff interests. Having a central register helps the Council to gain assurance at a corporate level that these interests and any associated risks are being appropriately identified, recorded and mitigated.

The Council fosters an anti-fraud culture and is actively strengthening its approach to training

- 8 The Council fosters an anti-fraud culture through public communications and raising awareness with staff. For example, the Council has publicly supported Fraud Awareness Week and has communicated counter-fraud expectations through internal staff communications and events.
- 9 Induction training for new staff and members includes a session on fraud awareness, but induction completion rates have been low in recent years. The Council recently developed a mandatory online fraud training module and is working towards all staff completing this by the end of June 2025. A central database enables the Council to monitor completion rates by department and it is actively considering options to increase take up. Ensuring all staff and members have completed fraud training is important to ensure that responsibilities are understood, to build confidence in reporting fraud and to support an anti-fraud culture.

The Council sets out clear responsibilities and has recently invested in additional capacity to undertake counter-fraud work

- 10 The Council has clear responsibilities for counter-fraud work at senior level. The Deputy Chief Executive and Chief Internal Auditor are responsible for counter-fraud

within the Council. Senior Officers attend induction training and use this as an opportunity to promote an anti-fraud culture to new starters. Accountability at a senior level helps set cultural expectations in relation to counter-fraud.

- 11 The Council has recently appointed a dedicated counter-fraud officer to undertake fraud investigations and proactive work linked to the Council's fraud risk assessment. The Council can buy in specialist counter-fraud support where it may require additional capacity or expertise.
- 12 The Shared Revenues and Benefits Service has a trained fraud officer who is qualified to undertake investigations. The Service investigates council tax reduction fraud and works with the Department of Work and Pensions (DWP) to identify and investigate benefit fraud. Internal Audit assess and investigate all other potential incidences of fraud. Having appropriately trained staff is important to ensure the Council is able to prevent and mitigate different types of fraud risks.

The Council has a detailed fraud risk assessment and undertakes proactive fraud work

- 13 A fraud risk assessment helps an organisation to identify and tackle different types of fraud, as well as any weaknesses in counter-fraud arrangements or areas at higher risk of fraud. It also helps target resources and activities appropriately, particularly as new fraud risks emerge.
- 14 The Council has completed a fraud risk assessment which was reviewed by the Governance and Audit Committee in January 2025. The assessment considers fraud risk across the Council's systems and has been developed using a range of internal and external sources. The Council plans to embed fraud risk in service level business plans which will subsequently feed into the central fraud risk assessment. Recent quality assurance reports found the quality of service level risk registers to be variable. This inconsistency may reduce the Council's ability to gain assurance that services are appropriately considering and mitigating the risk of fraud.
- 15 The Council undertakes proactive counter-fraud work through its internal audit programme, participating in the National Fraud Initiative (NFI), and promoting fraud awareness. The new counter-fraud officer role provides additional capacity and the opportunity to develop a proactive counter-fraud work programme. The Council also has a central fraud log recording outcomes and estimated losses of fraud cases which helps to identify risks in particular service areas.

The Council does not maximise its use of data analytics and formal intelligence sharing arrangements

- 16 The sharing of data to help detect fraud is a rapidly evolving area and has been facilitated by changes in the law. The Digital Economy Act 2017 enables public authorities to share personal data to prevent, detect, investigate and prosecute public sector fraud. The Act recognises that the wider use of data-sharing could improve the prevention, detection and investigation of fraud.

- 17 The Council participates in the NFI and data matches are investigated by Internal Audit using a risk-based approach. Beyond the NFI, we found limited evidence of the Council using data analytics innovatively to strengthen both the prevention and detection of fraud. Using data available to the Council could support proactive work and help to inform fraud risk assessments.
- 18 The Council is involved in several national networks and groups which enable informal sharing of learning and intelligence relating to fraud. The Council has a Shared Revenues and Benefits Service with Torfaen but beyond this we found limited examples of the Council formally collaborating with other organisations in relation to counter-fraud. Having formal arrangements in place would support regular intelligence sharing and enable an assessment of whether fraud experienced elsewhere may be impacting the Council.

The Council does not have a clear performance management approach for counter-fraud

- 19 The Council does not produce regular counter-fraud monitoring reports and does not have clear performance management arrangements for counter-fraud. For example, the Council's Whistleblowing Policy sets out an annual reporting requirement, but the Council has not reported on this since 2019. Without clear monitoring information, it is difficult for the Council to monitor trends and gain assurance that its counter-fraud arrangements are effectively preventing, identifying and mitigating fraud.
- 20 The Governance and Audit Committee (GAC) takes an active role in counter-fraud but is not presented with regular monitoring information. This reduces transparency and makes it difficult for GAC to gain assurance as to the effectiveness of counter-fraud arrangements.

Recommendations

- 21 The table below sets out the recommendations that we have identified following this review.

Exhibit 1: recommendations

Recommendations	
R1	<p>To support transparency and provide assurance that fraud is prevented, investigated and deterred, the Council should put clear counter-fraud performance management arrangements in place, including, for example:</p> <ul style="list-style-type: none">• clear goals and objectives for counter-fraud work;• relevant performance metrics;

Recommendations

- regular reporting on counter-fraud performance, including reporting to GAC;
 - feedback and continuous improvement mechanisms to ensure lessons learned are embedded within departments.
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R2 To ensure the Council is maximising its use of data and intelligence, the Council should identify:

- ways to maximise its use of data to inform counter-fraud work;
- whether current arrangements to share data and intelligence with other public bodies are effective and if other opportunities for collaboration exist.

Appendix 1

Audit methods and questions

Our review was informed by a review of Council documents and interviews with officers and members who have a key role in the Council's counter-fraud arrangements. Our evidence is limited to these sources. We undertook the review during March 2025.

Exhibit 2: audit questions and audit criteria

Below are the questions we sought to answer in carrying out this audit, along with the audit criteria we used to arrive at our findings.

Main audit question: Has the Council put in place proper arrangements to secure value for money in its approach to preventing and detecting fraud?

Questions	Audit Criteria (what we are looking for)
Leadership and Culture:	
1. Does the Council champion the importance of a good anti-fraud culture?	<ul style="list-style-type: none">• The Council has made a clear statement that fraud committed against the organisation by anyone internal or external will not be tolerated and will be dealt with in the strongest way.• The Council's Cabinet and Senior Leadership Team (SLT) champion counter-fraud work.• The Council builds confidence among employees that fraud is taken seriously, and action is taken to address fraud.

Questions	Audit Criteria (what we are looking for)
Risk Management and Control Framework	
<p>2. Does the Council undertake comprehensive fraud risk assessments?</p>	<ul style="list-style-type: none"> • The Council has undertaken a thorough fraud risk assessment in the last two years to provide an honest appraisal of risk and the resources needed to tackle the risks identified. • The assessment of fraud risk is based on known fraud risks, benchmarking and internal knowledge and experience. • The fraud risk assessment has: <ul style="list-style-type: none"> – used appropriately skilled staff; – considered national intelligence; and – considered its own Council specific intelligence. • The fraud risk assessment is reviewed by the Governance and Audit Committee.
<p>3. Are fraud risk assessments used as a live resource and integrated within the general risk management framework to ensure that these risks are appropriately managed and escalated as necessary?</p>	<ul style="list-style-type: none"> • The Council considers fraud risk as part of its overall risk management process. • The risk of fraud features in department and/or corporate risk registers. • The Council considers fraud risk for all its systems and has looked at how to prevent and detect fraud in the system and has 'fraud proofed' its procedures in key areas eg procurement, payroll, creditors. • The Council's counter-fraud/internal audit staff are consulted to fraud proof new policies, strategies and initiatives across departments.

Questions	Audit Criteria (what we are looking for)
Polices and Training	
4. Does the Council have a comprehensive and up-to-date set of policies and procedures which together represent a cohesive strategy for identifying, managing and responding to fraud risks?	<p>Counter-fraud strategy:</p> <ul style="list-style-type: none"> the Council has an up-to-date counter-fraud strategy that sets out its approach to managing fraud risks and defines responsibilities for action; the counter-fraud strategy is cross referred to other related policies ie code of conduct, whistleblowing and fraud response plan; and the counter-fraud strategy has been communicated to staff and is readily available to all staff as a reference document.
	<p>Code of Conduct:</p> <ul style="list-style-type: none"> the Council has an up-to-date Code of Conduct in place which sets out standards expected by employees and contractors, and which highlights that unethical behaviour will lead to disciplinary action; and all Council staff are required to sign up to the requirements of the Code of Conduct.
	<p>Whistleblowing:</p> <ul style="list-style-type: none"> the Council has whistleblowing arrangements in place to ensure that staff and external parties have the confidence to raise concerns; the Council's whistleblowing arrangements are monitored for take-up to demonstrate that suspicions have been acted upon; the Council's whistleblowing policy is up to date and sets out clear mechanisms to raise concerns confidentially about matters including fraud; and contractors and third parties also have to sign up to the Council's whistleblowing policy.
	<p>Register of Interest:</p>

Questions	Audit Criteria (what we are looking for)
	<ul style="list-style-type: none"> • the Council maintains its register of interests regularly to record staff and members' interests; • the register of interests is compared against schemes of delegation for approving expenditure; • the Council undertakes pre-employment screening through various checks eg CRB to minimise the risk of employing dishonest and unethical staff; • the Council has an up-to-date anti-bribery and corruption policy in place which includes due diligence arrangements; • the Council maintains a register of gifts and hospitality and staff are made aware of the need to register any gifts and hospitality received; and • the Council has a Fraud Response Plan that: <ul style="list-style-type: none"> – outlines the entire fraud investigation process; – clearly defines the roles and responsibilities of senior management and others involved in the investigation process; – outlines procedures for securing evidence and undertaking interviews; – sets out arrangements for dealing with staff under suspicion; – includes arrangements for when, and how, to contact the police; – commits to pursuing the full range of sanctions – disciplinary, regulatory, civil and criminal; – makes clear that recovery action will be taken in relation to all fraud losses; and – clarifies how lessons learned from frauds will be used to strengthen controls to prevent recurrence; • the Council monitors that allegations of fraud are assessed according to its Fraud Response Plan; and • the Council seeks redress including recovery of assets and money lost to fraud where possible.
<p>5. Do those working for the Council receive fraud awareness training as appropriate to their role to increase organisational effectiveness in</p>	<ul style="list-style-type: none"> • The Council includes fraud risks within its induction training for new staff. • The Council ensures appropriate frequency of refresher training for all staff and elected members/independent members. • The effectiveness of counter-fraud training is confirmed through testing. • Training is updated to reflect emerging risks/issues and trends.

Questions	Audit Criteria (what we are looking for)
preventing, detecting and responding to fraud?	
6. Does the Council publicise cases of fraud that have been successfully addressed, to re-enforce a robust message that fraud will not be tolerated?	<ul style="list-style-type: none"> • The Council publicises proven fraud and the action taken in response to the frauds as a deterrent. • The Council has internal and external publicity campaigns to promote the work of counter-fraud, and ensures that the counter-fraud webpage is kept up to date with relevant information and publicity. • The Council undertakes proactive counter-fraud work in an attempt reduce the likelihood of fraud happening.

Questions	Audit Criteria (what we are looking for)
Capacity and Expertise	
<p>7. Does the Council have sufficient capacity to ensure that counter-fraud work is resourced effectively, so that investigations are undertaken professionally and in a manner that results in successful sanctions against the perpetrators and the recovery of losses?</p>	<ul style="list-style-type: none"> • The Council has an officer with designated responsibility for counter-fraud who has the support of the senior leadership team and Governance and Audit Committee. • The Council has a staffing structure with clear designation and clear lines of accountability and good internal communication in relation to counter-fraud. • The Council invests in counter-fraud and buys in services if there is no capacity internally. For example, arrangements to access specialist fraud investigation teams including: surveillance, computer forensics, asset recovery, financial investigations.
<p>8. Does the Council have access to trained counter-fraud staff that meet recognised professional standards?</p>	<ul style="list-style-type: none"> • The Council has (or has access to) competent, professionally trained and accredited counter-fraud specialists to investigate suspected fraud. If this work is undertaken by Internal Audit teams, those teams should be trained in this area.

Questions	Audit Criteria (what we are looking for)
Tools and Data	
<p>9. Does the Council have dynamic and agile counter-fraud responses which maximise the likelihood of a successful enforcement action?</p>	<ul style="list-style-type: none"> • The Council's counter-fraud strategy includes both proactive and responsive approaches. • The organisation has an annual counter-fraud plan where the programme of work is balanced. • There is evidence that the Council's investment in counter-fraud is based on an informed decision derived from a fraud risk assessment which highlights the risks and then determines the resources needed to address these risks. • There is evidence of action being taken quickly if internal controls are found not to be performing as well as intended. For example, by internal audit, external audit, National Fraud Initiative (NFI). • Where a fraud has occurred, there is evidence of post-event learning, where an organisation looks at how the fraud occurred and possible trends to learn from this and minimise future incidents.
<p>10. Does the Council seek and embrace new opportunities to innovate with data analytics to strengthen both the prevention and detection of fraud?</p>	<ul style="list-style-type: none"> • The Council uses data matching, which involves comparing sets of data within or across organisations, to highlight inconsistencies which can be used to help prevent and detect fraud: <ul style="list-style-type: none"> – seeking to maximise the National Fraud Initiative (NFI) work; and – other opportunities beyond NFI. • Where cases of fraud have been identified, the weaknesses behind these frauds are fed back to departments to fraud proof systems.

Questions	Audit Criteria (what we are looking for)
Collaboration	
<p>11. Does the Council work with other organisations under the Digital Economy Act and using developments in data analytics, to share data and information to help find and fight fraud?</p>	<ul style="list-style-type: none"> • The Council's counter-fraud strategy includes joint working partnerships with other organisations to manage risks where appropriate. • The Council has protocols in place to facilitate joint working and intelligence sharing with outside bodies eg memorandum of understanding setting out arrangements for sharing data. • There is evidence that the organisation applies the learning through collaboration to help inform risk assessments. • NFI collaboration.
Reporting and Scrutiny	
<p>12. Does the Council collate information about losses and recoveries and share fraud intelligence with public sector organisations to establish a more accurate national picture, strengthen controls, and enhance monitoring and support targeted action?</p>	<ul style="list-style-type: none"> • The Council maintains a record of fraud losses and recoveries. • The Council has a set methodology to ensure that losses from fraud can be estimated on a consistent basis and support a more accurate risk assessment. • The Council has set objectives and targets for counter-fraud work and monitors performance.

13. Is the Council's Governance and Audit Committee (GAC) fully engaged with counter-fraud, providing support and direction, monitoring and holding officials to account?

- The GAC takes an active role in counter-fraud and understands the Council's control environment and risks, including fraud risks.
- The GAC receives information on fraud caseloads and progress on a regular basis (at least twice a year).
- The work of the counter-fraud team is reviewed by GAC to ensure that its performance meets requirements/quality standards.



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