

Counter Fraud Arrangements – Denbighshire County Borough Council

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Summary report

Summary

What we reviewed and why

- 1 We assessed the progress the Council has made to implement the 15 recommendations made in the Auditor General for Wales's report '[Raising our Game](#)' [Tackling Fraud in Wales](#) from July 2020. We also reviewed the extent to which the Council has in place proper arrangements to prevent and detect fraud and, therefore, to help it secure value for money in the use of resources.
- 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 report¹ by the Auditor General for Wales stated that the value the public sector loses to fraud is unknown. A Cabinet Office report in 2019² identified an upper and lower range for likely losses in government spending of between 0.5% and 5% of expenditure. Applying those estimates to the £331,088 million gross revenue budget of Denbighshire County Borough Council in 2023-24³ suggests that losses to fraud and error may be anywhere between £1.65 million and £16.55 million per annum.
- 4 We undertook the review during the period April 2025 to June 2025.

What we found

- 5 Our review sought to answer the question: Has the Council put in place proper arrangements to secure value for money in its approach to preventing and detecting fraud?
- 6 Overall we found that: **The Council takes a reactive approach to addressing fraud and is not maximising opportunities to prevent fraud occurring.** We reached this conclusion because:
 - the Council understands the importance of a good anti-fraud culture;
 - the Council's Strategy for the Prevention and Detection of Fraud Corruption and Bribery and the Fraud Response Plan are out of date and no longer match current practice in a key area;
 - the Council does not undertake a comprehensive fraud risk assessment that directly informs its work on counter fraud;

¹ Auditor General for Wales, [Counter-Fraud Arrangements in the Welsh Public Sector](#), June 2019

² Cabinet Office, [Cross-Government Fraud Landscape Annual Report 2019](#), February 2020

³ Stats Wales

- the Council responds to allegations of fraud when they are made but it cannot demonstrate that it takes a proactive, risk-based approach to fraud prevention; and
- despite exploring a range of recruitment options, the Council does not currently have sufficient trained and experienced staff in counter fraud.

Recommendations

Exhibit 1: recommendations

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

Recommendations	
R1	The Council should strengthen its approach to addressing and preventing fraud by: • updating its key strategic documents relating to counter fraud, including the Strategy for the Prevention and Detection of Fraud, Corruption and Bribery and the Fraud Response Plan, ensuring that the processes set out in those documents match current practice; • revising how it plans and resources counter-fraud work, to allow proactive fraud prevention activity to take place; • reviewing the register of interests to ensure staff and members use it effectively; and • ensuring that it publicises instances where fraud has been successfully addressed, where it is appropriate to do so.
R2	The Council should develop a comprehensive fraud risk assessment that is then used to inform the Internal Audit work programme and other counter-fraud activity.

Detailed report

The Council takes a reactive approach to addressing fraud and is not maximising opportunities to prevent fraud occurring

The Council understands the importance of a good anti-fraud culture

- 7 Designated responsibility for counter fraud at the Council lies with the Monitoring Officer, the Section 151 Officer, and the Chief Internal Auditor. Accountability at a suitably senior level helps set cultural expectations and provides clear access to the senior leadership team and the Governance and Audit Committee (GAC).
- 8 Internal Audit is not responsible for preventing fraud, but it has a key role in ensuring effective internal controls are in place and investigating allegations of fraud.
- 9 The Strategy for the Prevention and Detection of Fraud, Corruption and Bribery (the strategy) was published in 2021 and is now overdue for review (as of October 2024). However, the strategy clearly states that: 'the Council does not and will not tolerate any form of fraud, corruption or bribery when undertaking any of its responsibilities'.
- 10 Senior leaders that we interviewed consistently expressed the view that allegations of fraud are taken seriously by the Council and fraud is not tolerated. They demonstrated an understanding of their roles as set out in the strategy. Although the Strategy is overdue for review, in this specific regard it still reflects the practices in the Council.
- 11 In recent years, the Council has investigated several fraud allegations⁴. Although the number of allegations raises questions about the extent to which the Council is proactively preventing fraud, it also suggests that Council staff know how to raise concerns and are confident that doing so is worthwhile.
- 12 The Council does not currently have fraud awareness training in place for all staff, but it has plans in place to implement this soon. The Council therefore recognises that there is more to do in terms supporting staff to detect and prevent fraud and is taking steps to address this. Effective counter-fraud training would help staff and members to understand their role in respect of counter-fraud, give them the confidence and skills to report suspected fraud, and contribute towards the Council's anti-fraud culture.

⁴ Internal Audit undertook six special investigations during 2024-25 and seven special investigations during 2023-24. Out of the 13, five related to fraud or potential fraud. Two of those five related to Town Council matters. Source – [Annual Governance Statement Draft Report 2024-25](#), as reported to GAC on 11 June 2025

- 13 The Governance and Audit Committee receives a quarterly update from the Chief Internal Auditor that includes information on fraud investigations and counter-fraud work. The officers we spoke to had a positive view of GAC and their engagement with the committee's work programme, including counter-fraud.

The Council's strategy document and Fraud Response Plan are out of date and no longer match current practice in a key area

- 14 The Council's strategy and Fraud Response Plan were adopted by the Council in 2021 and were due to be reviewed in October 2024. At the time of writing, this had not taken place. We heard from interviewees that capacity issues in Internal Audit meant that there has not been time to update many of the relevant strategic documents.
- 15 The Council carries out pre-employment checks, including DBS⁵ checks and reference checks. Compliance with DBS checks is reported to the Safeguarding Board. Managers we spoke to confirmed to us that the systems and procedures in place around the probation process ensured compliance. The Council therefore is taking steps to minimise the risk of employing dishonest people.
- 16 The Council has a gifts and hospitality register, held by HR, but currently it does not have any entries. During our fieldwork, interviewees demonstrated an understanding of the risks associated with accepting gifts and hospitality, but knowledge of the process for declaring such items was inconsistent.
- 17 The Council's fraud-response plan sets out the fraud-investigation process, the roles and responsibilities of officers involved in the investigation process, and the broad arrangements for dealing with staff under suspicion of fraud.
- 18 The fraud-response plan states that once the Monitoring Officer and/or the Chief Internal Auditor are made aware of an allegation of fraud, they should convene a Fraud Response Panel. The Panel will advise the Monitoring Officer on how to proceed (ie whether to pursue a disciplinary process, inform the police, or another option). The Monitoring Officer will take the advice of the Panel into account when making their decision. The response plan allows for flexibility in terms of how the Panel conducts its business, in that it can meet formally or discuss the issues over email, but the plan is clear that a Panel must be convened. Although the Council provided us with some documentation that it says it is using in place of the process set out in the Plan, we did not find evidence that the Council is convening Fraud Response Panels, and therefore are not assured it is following its own processes. Officers advised that they are following a new process based on CIPFA guidelines, however, this change has not been updated in the Fraud Response Plan.
- 19 Whilst the Council has some elements of a strategic approach to counter fraud in place, key documents (the strategy and the Fraud Response Plan) are out of date

⁵ Disclosure and Barring Service.

or are not working as intended. This increases the risk that the Council does not target its resources effectively or that it deals with allegations inconsistently.

The Council does not undertake a comprehensive fraud risk assessment that directly informs its work on counter fraud

- 20 The Council has processes in place to prioritise the work of Internal Audit and it is conscious of the risk of fraud at a corporate level. But the Council does not build on this activity to plan and inform proactive counter-fraud work.
- 21 Internal Audit carries out an annual mapping exercise where, in discussion with Heads of Service, the Chief Internal Auditor sets out areas for potential inclusion on Internal Audit's work programme. Each topic is scored according to level of risk against relevant criteria. This exercise informs the annual Internal Audit work plan, in which the highest scoring topics are prioritised.
- 22 The process for selecting items for inclusion in the mapping exercise, and the rationale for scoring, are not clear, as there is no supporting narrative within the mapping exercise document. Although the process identifies some areas that are known to be at greater risk of fraud, such as key financial systems, not all the risks identified are risks of fraud, for example, the risk may be around budget savings or a safety concern.
- 23 It is clear that the mapping exercise is a work planning and prioritisation exercise for Internal Audit. Although investigating and preventing fraud is an important part of Internal Audit's work, it is not its only role. The mapping exercise therefore cannot be considered as a comprehensive fraud risk assessment, as this is not its purpose.
- 24 The corporate risk register includes the risk of fraud, but it does not identify specific service areas where the risk of fraud is greater.
- 25 Appendix C of the strategy is titled 'Fraud Risks'. This is a list of risks that are particularly significant to Local Authorities, such as Blue Badge or Council Tax fraud. The list is not prioritised and is not specific to the Council.
- 26 The service risk register identifies the risk of fraud in two service areas (People, and Finance and Audit), but not in other service areas.
- 27 Therefore, none of these documents are used, or could be used, to identify specific areas of greater risk in order to inform and prioritise proactive counter-fraud work. Not having a fraud risk assessment in place means that the Council does not have the information it needs to ensure its resources are targeted appropriately, or to identify emerging risks.

The Council responds to allegations of fraud when they are made but it cannot demonstrate that it takes a proactive, risk-based approach to fraud prevention

- 28 We have set out above that the Council cannot demonstrate that it assesses fraud risk. Therefore, it is not able to make informed decisions on where to prioritise its limited resources in terms of proactive counter-fraud work.
- 29 The Council can demonstrate that it is responsive to allegations of fraud, and that it seeks to learn lessons from instances of fraud, both within the Council and in other organisations. The Council also ensures that certain high-risk areas, such as the Council's key financial systems, are reviewed by Internal Audit every year.
- 30 The Council takes part in the National Fraud Initiative (NFI). NFI participants are not expected to look at every data match. The Council prioritises which data matches to look at and in what order. For the previous biennial NFI exercise, the Council reported savings in the areas of council tax (single person discounts and reduction scheme reliefs) and housing benefits. A range of data matching areas were reviewed, although we note that some datasets were not investigated on a timely basis. Delays in looking at the data could potentially mean that fraudulent behaviour continues for longer than it needed to. It is clear that the Council's capacity issues in Internal Audit, as set out in the paragraphs below, alongside a relatively high number of Internal Audit investigations in recent years, have had an impact on its ability to plan and deliver its planned audit work. The Council is prioritising reactive work and areas of obvious high risk, but it does not then have the capacity to undertake additional proactive work that could potentially prevent fraud or discover it more quickly.

Despite exploring a range of recruitment options, the Council does not currently have sufficient trained and experienced staff in counter fraud

- 31 As noted above, the Council's Internal Audit Team responds to allegations of fraud and reviews key financial systems to minimise the risk of fraud within their existing work programme. However, there are no dedicated specialist counter-fraud officers within the internal audit team.
- 32 The Council has found it challenging to recruit and retain suitably qualified and experienced Internal Audit staff. As the responsibility for investigating allegations of fraud falls to Internal Audit, this means that in recent years, the Chief Internal Auditor has been heavily involved in the detail of investigations. Whilst all allegations have been responded to, this has had a negative impact on the Council's planned audit work⁶, and its ability to plan strategically.

⁶ 50% of the Internal Audit work plan for 2024-25 was not delivered. [Annual Governance Statement Draft Report 2024-25](#), as reported to GAC on 11 June 2025.

- 33 The Council's 2024 peer assessment from Ceredigion Council also noted the staffing challenges in Internal Audit and concluded that, therefore, the Council only partially conforms to the Public Sector Internal Audit standard on 'Proficiency and Due Professional Care'.
- 34 In response to its recruitment challenges, the Council has employed staff on career pathways, where less qualified and experienced staff are recruited and work towards qualifications while performing less complex elements of the role.
- 35 Whilst the Council recognises the issue it faces and has taken steps to try and address it, it remains the case that the Internal Audit team do not currently possess sufficient skills and experience to cover all areas of their work, although staff are working towards suitable qualifications.
- 36 Because the Chief Internal Auditor has had to take on a more hands-on role in terms of delivering audit work, elements of the audit plan have not been delivered, and the Council is looking at having a smaller audit plan going forward. As set out earlier in the report, refreshing the strategic documents has not been a priority, so they are now out of date.

Appendix 1

Audit questions and criteria

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)
1. Leadership and Culture:	
1.1 Does the Council champion the importance of a good anti-fraud culture?	• 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)
2. Risk Management and Control Framework	
2.1 Does the Council undertake comprehensive fraud risk assessments?	• The Council has undertaken a thorough fraud risk assessment in the last two years to provide an honest appraisal of risk and 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: – 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.
2.2 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?	• 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 fraudproof new policies, strategies and initiatives across departments.

Questions	Audit Criteria (what we are looking for)
3. Polices and Training	
3.1 Does the Council have a comprehensive and up-to-date Counter Fraud Strategy for identifying, managing and responding to fraud risks?	Counter-fraud strategy • 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. • The counter-fraud strategy has been communicated to staff and is readily available to all staff as a reference document. • The Council undertakes pre-employment screening through various checks eg DBS, 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.

Questions	Audit Criteria (what we are looking for)
3. Polices and Training	
3.2 Does the Council have a comprehensive and up-to-date Fraud Response Plan for identifying, managing and responding to fraud risks?	• The Council has a Fraud Response Plan that: – 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. • The Council seeks redress, including recovery of assets and money lost to fraud, where possible.
3.3 Do those working for the Council receive fraud-awareness training as appropriate to their role to increase organisational effectiveness in preventing, detecting and responding to fraud?	• 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)
3. Polices and Training	
3.4 Does the Council publicise cases of fraud that have been successfully addressed to re-enforce a robust message that fraud will not be tolerated?	• The Council publicises proven fraud and the action taken in response to the fraud 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.
4. Capacity and Expertise	
4.1 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?	• 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.
4.2 Does the Council have access to trained counter-fraud staff that meet recognised professional standards?	• 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)
5. Tools and Data	
5.1 Does the Council have dynamic and agile counter-fraud responses which maximise the likelihood of a successful enforcement action?	• 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.
5.2 Does the Council seek and embrace new opportunities to innovate with data analytics to strengthen both the prevention and detection of fraud?	• 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: – seeking to maximise the 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 fraudproof systems.

Questions	Audit Criteria (what we are looking for)
6. Collaboration	
6.1 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?	• 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.
7. Governance	
7.1 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?	• 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.

Questions	Audit Criteria (what we are looking for)
7. Governance	
7.2 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 caseload 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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