

Counter-fraud Arrangements – Blaenau Gwent 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.
- 2 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

- 3 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.

What we found

There are fundamental weaknesses in the Council's counter-fraud arrangements

- 4 Overall, we found that **there are fundamental weaknesses in the Council's counter-fraud arrangements**. We set out below why we reached this conclusion.
- 5 The Council does not undertake a specific fraud risk assessment. Internal Audit gives some consideration to fraud risk when developing its annual work programme and fraud risk features in the Resources directorate risk register. But there is no comprehensive assessment of fraud risk across the Council. Regular fraud risk assessments that draw on internal and external intelligence can help an organisation to identify and tackle different types of fraud. They also help organisations identify any weaknesses in counter-fraud arrangements and target resources and activities appropriately.
- 6 Having sufficient resources to undertake and respond to the fraud risk assessment is important, but the Council lacks dedicated counter-fraud officers. This limits its capacity to proactively prevent and detect fraud. As a result, most fraud-related work is reactive.
- 7 The Council has appropriate policies in place, such as its codes of conduct, whistleblowing policy and recently updated anti-fraud, corruption and bribery policy. But it lacks an overarching counter-fraud strategy that clearly sets out the Council's

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

arrangements and actions for managing fraud risks and how it will monitor performance. Developing a strategy would give the Council an opportunity to review its counter-fraud arrangements and address the weaknesses set out in this report.

- 8 Although Internal Audit staff receive fraud-related training, fraud-awareness training is not provided routinely to all Council staff and members. The Council plans to use an online training module developed by a neighbouring authority but has not yet rolled this out. Without training, there is a risk that not all staff and members understand the role they play in helping to detect and prevent fraud. Effective counter-fraud training also gives staff and members the confidence and skills to report suspected fraud and contribute towards the Council's anti-fraud culture.
- 9 We saw limited examples of the Council publicising its counter-fraud work. Publicising cases where fraud has been identified and successfully addressed helps reinforce the message that fraud is not tolerated. It can also act as a deterrent by discouraging wrongdoing.
- 10 The Council does not maintain a central record of fraud losses and recoveries. This makes it difficult to understand the full extent to which fraud is impacting on the Council.
- 11 The Governance and Audit Committee (GAC) receives limited information on fraud. This restricts the committee's ability to understand and assess the effectiveness of counter-fraud arrangements. Committees that actively scrutinise counter-fraud arrangements and activity can also help support a strong anti-fraud culture by promoting the message that fraud is not tolerated.

Our recommendations for the Council

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

Exhibit 1: recommendations

Recommendations	
R1	The Council should champion the importance of a good anti-fraud culture and allocate sufficient resources to review and strengthen its counter-fraud arrangements, drawing on the opportunities presented by the federated model in terms of capacity and shared learning.

Recommendations

R2 In strengthening its counter-fraud arrangements, the Council should ensure it:

- develops a counter-fraud strategy;
- undertakes a robust assessment of fraud risk and develops a proactive work programme to address the identified risks;
- provides appropriate training to all staff and members;
- identifies opportunities to promote a zero-tolerance culture in relation to fraud; and
- improves its monitoring and reporting arrangements for counter-fraud.

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 between May and June 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?	• 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	
2. 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 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: – 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.
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?	• 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?	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; and - the counter-fraud strategy has been communicated to staff and is readily available to all staff as a reference document.
	Code of Conduct: - 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.
	Whistleblowing: - 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.

Questions	Audit Criteria (what we are looking for)
Polices and Training	
	Register of Interest: • 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: – 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.

Questions	Audit Criteria (what we are looking for)
Polices and Training	
5. 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.
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?	• 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	
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?	• 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.
8. 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)
Tools and Data	
9. 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.
10. 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 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	
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?	• 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	
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?	• 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)
Reporting and Scrutiny	
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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