

# **Review of Counter Fraud Arrangements**

Merthyr Tydfil County Borough Council

November 2025

# About us

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# Contents

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Audit snapshot	4
Our findings	6
Recommendations	10
1 About our work	13
About us	15



# Audit snapshot

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## What we looked at

- 1 In 2020, the Auditor General for Wales made 15 recommendations to improve the way the Welsh public sector tackles fraud.<sup>1</sup> We also wrote to the Council in February 2020 identifying some gaps in Merthyr Tydfil County Borough Council's counter-fraud arrangements. The findings from our national and local work were presented to the Governance and Audit Committee in October 2020.<sup>2</sup>
- 2 As part of our 2025-26 work programme, we looked at the Council's arrangements for preventing and detecting fraud and checked the progress it has made in implementing our recommendations.

## Why this is important

- 3 The risk of fraud is an increasingly common threat to almost every part of day-to-day living. The risk of fraud is prevalent across all aspects of the public sector. Every pound stolen from the public sector means that there is less to spend on vital public 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.

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

<sup>2</sup> [Audit Wales presentation](#): Raising our Game: Tackling Fraud in Wales, Governance and Audit Committee, October 2020

4 A Cabinet Office report in 2019 identified an upper and lower range for likely losses in government spending of between 0.5% and 5% of expenditure to fraud and error.<sup>3</sup> Applying those estimates to the Council's £208 million budgeted revenue expenditure in 2024-25 suggests that between £1 million and £10 million could have been lost to fraud and error in that period.<sup>4</sup>

## What we have found

5 Overall, we found that the Council has strengthened its counter-fraud arrangements, since the Auditor General's report in 2020. The Council now has a dedicated Counter Fraud officer and it collaborates well with other organisations whilst making use of its tools and data. It has updated and reviewed its counter-fraud policies, although there are opportunities to strengthen aspects of its fraud risk management and control frameworks. Governance and Audit Committee has the opportunity to review and challenge the Council's counter-fraud arrangements and activities, but the level of discussion has been quite low.

## What we recommend

6 We made four recommendations aimed at further strengthening the Council's counter-fraud arrangements. These cover:

- fraud risk management;
- a Fraud Response Plan to further promote its zero-tolerance approach;
- existing preventative and learning from counter-fraud arrangements; and
- ensuring that the Governance and Audit Committee (GAC) is able to sufficiently assess and scrutinise the effectiveness of counter-fraud arrangements.

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

<sup>4</sup> Welsh Government, [Stats Wales, Local Government Revenue Outturns](#)

# Our findings

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The Council has most of the key arrangements in place to both prevent and detect fraud, but some could be improved

## Culture

- 7 The Council champions the importance of a good anti-fraud culture. In its Anti-Fraud and Corruption Policy the Council clearly states that it will seek the appropriate sanctions against any individual or organisation that defrauds or seeks to defraud it. The Council agreed its Counter Fraud Enforcement policy in January 2025 to support this. The Council underlines its commitment to counter-fraud on both its intranet and internet.
- 8 The Council has access to trained counter-fraud staff that meet recognised professional standards. The Council has invested in having a specialist Counter Fraud Officer, who has been in post for about two years. The officer has developed their professional training and accreditation. This includes being able to undertake fraud investigations.
- 9 The Council's Counter Fraud officer works closely with the Regional Internal Audit Service (RIAS) enabling them to benefit from this shared support and expertise across the three member councils. The Head and Deputy Head of the RIAS attend the Wales Chief Internal Auditors' forum providing another forum to discuss arrangements. Having a specialist resource enables the Council to enhance their fraud detection and prevention. It puts the Council in a strong position to respond to emerging threats, overall reducing the risk of financial loss through fraud.
- 10 The Council does not always ask its counter-fraud or audit staff to review new policies or strategies. This is a missed opportunity to improve controls. Without their input, the Council may overlook fraud risks in new plans.

- 11 There is a counter-fraud training session within the mandatory induction programme for all new employees and members. This assures the Council that all new staff and members have a minimum understanding of counter-fraud. However, by not ensuring all existing staff and members have mandatory training, the Council is not mitigating the rapidly developing risk of fraud.

## Policies and plans

- 12 The Council has updated its Counter Fraud Strategy (the Strategy) to improve identifying, managing, and responding to fraud risk.<sup>5</sup> The Strategy links to other related policies, including the Council's code of conduct, whistleblowing, and anti-bribery and corruption policies. However, the Council has not yet shared the updated Strategy with staff and members. This is important, because staff and members may not be aware of the counter-fraud arrangements relevant to their roles and responsibilities.
- 13 The Strategy includes a Fraud Response Plan. But the Plan does not explain how the Council will share information about confirmed fraud cases. Sharing these cases can help deter fraud and shows staff and residents that the Council takes fraud seriously.
- 14 The Council does not monitor compliance with its Fraud Response Plan. This is important because without ensuring that all fraud investigations follow the steps set out in its Fraud Response Plan, the Council is at risk of not achieving its intended position of fraud prevention and zero tolerance.
- 15 The Council does not have an annual counter-fraud delivery plan that sets out how it will address identified fraud risks, allocate resources, set a timetable and officer responsibility for delivery. By not having effective annual delivery planning for acting upon the fraud risk assessment, the Council is at risk of not responding to identified fraud risks in a well-managed way that then limits value for money from its counter-fraud arrangements.

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<sup>5</sup> Counter Fraud Strategy and Framework, March 2025

- 16 The Council has a fraud risk register, but there are weaknesses in its current counter-fraud risk assessment arrangements. At the time of our fieldwork, the Council was reviewing its counter-fraud risk assessment. However, work to date suggests it is a light touch update rather than a comprehensive review. The lack of a thorough fraud risk assessment reduces the Council's ability to identify and tackle potential instances of fraud. It also makes it difficult to understand if the resources being applied to mitigate fraud risks are being appropriately targeted.
- 17 The Council undertakes pre-employment checks when appointing new employees. However, the Council has not evaluated all posts and roles to identify those posts that have a greater fraud risk to ensure that additional pre-employment checks are done.

## Collaboration and learning

- 18 The Council makes use of data analytics in its counter-fraud work and uses the National Fraud Initiative (NFI) app to manage the processing of data matches that identify potential cases of error and fraud. Corporate Management Team receive reports on the Council's progress in processing data matches including NFI every three months.
- 19 However, the Council does not always maximise the impact of the NFI. Whilst matches are passed to relevant departments, there is not always officer capacity to process these potential cases of fraud and error. By not considering all data matches highlighted by the NFI, the Council is at risk of not identifying all cases of fraud and error, and potentially having fraud cases being undetected.<sup>6</sup>
- 20 The Council is collaborating with other organisations to strengthen the impact of its counter-fraud detection and prevention arrangements. It shares data with organisations such as the Tenancy Fraud Forum, the Wales Fraud Officer Group, and the Department of Work and Pensions.

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<sup>6</sup> [The National Fraud Initiative in Wales 2022-23](#)

- 21 The Council collates information about losses and recoveries and shares fraud intelligence with public sector organisations to strengthen controls and enhance monitoring and support targeted action. Monthly reports on counter-fraud activities are discussed with the Council's Internal Audit service.
- 22 The Council does not always evaluate learning from fraud cases or provide feedback to departments to help strengthen counter-fraud preventative arrangements. Consequently, missing opportunities for improvement.

## **Governance**

- 23 The Council's counter-fraud strategy and framework document sets out that the role of the Governance and Audit Committee (GAC) is to monitor on a regular basis the Council's approach to tackling fraud and corruption and promote an anti-fraud culture. It also underlines that GAC plays a key role in scrutinising the Council's approach to fraud, its system of controls and risk management, and its wider resilience to financial irregularity in general.
- 24 The GAC reviewed the Council's counter-fraud policies in May 2025. At that meeting, at Committee's request, it was agreed that Internal Audit would provide counter-fraud progress reports every six months. This has been incorporated into GAC's work programme. GAC also received the Council's Annual Counter Fraud Report 2024-25 in July 2025. This report provides a comprehensive overview of the Council's counter-fraud arrangements and activities. However, we found that for the meetings we observed, the GAC offered only limited engagement, scrutiny and challenge of the Council's counter-fraud arrangements. Effective scrutiny and challenge are part of the GAC's remit and an important determinant in the effectiveness of the Council's counter-fraud arrangements.

# Recommendations

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**R1 The Council should strengthen its counter-fraud arrangements to mitigate against rapidly developing risks of fraud by:**

- 1.1 Increasing its awareness of fraud risks to include all parts of the organisation by developing a comprehensive fraud risk assessment for all Council departments that is updated each year (para 16).
- 1.2 Developing an annual counter-fraud delivery plan that responds to the risks of fraud with the greatest value, impact and likelihood identified in the fraud risk assessment. Each fraud response should define responsibility to individual officers, timescales for delivery and resources required (para 15).
- 1.3 Sharing its Counter Fraud Strategy with staff and members (para 12).

**R2 Reinforce the Council's zero tolerance to fraud by strengthening its Fraud Response Plan by:**

- 2.1 Being clear within its Fraud Response Plan on how and when the Council will publicise proven frauds to support its zero tolerance strategic position (para 13).
- 2.2 Introducing arrangements to ensure compliance with the Fraud Response Plan (para 14).

**R3 Strengthen its existing preventative and learning counter-fraud arrangements by:**

- 3.1 Introducing regular refresher counter-fraud training for all staff and elected members, including measures to assess the effectiveness of the training (para 11).
- 3.2 Identifying posts/roles across the organisation with a high risk of fraud and ensure proportionate and effective pre-employment screening is undertaken (para 17).
- 3.3 Consulting with its own counter-fraud/internal audit staff to fraud-proof new policies, strategies, and initiatives across departments (para 10).
- 3.4 Consistently undertaking post-fraud event learning to understand how fraud occurred and to strengthen its arrangements to prevent fraud (para 22).

**R4 The Council should ensure that GAC assesses and scrutinises the effectiveness of the Council's counter-fraud arrangements.**

- 4.1 This should include training for GAC on counter-fraud and updates on the Council's counter-fraud delivery plan (paras 11 and 24).

# Appendices

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# 1 About our work

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## Scope of the audit

This audit looked at the Council's arrangements for preventing and detecting fraud. It also looked to assess the Council's progress in addressing the recommendations in our national report published in 2020.

## Audit questions and criteria

### Questions

This audit sought to answer the following questions:

- Does the Council champion the importance of a good anti-fraud culture?
- Does the Council undertake comprehensive fraud risk assessments?
- 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?
- 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?

### Criteria

Our audit criteria drew on the findings and recommendations in our national study report 'Raising Our Game' Tackling Fraud in Wales, July 2020.

## Methods

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 from March to May 2025. We also considered the Council's annual counter-fraud report, which went to GAC in July 2025.

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Audit Wales

Tel: 029 2032 0500

Fax: 029 2032 0600

Textphone: 029 2032 0660

E-mail: [info@audit.wales](mailto:info@audit.wales)

Website: [www.audit.wales](http://www.audit.wales)

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