

Agenda – Public Accounts Committee

Meeting Venue:

Committee Room 2 – Senedd

Meeting date: 17 June 2019

Meeting time: 13.00

For further information contact:

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Committee Clerk

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(Private Pre-meeting)

(13.00 – 13.15)

1 Introductions, apologies, substitutions and declarations of interest

(13.15)

2 Welsh Government Financial Support for Business: Evidence Session with Development Bank of Wales

(13.15 – 14.50)

(Pages 1 – 23)

Research Briefing

Giles Thorley – Chief Executive, Development Bank of Wales

Mike Owen – Group Investment Director, Development Bank of Wales

Rhian Elston – Investment Director, Development Bank of Wales

(Break)

(14.50 – 15.00)

3 Welsh Government Financial Support for Business: Evidence Session with the Federation of Small Businesses

(15.00 – 16.30)

(Pages 24 – 48)

PAC(5)-16-19 Paper 1 – Federation of Small Businesses

Ben Cottam – Head of External Affairs, Federation of Small Businesses

John Hurst – FSB Member, B2B IT Services



Cynulliad
Cenedlaethol
Cymru

National
Assembly for
Wales

4 Motion under Standing Order 17.42 to resolve to exclude the public from the meeting for the following business:

(16.30)

Items 5 & 6

5 Welsh Government Financial Support for Business: Consideration of evidence received

(16.30–16.45)

6 Counter Fraud in the Public Sector: Briefing from the Auditor General for Wales

(16.45–17.00)

(Pages 49 – 96)

PAC(5)–16–19 Paper 2 – Auditor General for Wales: Counter–Fraud arrangements in the Welsh Public Sector – An overview for the Public Accounts Committee

Document is Restricted

Agenda Item 3

SUPPORTING SUCCESS: BUSINESS SUPPORT BEYOND 2020



July 2018

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FOREWORD

Business support in Wales is changing.

With the introduction of the Development Bank of Wales and the inevitable disruption to business support funding that will be brought about by Brexit, we are now at a point where there is an opportunity to look at our priorities and what the future of business support in Wales needs to be.

At FSB Wales, we want to see a dynamic, fleet-of-foot business support system that empowers firms across Wales to meet their ambitions – whatever they may be.

This changing landscape also comes at a crucial time; Wales currently has a rich landscape of business support programmes with much of which is heavily-leveraged by European funding – and with our exit from the European Union now less than a year away, this funding is only protected so far as the year 2020.

One of the key asks in this report is that Business Wales must be empowered and, crucially, funded, to continue its activity post-2020. Whilst our members do not think that the Business Wales service is perfect, it represents value for money and some of the organisation’s functions – particularly face-to-face contact with advisors – have been raised as particularly effective.

Our members are also clear that EU funding has had a positive impact on their communities in the past, and the majority of firms that we surveyed for this work believe that the same level of funding should remain.

As part of the conversation about the amount of money that Wales receives, we must also consider how the money is delivered to ensure that this is done to maximum effect for businesses, the tax payer and economic development policy.

We hope that this work will be just the start of a conversation between Welsh Government and businesses across the country about how we want our business support services to look in the future, and how the funding can be delivered to ensure that these support services can deliver for smaller firms and the economy in Wales.

Ben Francis
FSB Wales Policy Chair



INTRODUCTION

“This is a Plan to deliver prosperity for all by encouraging participation for all.” *Prosperity for All: Economic Action Plan 2017*.

The business support landscape in Wales is about to change. In 2020, when the UK leaves the European Union, one of the main funding streams available to Welsh Government will potentially disappear. At the same time, Welsh Government is slowly beginning to implement a new vision for the Welsh economy through its Economic Action Plan.¹ Both of these drivers mean a conversation on the future of business support in Wales will have to take place, if we are to have a clear sense of direction post-2020. We hope to begin that conversation with this policy paper, giving the SME view on priorities for the future.

Indeed, we hope this will build on our previous policy work on self-employment in our report *Going Solo* and finding *Wales' Missing Middle*, our look at medium-sized firms in Wales, to provide a complete picture of a reformed business support environment for Wales.² Fundamental to this is our belief that Wales is an entrepreneurial nation, a nation with the assets and abilities to create and grow sustainable, grounded businesses. It rests on the notion that Wales' future prosperity will be earned not from the outside, but from building on the diversity of firms we already have.

¹ Welsh Government. 2018. Economic Action Plan [Online]. Available at: <http://gov.wales/docs/det/publications/171213-economic-action-plan-en.pdf>

² FSB Wales. 2017. Wales' Missing Middle [Online]. Available at: https://www.fsb.org.uk/docs/default-source/fsb-org-uk/fsb_missing_middle_eng.pdf?sfvrsn=1

BACKGROUND: CURRENT LANDSCAPE

In 2012 the Welsh Government's Micro-Business Task and Finish Group set out a compelling vision of a 'one stop shop' for business support in Wales.³ This was realised with the creation of Business Wales in 2013. As we've pointed out in our report *Wales' Missing Middle*, Wales has had a good track record over the past decade with a rising number of micro firms being established, 80,000 between 2003 and 2016.⁴ Undoubtedly the business support provided by Welsh Government, including through Business Wales has played a part in this. Where we've had less success is the conversion of these businesses into small and then on to medium-sized businesses.

As well as the support from Business Wales, a series of access to finance reviews led by Professor Dylan Jones-Evans led to the creation of the Development Bank of Wales (DBW).⁵ The DBW took existing Finance Wales schemes and created a publicly-owned development bank for the purpose of providing finance to SMEs. Part of the discussion that is yet to be concluded here includes whether DBW will formally merge with Business Wales and there is further complication with the possible inclusion of Careers Wales in the mix.⁶

Welsh Government also has a series of grant and loan mechanisms. These vary in transparency and application to SMEs with the interestingly-named 'non-repayable repayable business finance' perhaps taking the mantle of most opaque but forming part of a series of grant funding regimes under the auspices of the 'sectors' approach.⁷ FSB Wales published a report with Cardiff Business School in 2012 showing that SMEs struggled to find a place within this approach and largely missed the opportunities this funding presented.⁸

Outside of these main sources of support there are a number of EU funded programmes. For instance, Chwarae Teg's Agile Nation has provided support to firms in improving gender representation in the workplace, Working Wales will help with employability schemes and the recently announced Iaith Gwaith project run through Mentrau Iaith all add to the broader business support landscape.

Wales currently has a rich landscape of business support programmes as a result of European Funding.

³ Welsh Government. 2012. Micro-Business Task and Finish Group [Online]. Available at: <http://gov.wales/docs/det/publications/120118microbusinessen.pdf>

⁴ FSB Wales. 2017. *Wales' Missing Middle* [Online]. Available at: https://www.fsb.org.uk/docs/default-source/fsb-org-uk/fsb_missing_middle_eng.pdf?sfvrsn=0 P.8

⁵ Jones-Evans, D. 2013. Access to Finance Review. [Online]. Available at: <http://eprints.uwe.ac.uk/25608/1/access%20to%20finance%20stage%20%20review.pdf> (accessed 11th July 2018).

⁶ Welsh Government. 2017. Business Wales & Careers Wales: Decision Report. [Online]. Available at: <https://gov.wales/about/cabinet/decisions/2017/jul-sep/business/ks2235/?lang=en> (accessed 11th July 2018).

⁷ BBC Wales. 2017. Welsh Government business support changed after criticism [Online]. Available at: <http://www.bbc.co.uk/news/uk-wales-politics-39494843>

⁸ FSB Wales. 2012. Small Business in Priority Sectors [Online]. Available at: <https://www.fsb.org.uk/docs/default-source/Publications/policy/rpu/wales/images/cu-fsbw-small-businesses-Priority-Sectors-2012.pdf?sfvrsn=1>

NEW CHALLENGES

To understand the rationale for this report, it's worth at the outset discussing the challenges that are prompting this conversation. Fundamentally, they are funding constraints that are likely to arise from Brexit and domestic reforms to economic policy.

EU Funding and Budgets

European funding comes in all shapes and sizes, through the European Social Fund, the European Regional Development Fund, the European Investment Bank and a number of smaller but significant funding streams. In total, Welsh Government believes Wales is a net recipient with around £680m a year in European funding supporting Welsh programmes.⁹ Of this, £295m annually flows through the structural fund programmes that provide the bulk of economic actions. It is important at this point to note that this funding is heavily interwoven in Welsh Government programmes and disentangling this funding will take time.



European Funding is heavily interwoven into Welsh Government economic development programmes and accounts for around £680m per annum

By way of comparison, the Welsh Government's annual budget for economy and transport is around £1bn. Of this, around two-thirds relates to transport programmes with around 10 per cent focusing on business support services. In that respect, ESIF funding equates to roughly a third of this budget and therefore has a significant impact on economic policy.¹⁰

Roughly £10m per annum of European Funding goes directly towards supporting the Business Wales service



⁹ Welsh Government. 2017. Securing Wales' Future Transition from the European Union to a new relationship with Europe [Online]. Available at: https://beta.gov.wales/sites/default/files/2017-02/31139%20Securing%20Wales%C2%B9%20Future_Version%202_WEB.pdf

¹⁰ Welsh Government. 2017. Draft Budget Proposals 2018/19. [Online]. Available at: <http://gov.wales/docs/caecd/publications/171024-detailed-budget-2018-19.pdf>

WEFO publishes regular updates on projects approved for funding, allowing us to delve deeper into the financing for business support schemes. From this, we can see that over the five year period (2015-20) the Business Wales programme will cost £85,784,188 in total, of which £51,470,507 will come from European funds with the remainder coming from Welsh Government.¹¹ This therefore equates to roughly £10m per year that goes towards supporting Business Wales from European funding.¹² It is worth noting here that this includes the Accelerated Growth Programme as well as the core Business Wales function.

For Welsh Government's part, the most recent budget (2018/19) suggests an annual contribution of £8.8m on the Entrepreneurship and Business Wales budget expenditure line. This is slightly above the core cost we would expect in light of the figures above from WEFO but likely includes additional or associated programme spend.

It is worth pointing out here that in the context of the Welsh Government's budget for the economy, this is a relatively modest sum. For instance, the 'sectors' budget currently has revenue funding of £29m per year and capital funding of £55m. Within this, one heading alone – Business Solutions – includes around £20m capital funding per year and appears to be the result of an earlier process of concentration of Welsh Government grant funding to firms.¹³ Direct support to SMEs through Business Wales is therefore a relatively small element of Welsh Government's current economic development funding.

Direct business support through Business Wales is currently a small element of Welsh Government's economy budget, compared in particular to sectors and 'business solutions' budgets.

Our work in the past highlighted how most small firms found it difficult to find support through the sectors agenda and that as a result there was likely to be a dominance among grants to larger firms.¹⁴

Indeed, the sectors budget appears to be largely a series of grant funding mechanisms as was highlighted in a recent Public Accounts Committee report that suggested of the £166m given out by Welsh Government between 2012 and 2015 93 per cent (or £154m) was given out as non-repayable.¹⁵ This is significant as the rules around RBF suggested only companies that were 'mobile' would not be expected to repay (indeed this explicitly gave the example of inward investment) meaning local SMEs were effectively priced differently to inward investors in relation to this funding.¹⁶



¹¹ WEFO. 2018. Approved Projects and Projects Under Development. [Online]. Available at: <https://gov.wales/funding/eu-funds/2014-2020/approved-projects/?lang=en>

¹² Ibid <http://gov.wales/funding/eu-funds/2014-2020/approved-projects/?lang=en>

¹³ National Assembly for Wales. 2007. Answers to Questions Not Reached In Plenary [Online]. Available at: [http://www.assembly.wales/Record%20of%20Proceedings%20Documents/Answers%20to%20Questions%20not%20reached%20in%20Plenary%20\(PDF,%20108kb\)-25092007-59710/oaq20070925qv-Cymraeg.pdf](http://www.assembly.wales/Record%20of%20Proceedings%20Documents/Answers%20to%20Questions%20not%20reached%20in%20Plenary%20(PDF,%20108kb)-25092007-59710/oaq20070925qv-Cymraeg.pdf)

¹⁴ FSB Wales. 2012. Small Business in Priority Sectors [Online]. Available at: <https://www.fsb.org.uk/docs/default-source/Publications/policy/rpu/wales/images/cu-fsbw-small-businesses-in-priority-sectors.pdf?sfvrsn=1>

¹⁵ Public Accounts Committee, NAFW. 2017. The Welsh Government's funding of Kancoat Ltd [Online]. Available at: <http://www.assembly.wales/laid%20documents/cr-ld10933/cr-ld10933-e.pdf>

¹⁶ Welsh Government. 2013. Repayable Business Finance [Online]. Available at: https://businesswales.gov.wales/sites/business-wales/files/documents/WG%20Business%20Funding%20Programmes%20March%202013/WG16912_Repayable%20Business%20Finance.pdf

Ultimately, this shows us two things. Firstly, that the withdrawal of European funding will place significant pressure on Welsh Government's economic policy budgets. This will mean less money will potentially be available to support economic policy. However, this also shows that within Welsh Government's budgets there are choices to be made between the sorts of firms Welsh Government wants to support and grow. This is a key consideration for the Economic Action Plan, if it is to focus on growing Wales' domestic economy.

Welsh Government has a choice to make with regards to future funding around the types of firms it wants to support, mobile inward investment or local, grounded firms.

Economic Action Plan

Late in 2017 the Welsh Government published its Economic Action Plan. This long-awaited strategic refresh set out a number of changes to business support. For instance, the sectors (mentioned above) are to be removed and replaced with foundational sectors and calls to action such as artificial intelligence and automation. Furthermore, the Welsh Government will shift its interventions towards a regional footprint with three economic regions as the locus for activity. Finally, funding streams will be brought together for grant and loan based projects under the banner of a single Economy Futures Fund.

This provokes significant questions for the debate around business support post-2020. Indeed, at a recent scrutiny session the Cabinet Secretary for the Economy Ken Skates noted that *"at the moment, the criteria for drawing down Government support largely rest on cost-per-job and ratio."*¹⁷ The current Business Wales support programme has explicit job targets and ambitions, as do other schemes such as the Business Finance Scheme (formerly Repayable Business Finance) and the activity of the Development Bank of Wales.

Previous support provided to firms in Wales has been based largely on job creation targets.

In contrast, the ambitions of the Economic Action Plan move beyond jobs as the primary aim towards a broader range of issues such as job quality, productivity and tackling major economic challenges such as decarbonisation and automation. This will require a different type of business support environment across all types and levels of support, one that may not be easily captured in terms of job numbers as has been the case in the past.

The primary mechanism for delivering this is the Economic Contract. The contract replaces the previous jobs-focused discussion between Welsh Government and firms with a 'something for something' approach. This means firms will receive grant from Welsh Government only if they can prove they can support wider aims such as developing local supply chains, decarbonisation, fair work and productivity increases. At present, this is restricted to grant funding (through the Business Finance Scheme) and there is an element of proportionality built in so that small firms have proportionate expectations.

The Economic Contract is moving government support beyond simple job creation targets towards a broader economic conversation.

The removal of European boundaries also opens up geographical possibilities. In the past, support has been given on the basis of East Wales and West Wales and the Valleys, largely to fit with EU funding criteria. Post-2020 there will be opportunities to refit the business support environment to modern economic boundaries, including potentially local authorities and the emerging economic regions.

¹⁷ Economy, Infrastructure and Skills Committee, NAFW. 2018. Welsh Government Draft Budget 2018-19 and the Economic Action Plan—Cabinet Secretary for Economy and Transport [Online]. Available at: <http://record.assembly.wales/Committee/4570>

European Union boundaries for funding will no longer be a barrier to project delivery.

Shared Prosperity Fund

The repatriation of regional policy brings with it further complications. As we have seen above, Wales is a net recipient of a significant amount of EU funding and this often has beneficial impacts on business across Wales. For instance, in our recent document Making Brexit Work for Wales our members told us clearly (78 per cent of respondents) that they thought Wales should continue to receive the same amount of funding as it had through the European Union.¹⁸

Furthermore, when asked if funding had been beneficial to their local community the vast majority said it had with only a small number saying it hadn't. Despite this, we believe funding can be better spent in the future to improve the economic wellbeing of Wales.

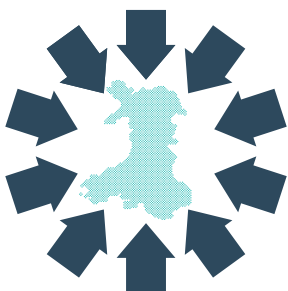


EU funding has had a positive impact in the past and the majority of firms we surveyed thought the same level of funding should remain

As well as the amount of money Wales receives, we also have to consider the way the money is delivered. At present, Welsh Government receives the money directly from Brussels which then gets spent through the Wales European Funding Office (WEFO). This gives Welsh Government significant control over the funding, albeit within the parameters set by the European Union. More recently, the UK Government suggested it would replace regional funding with a UK Shared Prosperity Fund. Crucially, it did not provide details around the nature of the fund, whether its priorities would be set by UK or Welsh Government, whether the qualification criteria would remain consistent and whether it would be the same amount of funding.

In anticipation of the Shared Prosperity Fund, FSB carried out UK-wide research into Brexit culminating in a report on funding titled Brexit Reformed Business Funding: What Small Firms Want from Brexit.¹⁹ In the report FSB calls for the devolved nations to retain the powers to set their own allocations and frameworks for how funding should be prioritised, which takes account of local economic needs.

Regional policy is fundamentally about balancing economic outcomes. As economic development is a devolved function, we believe Welsh Government are best placed to deliver any replacement funding through the Shared Prosperity Fund. This would ensure the funding aligns with the Welsh Government's economic strategy, the Economic Action Plan, and can be matched to Wales' emerging economic regions through the Chief Regional Officers. It should also be hypothecated to economic development and should not form part of Welsh Government's broader budget.



Welsh Government should retain control of regional funding through the Shared Prosperity Fund post-brexit

¹⁸ FSB Wales. 2017. Making Brexit Work for Wales [Online]. Available at: https://www.fsb.org.uk/docs/default-source/fsb-org-uk/fsb_making_brexit_work_wales_eng.pdf?sfvrsn=0

¹⁹ FSB. 2017. Reformed Business Funding: What Small Firms Want from Brexit [Online]. Available at: <https://www.fsb.org.uk/docs/default-source/fsb-org-uk/reformed-business-funding.pdf>

Business Support: Value for Money?

Any assessment of priorities post-2020 should include an analysis of value for money. This is obviously difficult to quantify and depends heavily on the objectives that underpin any scheme. As we've highlighted above, in the future we can foresee objectives that move beyond job quantity to look at a more refined set of indicators. That said, we can begin to use cost-per-job to highlight value within the economic budget.

Table 1 provides a brief examination of the costs incurred through job creation in Wales for various projects. It's important to note at this point that these are estimated figures based on the available information. Welsh Government doesn't always publish the relevant information to allow for a larger or more precise analysis, particularly around grants to individual companies. For that reason, these figures should therefore be taken as indicative only.

TABLE 1

COST PER JOB ANALYSIS	Budget	Jobs	Cost per job	Notes	Assumptions
BUSINESS WALES	£85,784,000.00	28,300	£3,031.24	Funding for provision of advice service.	Figures relating to the entire project period.
BUSINESS FINANCE SCHEME	N/A	N/A	Small £11,512 Medium £8,954 Large £6,396	93% projects grant funded, 7% repayable between 2012 – 15. Grants based on 'mobile' companies.	Based on the median wage in Wales (£25,584) in 2016 against the percentage investment criteria in a tier one assisted area.
DEVELOPMENT BANK OF WALES	£80,000,000.00	5,500	£14,545.45 (£2,909)	Loans or equity investment to SMEs that are repayable.	Based on the projected annual investment figure and jobs created/safeguard for 2022.
ENTERPRISE ZONES	£225,867,359.00	1,0706	£21,097.27	A mixture of grants, investment in infrastructure and property business support.	Figures relating to the entire project period.
ASTON MARTIN	£5,800,000.00	750	£7,773.33	Details not published, assumed RBF/BFS.	
ALDI	£4,500,000.00	422	£10,663.51	Details not published, assumed RBF/BFS.	
TUI	£525,000.00	175	£3,000.00	Business Finance Scheme.	
CAPGEMINI	£1,400,000.00	100	£14,000.00	Business Finance Scheme.	
DELOITTE	£3,500,000.00	700	£5,000.00	Repayable Business Finance (now renamed Business Finance Scheme).	

20

N/A Not applicable

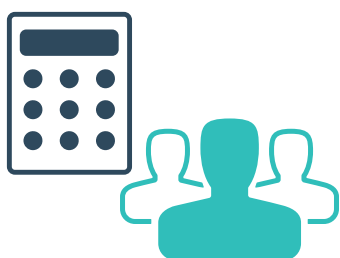
By this analysis, we can begin to make a number of assumptions. Firstly, it's clear that the spend for Business Wales represents value for money if job creation is the goal. At £3,031.24 per job Business Wales offers a significant return for a relatively small investment. It's also worth noting here that these are jobs created in communities across Wales with a broad variety of firms. From our perspective, this diversity is a strength in that these jobs are rooted in Wales, unlikely to be mobile and ensure further spending in their localities.



**Spending on Business Wales
delivers a good return to
government at a cost of
£3,031 per job**

In relation to the Development Bank, the picture is less clear. While the figure seems high it is worth pointing out that the Development Bank is providing loans not grants and therefore there is a very strong chance this money will be repaid, and in the case of equity investments the Development Bank stands to deliver returns to the public purse on sound investments.

Based on the 2017 Annual Report for Finance Wales, in 2016 around £30m was held as loan loss provision out of a total of £145m in loans receivable.²¹ While this does not relate to equity investment, this assumes a default rate of up to 20 per cent, which is to be expected for a public bank delivering gap finance. On that basis, we can assume as a maximum only 20 per cent of the funding will go unpaid, giving us a more realistic jobs figure of £2,909, which is again comparable to Business Wales. As was the case for Business Wales, the Development Bank lends to SMEs so is therefore likely to be targeting a broad spectrum of firms across Wales.



**The Development Bank of Wales
also provides good value for money
with an estimated cost per job
of £2,909**

In relation to Enterprise Zones, we can see that the cost of job creation is high at over £21,000. This may be due to the fact that interventions are provided in a number of areas such as through business support, property investment, tax relief and infrastructure.

²¹ Development Bank of Wales. 2017. Annual Report. [Online]. Available at: <https://developmentbank.wales/sites/default/files/2017-09/FW%20Annual%20Repor2016-2017.pdf> P.69



Finally, for this exercise we have drawn out reported figures from investment made to individual inward investment projects. The detail of these investments are usually not made public, so it is hard to ascertain their value for money. This assessment should therefore be taken as indicative only.

Business support to inward investors is usually made through the Business Finance Scheme, formerly known as Repayable Business Finance. The name here is important, as despite repayable being in the title, it was revealed by the Public Accounts Committee that 93 per cent of interventions made under this fund were in fact, non-repayable.²² There are legitimate questions to be asked as to whether this proportion is sustainable given possible future funding constriction. The criteria for whether a grant is non-repayable or repayable is around whether a business is mobile. To our knowledge, this is not publicly defined so there may be significant amounts of discretion involved. In practice, that suggests that local businesses rooted in Wales, whilst in principle eligible for the funding, in practice will receive it on worse terms than ‘mobile’ inward investors.

Based on the figures provided through Welsh Government press reports, we can see that value for money varies incredibly, with investments in TUI being comparable to Business Wales whereas the Capgemini intervention is around four and a half times more expensive. In contrast to Development Bank and Business Wales funding, these interventions are placed in individual firms who are classed as ‘mobile’ so are susceptible to moving outside of Wales if the funding environment is no longer favourable.

Direct grant funding to larger firms is of variable value for money with the examples examined here ranging from similar cost per job as Business Wales to over four and a half times more expensive.

Our aim here is not to say that these sorts of interventions should not take place, clearly it’s important for economic development that Wales is able to attract large anchor companies that add to our economic capacity. Indeed, as we expressed in our missing middle report, Welsh Government should prioritise investments that can be shown to have significant supply chain opportunities which would help anchor the activity. Rather, our intention here is to show that if there is a squeeze on funding arising from Brexit, prioritising business support to SMEs provides a better return on investment in a broader set of contexts.

²² Public Accounts Committee, NAFW, 2017. The Welsh Government’s funding of Kancoat Ltd [Online]. Available at: <http://www.assembly.wales/laid%20documents/2017-18/17-18-10933-e.pdf>

Despite a potential squeeze on funding, Welsh Government has the ability to choose the types of businesses it supports. Currently, larger firms are the beneficiaries of direct grants.

What do firms want from business support?

In order to inform future spending priorities around business support, FSB Wales undertook a brief poll of members. The poll received around 140 responses and some of the comments included have been used to highlight priorities for policy recommendations.

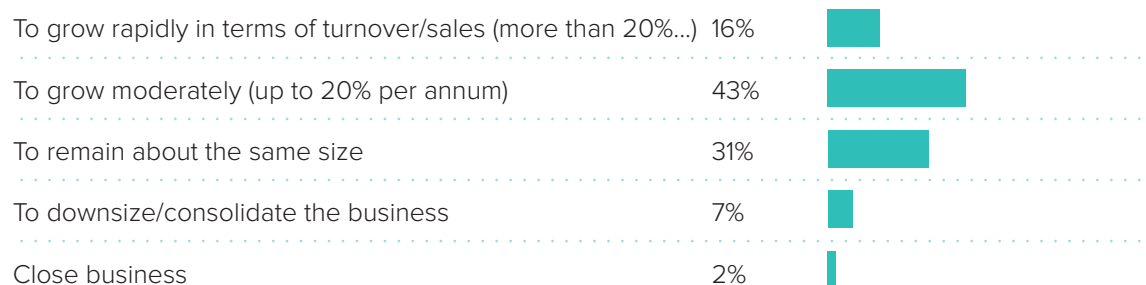
The poll received a fairly even split of firms from each of Wales' four regions, with the exception of mid-Wales which made up around 12 per cent of the sample. This is to be expected, with the number of firms in mid-Wales significantly less than elsewhere in Wales (see our report on the Missing Middle for more on this). Furthermore, a quarter of our respondents were self-employed, the majority (58 per cent) were micro-businesses with around 17 per cent of respondents in the small and medium size categories.

Given the size of the sample, this data should be treated as indicative only and where possible qualitative data has been used to provide further detail.

Growth Aspirations

GRAPH 1

What are the growth aspirations for your business over the next 12 months?



We asked our members what their growth aspirations were for the next 12 months. A majority had growth aspirations with around 15 per cent looking to grow rapidly with a further 43 per cent growing moderately. Significantly, a third of responses suggested that they would like to remain the same size, highlighting the need for business support to not focus exclusively on growth aspirations alone. Of more concern, around 7 per cent of firms were consolidating or downsizing with a further 2 per cent looking to close the business.

A majority of firms have strong growth aspirations, however around a third wish to remain the same size. Business support needs to cater to both these audiences if it is to improve the overall stock of businesses in Wales.

GRAPH 2**Have you sought business support in the last 2 years?**

Evidence from our poll suggests that around 30 per cent of businesses have actively sought business support and advice in the last two years.

Experiences of Business Wales

As noted previously, the main provider of public business support in Wales is Business Wales. We wanted to test experiences of the current Business Wales provision as this would provide a solid means for discussing what improvements could be made post-2020.

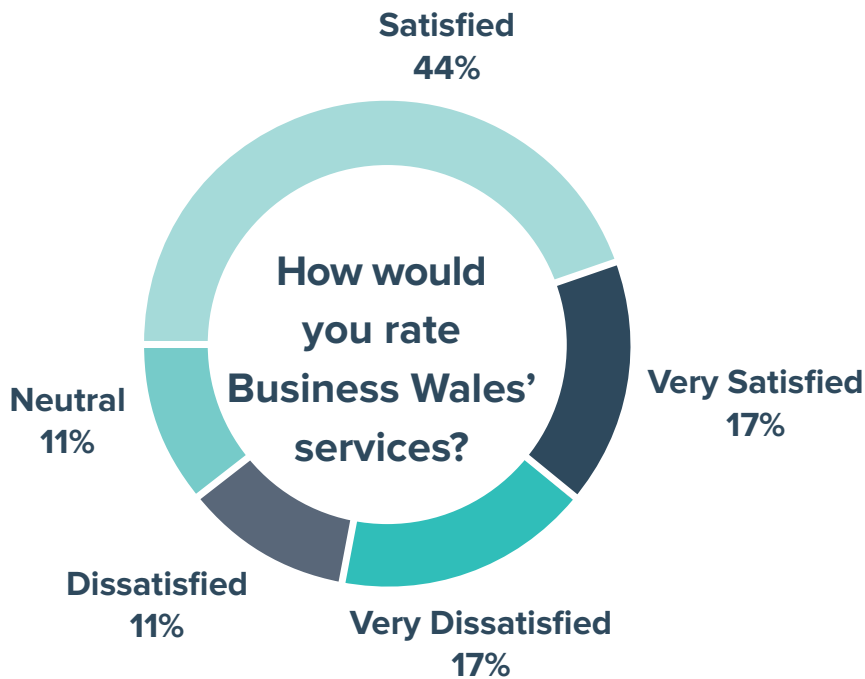
GRAPH 3

One of the main reasons Business Wales was created was to rationalise business support under a single brand name. This, it was argued, would lead to better brand awareness and therefore greater awareness of the support provider to businesses by the Welsh Government. Over 70 per cent of respondents to our poll said that they were aware of Business Wales as a service. This largely bears out the rationale for the brand creation and it is pleasing to see such high levels of recognition. Despite this, around 30 per cent of members were still unaware showing areas for progress that remain.

The Business Wales brand is widely recognised by firms and should be protected as a one-stop-shop in any new arrangements beyond 2020.

Of those that were aware of Business Wales about 40 per cent had actively used the Business Wales service to support their business. This suggests the level of capitalisation from brand awareness to service uptake is fairly high. This also correlates fairly strongly with the number of firms seeking business support highlighted earlier.

GRAPH 4



Of those that have used the Business Wales service, we can see that levels of satisfaction are overall positive. Around 60 per cent of those that had used Business Wales found the experience either satisfying or very satisfying, with a further 10 per cent feeling neutral on the experience. Despite this, levels of dissatisfaction were still over a quarter of those responding to the question.

Some of the supportive comments are illustrative in this regard. For instance, on a positive side the following comments were made:

“So far the people I’ve met from Business Wales have been helpful. My business is not doing as well as it should be and there have been many challenges this past year and a half. Thus far, the help has been more psychological as opposed to financial as I need to develop a new business plan and consolidate business debt. The woman who came to help me make the business more efficient was a retired accountant and she was able to provide me with some sound advice which I took and acted upon.”

“Great support from all team members. Very professional and understanding. Have helped me to understand a lot regards how businesses work and develop.”

“I found it difficult to apply some of Business Wales’ services but have become a member of the Accelerated Growth Programme which has helped with some legal and an upcoming funding campaign. It can be a little slow moving as you need to align with opportunities.”

Clearly here the personality of the advisors had been seen as key in establishing relationships with the businesses concerned, in particular around the level of comprehension of business issues and their professional manner. However, the final comment suggests things become more beneficial as the respondent moved towards higher categories of support (i.e. the Accelerated Growth Programme).

On the negative side, the following issues were recorded:

“The advisory service is useful in pointing small businesses in the right direction. It seems to offer no help in making some of the changes happen, particularly in the field of IT where our own understanding is scant.”

“Little real help. Very slow, very bureaucratic.”

“Some of the advisors do not have great attitudes when dealing with women and some of them use the service to channel clients towards their private practices.”

Again we see the role of the advisor as being key to the experience received. Of particular concern is the third comment which suggests there were issues around gender and the quality of service. A number of other comments felt that the level of knowledge around business issues was poor and that the process could be bureaucratic.

In between this range of comments we received a number who felt that the advice was generally good but that too little was done to help put the advice into practice.

Business Wales is on the whole providing a good service to businesses across Wales.

Despite this, the quality can be patchy and a number of firms do not find the service satisfactory. In particular, issues around moving from advice towards practical changes were noted.

The quality of the advisors was key to understanding both good and bad experiences of our members. This suggests more can be done to develop the service, such as broader awareness of business issues, interpersonal skills and awareness of dealing with women and minority and ethnic groups.

Development Bank of Wales

The other key player for business support is the Development Bank of Wales, which is currently using the brand name Banc. Banc has emerged from Finance Wales and provides loans and equity finance to SMEs across Wales, utilising European funding amongst other things. The first question our poll asked was around the number of firms who are in need of external finance. Our survey showed a quarter of firms had needed external finance in the last 2 years.

GRAPH 5



In terms of awareness, understandably there was less awareness among firms than is the case for Business Wales. Only 40 per cent of those polled were aware of the Development Bank. There are potentially two reasons for this. Firstly, the brand has very recently changed from Finance Wales to the Development Bank of Wales. Secondly, fewer businesses actively seek out external finance compared to business support. We've also worded the question not to include any reference to Finance Wales, which was included in later questions.

Awareness of the new Development Bank and its brand Banc are relatively limited at the moment. Maintaining consistency of brand and promoting it in the future should be a priority.

Of those that had heard of Banc around 15 per cent had actually used their services. It is worth noting at this point the response rate becomes too low to draw active conclusions, although on the whole three quarters of those responding were satisfied in some form.

Of the comments that were left by respondents, a theme emerged around the price of loans:

“Very high interest rates”

“Very expensive when all of the conditions that you have to meet are taken into account. But effective and supportive as a lender of last resort.”

This suggests that the interest rate policy of Finance Wales and now Banc is still a concern. However, this ultimately depends on what role we ascribe to the institution. From an FSB Wales perspective, Banc should be acting to some extent as disruptive in areas where the mainstream lenders currently will not provide finance. This finance gap is often at the lower end of the loan size spectrum where banks are less keen to engage with firms seeking to borrow relatively small amounts.

We are pleased to see the new research arm of Banc emerging. This should be used to provide a feedback loop in to the activities of the bank in the future with a view to it ameliorating the finance gap in Wales.



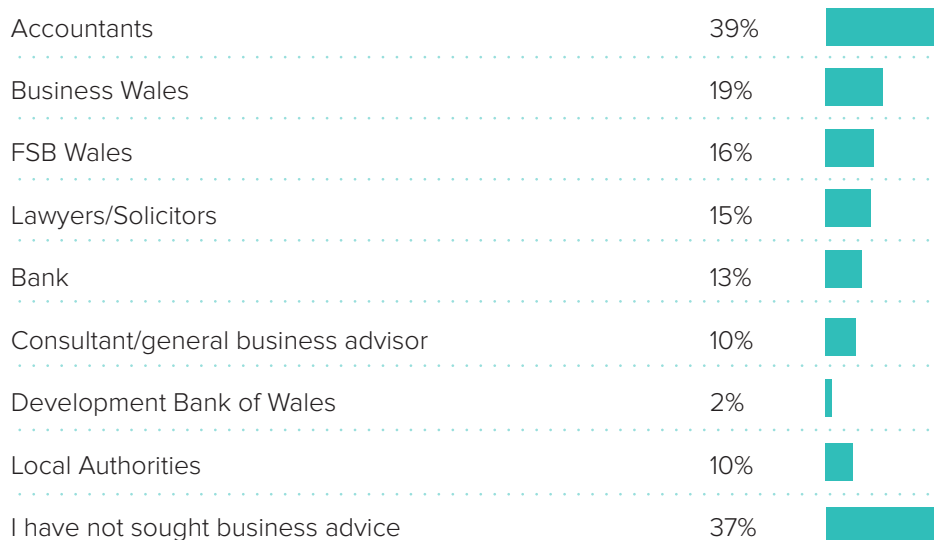
Banc's interest rate policy is still of concern to some businesses and should be **kept under review** to ensure the institution is able to properly fulfil its role as **a lender to SMEs**

Sources of Advice

While Business Wales is the key organisation for business support in Wales, there are a plethora of supporting organisations available in the private and public sectors. In order to understand the efficacy of any public provision, it is important to understand the thought process of firms who seek business support.

GRAPH 6

If any, who have you sought **business help or advice** in the last **2 years?**



We asked firms to mark who they approached when they needed business support and advice for their business. **Graph 6** shows that on the whole accountants are the best-placed resources in this respect. Clearly many firms feel a degree of trust in their accountant. This is vital for the future of business support post-2020. Any redesign of Business Wales should seek to dovetail with the accountancy profession as much as possible, including from marketing strategies through to practical referrals.

The survey also shows FSB Wales as an organisation that is used for business support and advice (only slightly less than Business Wales). While this is not unsurprising given the sample was FSB Wales members, it does highlight the broader business support landscape as important to the success or otherwise of Wales' firms.

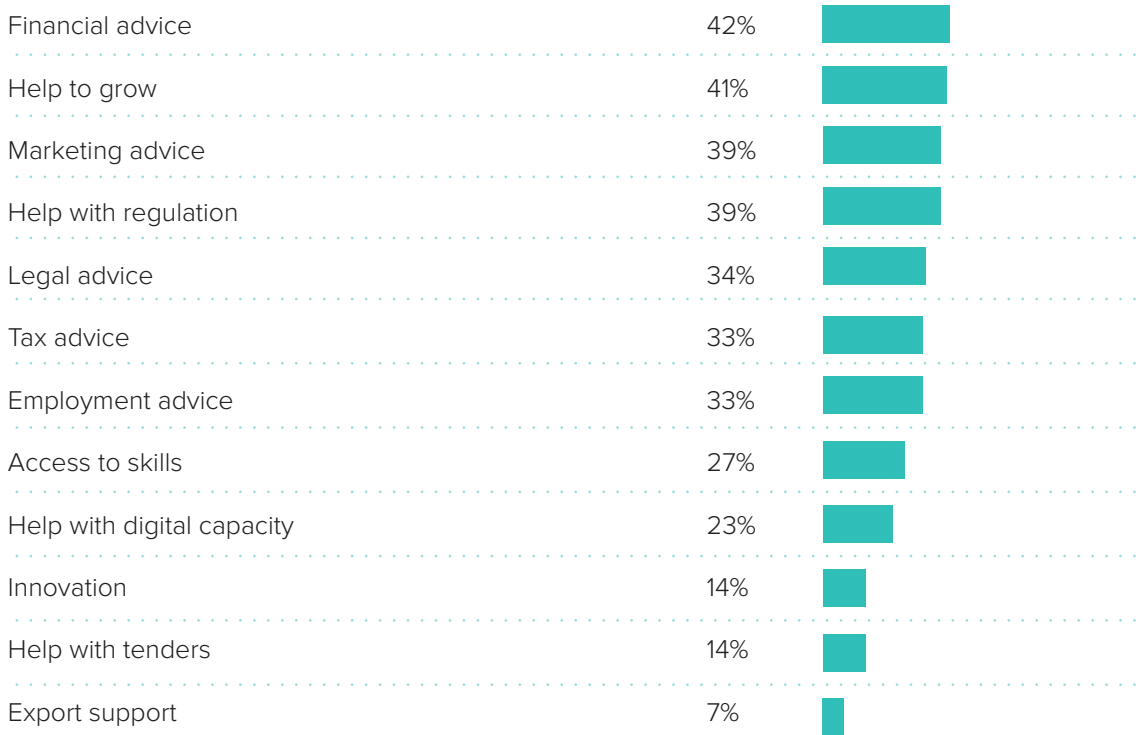
Accountants are the first port of call for business advice and support conversations for most firms. Business Wales and FSB Wales are also of importance to those surveyed.

Any future business support scheme needs to work closely with the existing business support landscape if it is to be successful.

Types of Advice

As well as asking which organisations are most relevant in terms of support and advice, we also asked which areas of advice were most needed.

GRAPH 7 Types of support



Graph 7 highlights a broad range of support is needed by firms. At the top end of the scale is financial advice and help to grow their business. Given the growth intentions highlighted earlier and the reliance on accountants, it is not surprising that these two areas are paramount to the future direction of businesses in Wales. However, just beneath these two areas are a number of other significant support functions such as marketing advice, help with regulation, legal advice, tax advice and employment advice.

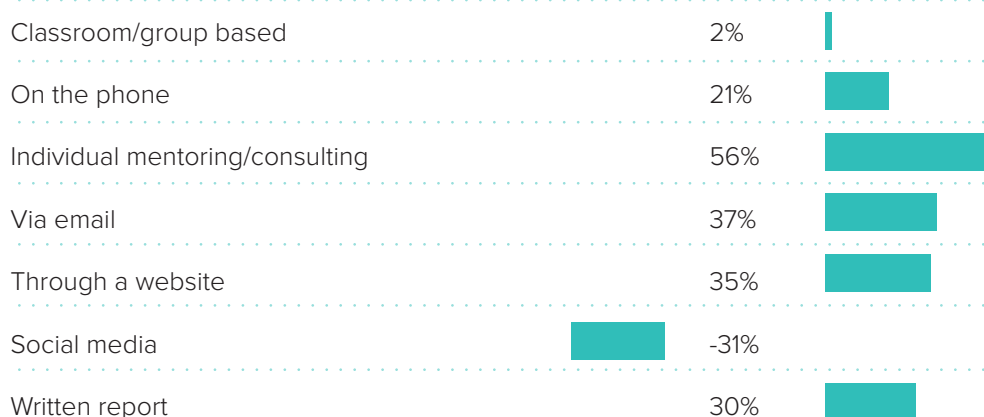
The current Business Wales offer functions across a number of these areas but it may be worth examining provision in light of the priorities above in order to ensure the advice provided is as relevant to firms as possible. While support for tendering and exports are lower on this poll, this may be explained by the smaller number of firms that engage in this activity.

Financial advice, advice to grow and a number of regulatory areas are seen as the most essential types of business support by firms.

Modes of Delivery

Business Wales and the Development Bank are currently provided through a mixture of advisors, online content and workshops. In order to test the means of provision and whether this was welcomed by firms, we asked what method of delivery was preferred.

GRAPH 8 Net usefulness



Overwhelmingly, individual mentoring and consulting emerged as the favourite means of delivering a service. As we have seen earlier, the quality of the service is often reflected both positively and negatively in the relationship between the advisor and the business. Given its favourability amongst firms (highlighted above) Business Wales clearly has a stock of advisors who are able to deliver a strong service. This must be maintained post-2020 in any arrangement and improved where possible to ensure that the relationships built and understanding of business issues does not get lost in any re-contracting process.

Beyond this, there is also significant support for written correspondence through emails and reports but also for web-based delivery. For instance, the Business Wales BOSS system is fairly comprehensive and may be seen as a useful means for many businesses.

Of less value are things such as social media and classroom based activity. It was clearly felt that these did not substitute for one-to-one support.

Some of the comments provided give extra context, for instance:

“ When advice is given written/formally it becomes so defensive and caveat filled that it is often useless. Informal face to face is generally better and more honest.”

“My preference is for is face-to-face consultations as it is easier to explain the situation when a consultant can see how things actually function and can make recommendations on the spot.”

“ Face to face support is the best as you can interact with other delegates and benefit from their personal experience”

The comments above suggest formality is an issue as well, with advisors less likely to provide useful advice if it's overly formalised, because of the risk of that later being seen as poor quality.

Face-to-face advice is seen as the best means of delivering business support. Post-2020 it is vital that Business Wales is able to maintain and **expand its advisor network**



Future Funding Priorities

Finally, we asked respondents to suggest which areas they would like to see investment in should EU funding continue at the current levels.

TABLE 2

Now thinking about the scenario where the UK has left the EU. If current levels of EU funding were replaced and maintained, as a small business owner, which priorities would you like to see FSB Wales campaign for? Please rank your priorities.		
ITEM	Total Score 1	Overall Rank
EXTENDED TAX RELIEF FOR SMALL BUSINESSES	532	1
DIGITAL INFRASTRUCTURE (MOBILE COVERAGE AND FIXED BROADBAND)	493	2
SKILLS AND TRAINING	437	3
BUSINESS SUPPORT (MENTORING PROGRAMMES AND HELP FOR START-UPS AND BUSINESSES LOOKING TO GROW)	397	4
TRANSPORT INFRASTRUCTURE (ROADS AND RAIL)	377	5
ACCESS TO FINANCE (SUCH AS LOANS OR EQUITY INVESTMENTS)	368	6

The rankings were used to create a score for each area of policy. This showed tax relief for small businesses as being the key priority for EU funding, followed by improvements to digital and mobile infrastructure. Below this skills and training and business support were the next two favoured priorities, followed by transport infrastructure and access to finance. All areas were broadly supported and it is vital that any replacement for EU funding is able to focus on all 6 of the areas highlighted above.

Notably, tax relief is the only area that is not currently catered for in the existing funding system, so there may be merit in examination of targeted tax incentives in any future programmes. For instance not charging business rates for a period of 12 months where improvements have been made to a premises as suggested by the Barclay Review in Scotland.²³

²³ Scottish Government. 2017. Report of the Barclay Review of Non-Domestic Rates [Online]. Available at: <http://www.gov.scot/Publications/2017/08/3435/5>

Extending tax reliefs for small businesses is the number one priority for future funding, along with improving digital infrastructure, investing in skills and training and business support.

Business Support Post-2020: Recommendations for Change

Having examined the financial and policy pressures on the business support regime, whether it is value for money and what firms would like to see from the service in the future, we now turn to recommendations for action by the Welsh and UK governments.

Replacing European Funding

European funding was seen on the whole as positive force in the Welsh economy by our members when they were surveyed. Members wanted to see the existing funding protected. Despite this, we're clear that improvements can be made to the way that funding is spent in the future to ensure business across Wales can grow sustainably and continue to be rooted in their local communities. Indeed, this was reflected in our UK-wide report on regional funding after Brexit Reformed Business Funding: What Small Firms Want from Brexit.

We therefore call for the following:

- UK Government should ensure Wales receives the same quantum of funding as was available through EU funding, once this policy area has been repatriated.
- In designing the Shared Prosperity Fund, it is vital that funding is able to complement the existing business support infrastructure in Wales through Business Wales and the Development Bank.
- Economic development is currently a devolved function. We therefore believe any replacement through the Shared Prosperity Fund should continue to give Welsh Government control over funding priorities to ensure alignment with the Economic Action Plan.

Building on Wales' economic assets

While uncertainty around replacing European funding poses a significant threat for business support services, Welsh Government still has substantial choices to make around what it prioritises within its own budgets. Our evidence suggests that business support through Business Wales and the Development Bank offer good value for money in relation to jobs created in communities across Wales. Whilst Welsh Government will rightly seek to attract large anchor investment to Wales, we believe economic action plan should focus more on developing indigenous supply chains and local economic diversity.

We therefore call on Welsh Government to:

- Prioritise the support of SMEs in delivering the Economic Action Plan by protecting business support services post-2020; recognising that business support provides good value for money when compared to other investments.
- Ensure the development of Welsh supply chains is a core ask in the economic contract, making inward investment decisions about more than job numbers.
- Clarify whether the Economy Futures Fund will replace the Business Finance Scheme and ensure the new fund is open and transparent in its budget, investment criteria and application process.
- Ensure the Economy Futures Fund is open to applications from all firms on the same or similar terms, scaling to meet their size.

Business Wales and Banc

There is no doubt that the Business Wales service has come a long way since the original idea was presented in the Micro-Business Task and Finish Group of 2012. Initiative churn has long been a problem for Welsh Government's economic policies. We must ensure Business Wales does not suffer the same fate despite the obvious policy and financial services.

In order to maintain and develop the Business Wales service, we call on Welsh Government and Business Wales to:

- Examine a broader range of issues than job-creation in defining any contract for Business Wales post-2020. This could align with aspirations of the Economic Contract and focus on the sustainability and productivity of firms amongst other things, moving away from jobs targets as the driver for advisor accountability.
- The Business Wales advisor network needs to be maintained and expanded post-2020 in order to improve the service. Businesses value face-to-face engagement and so this activity should be prioritised.
- Ensure the provision of publically-funded business support is able to dovetail with existing support mechanisms such as accountants and business organisations. These are often more obvious routes to advice than Business Wales.

In relation to the Development Bank of Wales, we suggest the following:

- Keep interest rates policy under review and ensure where possible Banc is able to be disruptive in areas where there is clear market failure.
- Invest in the brand over the longer-term. The initial awareness raising activity has been significant but must be maintained to ensure brand recognition.

Future policy priorities

The removal of European rules around regional policy provides an opportunity for a rethink. We must ensure that any funding is used to balance the UK economy and tackle Wales' longstanding structural economic deficiencies. In some areas, we need to continue doing what has worked in the past. In others, we should consider new policy options.

As such, we believe the replacement for European funding should:

- Continue to focus on core economic issues such as infrastructure (both digital and physical), skills and training and access to finance.
- Be hypothecated to economic development, as is the case with current structural funds. Replacement funding should not get lost in Welsh Government's broader budget process.
- Consider new policy levers such as targeted tax reliefs in areas to encourage investment such as the proposal in Scotland for a 12 month delay on rates accruing to investment in new buildings, plant and machinery.

CONCLUSION

Over recent years, Wales has had a strong tradition of supporting SMEs through business support services. This system will increasingly come under threat as the challenges of replacing European funding and a new approach to economic development are brought to bear.

Nevertheless, given the benefits of these intervention in terms of jobs growth, business stock growth and wider economic impacts priority should be given to properly resourcing business support architecture and funds in consideration of the priorities for any future funding.

This report has set out why continuing and expanding the business support services available in Wales is affordable and crucially valuable to Wales, its economy and its people. There are hard choices to be made in many policy areas but we are confident that with the right approach, a stronger SME sector could be the result of these decisions.

ANNEX

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Auditor General for Wales

Counter-Fraud Arrangements in the Welsh Public Sector

An Overview for the Public Accounts Committee



WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU



I have prepared and published this report in accordance with the Government of Wales Act 1998 and 2006.

The Wales Audit Office team that assisted me in the preparation of this report comprised Ian Hughes, Rachel Davies and Christine Nash under the direction of Mike Usher.

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Mae'r ddogfen hon hefyd ar gael yn Gymraeg.

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Introduction

- 1 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 such as health, education and social services. At a time of austerity, it is more important than ever for all public bodies in Wales to seek to minimise the risk of losses through fraud.
- 2 Fraud in general is believed to be significantly under-reported. There is often a reluctance for organisations to identify suspicious activity as fraudulent and there is sometimes a mistaken perception that reporting fraud casts the organisation involved in an unfavourable light.
- 3 The Association of Certified Fraud Examiners has estimated that on average global organisations lose 5% of their annual revenues to fraud. The National Crime Survey for England and Wales estimates that in 2017-18, 3.47 million fraud offences were committed across England and Wales. Most of these offences were not reported.
- 4 When fraud is reported to the authorities the response can be disappointing. A report published by Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services in April 2019 concludes that 'outside those organisations that have a specific national-level responsibility for fraud, it is rarely seen as a priority'.
- 5 Precisely how much the public sector loses to fraud is unknown. In March 2012, the National Fraud Authority estimated public sector fraud losses to be £20.3 billion (excluding taxation fraud).
- 6 Unfortunately, there is no breakdown of any estimated fraud losses to the devolved administrations in the UK. However, a recent report by the Cabinet Office reveals an upper and lower range for likely losses in government spend between 0.5% and 5% of expenditure¹. Applying those estimates to expenditure in Wales of around £20 billion would suggest that losses to fraud and error may be anywhere between £100 million and £1 billion per annum.
- 7 Although these headline estimates should be treated with considerable caution, they do give an indication of the magnitude of the potential risks from fraud facing the Welsh public sector. Organisations can mitigate against these risks by having the right organisational culture supported by effective counter-fraud arrangements.
- 8 The ways in which fraud is committed are constantly evolving as society and technology changes. Fraud does not respect geographical or other boundaries. It is therefore important that collaboration and the sharing of intelligence and good practice takes place between public, private and third-sector bodies across the UK and internationally.

1 Cabinet Office Cross Government Fraud Landscape Report 2018

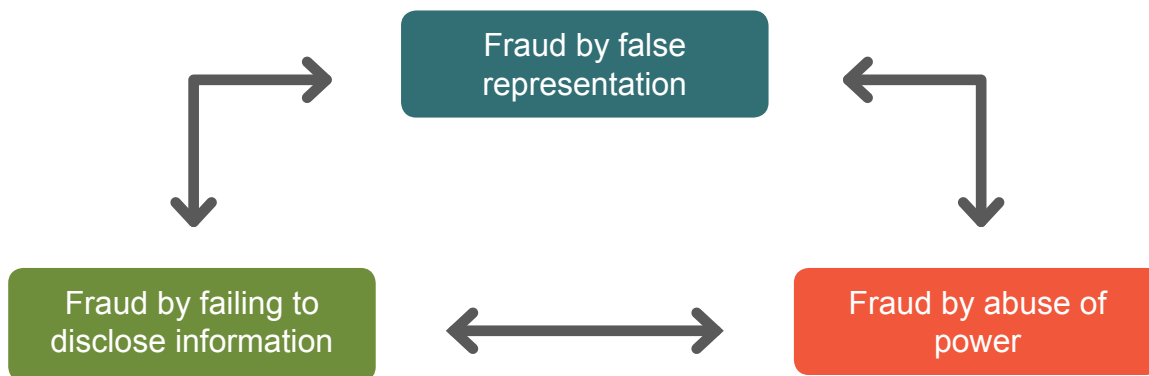
- 9 This paper provides an overview for the National Assembly's Public Accounts Committee of the counter-fraud landscape across the Welsh public sector. The Committee has expressed an interest in this topic following the recent publication of the 2018 National Fraud Initiative report, which provides some insight into aspects of public sector fraud in Wales but does not provide a robust evaluation of the underlying arrangements for prevention and detection. This paper therefore describes the allocation of resources, collaboration between organisations, scrutiny arrangements and overall impact. Details of our audit methods are set out in [Appendix 1](#).
- 10 The paper does not examine the scope or effectiveness of arrangements at a local level. However, the Auditor General, subject to further consultation with the Public Accounts Committee, is minded to undertake a further, more detailed review of those arrangements across The Welsh Government and its sponsored bodies, NHS Wales and Local Government in Wales. This will provide a fuller picture of how the risks of fraud are being identified, evaluated and mitigated across the Welsh public sector. This work is expected to take place over the next 18 months.

Part 1 – The impact and scale of fraud

What is fraud?

- 1.1 The term 'fraud' typically describes activities such as theft, corruption, money laundering, conspiracy, bribery and extortion. The UK Fraud Act 2006 sets out three ways in which the crime can be committed:

Exhibit 1: three ways in which the crime can be committed according to the UK Fraud Act 2006



- 1.2 In each case a defendant's conduct must be dishonest with an intention to make a gain or to cause a loss to another party.
- 1.3 Fraud exists across all sectors, including the public sector. It poses a significant risk to public finances and damages the reputation of public bodies. Fraudsters are often well-resourced, innovative and constantly seeking to exploit weaknesses in systems and controls. Fraudsters do not respect geographical or other boundaries. Fraud is not a victimless crime. Every pound stolen from the public sector means that there is less to spend on key services such as health, education and social services, and it is often the vulnerable in society who suffer.
- 1.4 At a time of austerity, it is more important than ever for public bodies to ensure that precious resources are not lost to fraud.

What is the cost of fraud?

- 1.5 The Association of Certified Fraud Examiners (ACFE) estimates that organisations lose 5% of their annual revenues to fraud. Extrapolated worldwide, this yields an annual economic loss of £60 trillion². The ACFE recognises that quantifying losses arising from fraud is an incredibly difficult task. No one knows the amount of fraud that goes undetected or unreported. Even for those frauds that do come to light, the full amount of loss is not always known.
- 1.6 A recent report by the Cabinet Office reveals an upper and lower range for likely losses in government spend between 0.5% and 5% of expenditure³. These estimates are consistent with the findings of the ACFE above.
- 1.7 The UK government reports that the estimated fraud and error loss, outside of the tax and welfare system, cost between £2.7 billion and £20.3 billion in 2016-17³. The report also states that the detected fraud and error loss in UK central government was £191 million in 2016-17 (£105 million in 2015-16). This supports the assertion that reported losses from fraud in the public sector are just the 'tip of an iceberg'.
- 1.8 Unfortunately, there is no breakdown of the above estimate to the devolved administrations in the UK. Applying the Cabinet Office range to annual devolved expenditure in Wales of around £20 billion gives a possible estimated value of losses to fraud and error in the region of £100 million to £1 billion per annum. The detail of how we have arrived at this estimate is set out in [Appendix 2](#).
- 1.9 Various analysts and commentators report that the level of reported fraud is increasing. The most recent KPMG Fraud Barometer⁴ reveals an increase of 78% in the number of fraud cases reaching UK courts in 2018. Over the same time in Wales, the volume of fraud cases rose by 150% with an increasing number of employee frauds. However, it is difficult to determine from the research whether more fraud is happening or whether public bodies are better at detecting it.
- 1.10 These headline figures should be treated with caution. Nevertheless, they do indicate the magnitude of the risk from fraud facing the Welsh public sector.

2 Report to the Nations, 2018 Global Study on Occupational Fraud and Abuse, Association of Fraud Examiners

3 Cabinet Office Cross Government Fraud Landscape Report 2018

4 KPMG Fraud Barometer 2018 - A snapshot of Fraud in the UK

What are the types of fraud and how are they detected?

1.11 There are several types of fraud common in the public sector, as highlighted in **Exhibit 2**. Their perpetrators can come from any level within the organisation as well as from the outside.

Exhibit 2: the main types of fraud in the public sector



Expenses Fraud – involving reimbursement of claims for fictitious expenses eg a travel expense for travel that did not happen or for a personal expense claimed to be for business.



Procurement Fraud – the purchase of goods and services or commissioned construction projects eg price fixing between suppliers to secure business or submitting false, duplicated or inflated invoices.



Planning Fraud – providing dishonest information on a planning application eg inaccurately describing the proposed development.



Accounting Fraud – the intentional manipulation of the financial statements eg overstating assets or not recording liabilities.



Benefits Fraud – providing false information regarding a benefit claim eg failing to disclose that a partner resides at the property or not disclosing all sources of income.



Housing Fraud – providing false information in council or housing association home by application eg not telling the landlord they are renting another council house.



Grant Funding Fraud – an attempt by recipients to deceive the grant paying body about the purpose of the money awarded eg not spending the monies on the purpose for which it was intended.



Payroll Fraud – unauthorised changes to a payroll system eg the creation of a ghost employee or amendments such as changes to salary payments or allowances.



Internal Fraud – fraudulent action by a person internal to an organisation eg theft of assets.



Cyber Crime – frauds committed using networks and computers eg hacking or phishing.



Sector-specific Fraud – including Dental fraud upon the NHS, Blue Badge fraud upon Local Government and tax fraud upon the Welsh Revenue Authority.

Source: Wales Audit Office

- 1.12 The longer a fraud goes undetected the larger its scale and potential implications. The ACFE's most recent study found the median length of a fraud was 16 months. It is therefore important that organisations prevent fraud happening in the first place and to detect fraud as soon as possible. The most successful means of detecting fraud are:
- tip offs (either internal or external whistle-blowers);
 - internal audit; and
 - internal controls, including management review.
- 1.13 It will always be preferable to prevent a fraud, rather than waiting for one to be discovered. Fraud investigations are often complex and time consuming and there is no guarantee of a successful prosecution. This means that the costs associated with investigations are often higher than the amounts recovered. Fraud prevention can reduce the loss faced by organisations both in terms of time and cost by stopping the fraud before it has occurred.
- 1.14 Organisations can mitigate against the risk of fraud by having the right organisational culture supported by effective counter-fraud arrangements. Although organisations need good whistleblowing arrangements, it is also important to have proactive measures in place eg fraud proofing at system design stage, comprehensive internal and external due diligence arrangements and intelligence sharing. Key elements of effective counter-fraud arrangements are set out in [Appendix 3](#).

How can losses from fraud be recovered?

- 1.15 Often recovery does not require the use of formal legal powers. When fraudsters are caught, they will often repay the money on request hoping to avoid heavier sentencing. This is often the case in benefit fraud. Monies can also be repaid through deductions from ongoing benefit payments, where applicable.
- 1.16 Authorities in the UK, including the Crown Prosecution Service (CPS), have powers to seek and confiscate the proceeds of crime, including losses arising from fraud. The CPS has a specialist unit, the CPS Proceeds of Crime Unit, which is dedicated to the confiscation or civil recovery of the proceeds of crime in the UK.
- 1.17 The legal and administrative framework for recovering the proceeds of crime is complex⁵ but there are three main ways in which the proceeds can be recovered as summarised in [Exhibit 3](#).

Exhibit 3: the main ways in which proceeds of crime are recovered

Restraint Orders	<p>A restraint order is obtained to preserve assets until a confiscation order is paid in full. It can be obtained from the Crown Court at any time from the start of an investigation.</p> <p>A restraint order can also be obtained to preserve assets for reconsideration applications and when obtaining confiscation orders against absconded defendants.</p>
Confiscation Orders	<p>A confiscation order is an order of the Crown Court which requires a convicted defendant to pay a sum of money to HM Courts and Tribunal Service.</p>
Civil Recovery	<p>The proceeds of crime can be recovered in civil proceedings in the High Court against property which can be shown to be the proceeds of crime.</p>

Source: Wales Audit Office

- 1.18 In the year ending 31 March 2018, £185 million of criminal proceeds were confiscated in the UK representing an 8% increase compared with the year ending 31 March 2013 (£171 million)⁶.
- 1.19 The recovery of the proceeds of crime, including losses from fraud, is largely dependent on the effective operation of law enforcement authorities, including local police forces. A report published by Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) in April 2019⁷ concludes that 'outside those organisations that have a specific national-level responsibility for fraud, it is rarely seen as a priority'. The report also concludes that many fraud victims are not receiving the level of service they deserve. HMICFRS has made a number of recommendations to address its concerns.

⁶ Asset recovery statistical bulletin 2012-13 to 2017-18, Criminal Finances Team, Home Office

⁷ [Fraud: Time to Choose – An inspection of the police response to fraud](#)

Who commits fraud?

1.20 Fraud is committed by a range of individuals both internal and external to an organisation as shown in [Exhibit 4](#).

Exhibit 4: the most common perpetrators of fraud

- Employees
- Service Users
- Suppliers
- Contractors
- Sub-contractors
- Benefit recipients
- Opportunist third parties

Source: Wales Audit Office

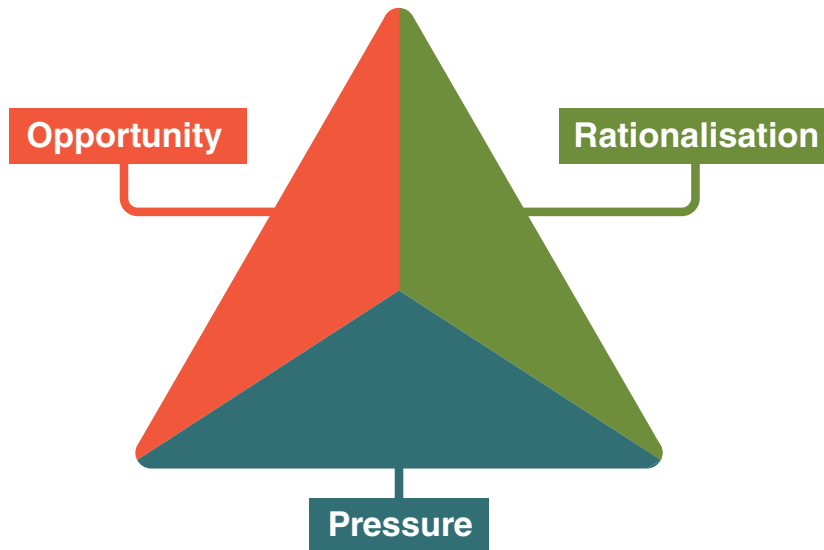
Why do people commit fraud?

1.21 There are many reasons why individuals commit fraud and there is no 'one size fits all' explanation. The Fraud Triangle⁸ is a model which helps explain the circumstances within which **internal fraud** has a greater likelihood of taking place. Internal Fraud is carried out by individuals internal to an organisation eg employees. [Exhibit 5](#) illustrates the Fraud Triangle.

8 The Fraud Triangle was developed in the 1950s by Donald Cressey and has been referred to widely ever since.

Exhibit 5: the Fraud Triangle helps explain the circumstances within which fraud has a greater likelihood of taking place

The fraud triangle



Opportunity

Opportunities whereby the individual can secure a way out of their predicament. Examples include weak or absent controls either within their employer, or a third party they can interact with.

Rationalisation

The individual needs to be able to rationalise their actions as understandable or acceptable under the circumstances. Examples include the perceived need to take care of family or the intention to repay amounts stolen in the future.

Pressure

Pressure on the perpetrator which they are unable to resolve through ethical means and a motivation to act on this pressure. Examples include personal debt problems, risk of job loss or a feeling of being overworked and underpaid.

Source: The Fraud Triangle - Donald Cressey

1.22 Although the Fraud Triangle applies to internal fraud its theory can also in part be applied to **external fraud**. External fraud is carried out by third parties eg individuals, businesses or organised crime groups. The motivation in these cases can be sheer greed or the desire to finance a cause eg terrorism. The common factor in both internal and external fraud is that there must be an opportunity. Opportunity is also the element that is most directly affected by the systems of controls. The key for public bodies is to minimise the fraud opportunity.




1.23 A time of austerity increases the risk of fraud because of greater financial pressures on individuals, often through a combination of pay restraint and increasing costs of living. Such times also increase opportunities for fraud because of lower investment in internal control and heightened grounds of rationalisation, for example by individuals feeling forced into a corner by financial circumstances.

How is fraud committed?

Internal Fraud

1.24 The Association of Certified Fraud Examiners has been tracking occupational (internal) fraud for over two decades. Despite significant technological and cultural advances, it maintains that occupational fraud falls into several time-tested categories, as shown in **Exhibit 6**:

Exhibit 6: the most common ways in which fraud is committed

Corruption	Asset Misappropriation	Financial Statement Fraud
<ul style="list-style-type: none"> • Conflict of interest • Bribery • Illegal gratuities • Economic extortion 	<ul style="list-style-type: none"> • Cash • Other assets 	<ul style="list-style-type: none"> • Timing differences • Manipulated revenues • Improper asset valuations • Improper disclosures • Overstated liabilities and expenses 

Source: Derived from Association of Fraud Examiners research

1.25 Factors that contribute to the facilitation of fraud are summarised in the KPMG Fraud Barometer and set out in **Exhibit 7**.

Exhibit 7: factors that contribute to the facilitation of internal fraud

- Collusion circumventing good controls 11%
- Reckless dishonesty regardless of controls 21%
- Weak Internal Controls 61%
- Other 7%

Source: KPMG Fraud Barometer

External Fraud

1.26 In cases of external fraud, fraudsters will look at a system or process where they can gain financial reward and assess where there are weaknesses that can be exploited. These weaknesses could be systems or people. Fraudsters will then assess the likelihood of being detected before attempting the fraud. For these reasons it is imperative that public organisations have appropriate internal control environments to improve the likelihood of frauds being detected and to act as a deterrent to fraudsters. **Case Study 1** highlights a recent example of opportunist external fraud attempted against a Welsh council⁹.

Case Study 1: Fraudulent Council Tax bills

A Monmouthshire resident recently reported that she was targeted by fraudsters, who phoned her, claiming to be from the Council, to inform her she was entitled to a Council Tax rebate. The resident reported that the caller was very convincing.

Monmouthshire Trading standards have said that scammers know the full name and address of the people they are calling and have estimated that only 5% of people targeted by this type of fraud actually report it to authorities often because of embarrassment.

Fraudsters refer to the fact that residents should have received a notification of their updated council tax and are entitled to a refund because they have been allocated an incorrect band.

Councils across Wales have been urging residents to be aware of potential fraudsters calling to claim that residents are entitled to a Council Tax rebate. Such calls are used to harvest personal information, including banking details, and can result in personal financial losses.

⁹ www.bbc.co.uk/news/uk-wales-47766983

How are fraud risks evolving?

- 1.27 The fraud landscape is dynamic. Fraudsters adapt and evolve to exploit any available opportunities no matter how unsavoury, as highlighted in [Case Study 2](#).

Case Study 2: prosecutions arising in the aftermath of the Grenfell Fire Tragedy

The June 2017 Grenfell Tower fire tragedy in London provided opportunities for fraudsters. Some individuals submitted false claims for rehoming and support despite having never lived in Grenfell Tower.

A council finance manager admitted in court to the defrauding of around £60,000 from the Grenfell Tower fund. The money was intended for victims of the fire. The perpetrator was jailed for five and a half years in September 2018.

- 1.28 Fraudsters do not respect geographical boundaries, more so in a digital age. New fraud threats are continually emerging both globally and nationally.
- 1.29 PricewaterhouseCoopers' (PwC) most recent global economic crime survey¹⁰ finds that cyber crime is now the most common fraud for UK businesses, overtaking asset misappropriation for the first time since the survey began. Cyber-attacks are an alternative means to commit traditional frauds such as theft of assets, cash or intellectual property. The PwC survey shows that only 25% of their respondents have a specific cyber security programme in place for their business.
- 1.30 A recent National Audit Office report¹¹ estimates that there were 1.9 million cases of cyber-related fraud in England and Wales for the year ended 30 September 2016. In response to the emerging threat posed by online fraud, the UK government has created a National Cyber Security Centre and published the National Cyber Security Strategy 2016-2021.
- 1.31 The KPMG Fraud Barometer¹² also shows a significant fraud risk arising from Brexit. Criminals can exploit weaknesses in new customs and tax arrangements, grant funding schemes and their accompanying IT systems.

10 PwC Global Economic Crime Survey 2018: UK findings

11 NAO Online Fraud Report June 2017

12 KPMG Barometer 30 years of tracking fraud December 2017

Part 2 – Overview of counter-fraud arrangements within the Welsh public sector

- 2.1 This section sets out an overview of counter-fraud arrangements currently in place within the Welsh public sector. We describe the allocation of resources, collaboration between organisations, scrutiny arrangements and overall impact. We have not tested the scope or effectiveness of these arrangements as part of this audit.
- 2.2 However, the Auditor General is minded to undertake a further review across the Welsh Government, the NHS and Local Government in Wales to get a better picture of how the risk of fraud is identified, evaluated and mitigated. This work is expected to take place over the next 18 months.

Welsh Government

- 2.3 A dedicated Counter Fraud team is responsible for coordinating the counter-fraud arrangements across the Welsh Government. **Exhibit 8** sets out the role and work of the team in more detail.

Exhibit 8: overview of the counter-fraud arrangements within the Welsh Government

<p>Resources</p> 	<ul style="list-style-type: none">• The Welsh Government currently has a Counter Fraud team comprising 1.5 Full-Time Equivalent (FTE) staff.• Prior to 2010 the Welsh Government had no dedicated resource for counter-fraud. In March 2010, the Welsh Government employed a Head of Counter Fraud to coordinate counter-fraud arrangements across the Welsh Government.• In 2015, 14 staff from across the Welsh Government received CIPFA Accredited Counter Fraud Technician training, although most of these have since moved posts and none have provided support to the Counter Fraud team.• In early 2017, the Welsh Government reviewed its counter-fraud resources and redeployed an IT auditor to support the Head of Counter Fraud on a half-time basis.• The Counter Fraud team also receives fraud investigation support from multi-disciplinary teams within the Welsh Government, and the Welsh European Funding Office and from the Internal Audit Service.• In November 2017 a Government Internal Audit Agency report¹³, commissioned by the Permanent Secretary, reviewed the counter-fraud arrangements within the Welsh Government. Although this report concluded that the counter-fraud team was under-resourced, no additional resources have been made available.
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13 Government Internal Audit Agency, *Review of Approach to Counter Fraud*, November 2017

Work and Collaboration



- The Welsh Government's Counter Fraud team's work is largely reactive in nature, dealing with investigations as they arise. Each fraud case is complex and can take a considerable amount of time to investigate. Under a Memorandum of Understanding with the four Welsh police forces, the Counter Fraud team produces an evidential package before referring a case to the police for further investigation.
- The Counter Fraud team does not have powers under the Proceeds of Crime Act 2002, and so relies on the police to conduct financial investigations and to pursue confiscation and recovery following a successful conviction.
- The Counter Fraud team only undertakes a limited amount of proactive work. The team recognises that more proactive work would be beneficial in helping to prevent and/or detect fraud. However, there are limited resources and so the team has to prioritise its reactive investigation work.
- The Counter Fraud team is responsible for providing training and disseminating information relating to fraud cases to key individuals across the Welsh Government. The team provides ad-hoc workshops across the Welsh Government pan-Wales in response to significant fraud cases.
- Policy departments across the Welsh Government complete fraud risk assessments and submit them to the Counter Fraud team. These assessments identify the key fraud risks for each policy area. The Counter Fraud team reviews these risk assessments to ensure appropriate arrangements are in place to deal with the risks identified.
- New cases of potential fraud cases are referred to the Counter Fraud team through various channels including a dedicated counter-fraud hotline and mailbox, whistleblowing correspondence, the Wales European Funding Office and the Police.
- The Welsh Government is a member of Cifas (see [Appendix 4](#)) and has access to the National Fraud Database. The Counter Fraud team has provided training to around 200 staff across the Welsh Government in the use and analysis of Cifas data to improve the due diligence checks undertaken for grant funding. Around 80 of these staff have access to the Cifas system.
- The Counter Fraud team undertakes several data-matching exercises which seek to proactively identify fraud across the Welsh Government. The team engages with the Wales Audit Office, Cabinet Office, Rent Smart Wales and local authorities in relation to these programmes.
- The Counter Fraud team regularly engages with the Welsh Government's Grants Centre of Excellence to provide advice for new grant projects and training on due diligence.
- The Counter Fraud team also works in collaboration with other agencies including counter-terrorism units, the National Crime Agency, Trading Standards and HMRC. The Head of Counter Fraud is a member of the Government Agency Intelligence Network (GAIN) and is also Deputy Chair of the Wales Fraud Forum.

Scrutiny



- All suspicions of fraud at the Welsh Government are referred to its External Assurance Panel, which meets every six weeks. The Panel is responsible for overseeing and monitoring cases of fraud, and for authorising the Head of Counter Fraud to refer appropriate cases to the police.
- Panel members include the Head of Counter Fraud, the Head of Audit, Assurance & Counter Fraud, the Director of Governance, representatives from the Grants Centre of Excellence and from each operational team across the Welsh Government.
- The Permanent Secretary's Audit and Risk Assurance Committee (ARAC) receives high level information on suspected fraud cases as part of the Internal Audit update on a quarterly basis.
- The Counter Fraud Manager previously reported directly to the ARAC on an ad-hoc basis. These reporting arrangements have recently changed. An update on counter-fraud work is now included as part of the Internal Audit update, at more summarised level than previously reported. The Counter Fraud Manager does not currently provide ARAC with an update on specific cases in progress, although this arrangement is currently under review.

Impact



- The Welsh Government does not collate information on total losses and recoveries. However, the Head of Counter Fraud retains data from convicted cases over the last nine years in respect of losses, recoveries and sentences. In addition, some recoveries are made through claw-back and civil recovery.
- Proceeds of Crime Act investigations after conviction can take three or four years to conclude, and there are three live cases currently.
- Recoveries of losses by the Welsh Government are often difficult where organisations enter administration and assets can be hard to pursue.
- The Counter Fraud team has investigated and identified many cases of fraudulent activity in recent years. **Case Studies 3 and 4** provide two notable examples.

Source: Wales Audit Office

Case study 3: Welsh Government Counter Fraud team investigation – Express Motors, 2018

The Express Motors case involved the abuse of the concessionary bus pass scheme in Wales by the company's Directors. They instructed drivers to make additional swipes of bus passes to enhance the number of journeys they could claim for. In doing so the claims submitted to Gwynedd Council were false. The Directors gained personally through the additional monies (£500,000) received from the council.

The investigation, conducted jointly by the Welsh Government Counter Fraud team and North Wales Police, took four years. North Wales Police set a high threshold, that they would only consider abuse if a specific pass was used ten or more times on any one day on ten days or more.

Following completion of the cases, five directors were convicted and sentenced to a total of 29 years imprisonment. Concessionary bus pass usage in Gwynedd dropped by 34%, and by 5% across Wales. The fraud occurred over a lengthy period and the Judge commented that it was almost certain that the entirety of the fraud had not been identified.

Case Study 4: Welsh Government Counter Fraud team investigation – Dragon, 2019

The Dragon case relates to funding made to three associated companies to establish a processing plant in Port Talbot. The plant was intended to produce rag worm for the fishing industry and subsequently become the world's largest supplier of rag worm bait for the industry. Deliverables included building ponds, producing bait, creating jobs and making profit.

However, the defendant failed to carry out his obligations. The venture created only a fraction of the jobs expected, and the monies were used for purposes other than those intended by the Welsh Government.

The Welsh Government's Head of Counter Fraud commenced investigating the Dragon companies in early 2010 when he noticed some suspicious irregularities. His suspicions increased when the MP for Carmarthen West and South Pembrokeshire raised concerns he had received from his constituents. These concerns focussed on the lack of progress and jobs created despite extensive funding from the Welsh Government.

The investigation identified, among many other things, that the ponds were claimed to be a specialist build undertaken by the only company with appropriate expertise. In fact, this company was owned and run by family members and the pond design and construction required no specialist expertise. It also found that the project claims included a fictitious invoice for £0.4 million and that inaccurate information had been provided for monitoring purposes.

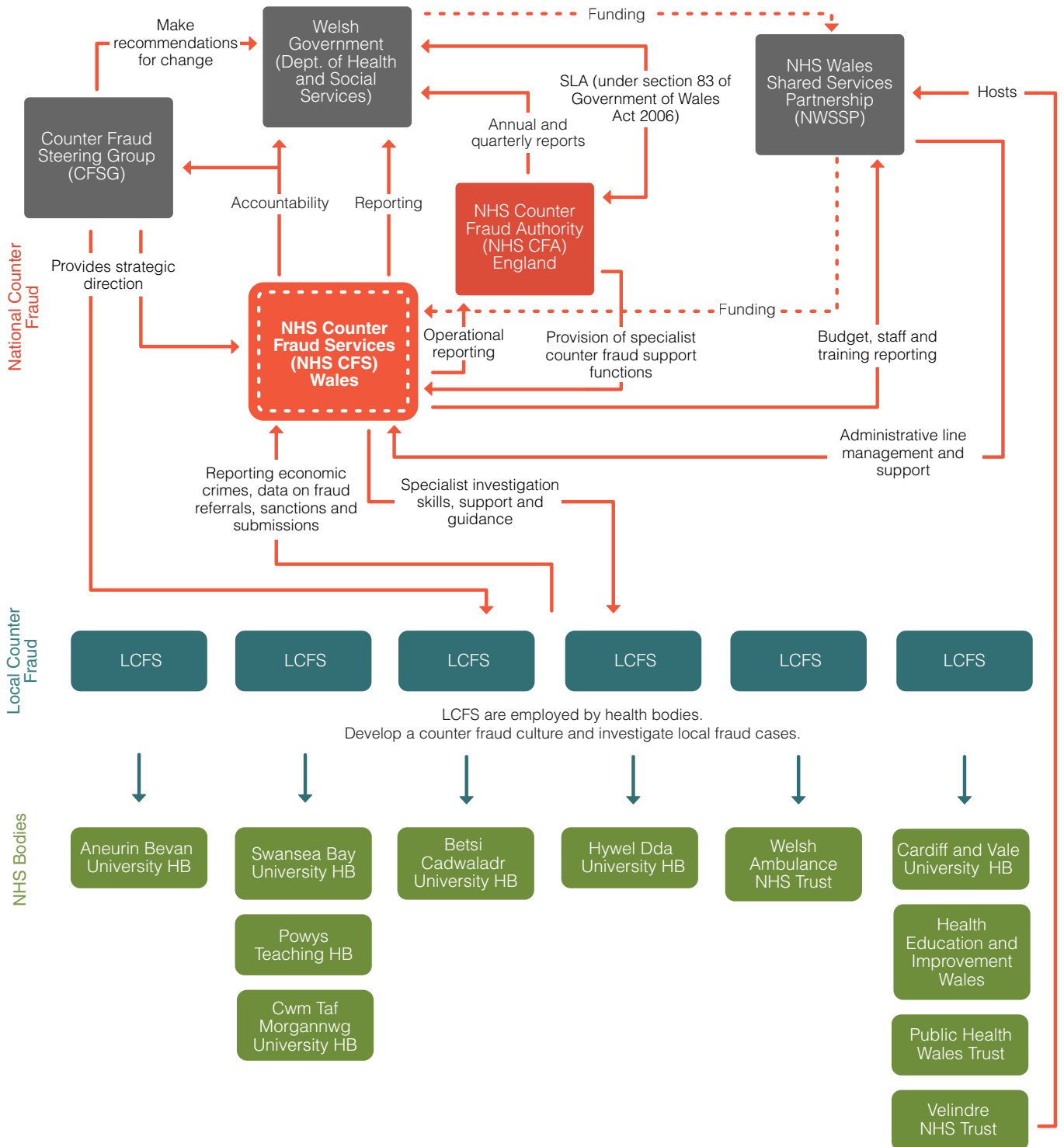
The defendant pleaded guilty to defrauding the EU and the Welsh Government of £4.7 million. In May 2019, he was sentenced to three years and nine months in prison.

The NHS in Wales

2.4 The Welsh Government retains overall responsibility for development and implementation of a strategy to combat crime in the NHS in Wales. It draws on three sources of resources and expertise to deliver counter-fraud services within NHS Wales, as shown in [Exhibit 9](#):

- The NHS Counter Fraud Authority (NHSCFA) – see [paragraphs 2.6 to 2.9](#);
- NHS Counter Fraud Services Wales (NHSCFS) Wales – see [paragraphs 2.10 to 2.11 and Exhibit 10](#); and
- Local Counter Fraud Specialists (LCFS) – see [paragraphs 2.12 to 2.13 and Exhibit 11](#).

Exhibit 9: the structure of counter-fraud services in NHS Wales



Source: Wales Audit Office

- 2.5 In 2001, the (then) Welsh Assembly Government launched the document 'Countering Fraud in NHS Wales' and issued Directions on counter-fraud measures to all health bodies in Wales. This resulted in the creation of the NHS Counter Fraud Service (NHSCFS) Wales Team, funded by the Welsh Government, and the requirement for all health bodies to nominate an accredited Local Counter Fraud Specialist (LCFS).

The NHS Counter Fraud Authority (NHSCFA)

- 2.6 In 2017 Welsh Ministers and the newly established NHS Counter Fraud Authority England (NHSCFA) entered into a new service level agreement under section 83 of the Government of Wales Act 2006. Under this agreement, the NHSCFA provides specialist counter-fraud services to Wales including IT support, intelligence, quality assurance and guidance.
- 2.7 The NHS Counter Fraud Authority is a specialist authority dedicated to identifying, investigating and preventing fraud and other economic crime within the NHS across England. The NHSCFA is independent from other NHS bodies and is directly accountable to the Department of Health and Social Care (DHSC) in England.
- 2.8 The NHSCFA sets national standards and provides policies and guidance (including the NHS Counter Fraud Manual) to support NHS bodies across England and Wales to implement effective local counter-fraud arrangements. It also conducts an Annual Quality Assurance assessment of LCFS resources at each NHS Wales body, and has commented positively on the structure, performance standards and quality of counter-fraud work across NHS Wales.
- 2.9 The NHSCFA submits quarterly reports to the Welsh Government, which enable Welsh Ministers to monitor the performance of the NHSCFA against the agreed annual service level agreement for the provision of specialist support services. The NHSCFA produces an annual report which is shared with Welsh Ministers, the NHS Wales Directors of Finance and the Counter Fraud Steering Group.

The NHS Counter Fraud Service in Wales

- 2.10 The NHS Counter Fraud Service (NHSCFS) Wales provides specialist criminal investigation and financial investigation services to all health bodies in Wales. Funded by the Welsh Government, the NHSCFS Wales team provide an operational lead for NHS Wales and the Welsh Government, to help ensure a consistent approach to counter-fraud work across NHS Wales.
- 2.11 **Exhibit 10** sets out the role and work of the NHS Counter Fraud Service in Wales in more detail.

Exhibit 10: overview of the counter-fraud arrangements within NHS Counter Fraud Service in Wales

Resources



- The NHS Counter Fraud Service (NHSCFS) Wales team comprises seven FTE experienced investigators.
- The team includes two accredited Financial Investigators who have the powers to recover funds from convicted fraudsters. They use investigation and restraint powers under POCA 2002 when appropriate.
- The NHSCFS Wales Manager is professionally accountable to the Head of Operations of the NHSCFA.
- NHSCFS Wales is a division of the NHS Wales Shared Service Partnership. The NHSCFS Wales team is employed by Velindre NHS Trust.

Work and Collaboration



- The main role of the NHSCFS Wales team is to investigate and prosecute serious, complex, or large-scale economic crime cases (fraud, corruption and bribery) within NHS Wales. Such cases may involve more than one health body and may cover both England and Wales.
- The NHSCFS Wales team investigates all cases in line with the NHS Anti-Fraud Manual and all relevant criminal law, and consider appropriate criminal, civil or disciplinary sanctions.
- The NHSCFS Wales team also provides specialist investigation skills, support and guidance to the LCFS network across NHS Wales. This includes cases which potentially involve senior executives and/or management at health bodies, where independent assurance is required as LCFS staff report to Directors of Finance.
- Although most of the team's activity is reactive and involves investigative work, NHSCFS Wales also undertakes proactive work such as presentations to NHS staff. These raise awareness of potential fraud risks and the reporting routes for any concerns.
- The NHSCFS Wales team facilitates information sharing on good practice and promotes general awareness of counter-fraud work and developments across NHS Wales.
- The team maintains a case management system and hosts a good practice exchange forum twice a year for LCFS staff, where specialist trainers from the NHSCFA in England provide updates on criminal justice issues and professional accreditation refresher training.
- The team also delivers regular fraud awareness training to key NHS Wales staff and stakeholders highlighting potential crime risks and addressing relevant system weaknesses.
- The team regularly engages with the police services when police arrest or search powers are necessary. The team also works closely with the National Crime Agency in relation to financial and money laundering investigations. Relevant investigative information is also shared with medical professional regulatory and disciplinary bodies when appropriate.
- The NHSCFS Wales team can refer its cases directly to the Crown Prosecution Service for independent consideration of criminal prosecution action. The team also reviews and approves LCFS prosecution files prior to their submission to the Crown Prosecution Service.

Scrutiny



- The Counter Fraud Steering Group (CFSG) provides the prime governance and oversight for counter-fraud arrangements for NHS Wales.¹⁴
- The CFSG meets quarterly, with attendees including representatives from the Welsh Government, NHS Wales Finance, NHSCFA, NHSCFS Wales, the Chair of the NHS Wales Audit Committees and internal and external audit.
- The NHSCFS Wales Manager completes a risk-based annual work plan and submits it to the NHSCFA's Head of Operations for review. This work-plan highlights the potential areas of risk, based on intelligence data and identifies proactive priorities across NHS Wales. The CFSG reviews and endorses the work plan.
- The NHSCFS Wales team updates the Welsh Government, NHSCFA and relevant Finance Directors on any significant case developments as well as producing a quarterly case report for each of their ongoing investigations. The NHSCFS Wales team also produces quarterly consolidated economic crime investigation data for NHS Wales.
- The NHSCFS Wales team reports to the CFSG every quarter who then make recommendations to NHS Wales Directors of Finance and to the Welsh Government.
- The NHSCFS Wales team's activities are subject to inspection review and scrutiny by the NHSCFA's Governance and Assurance Manager.
- The NHSCFS Manager reports on counter-fraud work, including resources and sanctions secured, to the Health and Social Services Group within the Welsh Government.

Impact



- During 2018-19, there were 23 referrals investigated by NHSCFS Wales. The team secured four criminal convictions, one internal disciplinary and nine civil recoveries which led to £380,000 being recovered for NHS Wales.
- During the five-year period 2014-19, NHSCFS Wales and the LCFS teams have jointly recovered a total of £2.3 million for NHS Wales and have together secured 64 criminal convictions, 177 civil recoveries and 147 disciplinary sanctions.
- There is currently no comprehensive analysis of specific fraud risks, which may result in counter-fraud resources not being directed to the most appropriate areas. The CFSG is leading work to develop an analysis which will inform the future allocation of resources.
- The NHSCFS Wales team has investigated several significant fraud cases in recent years. **Case Studies 5 and 6** provide two notable examples.

Source: Wales Audit Office

¹⁴ A sub-group of the NHS Wales Directors of Finance Group, chaired by the Director of Finance and Corporate Services of the NHS Wales Shared Services Partnership

Case study 5: NHSCFS Wales investigation – Powys Teaching Health Board

A temporary Project Manager at Powys Teaching Health Board established a private company through which he submitted bogus invoices totalling £822,000 to his employer using false names.

The Powys fraud case was an anonymous referral received by the NHS CFS Fraud and Corruption reporting line in June 2015.

The perpetrator was assisted in this fraud by two other employees. In October 2018, the three individuals were convicted of Fraud and Money Laundering. The instigator was sentenced to seven years imprisonment, and the others to four and three years imprisonment respectively.

Proceeds of Crime Act 2002 confiscation proceedings are currently in progress with a view to recovering the money defrauded from the Health Board.

Case study 6: NHSCFS Wales investigation – Overpayment of Salary to NHS Nurse

A nurse was mistakenly paid a monthly salary for 17 months after she left her job and failed to disclose the error to her former employer.

The nurse stopped working at Cwm Taf University Health Board in January 2017 but was paid her monthly salary in error up until May 2018. This led to overpayments of £25,000. Instead of alerting her previous NHS employers to the continued salary payment error, the nurse decided to keep the money, which she then spent.

The error came to light during a review of salary payments and the case was then referred to NHS Counter Fraud Service Wales for investigation.


The nurse pleaded guilty to theft and was given a sentence of six months in prison, suspended for 12 months. She was ordered to carry out 200 hours of unpaid work and to attend a rehabilitation course. The nurse was ordered to repay the amounts overpaid at a minimum of £250 per month back to Cwm Taf University Health Board.




The Local Counter-Fraud Specialists in Wales

2.12 Individual health bodies are responsible for dealing with their own counter-fraud matters at a local level. Each health body in Wales has a nominated Local Counter Fraud Specialist employed by the health body who, either on their own or as part of a team, investigates smaller value fraud cases within their own health bodies.

2.13 **Exhibit 11** sets out the role and work of the Local Counter Fraud Specialists at health bodies in more detail.

Exhibit 11: overview of the Local Counter Fraud Specialists at health bodies

<p>Resources</p> 	<ul style="list-style-type: none">• Welsh Government Directions require each local health board in Wales to appoint and train at least one Local Counter Fraud Specialist (LCFS). Each LCFS is accredited by the Counter Fraud Professional Accreditation Board.• There is no regulatory requirement for health bodies to have more than one LCFS and no benchmark for the level of resource that should be invested. This has resulted in a variation in the resourcing levels at health boards.• The Local Counter Fraud Specialists are employed by health bodies in Wales and are usually based at the relevant health body. Not all health bodies employ their own LCFS directly, some buy in the service from another health body.• The Director of Finance at each local health board makes decisions relating to recruitment of LCFS, and the NHSCFS Wales Manager assists with the recruitment process.• The total number of LCFS staff in Wales has increased from 14.3 FTE in 2014-15 to 18.2 FTE in 2018-19.
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<p>Work & Collaboration</p> 	<ul style="list-style-type: none"> • The LCFS acts as the focal point for all economic crime matters within each health body. The Fraud, Bribery and Corruption Standards drive this work, which are set and updated annually by the NHSCFA. • LCFS staff are responsible for the initial investigation of all allocated allegations of economic crime affecting their NHS bodies. These are often the less complex economic crime referrals, but LCFS investigations frequently secure appropriate criminal, civil and disciplinary sanctions. • LCFS are also responsible for developing the counter-fraud culture at their respective health bodies. They host presentations and workshops within their NHS bodies to raise awareness of economic crime risks, the counter-fraud arrangements within their health body and the ways in which NHS Wales staff should report any concerns. • The LCFS also undertake prevention and deterrence work which highlights successful investigation outcomes, and also make recommendations to improve NHS Wales control systems so that opportunities to commit offences can be minimised. • Each LCFS is required to complete a four-week accreditation course, funded by NHS Wales and sourced from independent training providers. All LCFS staff receive continuing professional development training from the NHSCFA.
<p>Scrutiny</p> 	<ul style="list-style-type: none"> • LCFS report on their work plans and progress reports to their health body's Audit Committee, and occasionally call on the support of NHSCFS Wales if required to update on a specific case. • LCFS are directly accountable to the Finance Directors at their health bodies. • It is the responsibility of the Director of Finance and the LCFS to keep their Audit Committee informed of the progress of economic crime investigations and outcomes.
<p>Impact</p> 	<ul style="list-style-type: none"> • During 2018-19, 129 cases were allocated to LCFS for investigation, and their work led to recoveries of £142,364 for NHS Wales. Their investigations also resulted in 12 criminal sanctions, 30 disciplinary sanctions and 27 civil recoveries. • The LCFS have investigated several significant fraud cases in recent years. Case Studies 7 and 8 provide two notable examples.

Source: Wales Audit Office

Case study 7: LCFS Wales – Clinical Research Fellow in Cardiff & Vale area

A doctor was employed on a two-year contract as a full time Clinical Research Fellow at Cardiff & Vale University Health Board where he was contracted to work 40 hours per week split equally between clinical duties and research work.

Information received indicated that the subject was not conducting any of his research work. The issue was referred for investigation and it was confirmed that the subject was working lucrative hours as a locum doctor when he should have been completing his research work for the health body.

When interviewed, the doctor admitted the offences, he was subsequently charged with multiple fraud offences and appeared at Cardiff Crown Court, where in March 2018 he was sentenced to eight months imprisonment suspended for six months. He was also ordered to repay £55,733 in compensation with £2,000 investigation costs and a £115 victim surcharge. The individual is no longer employed by the health body and the issue has been referred to the General Medical Council.

Case study 8: LCFS Wales investigation – Student Nurse in Cwm Taf area

A former student nurse repeatedly submitted false information over several years when applying for student finance related funding. The mature student claimed that she was a single mother living with her two children in order to receive enhanced bursary funding and DWP benefits when she was actually living with her husband who was in full employment.

The joint investigation with DWP confirmed the false bursary and benefit claims and she was charged with multiple fraud and forgery offences. The subject appeared at Merthyr Crown Court where she pleaded guilty and was sentenced on 18 October 2017 to a 24-month custodial sentence; the husband was also sentenced to six months imprisonment for assisting the commission of the offences. Action under the Proceeds of Crime Act 2002 is ongoing to recover the proceeds of the frauds from the subjects.

Local Government

- 2.14 There are 22 Unitary Local Authorities in Wales. Each is a corporate body responsible for exercising the functions devolved to them under the Local Government (Wales) Act 1994.
- 2.15 These elected councils are responsible for policy formulation and determining spending priorities. Accordingly, each council determines how much resource to allocate to counter fraud and what policies and strategies they wish to follow.
- 2.16 The counter-fraud landscape across Local Government differs markedly from the NHS and Central Government in Wales. There is no all-Wales team responsible for local government counter-fraud or an overarching strategy or policy framework. Arrangements vary widely from council to council.
- 2.17 **Exhibit 12** sets out the key aspects of counter-fraud arrangements within Welsh councils.

Exhibit 12: overview of the counter-fraud arrangements currently within Welsh councils

Resources



- Austerity measures and pressures on budgets have led to a reduced internal capacity to investigate fraud and corruption at many councils.
- Most councils no longer have a dedicated council-wide counter-fraud team or resource.
- Leading up to 2014 all councils had dedicated counter-fraud arrangements primarily organised around the identification of benefit fraud and error. However, in 2014, a national Single Fraud Investigation Service (SFIS) for benefit fraud was established within the Department for Work and Pensions (DWP), and most of the skilled fraud investigators who transferred across to the DWP have not been replaced by councils.
- While some councils have retained a dedicated counter-fraud resource, internal audit has filled the gap elsewhere. However, not all internal audit teams have received formal training and many teams lack counter-fraud experience.
- In councils where internal audit undertake the investigations, increases in volume often means they do not deliver other programmed work on time due to limited resources.
- Our 2018 National Fraud Initiative (NFI) report found considerable variation in the level of commitment being shown by participants and, in a small number of cases, participants failed to adequately review NFI matches in an effective or timely manner.

Work and Collaboration



- Individual councils are responsible for developing their own counter-fraud policies and culture.
- Councils tend to focus more on investigations rather than prevention due to a lack of resources and competing priorities.
- There are examples of where councils undertake some proactive work and raise awareness both internally and externally, but this is not widespread.
- Generally, councils prioritise potential fraud cases as and when they arise, but the numbers of cases are difficult to predict.
- A Welsh Chief Auditors group meets twice a year and participants view this as an effective means of discussing common issues. However, counter-fraud is not a standing agenda item for this forum.
- There are some informal local networks in regions eg North Wales Chief Auditors, South Wales creditors group which act as an additional forum to discuss counter-fraud issues. Some councils are members of the National Anti-Fraud network which provides fraud alerts to members.
- Councils recognise the benefit of collaboration and having a more holistic approach as well as the opportunities to share resources, skills and work across boundaries. However, barriers of time, cost and data sharing sensitivities, are some of the reasons preventing this from happening. Although collaboration could ultimately lead to cost savings there are conflicting short-term demands in times of austerity.
- Councils have some links with CIPFA and often use its published information for example the Fighting Fraud Locally Strategy. However, councils' proactive engagement with CIPFA is limited. On cost grounds, only two councils have subscribed to the CIPFA Counter Fraud Centre.

Scrutiny



- Councils typically provide information to their respective Audit Committees on cases of identified fraud and investigations. However, this information varies in terms of format and frequency.

Impact



- Aggregate information on identified losses and types and incidence of fraud, sanctions and recoveries is not currently collected across the councils.
- Information about new or novel frauds is not formally shared between councils to raise awareness and strengthen counter-fraud controls.

Source: Wales Audit Office

The National Fraud Initiative

- 2.18 The Welsh Government, several Welsh Government Sponsored Bodies, NHS and local government bodies in Wales all participate in the National Fraud Initiative (NFI). NFI is a data-matching tool which enables organisations to identify and investigate data anomalies that may be due to fraud. The Auditor General for Wales administers NFI in Wales, Audit Scotland in Scotland and Northern Ireland Audit Office in Northern Ireland. The former Audit Commission administered NFI in England until 2015, when responsibility transferred to the Cabinet Office.
- 2.19 The NFI has established itself as the UK's premier public-sector fraud-detection exercise. The design of the system allows the matching of different sets of data to identify possible fraudulent or erroneous claims and payments. Where the NFI system identifies a match, it may indicate an inconsistency which requires further investigation; it is not in itself evidence of a fraud. Participating organisations receive online reports containing the matches which relate to their organisation and they are responsible for analysing those matches.
- 2.20 Since 1996, the NFI has identified more than £35 million of fraud and overpayments in Wales, and nearly £1.7 billion across the UK. The information submitted is wide-ranging and includes data relating to housing benefits, student-loan recipients, payroll and pension payments.
- 2.21 The most recent NFI report concluded that although most participants have an effective approach for managing the NFI and reviewing data matches, there is still considerable variation in the level of the participants' commitment and, in a small number of cases, participants have failed to adequately review NFI matches in an effective or timely manner.
- 2.22 **Case Studies 9 and 10** provide examples of actions taken by local authorities in response to NFI data matches.

Case study 9: National Fraud Initiative (NFI) – City and County of Swansea occupational pension fraud

The City and County of Swansea reviewed NFI matches released in January 2017 between persons in receipt of occupational pensions paid by the Council and DWP records of deceased persons.

Checks were undertaken to confirm that the matched parties were the same. Where this was the case, further checks were undertaken to confirm that the pension was still in payment and whether pension records had been updated to record that the pensioner had died. Where pensions were still in payment after the date of death, payments were suspended, and attempts made to trace the next of kin. Eligibility forms were also sent out as a means of determining continued eligibility.

Because of the review, 26 cases were identified where incorrect pension payments were being made, and the Council is seeking to recover the overpayments. In one case, the pension overpayment amounted to £10,058. A further 11 pensions remain suspended, pending ongoing investigations to trace next of kin.

Case study 10: Caerphilly County Borough Council duplicate payments to creditors

Caerphilly County Borough Council undertook a review of NFI creditor payment matches to identify and investigate potential duplicates.

Several duplicates were identified which had already been recovered by means of supplier credits or refunds, but a number of unrecovered duplicates were also identified through this exercise. Thirty-seven unrecovered duplicated payments were identified with a total value of £60,534.

The Council has recovered, or is seeking to recover, all the duplicate payments identified and is continuing to review its systems and procedures to prevent overpayments in the future.

The Wales Fraud Forum

2.23 There is one other organisation in Wales that plays a role in counter-fraud; the Wales Fraud Forum¹⁵. This is a not for profit company run by a strategic board of volunteers from public and private sectors within Wales. The Wales Fraud Forum does not receive funding or employ staff, but its members have formed a steering group. The steering group uses its limited available time to:

- promote fraud awareness amongst its membership, organisations and individuals throughout Wales;
- promote an open and co-operative environment between the membership in both public and private sectors;
- establish a sound working relationship with similar forums in the UK and overseas and develop fraud prevention strategies for Wales in line with the UK's national fraud strategies;
- provide the opportunity through feedback and surveys to assess the general effectiveness of Wales Fraud Forum initiatives; and
- organise conferences and master classes on subjects relating to the fight against fraud.

2.24 The steering group is working towards creating a good practice culture by encouraging and developing anti-fraud strategies for members to utilise. It also aims to identify fraud risks and define methods to promote awareness and shared good practice, to enable its membership to effectively manage fraud.

2.25 Membership of the steering group includes a varied mix from the private and public sectors. There is a representative from the NHS and the Welsh Government on the group but there is currently no Local Government representative.

2.26 Details of some other counter-fraud organisations operating across England and Wales are set out in [Appendix 4](#).

¹⁵ www.fraudforum.wales/

Appendices

Appendix 1 – Audit Methods

Document reviews

We reviewed and reflected on the cumulative audit knowledge held within the Wales Audit Office regarding counter-fraud arrangements within the Welsh public sector. This included our previous work on the National Fraud Initiative and any recent local audit work on this topic.

We undertook a literature review on the topic of counter-fraud both generally and specific to the UK public sector. This included the following publications:

- ▶ Association of Fraud Examiners: Report to the Nations, 2018 Global Study on Occupational Fraud and Abuse
- ▶ Cabinet Office: Cross Government Fraud Landscape Report 2018
- ▶ KPMG: Fraud Barometer 2018 - A snapshot of Fraud in the UK
- ▶ Home Office, Criminal Finances Team: Asset recovery statistical bulletin, 2012-13 to 2017-18
- ▶ PricewaterhouseCoopers (PwC): Global Economic Crime Survey 2018: UK findings
- ▶ National Audit Office: Online Fraud report, June 2017
- ▶ Government Internal Audit Agency: Review of Approach to Counter Fraud, November 2017
- ▶ NHS Counter Fraud Authority: Wales Annual Performance Report, Annual Summary Report 2017-18
- ▶ CIPFA Counter Fraud Centre: Fighting Fraud and Corruption Locally, 2016-19 Checklist
- ▶ CIPFA Counter Fraud Centre: Counter Fraud Assessment Tool, 2015
- ▶ CIPFA Counter Fraud Centre: The local government counter-fraud and corruption strategy, 2016-2019
- ▶ National Fraud Initiative in Wales, Report 1 April 2016 to 31 March 2018
- ▶ The Government Counter Fraud Profession: Protecting public services and fighting economic crime
- ▶ Northern Ireland Audit Office: Managing Fraud Risk in a Changing Environment, 17 November 2015
- ▶ NHS Counter Fraud Authority: Wales Annual Performance Report, Annual Summary Report 2017-18
- ▶ NHS Wales: Fighting Fraud Strategy

Interviews

We had discussions with fraud specialist colleagues within the Wales Audit Office and conducted structured interviews with representatives from the following organisations:

- The Welsh Government's Counter Fraud team
- The NHS Counter Fraud Service Wales team
- Representatives from eight Welsh councils with a lead role in counter-fraud and fraud investigation
- The Wales Fraud Forum

We have also held discussions with representatives from the following organisations:

- Chartered Institute of Public Finance and Accountancy (CIPFA) in Wales
- The CIPFA Counter Fraud Centre
- The Welsh Local Government Association
- Cabinet Office Centre of Expertise for Counter Fraud
- Government Counter Fraud Profession

Appendix 2 – Arriving at an estimate for the cost of fraud to the Welsh public sector

The Association of Certified Fraud Examiners (ACFE) recognises that counting the cost of fraud is an incredibly difficult task, given the number of unknown factors required to make such an estimate. 'No one knows the amount of frauds that go undetected or unreported, and even for those frauds that do come to light, the full amount of loss might never be calculated. Such limitations mean that any attempts to quantify the global amount of fraud will be imperfect'.

The global cost of fraud

The ACFE has attempted to answer this question by surveying more than 2,000 anti-fraud experts who together have investigated hundreds of thousands of fraud cases. On this basis, the ACFE estimates that organisations lose 5% of their annual revenues to fraud. Applying this percentage to the gross world product yields a potential loss of £60 trillion annually.

The cost of fraud to the UK

A recent report by the UK Cabinet Office reveals an upper and lower range for likely losses in government spend between 0.5% and 5% of expenditure. The top end of these estimates is consistent with the findings of ACFE above.

The cost of fraud to Wales

Whilst it is difficult to quantify fraud losses both globally and nationally, it is even more difficult to find reliable estimates for the cost of fraud within the Welsh public sector. There is no annual survey or review undertaken to try and answer this question let alone break this down further either by sector or type of fraud.

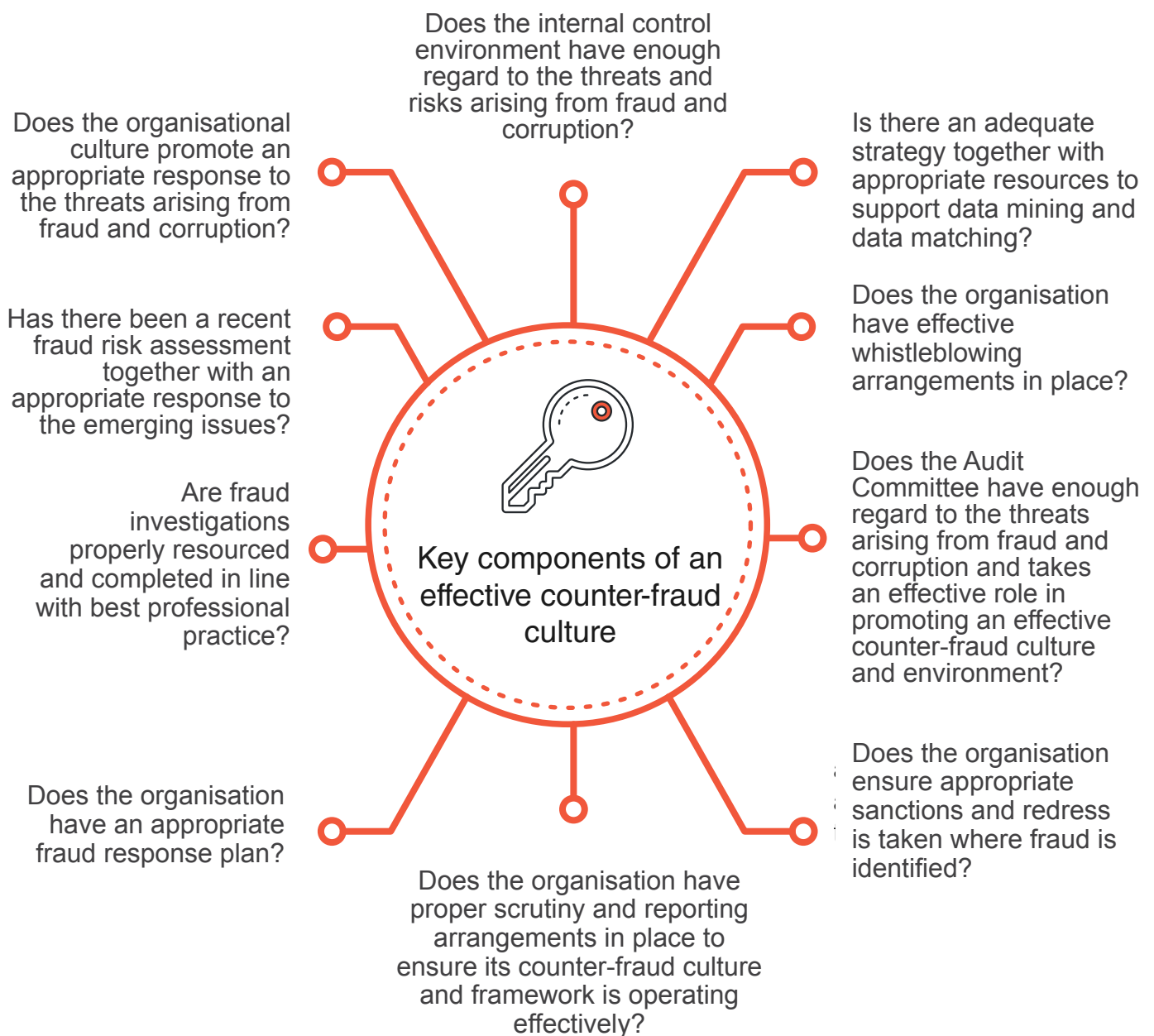
We have estimated in this paper that the cost of fraud in the Welsh public sector could be in the region of between £100 million and £1 billion annually.

We have arrived at this estimate by applying the Cabinet Office percentages above to devolved annual expenditure in Wales of £19.6 billion. This value comes from the Wales Audit Office Report – 'A Guide to Welsh Public Finances' and is derived from the main sources of funding for devolved services in Wales in 2016-17. These comprise the £14.5 billion block grant plus local borrowing, taxation and other borrowing and income.

Appendix 3 – Key components of an effective counter-fraud culture

Organisations can mitigate against the risk of fraud by having the right organisational culture supported by effective counter-fraud arrangements.

Key elements of effective counter-fraud arrangements are set out below. This list is not exhaustive, but it covers the main components.



Appendix 4 – Organisations promoting counter-fraud across the UK

The ways in which fraud is committed are constantly evolving as society and technology changes. Fraud does not respect geographical or other boundaries. It is therefore important that collaboration and the sharing of intelligence and good practice takes place across the UK.

This appendix provides details of organisations sharing intelligence and promoting counter-fraud across the UK, drawn from public website searches. It should not however be considered exhaustive, but rather as a good starting point for further inquiry.

The National Crime Agency

The role of the National Crime Agency (NCA) is to protect the public by disrupting and bringing to justice those serious and organised criminals who present the highest risk to the UK.

The NCA has a wide remit. They tackle serious and organised crime, strengthen our borders, fight fraud and cyber crime, and protect children and young people from sexual abuse and exploitation. They provide leadership in these areas through our organised crime, border policing, economic crime and CEOP commands, the National Cyber Crime Unit and specialist capability teams.

The NCA works closely with partners to deliver operational results. NCA has an international role to cut serious and organised crime impacting on the UK through a network of international liaison officers.

The National Anti-Fraud Network

Membership of the National Anti-Fraud Network (NAFN) is open to all public sector organisations and aims to provide cost-effective, class leading services which support the highest level of protection of the public purse & effective corporate governance.

NAFN exists to support its members in protecting the public interest. It is the largest shared service in the country managed by, and for the benefit of its members, and is hosted by Tameside MBC with each member paying a proportionate share of the annual operating costs. The NAFN Executive Board is elected annually by members at the AGM.

Membership is open to any organisation which has responsibility for managing public funds/assets and use of services is voluntary.

NAFN provides data, intelligence & best practice services for all teams within member organisations including:

- Corporate Fraud
- Debt Recovery
- Environmental Health
- Procurement
- Housing Benefit Fraud
- Housing
- Internal Audit
- Investigation
- Parking
- Trading Standards

This also includes both directly employed & out-sourced staff dealing with the verification of entitlement to services and benefits.

NAFN offers the following functions:

- Acquisition of data legally, efficiently and effectively from a wide range of information providers.
- Acting as the hub for the collection, collation and circulation of intelligence alerts.
- Providing best practice examples of process, forms and procedures.
- Compliance with the law & best practice: All data is acquired in full compliance with the law and best practice.
- Efficiency savings: Membership of NAFN significantly reduces recruitment, training and process costs for individual members. NAFN provides a pool of trained & accredited staff and negotiates savings for members.
- Effectiveness: NAFN is able to acquire data much faster than could be achieved by individual members.

Cifas

Cifas is a not-for-profit fraud prevention membership organisation. It claims to be the UK's leading fraud prevention service, managing the largest database of instances of fraudulent conduct. Cifas facilitates the sharing of data between more than 400 organisations in order to prevent and detect fraud.

Throughout the UK, Cifas experts and services help protect individuals and organisations from the growing and increasingly sophisticated threat of fraud and financial crime.

With every organisation that becomes a Cifas member, or with whom they collaborate, they establish a tougher environment for fraudsters – both externally and within an organisation. Using the simple tools of communication and sharing information, Cifas can shine a light on their activities for all members and partners to see.

For members of the public Cifas offer increased security against identity fraud, as well as expert advice on how to protect personal data in an increasingly tech-reliant world.

For individuals Cifas can provide the information and tools needed to understand fraud and financial crime when it happens and offer advice about what individuals can do to protect themselves from becoming a victim.

Since 1988, Cifas has collaborated with organisations from across the public and private sectors to create a non-competitive fraud prevention environment, focused on working with rather than against each other to defeat fraudsters. Their methods utilise a number of products and services including fraud risk databases and networking opportunities for members and law enforcement partners.

The CIPFA Counter Fraud Centre

Building on CIPFA's history of championing excellence in public finance management, its Counter Fraud Centre offers training and a range of products and services to help organisations detect, prevent and recover fraud losses.

The Centre leads on CIPFA's national counter-fraud and anti-corruption strategy for local government. It also conducts the annual CIPFA Fraud and Corruption Tracker, a national overview of all fraud, bribery and corruption activity throughout the UK public sector.

The Single Fraud Investigation Service

The Single Fraud Investigation Service (SFIS) is a partnership between the Department for Work and Pensions Fraud Investigation Service, HMRC and local authorities. These bodies work closely together to deliver a service where a single investigation covers all welfare benefit fraud and tax credit fraud.

The main objectives of the SFIS are to:

- operate under a single policy and set of operational procedures for investigating all welfare benefit fraud;
- conduct single investigations covering all welfare benefit fraud;
- rationalise existing investigations and prosecution policies to create a more coherent investigation service that is joined up, efficient and operates in a more consistent and fair manner, taking into account all offences that are committed;
- enhance closer working between DWP, HMRC and local authorities;
- bring together the combined expertise of all three services drawing on the best practices of each; and
- support the fraud and error integrated strategy of preventing fraud and error getting into the benefit system, by detecting and correcting fraud and punishing and deterring those who have committed fraud.

The Cabinet Office's Centre of Expertise for Counter Fraud

The Cabinet Office has recently established the Centre of Expertise for Counter Fraud as a function of central government in England. This new Centre sets cross-government standards for fraud and supports departments in understanding the risk posed by fraud.

The Centre comprises four key work streams:

- 1 The Government Counter Fraud Profession: team are responsible for improving cross-government counter-fraud capability and consistency by providing professional standards, competencies and guidance.
- 2 Policy Engagement & Assurance: the team set counter-fraud functional standards, for Government and then hold them to account. The team measure the amount of fraud and error detected through data gathered from departments. The data collected is then assessed through the Fraud Measurement and Assurance Exercise and the Prevention Panel.
- 3 Data Analytics Development: team are responsible for reviewing the use of data analytics and promoting greater access to data and data analytics across government. The team work to support and deliver new data sharing and data analytics projects, through the Digital Economy Act 2017¹⁶ where required.
- 4 The National Fraud Initiative: team focus on the prevention and detection of fraud through the cross matching of data from organisations in the public and private sectors across the UK.

¹⁶ The Digital Economy Act covers Wales. However Welsh Ministers are yet to enact the secondary legislation that will bring this Act into force

Appendix 5 – Glossary of Terms

ACFE	Association of Certified Fraud Examiners
ARAC	Audit and Risk Assurance Committee
Bribery	The offering, promising, giving, accepting or soliciting of an advantage as an inducement for an action which is illegal, unethical or a breach of trust. Inducements can take the form of gifts, loans, fees, rewards or other advantages (taxes, services, donations, favours etc.).
CFSG	Counter Fraud Steering Group
Cifas	Cifas is a not-for-profit fraud prevention membership organisation.
CIPFA	Chartered Institute of Public Finance and Accountancy
Civil Recovery	The proceeds of crime can be recovered in civil proceedings in the High Court against property which can be shown to be the proceeds of crime.
Confiscation Order	A confiscation order is an order of the Crown Court which requires a convicted defendant to pay a sum of money to HM Courts and Tribunal Service.
CPS	Crown Prosecution Service
Cyber Crime	Crimes that target computer networks or devices. These types of crimes include viruses and denial-of-service attacks. Crimes that use computer networks to advance other criminal activities. These types of crimes include cyberstalking, phishing and fraud or identity theft.
DWP	Department for Work and Pensions
EU	European Union
Extortion	Extortion is a criminal offense of obtaining money, property, or services from an individual or institution, through coercion.
Fraud	The Fraud Act 2006 gives a statutory definition of the criminal offence of fraud, defining it in three classes – fraud by false representation, fraud by failing to disclose information, and fraud by abuse of position.
Fraud Triangle	The Fraud Triangle was developed in the 1950s by Donald Cressey which helps explain the circumstances within which fraud has a greater likelihood of taking place.
HMRC	Her Majesty's Revenue and Customs

LCFS	Local Counter Fraud Specialist
HMICFRS	Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services
NCA	National Crime Agency
National Fraud Initiative	The National Fraud Initiative (NFI) is an exercise that matches electronic data within and between public and private sector bodies to prevent and detect fraud.
NHSCFA	National Health Service Counter Fraud Authority
NHSCFS	National Health Service Counter Fraud Service
Proceeds of Crime	In effect any handling or involvement with any proceeds of any crime (or monies or assets representing the proceeds of crime) can be a money laundering offence. An offender's possession of the proceeds of his own crime falls within the UK definition of money laundering.
Restraint Order	<p>A restraint order is obtained to preserve assets until a confiscation order is paid in full. It can be obtained from the Crown Court at any time from the start of an investigation.</p> <p>A restraint order can also be obtained to preserve assets for reconsideration applications and when obtaining confiscation orders against absconded defendants.</p>
SFIS	Single Fraud Investigation Service
WEFO	Welsh European Funding Office
Whistleblowing Arrangements	Processes put in place by organisations that enable their workers to come forward to raise a concern about wrongdoing in a safe and transparent manner.

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