

Sir Derek Jones KCB  
Ysgrifennydd Parhaol  
Permanent Secretary



Llywodraeth Cymru  
Welsh Government

Nick Ramsay AM  
Chair of the Public Accounts Committee  
National Assembly for Wales  
Cardiff Bay  
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Dear Nick,

16th August 2016

### **National Fraud Initiative 2014-15: Ensuring the Proper Use of Public Funds in Wales**

I understand that the Committee has asked for the comments of the Welsh Government on this report by the Auditor General for Wales.

The Welsh Government is an enthusiastic supporter of this work. We take part in every National Fraud Initiative exercise and we encourage all Welsh Government Arms Length Bodies to do the same. NFI data is shared securely and any potential cases to be investigated are managed through the Welsh Government Counter Fraud Team. We welcome the proposed further expansion of the NFI, through the broadening of participation and the addition of new data-matches, as a means to better safeguard public money. As the Report notes, we are in discussion with the Wales Audit Office on the feasibility of undertaking Wales-specific data-matching pilot exercises designed to prevent and detect fraud as part of NFI 2016-17 and we will be working with them to identify how NFI can help address any Inherent fraud risks associated with new policy developments.



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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding

Although no frauds internal to the Welsh Government were identified as part of the exercise we are, of course, very conscious of the need to have robust controls in place to prevent fraud through a range of preventative and detective measures, including the following:

- routine due diligence checks on recipients of Welsh Government funding as part of our grants management and business investment processes and utilisation of management information to monitor how Welsh Government funds are used;
- internal controls embedded in our finance systems, particularly our payments systems, and information security controls to protect access to those systems from both internal and external attack;
- use of the NFI data analytics and our own internal data analytics capability to perform periodic compliance and anti-fraud checks on transactional data, to identify potential issues such as misuse of Welsh Procurement Cards or misuse of Government-funded bus concession cards;
- an expert counter-fraud service staffed by a former police detective and supported by our Internal Audit Service. Our Head of Counter Fraud is on the organising committee of the Wales Fraud Forum, maintains strong links with CIFAS and has a wide network of contacts in the police service and with other public sector investigators across Wales;
- close liaison with the Police, Wales Audit Office and other funding bodies in Wales to ensure concerns are identified and investigated appropriately;
- advice, support and training for staff in key roles where fraud awareness is needed. Recently we ran a one-day course for selected staff on how to use social media as a tool in fraud investigations. Our next priority is to organise training for staff giving evidence in fraud prosecutions, to prepare them for the experience of being cross-examined in court;
- implementation of the ECs anti-fraud software called “Arachne” to help identify potential fraud in EC funded programmes managed through the Welsh Government;
- liaison between process owners and Internal Audit when new systems and procedures are being designed, to ensure that fraud risks are identified and suitable controls designed to mitigate them;

- comprehensive policy and procedures for fraud preparedness and response, including the preparation of fraud risk assessments across Welsh Government activity. We also have a fraud hot-line for staff and the public to raise any concerns they have relating to the use of Welsh Government funds;
- in 2015 the Welsh Government put 14 staff through the CIPFA Accredited Counter-Fraud Technician course – with these staff coming from across the organisation including Internal Audit, relevant policy areas and the Wales European Funding Office; and
- Welsh Government is currently implementing “Application Checker” which is referred to by the Auditor General in his report and which is an NFI tool for proactively checking the credentials/identity of individuals before an application is made. This can be used in a number of areas to confirm the integrity of individuals, for example those applying for grants, or for licences and also potential new Welsh Government staff.

But of course we do recognise that whatever processes and safeguards are in place, no part of the public sector can be immune from the possibility of being defrauded and there can be no cause for complacency. The Committee may have seen in the press, for example, a recent case where a credit card fraud was perpetrated upon the Welsh Government by an unknown third party – the fraudulent transaction was picked up swiftly by our credit card provider and the sum involved (£103.91) was credited back to our account, so there was no loss to the public purse and the usual system of processes and checks, starting with those operated by our provider, came into play effectively. But it was a salutary reminder that the Welsh Government can be a target for fraudsters, along with all of the bodies which it funds.

I hope that this background information is helpful to the Committee.

I am copying this letter to the Auditor General for Wales.

Yours,  
Derek

