

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
CF99 1NA

Dear Nick,

24th November 2016

Thank you for the opportunity to appear before the Committee for a valedictory session ahead of my departure from the Welsh Government Civil Service; I hope that you found the session useful. The Committee has asked two follow-up questions concerning whistle-blowing in relation to bus concession fraud and the Welsh Government's anti-fraud resources.

Bus concession whistle-blowing

During the scrutiny session, Lee Waters suggested that concerns were raised with Welsh Government officials in 2011 in relation to possible fraud in the bus concession scheme. In response to the Committee's follow-up question, records for the Welsh Government's External Assurance Panel, the Whistle-blowing Panel, the Counter Fraud Unit's 'hotline' and the Internal Audit Service have been checked. There is no record of this complaint having come through these channels. If I am to take this enquiry further, it will be very helpful to know who it is suggested met with whom so that any papers can be identified without a very resource-consuming search of records from 2011.



Parc Cathays • Cathays Park
Caerdydd • Cardiff
CF10 3NQ
Ffôn • Tel 02920 823289
PS.PermanentSecretary@wales.gsi.gov.uk
Gwefan • Website: www.wales.gov.uk

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

With respect to the subsequent fraud case in 2014/15, there was no whistle-blower to the Welsh Government. One of the Directors, later prosecuted and imprisoned for fraud, approached the police independently to report criminal activity.

Counter fraud resources

The Committee has asked for further details of the Welsh Government's Counter-Fraud Unit and its budget, which are provided below. However, I would also like to set this within a wider context - both in terms of the resources that are allocated to audit and assurance work more widely but which are regularly called upon for counter fraud activity, and the Welsh Government's use of counter-fraud technology.

The Welsh Government's Counter-Fraud Unit is part of the Corporate Governance and Assurance Division, where it sits alongside the Internal Audit Service (IAS), Central Governance Unit (CGU), and European Funds Audit Team (EFAT). The Head of the Counter-Fraud Unit is a retired police officer with experience of leading economic crime and proceeds of crime recovery units. He is also a member of the organising committee for the Wales Fraud Forum. The Unit also includes 50% of the time of the Welsh Government's Computer Auditor – who is ISACA qualified and a CIPFA trained Counter-Fraud Technician. The Unit is also supported by an administrator and its overall budget is approximately £188,000 per annum.

While the Unit itself is small, it plays a leadership role and in reality draws on considerable support from audit, assurance and finance professionals in IAS, CGU, EFAT and from across the organisation to carry out its work. In 2015, a group of 14 members of staff drawn from these units and other parts of the organisation were trained as CIPFA Counter-Fraud Technicians – with this training they are able to undertake their own investigations in their own business areas, undertake their own investigations under the direction of the Counter-Fraud Unit, and assist the Head of Counter-Fraud with his work. Within the IAS's 2016/17 programme of work, 200 auditor days have been allocated specifically for special investigations and counter-fraud work (at an approximate cost of £55,000). In the interests of economy, we have not attempted to attribute a cost to all of the other staff time involved in anti-fraud work.

In addition to staff resources, our counter-fraud work is supported by technology; some examples are provided below. As part of our work to improve the management of grants, the Welsh Government's due-diligence system is now integrated with our grants payment system meaning grants cannot be paid without due diligence work being recorded. The Welsh Government holds licences for data analysis software 'IDEA' which is used by auditors to interrogate large and complex datasets. We are also increasing our use of National Fraud Initiative technology called 'Application Checker' to proactively use data matching at the point of grant application – this is currently being

used by the Marine and Fisheries teams. We are working with the Wales Audit Office, using National Fraud Initiative technology to develop a series of interfaces between local authority housing benefit systems and Rent Smart Wales (RSW) which will provide RSW will business intelligence to support their compliance role.

WEFO also uses the counter-fraud software provided by the European Commission called 'Arachne' to assist in the prevention and detection of fraud by grant recipients.

I hope that the Committee finds this summary of counter-fraud resources and activities useful.

Yours,
Derek

