

## **Background**

Fraud is a significant risk in the UK. The National Crime Agency (NCA) report that fraud is the most common crime in England and Wales, accounting for 41% of all offences. Approximately 3.2 million people over the age of 16 (7% of the population) are estimated to have been the victim of fraud.

The UK public sector is a target for fraud offenders. The NCA estimate that between £55 billion and £81 billion of public spending was lost to fraud in 2023/2024. Public sector fraud is not a victimless crime. When fraud is committed against public sector organisations, money is diverted from public services into the hands of criminals, including serious and organised criminals who may be involved in other crimes such as terrorism, drug or people trafficking.

The methods used by criminals to commit fraud evolve quickly and we must be alert to the current and changing fraud landscape to ensure that we have arrangements in place to deter, prevent, detect and investigate fraud and suspected fraud.

In the UK fraud is defined in the Fraud Act 2006 as any intentional dishonesty with the aim of making a gain or causing a loss to another. Fraud can be committed in three ways: by making a false representation; failing to disclose information when legally required to do so; or by abusing a position of trust.

## **Fighting Fraud and Corruption Locally (FFCL)**

Fighting Fraud and Corruption Locally (FFCL) is a Local Government Association initiative that provides a counter fraud framework and guidance to local authorities in England. The LGA published the first FFCL Strategy in 2011. The current framework is provided by the FFCL 2020, developed by local authorities and counter fraud experts, and overseen by CIPFA who also provide support and analysis on the strategy to local government.

The FFCL 2020 Strategy aims to provide a blueprint for a co-ordinated response to fraud and corruption perpetrated against local authorities

FFCL 2020 recommends a strategic approach to counter fraud, based on five principles:

- **Govern.** Have robust arrangements and support from decision makers to ensure that counter fraud measures are embedded throughout the organisation.
- **Acknowledge.** Understand fraud risk; commit to tackling fraud and corruption; demonstrate a counter-fraud response; and communicate fraud risks to those charged with governance.
- **Prevent.** Develop a counter-fraud culture; enhance fraud controls and processes, making the best use of information and technology; and communicate counter fraud activity and successes.
- **Pursue.** Develop capacity and capability to investigate fraud. Prioritise recovery of fraud losses and use of sanctions; collaborate across geographical and sector boundaries; learn lessons and close the gaps.
- **Protect.** Protect the organisation and its stakeholders from the harm caused by fraud and cyber-crime.

FFCL 2020 recommends that organisations adopt six themes in their counter fraud response:

- Culture: create a culture where fraud and corruption are unacceptable
- Competence: develop the right skills and competencies to counter fraudulent activity
- Capability: assess the full range of fraud risks and deploy appropriate counter fraud measures
- Capacity: deploy the right levels of resources to deal with the level of fraud risk
- Communication: raise awareness, internally and externally, share information and celebrate successes to deter fraudsters
- Collaboration: work across the organisation and with other organisations to share resources, skills and learning, good practice and innovation

FFCL 2020 also suggests a number of areas that might be the focus of fraud work including:

- Enhancing fraud detection capabilities
- Investing in technology and analytics to improve early fraud detection
- Building a fraud-resilient culture
- Promoting awareness, training and the risk appetite to fraud across all levels of the organisation
- Leveraging data and intelligence
- Using data and AI insights to predict, prevent and detect fraud risks

## **YPO's Approach to Counter Fraud**

YPO has a zero tolerance approach to fraud, corruption, bribery and other forms of financial crime. We are committed to the prevention, deterrence, detection and investigation of fraud in all areas of the business and have aligned our Counter Fraud Strategy to the FFCL 2020 Strategy to facilitate this.

Why do we have a Counter Fraud Strategy? A good counter fraud strategy establishes a clear focus on how the business is going to respond to the risk of fraud, how we prevent, deter and detect fraud. Note that how we respond to and investigate fraud is set out in the YPO Fraud Response Plan that accompanies this strategy.

The purpose of YPO's Counter Fraud Strategy is to:

- Provide a structured and co-ordinated approach
- Provide background and context
- Meet relevant regulatory requirements
- Set objectives and identify deliverables to achieve them
- Set out our priorities and focus areas for counter fraud for the next 2 - 5 years

Based on our current experience of fraud risk and threats, and the counter fraud resources available, YPO's Counter Fraud Strategy 2026 – 2028 will focus on the following areas:

- Promoting a zero tolerance approach to fraud and corruption, from the highest levels of the organisation
- Building a fraud resilient culture

## YPO Counter Fraud Framework: Counter Fraud Strategy

- Embedding counter fraud work in the organisation's governance framework and system of internal control
- Enhancing fraud risk and threat assessments to further develop a fraud risk register
- Promoting awareness, training and the fraud risk appetite across the organisation to ensure employees are knowledgeable about the risk of fraud and fraud prevention and detection methods
- Enhancing fraud detection capabilities

### **Counter Fraud Resources**

At this point it should be noted that YPO has minimal dedicated counter fraud resources. Whilst fraud prevention, deterrence and detection are built into a range of roles across the organisation primarily in Finance and HR, and there is some enhanced capacity in IT & Technology to counter the risk of cyber fraud, dedicated resource is limited to co-ordinating the focus areas identified above and to liaising with Wakefield Council who provide a professionally trained and accredited Counter Fraud Team resource to YPO through a Service Level Agreement (SLA).

YPO can also call on expert third party resources to counter the risk of:

- Cyber related fraud
- Banking related fraud
- Insurance related fraud

With this in mind YPO's Counter Fraud Strategy does not include the following focus areas (with the exception of cyber fraud related resources):

- Investing in technology and analytics to improve early fraud detection
- Leveraging data and intelligence
- Using data and AI insights to predict, prevent and detect fraud risks

### **Counter Fraud Strategy Objectives and Deliverables**

#### **Promoting a zero tolerance approach and raising awareness**

We will promote our zero tolerance approach to fraud and corruption, raise awareness of the risk of fraud and of our organisational appetite for fraud risk through a co-ordinated campaign of internal communications (messages from the Board, intranet, email and printed bulletins, updated notice boards etc) supported by mandatory policy compliance requirements and e-learning modules (MetaCompliance / Mylo).

Communications will include awareness of the Counter Fraud Strategy, Fraud Response Plan and Raising Fraud Awareness document, fraud risk assessments, and supporting documents including the Employee Code of Conduct, Employee Interests Policy, Gifts & Hospitality Policy and declarations. We will also promote the Whistleblowing Policy to encourage employees to report suspected fraud without fear of retaliation.

YPO Board, SLT and managers will lead by example, engage with colleagues, and promote counter fraud awareness in team meetings, team briefings and performance reviews.

We will also communicate our zero tolerance approach to fraud and corruption to other key stakeholders including our suppliers, contractors and partners through appropriate means and work with those who can support us with our counter fraud approach (Wakefield Council, our bank and insurers).

### **Fraud Risk**

We will conduct a full review of our fraud risk arrangements. We will review our existing fraud risks by revisiting existing threats and vulnerabilities, re-assessing and re-evaluating them against our fraud risk appetite, and bring them together into one cross-cutting fraud risk register on our SmartSheet Risk Management System.

We will also look ahead to how the fraud landscape may change in the next 2 to 3 years by horizon scanning for future threats and risks that have the potential to arise from factors such as changes in fraud tactics, emerging technologies, regulatory changes and economic shifts.

We will also view our new 5 Year Strategy 2026 – 2030, our objectives and deliverables through the lens of fraud threats and risks to enable us to build fraud resilience into our future plans.

We will adopt a recognised fraud risk assessment standard as the basis for future risk assessments.

### **Embedding Counter Fraud work with Governance**

We will agree roles, responsibilities and arrangements for planning, monitoring and reporting counter fraud work within our existing governance framework.

We will add Counter Fraud as a standing item to the Audit & Governance Sub-Committee's agenda, and report at least annually. We will invite the same challenge to our arrangements for Counter Fraud as we do to other aspects of governance (Anti-Bribery, Financial Management).

We will further embed fraud risk with strategic and operational risk on our risk management system and in our risk registers.

### **Building a Fraud Resilient Culture and Enhancing Fraud Detection Capabilities**

Our greatest assets in building a fraud resilient culture and enhancing fraud detection are our employees. We will educate them in how to recognise and report fraud, provide them with guidance and instruction, and encourage them to raise fraud or suspected fraud related concerns, within the protections of the Whistleblowing Policy.

We will carry out a fraud self-assessment using the FFCL Checklist from which we will develop a Counter Fraud Plan of further work to be done to improve our resilience to fraud. This will include reviewing and updating our Fraud Response Plan and our Raising Fraud Awareness document, which focusses on internal fraud.

### **Roles & Responsibilities**

## YPO Counter Fraud Framework: Counter Fraud Strategy

*To be completed*