

Cheltenham Borough Council
Audit Committee – 21 September 2016

Counter Fraud Unit Update and Counter Fraud Unit Business Case

Accountable Member	Cabinet Member Corporate Services, Councillor Roger Whyborn
Accountable Officer	Paul Jones Chief Finance Officer Paul.Jones@cheltenham.gov.uk
Report Author	Emma Cathcart Counter Fraud Team Leader 01285 623356 Emma.Cathcart@cotswold.gov.uk
Ward(s) affected	All indirectly
Key/Significant Decision	No
Executive summary	<p>The purpose of the report is to present the Audit Committee with a summary of the activity undertaken by the Counter Fraud Unit in order to provide assurance over the counter fraud activities of the Council and the on-going counter fraud project.</p> <p>Following the successful DCLG bid to fund the set-up of a Gloucestershire wide Counter Fraud Unit, the team has been undertaking feasibility work (both strategic and operational) on behalf of a number of Gloucestershire Authorities, West Oxfordshire District Council and Cheltenham Borough Homes.</p> <p>This work has been undertaken as a pilot and the attached business case has been drafted to reflect the financial sustainability of creating a permanent Counter Fraud Unit which will serve the partner Councils across the region including Cheltenham Borough Council.</p> <p>The Committee is asked to review the business case to provide comments for consideration during the consultation period; the current date to 30 September 2016 before it is formally presented.</p>
Recommendations	<p>That Audit Committee:</p> <ol style="list-style-type: none"> 1. Notes the project summary and makes comment as necessary. 2. Considers the business case and provides comments thereon to Cabinet to aid decision making.

Financial implications	<p>The base budget held by the Council for counter fraud related work is £62,300. The proposals within the business case will generate a base budget saving of at least £14,000. It is recognised that the potential income and loss avoidance savings will be difficult to map back to actual counter fraud activity as the proceeds are realised through the collection fund surplus. It is however acknowledged that surpluses within the collection fund over the last 2 financial years have been significantly higher than anticipated.</p> <p>Contact Officer: Paul Jones, S151 Officer Paul.Jones@cheltenham.gov.uk</p>
Legal implications	<p>The proposed arrangement will require appropriate delegation of functions, officer secondments and data sharing protocols as referenced in the report and business case. Further legal implications will, as necessary, be included in the report to Cabinet.</p> <p>Contact officer: Peter Lewis, One Legal peter.lewis@tewkesbury.gov.uk</p>
HR implications (including learning and organisational development)	<p>If the business case is approved by Cabinet there will be a requirement for formal TUPE consultation to commence with two officers who are currently seconded to the project from Cheltenham BC. GO SS HR are working with the lead counter fraud officer and will ensure that all relevant HR legislation is followed.</p> <p>Contact officer: Julie McCarthy, HR Manager (West) Julie.mcCarthy@cheltenham.gov.uk</p>
Key risks	<p>If the Council does not have effective counter fraud and corruption controls it risks both assets and reputation.</p>
Corporate and community plan Implications	<p>In administering its responsibilities; this Council has a duty to prevent fraud and corruption, whether it is attempted by someone outside or within the Council such as another organisation, a resident, an employee or Councillor. The Council is committed to an effective counter fraud and corruption culture, by promoting high ethical standards and encouraging the prevention and detection of fraudulent activities, thus supporting corporate and community plans.</p>
Environmental and climate change implications	<p>N/A</p>
Property/Asset Implications	<p>There are no property implications associated with this report.</p> <p>Contact officer: David Roberts, Head of Property Services david.roberts@cheltenham.gov.uk</p>

1. Background

- 1.1. In February 2015 Audit Cotswolds was successful in the Bid for £403k funding from Department of Communities and Local Government (DCLG) on behalf of the Local Authorities in Gloucestershire and West Oxfordshire District Council. The funding is a one off payment to enable the introduction of a Gloucestershire wide Counter Fraud Unit that is able to use data matching to gather intelligence and skilled investigators to help counter all forms of fraud against the Councils and Social Housing Providers in the region.
- 1.2. Cotswold District Council and Cheltenham Borough Council retained investigator resources under the direction of the Head of Audit Cotswolds. This Counter Fraud Unit

has been building the operational, legal and data matching requirements to deliver the project along with actual operational investigation of fraud. This has also included building the partnership network in the region and understanding what resources each authority had to contribute to the hub.

- 1.3. The shared legal team at Cotswold District Council and West Oxfordshire District and One Legal, on behalf of Cheltenham Borough Council, have been engaged to cover the data sharing and usage requirement, along with the access, accountability and authority provisions required at each organisation involved.
- 1.4. The Counter Fraud Unit is in the process of creating a range of new policies and procedures to enable data matching and criminal investigations to be legally undertaken and in support of each service area. It is anticipated that the service will be a value adding unit that supports all enforcement sections including Revenues, Planning and Licencing, etc. In addition, the team may tackle fraud as it is discovered with new intelligence/data matching software and reacting to normal referrals of fraud and whistleblowing. It is also in the process of developing an agreement with the Police and other enforcement agencies to aid in the early prevention/detection of fraud.
- 1.5. A project update is attached to ensure the Committee is updated on progress accordingly.
- 1.6. The attached business case has been drafted to reflect the financial sustainability of creating a permanent Counter Fraud Unit which will serve the partner Councils across the region.

2. Consultation

- 2.1. The Gloucestershire Chief Finance Officer Group is the Governance Group for the project and receives quarterly updates on progress. West Oxfordshire District Council is also updated. The Officers received a copy of the draft business case on 9 June 2016 and have agreed to consult with individual Corporate Management Teams, Audit Committees and Cabinet Members. A decision is to be received by Cotswold District Council as the lead authority by 30 September 2016.
- 2.2. The Audit Committee is asked to consider the draft business case and to provide comments thereon to the Cabinet, to aid its deliberations in the future.

Appendices	<ol style="list-style-type: none">1. Risk Assessment2. Counter Fraud Unit Update3. Counter Fraud Unit Draft Business Case with additional Financial Cost Update
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Risk Assessment

Appendix 1

The risk				Original risk score (impact x likelihood)			Managing risk				
Risk ref.	Risk description	Risk Owner	Date raised	Impact 1-5	Likelihood 1-6	Score	Control	Action	Deadline	Responsible officer	Transferred to risk register
1	Without dedicated specialist staff in place, the Council may be unable to take effective and efficient measures to counter fraud, potentially resulting in authority suffering material losses due to fraud and error	PJ	September 2016	3	4	12		Retain a specialist Counter Fraud Unit to tackle the misuse of public funds on behalf of the Council.	Ongoing	Chief Financial Officer	
<p>Explanatory notes</p> <p>Impact – an assessment of the impact if the risk occurs on a scale of 1-5 (1 being least impact and 5 being major or critical)</p> <p>Likelihood – how likely is it that the risk will occur on a scale of 1-6 (1 being almost impossible, 2 is very low, 3 is low, 4 significant, 5 high and 6 a very high probability)</p> <p>Control - Either: Reduce / Accept / Transfer to 3rd party / Close</p>											