

# Cheltenham Borough Council

## Audit, Compliance and Governance Committee –

**27 September 2022**

## Counter Fraud and Enforcement Unit Fraud Risk Strategy

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**Accountable member:**

Cabinet Member Finance and Assets, Councillor Peter Jeffries

**Accountable officer:**

Paul Jones, Executive Director Finance and Assets

**Accountable scrutiny committee:**

Not applicable

**Ward(s) affected:**

All indirectly

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**Key/Significant Decision:**

No

**Executive summary:**

To present the Audit, Compliance and Governance Committee with a Fraud Risk Strategy, so that they may consider the approach taken by the Counter Fraud Partnership.

To provide assurance to the Audit, Compliance and Governance Committee that the risks of fraud committed against the Council are recognised, managed and mitigated for in accordance with Council priorities, and changing fraud trends.

**Recommendations:**

**That the Audit, Compliance and Governance Committee:**

**Considers and comments on the Fraud Risk Strategy and associated work streams.**

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## 1. Implications

### 1.1. Financial implications

There are no direct financial implications as a result of this report however the work streams associated with the Fraud Risk Strategy will help identify loss avoidance measures.

**Signed off by:** Gemma Bell, Head of Finance and Assets (Deputy S151 Officer),  
[Gemma.Bell@cheltenham.gov.uk](mailto:Gemma.Bell@cheltenham.gov.uk)

### 1.2. Legal implications

The Fraud Risk Strategy aids the application of an effective fraud risk management regime assists the Council in effective financial governance which is less susceptible to legal challenge.

**Signed off by:** One Legal, [legalservices@onelegal.org](mailto:legalservices@onelegal.org)

### 1.3. HR implications

The promotion of effective counter fraud controls and a zero tolerance approach to internal misconduct promotes a positive work environment.

**Signed off by:** Julie McCarthy, HR Manager – Operations and Service Centre  
[Julie.McCarthy@publicagroup.uk](mailto:Julie.McCarthy@publicagroup.uk)

### 1.4. Environmental and climate change implications

Not applicable.

### 1.5. Property/asset implications

Not applicable.

### 1.6. Corporate policy framework implications

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.

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## 2. Promoting equality and reducing discrimination

Not applicable.

## 3. Performance management – monitoring and review

None directly arising from this report.

## 4. Background

4.1. Risk Management is used to identify, evaluate and manage the range of risks facing an

organisation. This includes consideration relating to the risk of fraud.

- 4.2. Fraud is the most common crime in the UK and costs many billions of pounds to private companies, individuals and the public sector. Within Local Government this is estimated to be in the region of £2.1 billion per year. Local Authorities have a responsibility to promote and develop high standards for countering fraud and corruption in their organisations. This supports good governance and demonstrates effective financial stewardship and strong public financial management.

## 5. Reasons for recommendations

- 5.1. The Counter Fraud and Enforcement Unit (CFEU) has developed a Fraud Risk Strategy for implementation across the Counter Fraud Partnership, which includes Cheltenham Borough Council. The Strategy, attached at Appendix 2, has been developed to comply with Government Functional Standards relating to counter fraud activities.
- 5.2. The Strategy sets out the definitions and motivations for fraud and the principles of risk management. Risk management and being 'risk aware' are vital to ensure the effective operation of the Council. The risk of fraud is ever present and it is impossible to identify or mitigate against all risks, however by being risk aware the Council is in a better position to avoid threats, develop processes that reduce the loss or impact, and increase its ability to recover.
- 5.3. The Strategy identifies the high risk areas that Local Government is susceptible to, both internally and externally. It also details the types of response methods and refers to the specific fraud response recommended for Local Government. These principles underpin the Council's plan.
- 5.4. As set out within the Strategy, the CFEU work with SWAP (Internal Audit) to provide resilience and resource in prevention, detection, response and review of detected fraud and fraud risks.
- 5.5. Annexed to the Strategy, and attached to this report as Appendix 3 and 4, are the Fighting Fraud and Corruption Locally Checklist and the Government Functional Standard GovS 013 Checklist. These set out best practice recommendations. The CFEU will complete these in consultation with SWAP to inform areas for improvement or for inclusion on the work plan.
- 5.6. In addition to the completion of the checklists, the CFEU will implement a series of service area reviews with ELT approval to identify specific fraud risks within each Council service area or department. This will include considering national and local emerging fraud risks, good practice in processes and procedure, and possible areas of risk mitigation.
- 5.7. A Service Specific Risk Register will then be developed with overall risks score that can be assessed, monitored and reviewed. This element of the CFEU annual work plan will be developed according to priority – high risk service areas will be addressed first.
- 5.8. The CFEU have reviewed and completed the Serious and Organised Crime Checklist as part of the annual work plan. Elements of this checklist are no longer applicable to the Council, and awareness relating to the risks posed by Serious and Organised Crime is now embedded within the organisation.
- 5.9. It is therefore proposed that the service specific Serious and Organised Crime risks will be transferred to the relevant service or departmental risk registers and the overarching principles will be considered within the Fraud Risk Strategy. The Serious and Organised Crime checklist

will be discontinued as it is no longer required.

## 6. Alternative options considered

6.1. None.

## 7. Consultation and feedback

7.1. The Strategy has been shared with Governance Group and the Executive Director Finance and Assets.

## 8. Key risks

8.1. The Council is required to proactively tackle fraudulent activity in relation to the abuse of public funds.

8.2. Failure to undertake such activity would accordingly not be compliant and expose the authority to greater risk of fraud and/or corruption. If the Council does not have effective counter fraud and corruption controls it risks both assets and reputation.

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### Report author:

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### Appendices:

- i. Risk Assessment
- ii. Fraud Risk Strategy
- iii. Fighting Fraud and Corruption Locally Checklist (blank)
- iv. Government Functional Standard – GovS 013: Counter Fraud Checklist (blank)

### Background information:

None.

## Appendix 1: Risk Assessment

Risk ref	Risk description	Risk owner	Impact score (1-5)	Likelihood score (1-5)	Initial raw risk score (1 - 25)	Risk response	Controls / Mitigating actions	Control / Action owner	Deadline for controls/ actions
1	The authority suffers material loss and reputational damage due to fraud	Executive Director Finance and Assets	3	3	9	Reduce	Maintain a Counter Fraud Team to reduce the likelihood of the risk materialising and also to help recover losses, thus reducing the impact.	Head of Service, Counter Fraud and Enforcement Unit	Ongoing
2	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	Executive Director Finance and Assets	3	4	12	Reduce	Retain a specialist Counter Fraud Unit to tackle the misuse of public funds on behalf of the Council.	Head of Service, Counter Fraud and Enforcement Unit	Ongoing