

**Committee and Date**

Cabinet

11 March 2026

Item

Public



## Fraud Investigation Options

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<b>Cabinet Member</b> (Portfolio Holder):	Heather Kidd, Leader of the Council Roger Evans, Portfolio Holder – Finance

### 1. Synopsis

This report considers the motion referred to the Audit and Governance Committee by Council regarding the proposal to create a dedicated Counter Fraud Team.

### 2. Executive Summary

2.1. Preventive fraud controls currently already operate directly within service areas, corrected at source and often not recorded as fraud (see para 8.1 onwards). There are also challenges accurately quantifying associated savings as many are not cashable amounts recovered, for example they may relate to the projected cost of a permit if not cancelled despite their being no evidence of fraudulent activity.

2.2. There are various options for delivery of counter fraud work which can be considered and are used including:

- Dedicated in house counter fraud team
- Shared service model / regional partnership
- Contracted out to an external specialist provider
- Hybrid model
- Embedded in Internal Audit
- Collaborative national schemes / data sharing

2.3. No system is ever free from error and Council officers recognise this. Whilst there will always be opportunities to further enhance fraud prevention controls and

detection further cost benefit analysis would be required to determine if a dedicated team would be cost effective for the Council. Given the current financial position of the Council, careful consideration of the various options is required and a budget would need to be established if a dedicated team were to be created.

### 3. Recommendations

- 3.1. Consider the position presented in this report and including the following actions:
- Agree that the Section 151 officer will prepare a proposal for the 2027/28 budget to create a corporate fraud team, dependent on an appropriate budget being identified.
  - Note the current arrangements for the management of counter fraud activity and fraud related investigations.

## Report

### 4. Risk Assessment and Opportunities Appraisal

- 4.1. Specific fraud risk registers are in place with regular reviews undertaken across the relevant service areas. Fraud risks are also considered both in the development of the internal audit plan and form part of the risk assessment completed following every planned audit assignment.
- 4.2. Counter fraud activity is imbedded within service areas and is designed to prevent as well as identify fraud and subsequent funds to be recovered. There is an expectation across service areas that controls are in place to identify and correct errors as opposed to being recognised, recorded, and dealt with as counter fraud activity.
- 4.3. The reduction in council capacity in recent years may have acted unintentionally to raise the risk of fraud. During this time, a number of internal audits have only been able to offer limited assurance of internal control mechanisms. This makes it more challenging to pinpoint any potential for fraudulent activity or to determine the underlying cause of the issue. Strengthening the Council's overall control environment is therefore considered essential as we move forward.

### 5. Financial Implications

- 5.1. At present there is no approved budget for a corporate fraud team. A fully costed proposal will be included as an option for approval within the 2027/28 budget for the creation of a corporate fraud team. This will be examined alongside other planned investment across the finance team. The minimum viable estimate is three FTE posts at an approximate cost in the region of £150k.

## 6. Climate Change Appraisal

- 6.1. This report does not directly make decisions on energy and fuel consumption; renewable energy generation; carbon offsetting and mitigation; or on climate change adaptation. Therefore, no effect to report.

## 7. Background

- 7.1. A motion relating to the establishment of a dedicated fraud investigation team was presented to Council at their meeting on 25<sup>th</sup> September. A decision was taken to refer the motion to the Audit and Governance Committee for further debate which was considered at the November 2025 meeting where it was resolved to refer to Cabinet to decide way forward and recommend the setting up of a task and finish group to consider the options further.
- 7.2. The Section 151 officer has considered the background and context to the motion and has determined that a dedicated corporate fraud team will be considered as part of the 2027/28 budget. A proposal for establishing a team will be brought forward subject to available budget being identified.
- 7.3. There is no single nationally-set cost for a counter-fraud team in a unitary council, because structures vary widely (dedicated teams, shared services, Internal Audit-embedded models, or outsourced models). However, the available evidence from council transparency reports and national surveys provides solid benchmarks. From the NAFN Local Authority Counter Fraud Report 2025 <sup>1</sup> across 129 councils:
- 503 FTE counter-fraud staff total
  - avg. just over 4 FTE per council.
  - Most councils: 2–3 investigators in practice.
- 7.4. As part of the Fighting Fraud and Corruption Locally assessment it was identified that responsibility for fraud is not explicitly defined within the constitution, therefore it is proposed to assign responsibility to the portfolio holder for finance and make the necessary updates to the constitution to reflect this change.

## 8. Additional Information

- 8.1. The Counter Fraud, Bribery and Anti-Corruption Strategy is reviewed annually and continues to underpin the Council's commitment to prevent all forms of fraud, bribery and corruption whether it be attempted on, or from within, the Council, thus demonstrating the continuing and important role the strategy plays in the corporate governance and internal control framework. Shropshire's strategy clearly identifies the Council's commitment to an effective Counter Fraud, Bribery and Anti-Corruption approach as part of its overall Corporate Governance arrangements. This aligns with CIPFA's Code of practice on managing the risks of fraud and corruption. The Strategy is owned by the S151 Officer.

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<sup>1</sup> [NAFN Local Authority Counter Fraud Report 2025 - Now Published - National Anti Fraud Network](#)

- 8.2. The Audit and Governance Committee terms of reference<sup>2</sup> identifies responsibilities for them in overseeing fraud. The Fraud Response Plan is a detailed process flow documented within the fraud strategy that identifies CAE/S151 Officer to review/decide how any reported fraud/ wrongdoing should be investigated.
- 8.3. The Whistleblowing Policy<sup>3</sup> is owned by the Council's Monitoring Officer. Wrongdoing may be reported in a variety of places through those channels, including Senior Managers, employees, Council members or public referrals. However, fraud may be identified and reported in other areas within the Council such as trading standards, Revenues and Benefits. An annual whistleblowing report is reviewed by the Audit and Governance Committee which outlines whistleblowing activity across the Council.
- 8.4. The Council publishes its fraud and irregularity data annually in accordance with the Local Government Transparency Code 2014<sup>4</sup>.
- 8.5. Specific fraud risk registers are in place with regular reviews undertaken across the relevant service areas. Fraud risks are also considered both in the development of the internal audit plan and form part of the risk assessment completed following every planned audit assignment.
- 8.6. A specific Fraud and Special Investigations Report<sup>5</sup> is considered in the exempt session of each meeting of the Audit and Governance Committee. This details the results of any Internal Audit investigations together with details of the agreed control improvements to prevent further occurrence of fraud or error.
- 8.7. The Council is mandated to take part in the National Fraud Initiative (NFI<sup>6</sup>) which is an exercise that matches electronic data within and between public and private sector bodies to prevent and detect fraud. Work is underway to review the matches for the 2024/25 exercise. Adult Social care, Council tax and Election data is also being submitted for 2025.
- 8.8. Counter fraud activity is imbedded within service areas and is designed to prevent as well as identify fraud and subsequent funds to be recovered. There is an expectation across service areas that controls are in place to identify and correct errors as opposed to being recognised, recorded, and dealt with as counter fraud activity. There are also difficulties in quantifying associated savings as many are not cashable amounts recovered, may relate to projected cost of a permit if not cancelled for example.
- 8.9. A deterioration of the Council's control environment significantly raises the risk that fraud may occur and remain undetected. The existence of weak controls in the Council has previously led to instances where it has been challenging to pinpoint the suspected fraudulent activity or to determine the underlying cause of the issue. Strengthening the Council's overall control environment is therefore essential.
- 8.10. No system is ever free from error and Council officers recognise this. Whilst there will always be opportunities to further enhance fraud prevention controls and

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<sup>2</sup> [Audit and Governance Committee ToR](#)

<sup>3</sup> [public-whistleblowing-policy.pdf](#)

<sup>4</sup> <https://next.shropshire.gov.uk/open-data/datasets/>

<sup>5</sup> [Browse meetings - Audit & Governance Committee — Shropshire Council](#)

<sup>6</sup> [The National Fraud Initiative | Shropshire Council](#)

detection further cost benefit analysis would be required to determine if a dedicated team would be of benefit to the Council.

- 8.11. The Service Director Commissioning reported to the Audit and Governance Committee in February 2026 in relation to key supply contracts setting out that improvement work for procurement and contract management will be a long-term process. In the meantime, setting the foundations are key to reducing fraud related risk within procurement and contract management processes.

## 9. Conclusions

- 9.1. The Section 151 officer has considered the background and context to the motion and has determined that a dedicated corporate fraud team will be considered as part of the 2027/28 budget. A proposal for establishing a team will be brought forward subject to available budget being identified.
- 9.2. During 2026/27 there will be further consideration of future delivery arrangements and in the interim the current approach to counter fraud related activity will continue.

### **List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)**

Fraud Investigation Options report to Audit and Governance Committee 27  
November 2025

**Local Member:** N/A

**Appendices** N/A