



Chelmsford City Council Audit and Risk Committee

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Counter Fraud Annual Report 2025/26

Report by:

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Purpose

This report summarises the work the Counter Fraud work undertaken by Internal Audit during 2025/26.

Recommendations

Committee are requested to note the content of the 2025/26 Counter Fraud Annual Report.

1. Introduction

- 1.1. In line with best practice, CIPFA's guidance on Managing the Risk of Fraud and Fighting Fraud and Corruption Locally, the Council's Counter Fraud Strategy encompasses key principles such as acknowledging the responsibility for countering fraud and corruption, identification of fraud and corruption risks, provision of resources to implement the strategy and the action to be taken in response to fraud and corruption.
- 1.2. This report summarises the Counter Fraud work undertaken by Internal Audit during 2025/26 to deliver this strategy and manage the Council's risk of fraud.

2. Conclusion

The Counter Fraud Annual Report 2025/26 is attached for Audit & Risk Committee to note.

List of appendices: Counter Fraud Annual Report 2025/26

Background papers: None

Corporate Implications:

Legal/Constitutional: Section 151 of the Local Government Act 1972 requires every local authority to make arrangements for the proper administration of their financial affairs. Under the Accounts and Audit (England) Regulations 2015, the Council's accounting control systems must include measures to enable the prevention and detection of fraud. The Council's Monitoring Officer is responsible under Section 5 of the Local Government and Housing Act 1989, to guard against, inter alia, illegality, impropriety and maladministration in the Council's affairs. The Bribery Act 2010 sets out the offence which can be committed by organisations which fail to prevent persons associated with them from committing bribery on their behalf. The Economic Crime and Transparency Act 2023 sets out the 'Failure to Prevent Fraud' offence.

Financial: Failure to have appropriate arrangements to prevent and detect fraud and manage the Council's risk of fraud puts the Council's financial management in a weakened position and therefore increases the risk of failing to deliver Our Chelmsford Our Plan.

Potential impact on climate change and the environment: None

Contribution toward achieving a net zero carbon position by 2030: None

Personnel: None

Risk Management: Fraud has been identified as a Principal Risk. The FRCA is consistent with the wider corporate risk management framework.

Equality and Diversity: None

Health and Safety: None

Digital: None

Other: None

Consultees: Management Team received the Counter Fraud Annual Report in May 2026.

Relevant Policies and Strategies: None

Internal Audit Counter Fraud Annual Report 2025/26

1. Purpose of this report

1.1. This report summarises the Counter Fraud work undertaken during 2025/26.

2. Delivering the Council's Counter Fraud Strategy

2.1. In 2025, the Council's approach to Counter Fraud was reviewed, refreshed and updated to ensure it is in line with best practice, CIPFA's guidance on Managing the Risk of Fraud and Fighting Fraud and Corruption Locally, as well as assisting the Council in demonstrating its compliance with Economic Crime and Corporate Transparency Act (ECCTA) which introduced a new criminal offence of 'Failure to Prevent Fraud' (FTPF) (effective from September 2025), designed to hold organisations to account if they profit from fraud committed by their employees.

2.2. The purpose of the Counter Fraud and Corruption Policy and Strategy 2025 is to support the Council in minimising the risk of fraud and corruption and its impact, and ultimately to protect the public purse and Chelmsford City Council services for its residents. It also ensures that the Council's internal control measures are effective in either preventing fraud and corruption or where this is not possible, that a consistent and effective approach to tackling fraud and corruption is in place.

2.3. Management Team and Audit Committee endorsed the updated Counter Fraud and Corruption Policy and Strategy in November 2025.

2.4. Supplementing the Policy is the Counter Fraud Strategy 2025-27 which set out the following actions which will be delivered over the next two years to ensure the Council is delivering counter fraud best practice.

Strategic Counter Fraud Objectives 2025-27	Actions Under Way
<p>Capability</p> <ul style="list-style-type: none"> ➤ Undertake a detailed update of the Council's Fraud Risk Register, to support the Council's robust assessment of its fraud and corruption risks, ensuring it includes horizon scanning of future potential risks, takes into account the harm that fraud may do in the community and that there is an action plan for mitigation which is regularly reported to Management Team and Audit and Risk Committee. ➤ Review fraud risks with consideration of the new Failure to Prevent Fraud legislation. The Council's fraud policies will also be reviewed and updated to make reference to the new offence. ➤ Consider undertaking risk workshops with service areas to review fraud risks and 	<p>Update of Council's Fraud Risk Register scheduled for Summer/Autumn 2026. Risks will be reviewed with consideration of Failure to Prevent Fraud legislation and wider implications of Local Government Reorganisation.</p>

Strategic Counter Fraud Objectives 2025-27	Actions Under Way
mitigation and incorporate these into the fraud risk register as appropriate.	
<p>Capacity</p> <ul style="list-style-type: none"> ➤ Consider the development and deployment, where possible, of data analytics/AI tools to improve and enhance fraud prevention and detection measures across the Council. 	<p>CIFAS Document Fraud training was undertaken in November 2025. It is intended that the learning from this course will underpin awareness training for staff dealing with identity documents.</p>
<p>Competence</p> <ul style="list-style-type: none"> ➤ Develop and roll out ongoing general counter fraud and anti-bribery training and awareness relevant to Council roles and responsibilities. ➤ Training programme to be aligned to the fraud risk register, targeting specific fraud risk areas and/or emerging risks (such as threat of AI in the fraud landscape). ➤ Ensure those with specific counter fraud responsibilities are maintaining and enhancing their professional skills to respond accordingly to changing work environments and emerging technology. 	<p>Following the Council-wide roll out of a training and awareness suite covering Whistleblowing and Anti-bribery and Corruption, which provided a good basis of understanding and a good opportunity to publicise the Council's refreshed suite of Counter Fraud documents, the programme is now included as part of new starter's mandatory induction training and will be repeated for all staff in 2027/28. Targeted training will be considered following the update of the Fraud Risk Register and for those with specific counter fraud responsibilities.</p>
<p>Communication</p> <ul style="list-style-type: none"> ➤ Encourage the organisation to consult with Internal Audit to when developing new policies and procedures to assess whether the risk of fraud will be effectively mitigated. ➤ Develop an annual comms programme to maintain regular counter fraud awareness across the organisation e.g. Fraud Awareness Week activities. ➤ Consider publicising outcome of successful fraud and corruption cases internally and externally, where appropriate, to endorse the Council's anti-fraud culture and zero tolerance approach. 	<p>International Fraud Awareness Week takes place every November. In 2025, the Council's 'Our News' was utilised to promote proactive fraud prevention, remind staff of the Counter Fraud intranet site and link to Fraud and Anti-Bribery and Corruption training. This will be repeated again for 2026, along with consideration of wider counter fraud awareness communication.</p>
<p>Collaboration</p> <ul style="list-style-type: none"> ➤ Explore the formation of a Counter Fraud Working Group with representation from those who have oversight of the Council's counter-fraud activities to co-ordinate and advise on the Council's counter-fraud activities across the Council, encouraging a corporate approach and co-location of counter fraud activity. 	<p>This will be explored further following the update to Council's Fraud Risk Register to ensure the key stakeholders are approached. This may also be a useful development for Counter Fraud colleagues across other Councils as progress is made towards the Mid-Essex unitary. In the meantime, Counter Fraud is a standing item on the Council's Corporate Governance Group's action log.</p>

Strategic Counter Fraud Objectives 2025-27	Actions Under Way
	The Audit Services Manager is also a member of Eastern Counter Fraud Group which meet approx. three times a year and share counter fraud information.

3. Managing the Risk of Fraud

3.1. The Council has identified Fraud as a risk in its Principal Risk Register (PRR 005) and has developed a detailed Fraud Risk and Control Assessment (FRCA), breaking down the Council's overall fraud risk into 20 risk areas/categories (see Appendix A). As outlined in section 2, this fraud risk assessment will be updated in more detail during Summer 2026, to ensure it considers Failure to Prevent Fraud legislation, wider implications of Local Government Reorganisation and evolving technology such as AI.

3.2. Several processes also assist Internal Audit in detecting potential fraudulent activity including:

- One of the criteria assessed when producing the risk-based annual audit plan is the risk of fraud as per the Council's Fraud Risk Register. In addition, all individual reviews are assessed and aligned to the Council's Fraud Risk Register.
- Data Analytics was used by Internal Audit in 2024/25 in their reviews of Accounts Payable and Payroll to detect any anomalies, with a specific focus on anti-fraud tests. Consideration of areas in 2026/27 is under way.
- Reviews of Council processes/walk throughs etc should highlight any gaps in control and areas that are vulnerable to fraudulent activity.

3.3. Additionally, where concerns of fraud have been highlighted, investigations are carried out and review of the control framework is undertaken to identify any gaps in control, establishing any lessons learned and recommendations to assist with the design of controls.

4. Whistleblowing

4.1. The Council's whistleblowing policy is available to staff, key stakeholders and the general public via the Council's website. A review of the Whistleblowing Policy was undertaken by the Legal and Democratic Services Manager which confirmed the current policy is compliant with legislation as reported to Governance Committee in January 2023.

4.2. The Council's appointed Whistleblowing Officer is the Director of Connected Chelmsford. However, the day-to-day management and handling of issues raised is dealt with by the Legal & Democratic Services Manager or the Human Resources Services Manager. The Council's S151 Officer and Audit Services Manager also have access to Whistleblowing reports in case of any allegations of fraud. As is best practice, an annual report is made to the Governance Committee by the Legal and Democratic Services Manager regarding any issues addressed. The last such report was made in March 2026 which noted that both staff and members of the public are willing to raise concerns.

5. Complying with NFI and Transparency Code

- 5.1. The National Fraud Initiative (NFI) is a bi-annual exercise that matches electronic data within and between public and private sector bodies to prevent and detect fraud. The Council is required to submit data to National Fraud Initiative on a regular basis. The latest major exercise took place in October 2024 with results released from January 2025. To date, 93% of the applicable matches have been reviewed and processed by the relevant services, with no fraud identified. The next major exercise is due to take place in October 2026.
- 5.2. A NFI Protocol has been developed to ensure we are maximising the benefits of the exercises and participating in the most efficient manner. The Council also participates in the Pan Essex Counter Fraud Data Matching System. This Counter Fraud Matching System is primarily used to identify Council Tax related anomalies across Essex, which is investigated by Compliance Officers within the Revenue Service.
- 5.3. In addition, fraud data, which is required to be published annually in line with the Transparency Code, has been updated and published on the Council's website.

6. Number and Types of Investigations 2025/26

	No.	Notes
No. of cases formally investigated and closed.	4	<i>Incidents relate to Housing and Parking</i>
Current Investigations	1	<i>Incident relates to Housing</i>

Due to the confidential nature of these type of referrals, it is not appropriate to provide further details of the allegations in this report.

Appendix A

Extract from Fraud Risk Register:

Ref	Risk Title	Risk Event	Risk Score	Risk Rating
FRC_01	Data theft and other cyber crime	Data solicited or taken forcibly by external parties and/or used by insiders for personal gain, e.g., theft of personal data to perpetrate identify fraud.	18	Very High
FRC_02	Corporate property	Purchase, sale or letting of property at anything other than market value/rate; provision of services without charge	16	High
FRC_03	Social housing & tenancy	False applications, misallocation for personal gain, illegal subletting, secondary home use/abandonment, Right to Buy (indirect risk impacting local housing supply)	16	High
FRC_04	Procurement and contracting	Collusion to distort fair an open competition, collusion between bidders, submission of false documents for payment, split contracts, collusion with contractors, post-award contract management etc.	14	High
FRC_05	Decision-making	Corruption including bribery and improper influence, failure to declare conflicts/gifts, suppressing or providing false information to sway decisions or affect outcome	14	High
FRC_06	Payment fraud	Diversion of payments, internally or following false requests (often cyber-enabled)	14	High
FRC_07	Payroll and expenses	False entries (e.g., ghost employees), inflation of payments, false claims for expenses and overtime, abuse of absence policies, IR35	14	High
FRC_08	Theft	Cash and equivalents e.g. funds via procurement cards and other assets for resale or personal use, including IT equipment, stores, fuel	14	High
FRC_09	Recruitment	False applications and identity fraud	14	High
FRC_010	Manipulation of data/ false accounting	Omitting or making misleading, false or deceptive entries (e.g. performance, financial data etc.)	13	High
FRC_011	Income collection fraud – other	Abuse of payment card data; invalid discount or other reduction in fees, invalid cancellation or refunds or write offs; fraudulently avoiding payment of debts	9	Medium
FRC_012	No recourse to public funds	False eligibility for housing allocation, homelessness support, housing benefit, council tax support	9	Medium
FRC_013	Money laundering	Exchanging money or assets that were obtained criminally for money or other assets that are 'clean'.	9	Medium
FRC_014	Misuse of Council assets	Use of Council assets for personal gain at detriment to the Council (e.g. vehicles, buildings, parking spaces)	9	Medium
FRC_015	Housing Benefit	False applications, including undeclared income or partners	7	Medium
FRC_016	Non-domestic rates	Abuse of exemptions, discounts and reliefs (incl. Covid-19 sector-related), unlisted, vacant, extended premises, refund scams	7	Medium

Ref	Risk Title	Risk Event	Risk Score	Risk Rating
FRC_017	Council tax	Abuse of local council tax reduction support, single person and other discounts, refund scams, failure to register (Rising 18's)	7	Medium
FRC_018	Grants Received and Payable	False claims to secure a grant or demonstrate terms may have been met, diversion of funds, abuse of position to award grants	7	Medium
FRC_019	Insurance claims	False or exaggerated claims (esp. personal injury)	7	Medium
FRC_020	Voting fraud	Fraudulent acts by voters, canvassers, poll clerks and officers, and/or count staff	3	Low