

Report to Audit Committee

Subject: Annual Fraud Report 2025/26

Date: 23 June 2026

Author: Chief Finance and Section 151 Officer

Purpose

The purpose of this report is to provide the Audit Committee with an annual summary of the Council's counter-fraud, whistleblowing and related assurance activity during 2025/26, together with an overview of key outcomes, known risks and the actions being taken to strengthen the Council's Anti-fraud framework.

Recommendation(s)

That the Audit Committee:

1. notes the counter-fraud, whistleblowing and related assurance activity undertaken during 2025/26;
2. notes the outcomes achieved and the areas where further work is required; and
3. notes the actions planned during 2026/27 to further strengthen the Council's counter-fraud arrangements.

1 Background

- 1.1 The Council has a responsibility to safeguard public funds and to maintain effective arrangements to prevent, detect and respond to fraud, bribery, corruption and other irregularity. This report supports the Audit Committee's oversight of those arrangements and contributes to the Council's wider governance and assurance framework.
- 1.2 In considering its arrangements, the Council has regard to recognised public sector good practice, including the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption and the Government Functional Standard GovS 013: Counter Fraud. These frameworks emphasise the importance of leadership, fraud risk assessment, proportionate resources, effective reporting

routes, awareness activity and appropriate action in response to concerns and identified fraud risks.

- 1.3 The Public Sector Fraud Authority (PSFA), established in August 2022, continues to promote a stronger and more consistent approach to counter-fraud activity across the public sector. Its Annual Report 2024/25, published on 27 February 2026, reported that the PSFA had achieved all 10 of its strategic objectives and delivered over £480 million in audited counter-fraud benefits. The report also highlights the value of data, analytics and cross-sector collaboration in identifying and reducing fraud and error. The Council continues to participate in relevant national initiatives, including the National Fraud Initiative (NFI), as part of its local counter-fraud response.

Preventing and Detecting Fraud

- 1.4 Fraud and related misconduct can involve employees, elected members, contractors, suppliers, service users, partners and members of the public. Concerns may come to light through a range of routes, including proactive data matching and control activity, internal management checks, whistleblowing disclosures, referrals from staff or members, or information received from external agencies.

The principal routes through which issues are identified are:

- a) Proactive detection work, undertaken internally or externally, for example as part of the NFI; and
- b) Referral by employees, elected members, partner organisations, or members of the public, or identification by management.

- 1.5 In carrying out its functions, the Council is committed to a zero-tolerance approach to fraud, bribery and corruption. Allegations and suspected irregularity are considered on their merits and addressed in a proportionate manner, whether the concern arises from within or outside the organisation.
- 1.6 The Council does not currently maintain a dedicated corporate counter-fraud resource. Responsibility for maintaining effective controls and for responding appropriately to fraud risks rests with managers and service leads as part of the Council's overall internal control environment, supported by finance, HR, legal and internal audit arrangements where required.
- 1.7 Officers responsible for council tax fraud monitoring and related NFI activity are located within the finance directorate. This supports a consistent approach to oversight, reporting and escalation within the Council's wider control framework. No material deterioration in the core control environment has been identified through this annual review, although the report highlights areas where capacity constraints have affected the timeliness of some proactive work.

- 1.8 Although the primary responsibility for preventing and detecting fraud rests with management, Internal Audit may identify indicators of fraud, control weakness or irregularity through its work and can advise officers on appropriate next steps. During 2025/26, internal audit services were provided by BDO, with access to specialist forensic support where this is considered necessary.
- 1.9 Internal Audit has not reported any evidence of fraud directly identified through its work during 2025/26.
- 1.10 Management continues to monitor sector-wide fraud risks and emerging issues and, where relevant, considers whether these create any material exposure for the Council. Based on the information available at the time of preparing this report, no proven frauds with a material impact on the Council's financial position or control environment were identified during 2025/26. This does not remove the need for continued vigilance and ongoing strengthening of the Council's counter-fraud arrangements.
- 1.11 During 2025/26 the Council continued work on its fraud risk assessment as part of its broader risk management arrangements. A bottom-up approach has been used with services to identify fraud risks that may not be fully mitigated by current controls. Further work during 2026/27 will focus on refining the assessment, prioritising the highest-risk areas and ensuring that proportionate mitigating actions are in place.
- 1.12 The Council's Anti-Fraud and Corruption Strategy, approved in January 2020, has been reviewed as a precursor to a full refresh in 2026/27 to ensure it remains current, proportionate and aligned to recognised good practice. The revised strategy is scheduled to be reported to Audit Committee in June 2026 and Cabinet in July 2026, after which it will be communicated to staff through the Council's internal channels.
- 1.13 The Council is a member of the Nottinghamshire Fraud Partnership, which was formed in 2023. This partnership aims to bring organisations together to protect individuals and businesses against fraud, respond to emerging threats and support victims through collaboration and sharing of information. The partnership meets quarterly and is facilitated by the Office of the Police and Crime Commissioner for Nottinghamshire.
- 1.14 For clarity, BDO has not undertaken a standalone fraud risk assessment on behalf of the Council for the purposes of this report beyond the work included within the agreed internal audit plan and any advice provided in response to specific matters raised by officers.

Whistleblowing Policy

- 1.15 An effective whistleblowing framework is an important component of the Council's wider counter-fraud and governance arrangements. It supports an open culture in which concerns about wrongdoing, misconduct, fraud or other irregularity can be raised and considered appropriately.
- 1.16 The Whistleblowing Policy is publicised to staff through the Council's communication channels and employees are introduced to the arrangements through induction and access to the staff intranet. Managers are expected to support an open culture in which concerns can be raised, and periodic reminders are provided through internal communications and staff briefings.
- 1.17 The Whistleblowing Policy and Procedure applies to employees, agency workers, contractors, suppliers and others working with or for the Council. This helps ensure that concerns can be raised by both internal and external parties through appropriate channels.
- 1.18 The Council's Whistleblowing Policy and Procedure has been revised and refreshed during 2025/26 and is scheduled to be presented to Audit Committee in June 2026 and Cabinet in July 2026 to ensure that it remains up to date and fit for purpose.
- 1.19 Two whistleblowing concerns were reported during 2025/26, principally relating to depot services. These matters were investigated and, where appropriate, recommendations have been made for management action. No further detail is included in this report in order to preserve confidentiality.

National Fraud Initiative (NFI)

- 1.20 The NFI is a data matching exercise that matches electronic data within and between public and private sector bodies to prevent and detect fraud. A national exercise is undertaken every two years, although electoral roll and council tax data is required to be submitted annually. Once the data-matching process for each exercise is completed, the NFI makes the output available to the relevant participating body for consideration and investigation via the secure NFI software. Participating bodies are responsible for investigating any matches.
- 1.21 The Council conducted a review in respect of single person discounts via the NFI in August 2025. The results of this exercise were as detailed below:

	2025/26
	£
Number of cases identified by NFI	7,297
Number of live cases investigated	3,780
Number of cases where the discount was removed	515
Value of extra Council Tax billed	327,374

1.22 The Council investigated the rising 18-year-olds element of the 2025/26 Single Person Discount data received through the NFI. The output from this exercise is summarised above. The table shows the number of cases investigated and the resulting additional council tax billed where discounts were removed.

The Council has also undertaken wider Single Person Discount review work using NFI data matches alongside matching to credit reference information. The comparative results for 2022/23 and 2025/26 are set out in the second table above.

The Council undertook a Single Person Discount Review in both 2022/23 and 2025/26 utilising NFI data matches along with matching to credit referencing agencies.

	2022/23 £	2025/26 £
Number of cases reviewed	19,090	19,796
Number of live cases investigated	3,953	4,011
Number of cases where the discount was removed	928	1,137
Value of extra Council Tax billed	459,763.62	631,299.42

1.23 NFI data relating to Housing Benefit awards is now reviewed on a two-year cycle and was last received in 2024/25.

Due to resource pressures within the Welfare Service, the 2024/25 Housing Benefit NFI referrals had not been reviewed at the time this report was prepared. As a result, all matches remain outstanding and have not yet been risk-assessed or investigated. This represents a known control weakness in the timeliness of proactive fraud review activity rather than evidence of proven fraud.

Management has taken action to improve resilience and capacity in this area through a revised service structure.

As part of that restructure, a dedicated Review Officer role has been established with responsibility for reviewing and progressing NFI matches.

Recruitment to this post has commenced. Once appointed, the officer will prioritise the highest-risk outstanding 2024/25 referrals and support the establishment of a more sustainable process for future cycles.

Due to ongoing resource constraints within Welfare Service, no work has been undertaken to review or process the 2024/25 NFI referrals to date. As a result, all matches currently remain outstanding and have not been risk-assessed or investigated.

This position reflects competing service priorities and reduced staffing capacity over the period in question.

A revised team structure has now been implemented within the service, designed to strengthen resilience and improve capacity for compliance and fraud-related activity. As part of this restructure:

A dedicated Review Officer role has been established with responsibility for reviewing and progressing NFI matches.

Recruitment to this position has commenced, with the aim of bringing focused resource to this area.

Once appointed, the officer will prioritise the high-risk cases of 2024/25 referrals

- 1.24 All council tax discounts awarded, other than Single Person Discounts due to the scale of case volumes, are reviewed annually and applicants are reminded of their responsibility to notify the Council of any change in circumstances. Where possible, these reviews are now undertaken digitally rather than through paper-based processes. In addition, the Council is reviewing National Non-Domestic Rates reliefs, including discretionary reliefs, as part of its wider assurance activity.
- 1.25 Where a discount is found to have been incorrectly claimed, it is removed from the billing system and the correct charge is raised. These amounts are included within the value of additional council tax billed shown in the tables above. Recovery then proceeds in line with the Council's recovery policy.

Internal Investigations 2025/26

- 1.26 Two allegations relating to potential employee fraud were reported during 2025/26. These matters were investigated and, where appropriate, recommendations have been made for management action. Where evidence indicates that referral to the police or another external body is appropriate, the Council will consider this in accordance with the circumstances of the case and relevant legal advice. The Council maintains a zero-tolerance approach to fraud.

Benefit Fraud Investigations conducted by the DWP Counter Fraud and Compliance Directorate

- 1.27 The Council no longer undertakes criminal investigations into Housing Benefit fraud. These matters are investigated by the Department for Work and Pensions (DWP) Counter Fraud and Compliance Directorate (CFCD).

- 1.28 The DWP provides management information that enables local authorities to monitor the progress and outcomes of referrals made to CFCD and to compare referral activity against wider benchmarks where data is available.
- 1.9 At the time this report was prepared, no current CFCD outcome data had been made available to the Council for inclusion in this report.

Fraud Awareness and Strategy

- 1.30 The Council communicates reminders about fraud risk through internal communication channels and maintains a mandatory online Fraud Awareness training course for staff. As of June 2026 227, people have undertaken the training which represents 63% of the staff who have access to it. 47 of those will need to retake the course during 2026/27 and 54 people have been identified as overdue to renew the training. The training is due to be refreshed every two years. We are currently in the process of identifying those people who have not taken the training to increase completion rates. In addition, people who need to renew their training are being contacted directly by their line managers.
- 1.31 Additional in-person awareness activity is being developed for employees who do not routinely have access to a computer, including front-line staff, and is planned for delivery during 2026/27. More targeted training for staff working in higher-risk areas is also being identified as part of the Council's wider fraud risk development work.
- 1.32 The Council's Anti-Money Laundering Policy, originally approved in January 2020 as part of the wider counter-fraud framework, has also been reviewed through the refresh of the Anti-Fraud and Corruption Strategy. Training for relevant officers will be delivered during 2026/27 alongside the wider programme of enhanced fraud awareness activity

2 Proposal

- 2.1 It is proposed that the Audit Committee notes this Annual Fraud Report for 2025/26, the outcomes achieved to date, and the further actions planned during 2026/27 to strengthen the Council's counter-fraud arrangements.

3 Alternative Options

- 3.1 The alternative option would be not to provide an annual fraud report to the Audit Committee. This is not recommended because it would weaken member oversight of the Council's counter-fraud arrangements and reduce the transparency of annual assurance reporting in this area.

4 Financial Implications

- 4.1 There are no direct financial implications arising from the recommendation to note this report. The report itself, however, sets out financial outcomes from proactive counter-fraud activity and identifies areas where further work may help protect public funds and reduce exposure to loss.

5. Local Government Reorganisation Implications

- 5.1 There are no direct Local Government Reorganisation implications arising from the recommendation to note this report. However, effective counter-fraud, whistleblowing and related assurance arrangements will need to be maintained through any future organisational change to ensure that governance, accountability and the protection of public funds remain effective.
- 5.2 Any future reorganisation would provide an opportunity to review and, where appropriate, strengthen counter-fraud policies, reporting routes, fraud risk assessments and investigation arrangements so that they remain proportionate and fit for purpose within any revised operating model.

6 Legal Implications

- 6.1 There are no direct legal implications arising from the recommendation to note this report. The Council's counter-fraud, whistleblowing and related arrangements operate within the relevant legislative and regulatory framework and support the Council's wider governance responsibilities.

7 Equalities Implications

- 7.1 There are no direct equalities implications arising from the recommendation to note this report.

8 Carbon Reduction/Environmental Sustainability Implications

- 8.1 There are no direct carbon reduction or environmental sustainability implications arising from the recommendation to note this report.

9 Appendices

- 9.1 None

10 Background Papers

- 10.1 None

Statutory Officer approval

Approved by: Chief Finance Officer

Date: 11 June 2026

Approved by: Monitoring Officer

Date: 11 June 2026