

Audit and Governance Committee

DATE	16/04/2026
REPORT OF	Assistant Director – Law and Governance
SUBJECT	Annual Fraud Report 2025/26
STATUS	Open

CONTRIBUTION TO OUR AIM

Effective counter fraud and corruption arrangements support the delivery of the Council's strategic objectives by contributing to effective governance arrangements and ensuring financial loss is kept to a minimum.

EXECUTIVE SUMMARY

This report highlights the work that has been undertaken for the prevention and detection of fraud, corruption and financial misconduct, within North East Lincolnshire Council for the period April 2025 to March 2026.

RECOMMENDATIONS

Members are asked to consider the content of this report as part of their responsibilities for monitoring and reviewing the Council's arrangements in relation to fraud and corruption. Members are also asked to consider the following documents which are included in the report:

- Self-Assessment Checklist according to the Chartered Institute for Public Accountancy and Finance (Appendix 1).
- Annual Fraud Plan for 2026/27 (Appendix 2).

REASONS FOR DECISION

The Committee's responsibilities include monitoring the effectiveness of the Council's arrangements for managing the risk of fraud. The objective of the report is to aid members assessment of the current counter fraud activity and to endorse the priority plans for the following year.

1. BACKGROUND AND ISSUES

The Council's framework to tackle fraud, corruption and misappropriation was approved by Audit and Governance Committee in November 2023. The framework follows national guidance as laid out in the document 'Fighting Fraud and Corruption Locally -a strategy for the 2020's', and is based upon the key principles of:

- Govern
- Acknowledge and understand

- Prevent and detect
- Pursue
- Protect

The attached annual report highlights the work carried out in each of these areas and demonstrates the Council's continuing commitment to minimise the risk of fraud and error. Key points of the report are summarised below:

- The drive to prevent fraud is reflected in the work of Audit & Assurance in general, and the Fraud Team in particular, working in collaboration with high-risk service areas to consider fraud prevention and promoting awareness across the Council.
- Completing workshops with service areas and utilising risk assessment to consider threat, risk, and harm, and to inform future actions. To date these have been completed in respect of Council Tax, Business Rates, and Procurement & Contracts. Future sessions are planned on Human Resources, and Adult Social Care.
- Working with Local Taxation & Benefits to support the annual Single Person Discount Review – preventing inappropriate discounts through targeted use of data matching. This moves the Council's approach from reactive to preventative.
- Considering themes of fraud and error, specifically empty properties – this is not just relevant to Council Tax and Business Rates, but also to issues of anti-social behaviour and environmental health.
- Policy and strategy documents are being refreshed during 2026 and will reflect changes to legislation and ensure effective reporting processes are in place for both the public and Council staff.

2. RISKS, OPPORTUNITIES AND EQUAL OPPORTUNITIES

The Council will take proportionate measures to tackle fraud and corruption and this report demonstrates the work undertaken against set objectives. The risk of fraud is wide, and the Council must focus on identifying risk indicators to ensure opportunities are not missed that would impact on the Council's reputation.

Effective and co-ordinated anti-fraud arrangements are essential to protect the Council against financial loss and harm to reputation. This is imperative to ensure public funds are reserved for the most deserving areas in the community.

3. OTHER OPTIONS CONSIDERED

No other options were considered, as the production of an Annual Fraud Report is considered best practice as laid out by CIPFA and the requirement for the Audit & Governance Committee to consider an Annual Fraud Report is a part of its Terms of Reference.

4. REPUTATION AND COMMUNICATIONS CONSIDERATIONS

As well as financial loss caused by fraud, there can also be reputational harm for those organisations which do not manage the risk of fraud effectively. The production of an annual report helps mitigate reputational risk by providing assurance to stakeholders on proportionate action undertaken.

5.FINANCIAL CONSIDERATIONS

There is no additional expenditure required as a consequence of this report.

6.CHILDREN AND YOUNG PEOPLE IMPLICATIONS

There are no specific implications for Children's Services.

7.CLIMATE CHANGE, NATURE RECOVERY AND ENVIRONMENTAL IMPLICATIONS

There are no climate change or environmental implications arising from this report.

8.PUBLIC HEALTH, HEALTH INEQUALITIES AND MARMOT IMPLICATIONS

There are no implications arising from this report.

9.FINANCIAL IMPLICATIONS

The financial implications of fraud are highlighted in the accompanying report.

10. LEGAL IMPLICATIONS

There are no direct legal implications arising from the report.

11. HUMAN RESOURCES IMPLICATIONS

There are no Human Resources implications as a consequence of this report.

12. WARD IMPLICATIONS

No specific ward implications.

13. BACKGROUND PAPERS

None.

14. CONTACT OFFICER(S)

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North East Lincolnshire Council

Annual Fraud Report

2025/26

Introduction

The North East Lincolnshire Council Anti-Fraud and Corruption Strategy sets out the approach to reduce the risk of fraud and corruption, detecting offences, and the actions taken when fraudulent activity is suspected.

The approach to delivering the strategy is led by the Audit & Assurance Team; the Fraud Team working in partnership with the Audit Team to ensure resilience in processes aimed at preventing fraud and error.

This report highlights the work which has been carried out across the council during 2025/26 under the key principles of:

- Govern
- Acknowledge and understand
- Prevent and detect
- Pursue
- Protect

Govern

The Council has a framework of procedures and controls to minimise the risk of loss due to fraud. The Anti-Fraud and Corruption Strategy makes it clear that fraud and corruption will not be tolerated. The strategy will be brought to members for review in 2026.

The Council became subject to the requirement to prevent fraud under the Economic Crime and Corporate Transparency Act from September 2025. This duty, and the Council's ability to defend this position, is considered in the proposed plans for 2026/27 to ensure compliance. The Anti-Fraud and Corruption Strategy, along with Fraud Response Plan, are being renewed in 2026 and will be presented to members for approval.

Supporting policies and procedures are also reviewed on a regular basis to ensure they continue to provide clear guidance to protect the Council from fraud and corruption.

In line with best practice, a self-assessment of counter fraud arrangements has been completed in accordance with The Chartered Institute for Public Finance and Accountancy (CIPFA) Code of Practice for Managing Risk of Fraud and Corruption. The report is attached at Appendix 1 and findings are considered for work being completed in 2026/27. The results demonstrate a clear framework based on a sound understanding of the fraud landscape but with acknowledged potential further improvements to ensure delivery of efficient and effective services.

Acknowledge and Understand

Research suggests UK Councils lose an estimated £8.8 billion per year (2023

Annual Fraud Indicator). On this basis fraud remains a significant challenge for Councils.

The Council must act to prevent and detect fraud, and error, where possible. All staff have a responsibility to understand what fraud looks like, what to do when it is suspected, and how to report it. It is essential that all employees consider fraud as part of their daily business. The Fraud Team are unlikely to be the ones who discover fraud and rely on the eyes and ears of the workforce to tackle this area together.

Advice and guidance is available on the Council SharePoint library and the fraud awareness e-learning module, that was specifically developed to raise awareness of fraud, became mandatory for all employees and elected members in March 2023. As of February 2026, 1835 staff have completed the training and 84.2% are up to date. 32 Elected Members have also completed the training.

The Fraud Team utilises risk assessment procedures to consider areas of threat, risk, and harm, and to ensure resources are allocated according to priority. Judgements are made based on both local and national trends. Working in conjunction with Audit and Assurance allows processes to be reviewed to ensure steps are taken to reduce the risk of fraudulent applications and acts.

Workshops are currently being completed with Procurement & Contracts, People and Culture, and Adult Social Care. These are attended by representatives from Fraud, Audit & Assurance, and the service area being risk-assessed. This allows parties to consider any gaps in preventative controls and to build in plans for improvement.

Preventing and Detecting Fraud

The Council receives fraud reports from members of the public, other Council departments, and external partners. All such referrals are assessed on the quality of evidence and likelihood of successful investigation, along with recovery of Council funds.

It is imperative that proactive steps are taken to identify fraud, and error, at the earliest opportunity, to ensure losses are reduced. Work is currently underway to consider enhanced data matching opportunities, along with the use of technology to provide the team with an analytical capability. The objective will be to raise efficiency around identification of fraud indicators and increase the revenue coming in to the Council by removing discounts and entitlements that have been obtained fraudulently.

Fraud Referrals

Fraud reports are assessed against information held by the Council, including financial loss to the Council, to ensure appropriate allocation for proportionate investigation.

As of February 2026, the number of fraud reports received was 139, exceeding the previous year's level of 120. These are broken down as follows:

Report Type	Number
Council Tax – Single Person Discount	70
Council Tax – Empty Property	4
Council Tax - Exemptions	1
Council Tax – Fail to Disclose	1
Council Tax Support	7
Business Rates	4
Blue Badge	7
Housing Benefit	33
Passported Benefit	4
DWP Information Exchange	8

Council Tax Fraud

This is a high-risk area subject to bulk fraud cases and receives priority resourcing. This also ensures revenue is protected as cases are allocated based on factors including recovery of financial loss. Action is split into the following areas.

Council Tax Single Residency Review (SRD)

In 2021 the Council commenced a monthly review of Single Person Discounts and used credit agency information to conduct a data matching exercise aimed at removing discounts that residents were no longer entitled to. Though the exercise represented value for money in terms of increased revenue, the past three years show that the returns have decreased – this was something anticipated when the project was planned and the duration set at three to four years. There has also been a significant effect on the removal of inappropriate discounts by work carried out by the Local Taxation and Benefits Team. Their review of all households with a single person discount in 2024 resulted in removal of discounts exceeding £1 million.

Measure	2022/23	2023/24	2024/25
Letters Sent	632	368	163
Responses	563	325	137
Changes Reported	160	111	47
SRD Removed	141	165	71
% Conversion	22.3%	44.8%	43.5%

Charge Generated	£54654	£36884	£19718
Recovered Liability	£3334	£4262	£1251

The figures reported above are subject to a significant cost to a third-party provider for data matching information.

Following consultation with the Local Taxation and Benefits Team it has been decided the response to this area of fraud and error for 2026/27 will be to support their annual review by utilising data from the National Fraud Initiative (NFI) to scrutinise applications for discounts that have been removed to ensure eligibility. This moves the Council to a more preventative approach.

Council Tax – General Offences and Outcomes

This area provides the greatest volume of fraud investigations, including Single Person Discount, Empty Properties, and Exemptions. Outcomes are broken down as follows:

Outcome Type	Amount
Prosecution	0
Caution	0
Warning Letter	20
Insufficient Evidence	49
Ongoing	22
Loss Recovered / Increased Liability	£40,062

Council Tax Support

Investigations are conducted under the Council Tax Regulations where claimants are suspected, for example, to have undeclared assets, or property, that would affect their claims. The past two years have seen a significant reduction in allegations – this is mainly due to fact the Council now uses real time information to verify things like earnings and fraud is being prevented by this more proactive approach to applications.

Disabled Persons Blue Badge Scheme

The Blue Badge (Disabled Parking) Scheme provides a national arrangement of parking concessions for those people who have a permanent or substantial disability. The misuse of the Blue Badge scheme undermines the benefits of the scheme, impacts upon local traffic management and creates hostility amongst other badge holders and members of the public. It can result in a genuinely disabled person being unable to access designated parking spaces. Many alleged offences relating to misuse, and parking, are dealt with by Enforcement Officers and a small number are referred to the Fraud Team. The relevant policy for Blue Badge enforcement is being refreshed this year, and training is being developed for enforcement staff.

Up to 28 February 2026 seven reports of alleged misuse of Blue Badge were received. The following action has been taken in relation to misuse of the blue badge scheme.

Measure	Number
Reports Received	7
Investigations Completed	7
Prosecutions	0
Insufficient Evidence	5
Formal Warning Sanction Letter	2

[Participation in the National Fraud Initiative \(NFI\)](#)

The NFI is a Cabinet Office data matching initiative which brings together data from several public sector sources which indicate a risk of fraud or error.

Data returned to the Council from the 2024/25 bi-annual exercise is currently being investigated and will be reported when complete.

[Third Party Requests for Information](#)

The Fraud Team continue to support the crucial information sharing work facilitated by the Transparency Team. This includes responding to Data Protection Act requests in the main, but also information provided to the DWP under the Local Authority Information Exchange Form process. The information shared ensures investigations can progress, and in the case of Police requests supports the prevention and detection of crime in the community.

Request Type	Number
DWP	3
Police	265
Other Agency	126
Total	394

Pursue

All losses identified (including those identified from reviews of single residency discounts) are pursued in line with the Council's debt recovery strategy. The Fraud Team works closely with wider teams to ensure fraud prevention is followed. Close collaboration takes place with Council teams where fraud and error is identified as a key risk. Examples of this are Local Taxation and Benefits, where evidence from investigations is shared to ensure lost revenue can be recovered.

The Insurance Team deal with many claims from members of the public and consult with the Fraud Team where suspicions exist around validity of claims; this information is then passed to the Council's insurers to ensure proper scrutiny of claims and, where evidence can be found to negate claims, losses are reduced.

Outcome decisions in respect of fraud investigations are in accordance with the sanction policies to ensure proportionate and lawful disposals. The Council reserves the right to seek prosecution in the Criminal Justice System to ensure the public are deterred from committing relevant offences.

Protect

The actions outlined above provide a robust response to the risks of fraud occurring, its detection and investigation. The Council seeks to protect itself from the risk of fraud, and the community it serves, ensuring funds are preserved to deliver vital services. The Council proactively looks for opportunities to design out fraud – acknowledging that prevention is far more effective than responding where fraud has happened.

Future Developments

The Fraud Plan (Appendix2) outlines the Council's priorities for the coming year and includes improvements to the service by using technology to assess information and more effectively identify fraudulent activity. Working in closer partnership with staff involved in areas associated with a high risk of fraud, such as Council Tax, Business Rates, HR, and Procurement, will bring a more robust response and consequently increase resilience in this important area of threat and harm.

Appendix 1 – CIPFA Checklist (Self-Assessment)

Area	Standard	Evidence
Acknowledge Responsibility		
The organisation's leadership team acknowledge the threats of fraud and corruption and the harm they can cause to the organisation, its aims and objectives and to its service users.	Met	Senior leaders fully acknowledge the risk to the organisation, both financially and reputationally, and understand the impacts on the community. The Portfolio holder for Finance, Resources, and Assets acts as Fraud Champion and receives 6-monthly updates from the Head of Audit and Assurance and the Fraud Lead.
The organisation's leadership team acknowledge the importance of a culture that is resilient to the threats of fraud and corruption and aligns to the principles of good governance.	Met	The organisation supports a culture where the responsibility to tackle fraud is everyone's and should be part of daily business. The Council maintains the response to prevent fraud in line with the requirements of the Economic Crime and Corporate Transparency Act of 2023. Working in partnership is being refreshed as the team revisits preventative work during the year 2025/26.
The governing body acknowledges its responsibility for ensuring the management of its fraud and corruption risks and will be accountable for the actions it takes through its governance reports.	Met	The reporting process is well established and welcomes challenge and scrutiny of the counter-fraud arrangements. The production of an annual Fraud Plan (2026/27) demonstrates the commitment to manage the threat of harm. The Audit Committee is able to probe the annual reports and practice to ensure the service provision is what the public deserve.
The governing body sets a specific goal of ensuring and maintaining its resilience to fraud and corruption and explores opportunities for financial savings from enhanced fraud detection and prevention.	Met	Allegations of fraud are subject to proportionate investigation – financial loss and prospects of recovery are considered in each case. Themes identified from methods of offending are considered in conjunction with wider teams to

		ensure maximised reporting and prevention. An example of this is fraudulent council tax in respect of empty properties where the council can be subject to significant loss of revenue.
Identify Risks		
Fraud risks are routinely considered as part of the organisation's risk management arrangements.	Met	The Council has a Fraud Risk Profile which documents key areas of risk to the Council (internal and external) and each area is risk-assessed to inform the allocation of resources and to allow due diligence around preventative measures. This work is completed in conjunction with the Audit and Assurance Team to ensure processes can be reviewed, where possible, to reduce opportunities for fraudulent behaviour and to identify and test controls designed to reduce the risk of fraud.
The organisation identifies the risks of corruption and the importance of behaving with integrity in its governance framework.	Met	The Council has appropriate policies which demonstrate the awareness of aspects of corruption and provide guidance on reporting mechanisms. The Code of Corporate Governance now includes standards of ethical behaviour, and the Council maintains a register of interests, gifts and hospitalities and this is regularly reinforced to all staff. Publicity completed during 2025 included corruption awareness in addition to fraud as there are clear overlaps between the two areas of offending.
The organisation uses published estimates of fraud loss, and where appropriate its own measurement exercises, to aid its evaluation of fraud risk exposures.	Met	The majority of Council fraud relies on risk indicators to alert staff to circumstances that justify further investigation. National (CIPFA) and local data is utilised to determine bulk fraud risk areas to allow informed decisions around areas where resources and technology should be allocated, with a view to protecting the public funds.
The organisation evaluates the harm to its aims and objectives and service users that different fraud risks can cause.	Met	The Fraud Risk profile, a live document, records issues of threat, risk, and harm, and allows strategic decisions to be considered around the policies which hopefully reduce risk and keep the Council safe.

Develop a Strategy		
The governing body formally adopts a counter fraud and corruption strategy to address the identified risks and align with the organisation's acknowledged responsibilities and goals.	Met	The Council's Counter Fraud Strategy has been in place for an extended period of time and is subject to proper review. The strategy is reviewed by Senior Managers and is approved by elected members. The policy and strategy documents are being refreshed for 2026/27 to ensure they are current and reporting mechanisms effective.
The strategy includes the organisation's use of joint working or partnership approaches to managing its risks, where appropriate.	Met	Joint working exists across the Council, to ensure a robust response to those who seek to harm the Council across multiple areas, and with external partners to ensure appropriate sharing of information and reporting of alleged offending. This includes Police, The Department for Work and Pensions (DWP), Health, Education, Social Care.
The strategy includes both proactive and responsive approaches that are best suited to the organisation's fraud and corruption risks.	Met	The Council utilises data matching technology both in preventative and investigative processes, this includes data from the National Fraud Initiative to provide a richer product. The use of technology is being advanced to ensure the earlier identification of fraud indicators and reduction in financial harm; examples of this are where real time information on earning and pensions is assessed to assure applications for certain benefit types.
The strategy includes clear identification of responsibility and accountability for delivery of the strategy and for providing oversight.	Met	The Counter Fraud strategy ensures accountability and the annual fraud reporting, along with resulting annual Fraud Plan, ensures actions are current and proportionate. The levels of scrutiny provided by Senior Managers and Elected Members ensures scrutiny and appropriateness of those measures.
Provide Resources		
An annual assessment of whether the level of resource invested to counter fraud and corruption is proportionate for the level of risk.	Met	Several changes influence this assessment and will continue to impact on this area. There have been changes to the Fraud Shared Service, challenges faced by Councils (including Local Government reorganisation), and

		changes to workflow – progressing from reactive to proactive. This position will be evaluated throughout 2026/27 and further decisions made regarding resourcing requirements. On the current team format the resource level is deemed appropriate to deliver a proportionate response for the Council.
The organisation utilises an appropriate mix of experienced and skilled staff, including access to counter fraud staff with professional accreditation.	Met	The Council is committed to the continued professional development of staff and currently has a positive blend of experience and qualification to ensure a professional response to any type of fraud investigation. Steps are currently being taken to enhance development and to learn from regional partners around best practice and learning opportunities.
The organisation grants counter fraud staff unhindered access to its employees, information and other resources as required for investigation purposes.	Met	The Fraud Team, along with members of the Audit and Assurance Team, are provided with free access to material and members of staff as is necessary to conduct investigations with a level of independence. Decisions are made with reference to Legal where necessary and in the public interest.
The organisation has protocols in place to facilitate joint working and data and intelligence sharing to support counter fraud activity.	Met	The Council has refreshed its information sharing arrangements around The Data Protection Act 2018 and work has been completed with relevant partners to ensure full cooperation and compliance. The Council acknowledges its essential part in preventing and detecting crime with wider partners to make communities safer. All sources of fraud indicators are now captured and wider teams / Council partners are regularly consulted to support the right outcomes.
Take Action		
The organisation has put in place a policy framework which supports the implementation of the counter fraud strategy. As a minimum the framework includes: Counter fraud policy Whistleblowing policy Anti-money laundering policy	Met	The Council has relevant policies in place and are subject to regular formal review

<p>Anti-bribery policy Anti-corruption policy Gifts and hospitality policy and register Pecuniary interest and conflicts of interest policies and register Codes of conduct and ethics Information security policy Cyber security policy.</p>		
<p>Plans and operations are aligned to the strategy and contribute to the achievement of the organisation's overall goal of maintaining resilience to fraud and corruption.</p>	Met	<p>The Counter Fraud resources are allocated in line with the Fraud Risk Profile to ensure the Council's response is proportionate to its risk assessment. Investigative actions are allocated based on the sliding scale of threat, risk, and harm.</p>
<p>Making effective use of national or sectoral initiatives to detect fraud or prevent fraud, such as data matching or intelligence sharing.</p>	Met	<p>The Fraud Team and the Audit Team has committed resources to the National Fraud Initiative (NFI) National Exercise and is evaluating how data can be used to support existing controls to prevent loss. The data matching completed by the Fraud Team historically in respect of Single Person Discount was paused for 2025/26 to allow proper evaluation and to ensure collaboration with colleagues in Local Taxation and Benefits who conduct their own reviews. Plans for 2026/27 are in place with a proposal to ensure data is utilised to prevent future fraudulent applications – data will be used from the NFI to ensure rich data products are used. Intelligence is shared on a daily basis, both within the Council and also with external partners and such information supports the detection and prevention of high harm criminality across the communities. Data matching is being used to support intervention across specific themes including empty properties, and illegal HMOs.</p>
<p>Providing for independent assurance over fraud risk management, strategy and activities.</p>	Met	<p>Counter fraud arrangements are subject to cyclical internal audit review. Due to the responsibilities of the Head of Audit and Assurance such audits are carried out by third party auditors. The next audit likely in 2027/28.</p>

<p>There is a report to the governing body at least annually on performance against the counter fraud strategy and the effectiveness of the strategy from the lead person(s) designated in the strategy. Conclusions are featured in the annual governance report.</p>	<p>Met</p>	<p>The Annual Fraud Report comments on the delivery of Counter Fraud work for the preceding year and provides a conclusion on the effectiveness of arrangements. It also makes proposals around the Fraud Plan for the following year.</p>
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Appendix 2 – Annual Fraud Plan 2026/27

The Fraud Plan is informed by local performance indicators along with trends reported both regionally and nationally. The Fraud Risk Profile for North East Lincolnshire Council is used to risk assess different areas of threat and harm, and to inform the proportionate investigative and preventative measures in place. The Fraud Team work in conjunction with Audit and Assurance to evaluate current processes in areas of increased risk, with a view to completing preventative work to reduce the risk of loss and error.

Details of identified priorities and delivery strategies are summarised below.

Risk Area	Delivery Plan
Council Tax	<ul style="list-style-type: none"> • Themes are prioritised, eg Empty Properties where work can be conducted with other teams to address wider community issues such as anti-social behaviour and environmental issues. • Working jointly with Local Taxation & Benefits to prevent inappropriate Single Person Discounts from being granted and preserving revenue for the community.
Business Rates	<ul style="list-style-type: none"> • Increase the indicators of fraudulent applications for Business Rate relief. • Promote enforcement of fraud cases with the objective of deterring future offending. • Joint working with wider Council colleagues to ensure evidence gathering opportunities are maximised. • Use of data analytics to identify cases of fraud and error.
Staff Awareness	<ul style="list-style-type: none"> • Strengthening partnership work with People & Culture, and Communications Team to promote the message that it is everyone's responsibility to support the identification and reporting of potential fraud. • Promoting fraud awareness in areas identified as being at risk of fraud and corruption

Risk Assessment – Preventing Fraud	<ul style="list-style-type: none">• Complete risk assessments across all areas where the Council is vulnerable to fraud risk to inform the effectiveness of the Council’s ability to prevent fraud and where identified make improvement.
Strategic Direction	<ul style="list-style-type: none">• Strategy and Policy documents relating to anti-fraud and corruption and being revised. This will strengthen arrangements in line with the duty to prevent fraud.