

COMMITTEE:	Audit and Governance Committee
MEETING DATE:	16 June 2026
BY:	Service Manager (Temporary) – Internal Audit
REPORT TITLE:	Counter Fraud Annual Report 2025/26
REPORT STATUS:	Public

1 PURPOSE

- 1.1 To inform the Audit and Governance Committee of the Counter Fraud and Whistleblowing, prevention, detection and investigation work undertaken during 2025/26.

2 RECOMMENDATION

- 2.1 That the Audit and Governance Committee note the contents of the report.

3 BACKGROUND

- 3.1 The Audit and Governance Committee approved the Shared Service arrangement with Midlothian Council in October 2022. As part of the overall agreement the funds being received from Midlothian Council were utilised to recruit a Counter Fraud Officer. This Officer was then recruited on a two-year contract and started work in May 2023. Following the evaluation completed in the summer of 2024, the Counter Fraud Officer has now been made a permanent post in the Internal Audit and Counter Fraud Team. This report provides an update on the work completed by the Counter Fraud Officer who is supported by the Internal Audit team and many other services within the Council, including Revenues, Housing and People & Council Support.
- 3.2 The work of the Counter Fraud Officer has 4 key areas of focus, which are the following:
- National Fraud Initiative (NFI) investigation work;

- Fraud investigations undertaken following reporting from service teams either through counter fraud reporting processes or whistleblowing;
- Pro-active fraud detection processes and further data matching analysis; and
- Preventative processes with communication of Council counter fraud processes, procedures, risk management and reporting best practice.

3.3 The NFI is a UK wide data matching exercise, which is led by Audit Scotland and runs every two years. The purpose of the exercise is to match electronic data (e.g. names, addresses, Dates of Birth, National Insurance Numbers), both within and between participating bodies, to detect fraud and overpayments. East Lothian Council, along with other local authorities and public sector bodies, participates in the NFI data matching exercise. NFI seeks to help participating bodies identify possible cases of fraud and detect and correct any over or under payments. The data for NFI in Scotland is processed by the Cabinet Office on behalf of Audit Scotland. The savings accruing in 2025/26 were as a result of the 2024/25 NFI data matching exercise.

3.4 As part of the 2024/25 NFI exercise, the Council submitted data for the following areas:

- Housing (Current Tenants and Waiting Lists)
- Payroll
- Residents Parking Permits
- Council Tax and Electoral Register
- Creditors (Standing Data and Payment History)
- Taxi Driver Licences
- Council Tax Reduction Scheme
- Non-Domestic Rates Small Business Bonus Scheme
- Personal Budgets (Direct Payments)
- Private Supported Care Home Residents

In addition, Benefits details are submitted by the DWP, HMRC provide various data sources, and Blue Badge details are submitted directly by the Blue Badge Digital Service.

3.5 Appendix 1 provides a summary of the Counter Fraud outcomes achieved that includes the NFI outcomes that have been delivered. For the 2024/25 exercise matches, these became available from January 2025 to January 2026 and all matching exercises are now complete. Of the core 89 data match reports received, to date 1,514 cases have been processed with 1,348 cases cleared, 165 errors found, and 1 fraud identified, including:

- 73 individuals were removed from the Housing Waiting list with NFI estimated savings of £312,659;
- 69 individuals had Blue Badges cancelled with an NFI estimated saving of £54,786;

- 1 taxi driver, who was in receipt of Council Tax reduction failed to declare income and Council Tax Reduction was removed with an estimated NFI saving of £1,968;
 - 1 fraud was found to have been committed where a Council tenant was identified as having purchased a property however failed to end their tenancy, the property was recovered with an NFI estimated saving of £78,300.
- 3.6 In addition to these matches the NFI process also provides Council Tax Single Person Discount (SPD) matches with the electoral register, identifying when data suggests more than one individual lives in a property. A process has been developed by the Counter Fraud Officer to review the households identified against existing Council information and then write to households for further details when required. Following either receipt of further information or non-response to reminder communication a request is made for the Revenues team to remove SPD or make further amendments based on current household situation. In addition, Council officers submit further information which allows for further recovery of Council Tax. A total of £70,112.96 has been added to Council Tax bills since January 2026 and a further £81,273.64 is in the process of being recovered. This work is ongoing and increased income is expected in future years as a result of the work done against Council Tax SPD matches.
- 3.7 In addition to the NFI matches, the Counter Fraud Officer is carrying out ongoing Counter Fraud training with Housing, Housing Options and Council Tax teams and has developed processes to review potential further fraud issues. From January 2026 this has resulted in further SPD frauds being recovered to the amount of £32,680.55, and 5 further Council properties being recovered following investigation of potentially abandoned/sublet tenancies. Using information obtained by the Counter Fraud Officer, the NFI estimates this as a saving to the Council of £391,500. In addition, 5 homeless applications were withdrawn/cancelled prior to issue of temporary accommodation, resulting in an estimated saving of £21,190 based on NFI estimates. Further investigations are ongoing in Housing aimed at ensuring that social housing is allocated to appropriate households. Overall, 149 Housing and Council Tax fraud investigations have been undertaken in the 2025/26 year based on information reported by staff.
- 3.8 In January 2026 an external Council “Fraud Report It” page was set up on East Lothian Council’s public website, and monitored by the Corporate Fraud Officer, resulting in 32 anonymous Council Tax alleged frauds being reported. All have been investigated with future saving calculations pending.
- 3.9 In addition, the Counter Fraud Officer and other Internal Audit staff have been involved in 6 whistleblowing investigations (received either through whistleblowing or directly from management). Two of these investigations remain ongoing and reports are provided when appropriate improvements are required by management.

- 3.10 From September 2025, an East Lothian Council Integrity Group has been in place to improve the Council's resilience to fraud, corruption, theft and crime (including cybercrime and money laundering). The group meets every three months led by the Corporate Fraud Officer and Head of Corporate Support.
- 3.11 During August to December 2025, Corporate Fraud carried out Fraud Risk Assessments and training with all Heads of Service and Service Managers, producing East Lothian Council's Fraud Risk Register, which will continue to be reviewed every 12 months. This is to ensure the Council are protected under the new offence of "Failure to Prevent Fraud" created by the Economic Crime and Corporate Transparency Act 2023 (ECCTA), which came into effect on 1 September 2025.
- 3.12 Within the last year the Counter Fraud Officer has investigated in excess of 1,500 cases and provided estimated savings of approximately £1,044,470.15, through NFI work and staff reporting, while bringing back into use six Council properties.
- 3.13 In conclusion the NFI exercise remains a useful and appropriate way of detecting fraud, providing a capability to detect and recover underpaid income and overpaid expenditure. In addition, the increase in staff and public reporting of Housing and Revenue fraud, is having a beneficial outcome on protecting the public purse. As a result an external "Report It" Fraud page is currently under development for members of the public to be able to report all types of fraud directly to the Corporate Fraud Officer.
- 3.14 A corporate communication is in the process of being released to all internal staff to provide an update on the work carried out and to encourage continued reporting of fraud by staff.

4 POLICY IMPLICATIONS

- 4.1 None

5 RESOURCE AND OTHER IMPLICATIONS

- 5.1 Finance: None.
- 5.2 Human Resources: None.
- 5.3 Other (e.g. Legal/IT): None
- 5.4 Risk: None.

6 INTEGRATED IMPACT ASSESSMENT

- 6.1 ***Select the statement that is appropriate to your report by placing an 'X' in the relevant box.***

An Integrated Impact Assessment screening process has been undertaken and the subject of this report does not affect the wellbeing of the community or have a significant impact on: equality and human rights; tackling socio-economic disadvantages and poverty; climate change, the environment and sustainability; the Council's role as a corporate parent; or the storage/collection of personal data.

or

The subject of this report has been through the Integrated Impact Assessment process and impacts have been identified as follows:

7 APPENDICES

7.1 Appendix 1: Counter Fraud Savings 2025/26

8 BACKGROUND PAPERS

8.1 None

9 AUTHOR AND APPROVAL DETAILS

Report Author(s)

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Date	08 June 2026

Head of Service Approval

Name	Stuart Allan
Designation	Service Manager (Temporary) – Internal Audit
Confirmation that IIA and other relevant checks (e.g. finance/legal) have been completed	Confirmed
Approval Date	08 June 2026

Appendix 1: Counter Fraud Savings 2025/26

Savings Type	Total Estimated future Savings *	Recovering	TOTAL
NFI – Blue Badge Parking Permit to DWP Deceased/Movement out of area	£54,786.00		£54,786.00
NFI – Waiting List to DWP Deceased/Housing Benefit Claimants	£312,659.00		£312,659.00
NFI – Council Tax Reduction Scheme for Taxi Drivers	£1,968.00		£1,968.00
NFI – Housing Tenants to HMRC Property Ownership	£78,300.00		£78,300.00
NFI – Council Tax Single Person Discount (SPD) Exercise	70,112.96	81,273.64	£151,386.60
Council Tax Team Reported Fraud (SPD)		£32,680.55	£32,680.55
Reported Tenancy Fraud (Tenancy Abandonment – Property Reclaimed)	£391,500.00		£391,500.00
Temporary Accommodation Recoveries	£21,190.00		£21,190.00
	£930,515.96	£113,954.19	£1,044,470.15

*Recovery value based on NFI outcome calculations.