

Bath & North East Somerset Council

MEETING:	Audit Committee	
MEETING DATE:	13 th May 2026	AGENDA ITEM NUMBER
TITLE:	Counter Fraud Annual Report	
WARD:	ALL	
AN OPEN PUBLIC ITEM		
List of attachments to this report: Appendix 1 - Anti-Fraud & Corruption Strategy 2026 Appendix 2 - Whistleblowing Policy 2026 Appendix 3 - Anti-Money Laundering Policy 2026 Appendix 4 - Anti-Bribery & Corruption Policy 2026		

1 THE ISSUE

- 1.1 The Council's Audit Committee has responsibility, within its terms of reference, for overseeing the risk management framework of the Council, including the arrangements for Counter Fraud and Fraud Prevention.

2 RECOMMENDATION

- 2.1 The Audit Committee is asked to note the Counter Fraud Annual Report, and review and approve the updated Anti-Fraud & Corruption Strategy and associated policies as detailed below:
- i. Note work carried out by Internal Audit in relation to Anti-Fraud & Corruption
 - ii. Review and approve the updated Anti-Fraud & Corruption Strategy (*Appendix 1*)
 - iii. Review and approve the updated Whistleblowing Policy (*Appendix 2*)
 - iv. Review and approve the updated Anti-Money Laundering Policy (*Appendix 3*)
 - v. Review and approve the updated Anti-Bribery & Corruption Policy (*Appendix 4*)

3 THE REPORT

- 3.1 This report summarises the work carried out at Bath & North East Somerset Council during the year in respect of Counter Fraud. It also provides the Audit Committee with an overview on the National Fraud Initiative (NFI) and information related to investigations carried out by Internal Audit.

Included within this work is a review and update of the Anti-Fraud & Corruption Strategy and related policies, which are being presented for consultation.

4 NATIONAL PICTURE AND EMERGING FRAUD RISKS

4.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) has a key role in coordinating the fight against fraud and corruption across the public sector.

The Local Government Association and key partners have published a Counter Fraud and Corruption Strategy for local government, 'Fighting Fraud and Corruption Locally – A Strategy for the 2020s'. This sets out the strategic approach local authorities should take and the main areas of focus (pillars) in response to fraud and corruption risks, as illustrated below:

Pillar	Description
Govern	Having robust arrangements and executive support to ensure anti-fraud, bribery & corruption measures are embedded throughout the organisation.
Acknowledge	Assessing and understanding fraud risks. Committing the right support and tackling fraud and corruption. Demonstrating that it has a robust anti-fraud response. Communicating the risks to those charged with governance.
Prevent	Making the best use of information and technology. Enhancing fraud controls and processes. Developing a more effective anti-fraud culture. Communicating its activity and successes.
Pursue	Prioritising fraud recovery and use of civil sanctions. Developing capability and capacity to punish offenders. Collaborating across geographical and sectoral boundaries. Learning lessons and closing the gaps.
Protect	Against serious and organised crime. Protecting individuals from becoming victims of crime and protecting against the harm that fraud can do to an authority.

4.2 Bath and North East Somerset Council's Anti-Fraud and Corruption Strategy (see Appendix 1) acknowledges and includes these pillars in its objectives to ensure that the Council's approach to fraud continues to be in line with best practice.

4.3 Internal Audit Coverage of Key Fraud Risks

4.4 Key fraud risks specific to Local Authorities continue to include:

- Cyber Fraud
- Council Tax Fraud
- Disabled Parking Concessions (Blue Badge)
- Business Rates
- Housing Fraud
- Procurement

The Committee will be aware that we have completed work in these areas over recent years, including within the 2025/26 Internal Audit plan, where work took place on IT Administration Privileged Account Access, ICT Patch Management (which reduces the risk of a cyber-attack) Adults' Social Care (Disabled Facilities Grants), and Children's Direct Payments.

Further work proposed in 2026/27 continues to include key risks and the plan specifically includes; review of Procurement (Contract Management), Payroll (new HR/Payroll system implementation and overpayments to staff), various ICT security reviews (including Cyber Security – AI Governance and Supply Chain Risk), and Debt Recovery.

In addition to the above, Data Analytics work is also completed (see section 7) which further helps to prevent and detect fraud and error.

5 FRAUD PREVENTION NETWORKS

- 5.1 Internal Audit continues to monitor and provide support on fraud and corruption risks across the Council, drawing on information from external bodies such as the National Anti-Fraud Network (NAFN). This ensures we remain alert to emerging fraud threats affecting local authorities locally and nationwide.

NAFN are one of the largest shared services in the country, managed by, and for the benefit of its members, and is hosted by Tameside MBC. Currently, almost 90% of local authorities are members, including Bath & North East Somerset Council.

As part of the above arrangement with NAFN, Internal Audit has a process in place for onward sharing and discussion of NAFN alerts. This process is in place to raise awareness across the Council of local and national fraud risks and to highlight or investigate areas of known concern.

- 5.2 During 2025/26, NAFN issued several intelligence alerts relating to fraudulent applications targeting local welfare support schemes, including the Household Support Fund, Crisis Fund and Local Assistance Fund. Internal Audit shared these alerts with senior officers in the Welfare Support team to confirm that existing internal controls remained aligned with the emerging risks.

A review of the information contained within the alerts confirmed that a number of fraudulent claims had been attempted against the Council. All attempts had already been identified by officers at the point of application and flagged as suspicious. As a result, no illegitimate payments were made. This position was further supported by information independently provided to Internal Audit by the Welfare Support team prior to the release of the NAFN alerts.

These applications form part of a known nationwide scam affecting multiple local authorities. A formal investigation into the organised activity is ongoing across the country. Although no financial loss has been incurred by Bath & North East Somerset Council, the Welfare Support team has contributed witness statements and evidence to support the wider investigation.

Internal Audit is pleased to note that the internal control framework in this area is operating effectively. Officers have demonstrated a proactive approach to identifying and reporting potentially fraudulent activity and have actively supported investigative efforts, helping to reduce the Council's exposure to fraud risk.

- 5.3 We will continue to redistribute NAFN intelligence alerts across the Council to ensure arrangements remain robust and responsive to emerging fraud risks.

- 5.4 One West are also a member of the West of England Fraud Group. This forum is used to share best practice, discuss changes in legislation and emerging fraud risks, and also fraud initiatives across Local Authorities in the West of England. Recent meetings have largely been focussed on the growing threat of cyber fraud.

6 NATIONAL FRAUD INITIATIVE

- 6.1 The Internal Audit function also co-ordinate the National Fraud Initiative (NFI) on behalf of the Council's Section 151 Officer.

The National Fraud Initiative (NFI) is a national exercise that is carried out every two years using data matching/ analytics to compare different datasets across participating organisations. Data for the NFI is provided by some 1,100 participating organisations from across the public and private sectors and helps participants identify potentially fraudulent claims, error and overpayments. These organisations provide data from their systems as prescribed by the Cabinet Office. The data is then matched and (data matching) reports are made available for each participating organisation to review. It is then for each organisation to make the necessary enquiries and any identified fraud is recorded within the NFI system to enable the effectiveness of the initiative to be monitored.

For Local Authorities such as Bath and North East Somerset Council, example data sets for matching purposes include (but are not limited to): Housing Benefit, Council Tax reductions, Payroll, Adult Social Care Personal Budgets and Disabled Parking (Blue Badges).

6.2 Results from the 2024-25 NFI Exercise

The initial results from the 2024-25 NFI exercise were released in December 2024, with additional matches released in January 2025. The exercise was then completed by mid-2025.

The headline finding was that co-estimated savings of £52,911.44 were identified for Bath & North East Somerset Council, of which £13,729.97 could be recovered immediately.

Co-estimated savings are an estimated value of losses prevented as a result of matches being investigated. These are calculated using nationally agreed formulas and reflect future costs avoided by fraud or error being stopped.

The recoverable amounts are the actual value of overpayments identified through the investigation of a match, that can be reclaimed and brought back into Council funds.

Therefore, in summary, co-estimated savings show the preventative impact of the NFI, while recoverable amounts show the actual money owed back.

Notable results came from the following matches:

- Pensions to DWP Deceased

This NFI report matches pension records against Department for Work and Pensions data on individuals who have died, helping identify cases where pension payments may have continued after a person's death.

Review of these matches resulted in £37,925.87 of estimated savings, and a value of £12,654.45 recoverable by the Council. No cases of actual fraud were identified.

- Council Tax Reduction Scheme to Pensions

This NFI report matches Council Tax Reduction Scheme records against pension data to identify cases where individuals receiving a reduction may also be in receipt of undeclared or incorrectly reported pension income. It highlights discrepancies that could affect entitlement and helps ensure that reductions are awarded accurately and fairly based on complete and up-to-date financial information.

Review of these matches resulted in £692.40 of estimated savings, and a value of £362.47 recoverable by the Council. No cases of actual fraud were identified.

- Council Tax Reduction Scheme to Payroll

This NFI report matches Council Tax Reduction Scheme records against payroll data to identify cases where claimants may have employment income that has not been declared or is different from what is recorded on their claim. It highlights discrepancies and helps ensure that reductions are awarded accurately based on verified and up-to-date earnings information.

Review of these matches resulted in £563.20 of estimated savings, and a value of £713.05 recoverable by the Council. No cases of actual fraud were identified.

6.3 Forthcoming NFI Exercise

Preparations for the next National Fraud Initiative national exercise will soon begin and the Committee are advised of the initial work that will be required (co-ordinated by the Internal Audit Service) over the coming months:

- March – Draft data specifications for the 2026/27 exercise are posted on GOV.UK
- June/ July – The Cabinet Office confirm final data specifications and make initial request for data.
- August – The web application opens, where user accounts can be reviewed and updated, as well as completion of the Privacy Notice declaration.
- September – Data is required by the Cabinet Officer from 30 September; thus high-quality data has to be pulled together for the upload.
- October – The 21st October is the absolute deadline for uploading all of the main data for the exercise (this is required for the first matches to then be released by the Cabinet Office as planned in December 2026).

Work will then continue into the 2027 calendar year and will include additional matches, with the exercise likely to be fully completed and reported in the early part of the 2027/28 financial year.

7 INTERNAL AUDIT TARGETED WORK AND INVESTIGATIONS

7.1 Internal Audit Planning and Reviews

The risk of Fraud is considered during all internal audit planning activity and members can see evidence of this throughout this report. This includes from initially building the Annual Audit Plan (i.e. the audit reviews planned to be carried out during the financial year) through to considering the objectives, fraud risks, controls and focus of each review to be carried out, i.e. each individual audit work programme.

As described in this report, work has been carried out in 2025/26 on known key fraud risk areas, including IT Administration Privileged Account Access, ICT Patch Management (which reduces the risk of a cyber-attack) Adults' Social Care (Disabled Facilities Grants), Children's Direct Payments, as well as the NFI exercise.

7.2 Data Analytics

Key methods for identifying fraud and error in local government are through data analysis and data matching. The 'Fighting Fraud and Corruption Locally – A Strategy for the 2020s' recommends that Local Authorities should share data across its own departments and engage in the use of data analytics as a key response to fraud.

Data Analytics at Bath and North East Somerset Council incorporates participation in the National Fraud Initiative (see section 6), and data matching undertaken as part of audit testing for individual audit reviews using spreadsheets or more advanced internal audit data analytics software (IDEA) and increasingly through use of A.I.

Examples of audit reviews reported in 2025/26 that have involved use of Data Analytics include Contract Management - Highways Maintenance, and Children's Direct Payments.

7.3 Investigations

During Internal Audit investigations, the themes of 'prevent and pursue' as recorded in the Anti-Fraud and Corruption Strategy are the focus of the work of the Auditor. The key objectives are to:

- a) Identify the breakdown in controls and correct this to avoid further losses.
- b) Collect evidence to be able to pursue responsible individuals, i.e. through criminal prosecution or a disciplinary route.

There was one main Internal Audit investigation in the 2025/26 financial year which was reported in year to the Audit Committee:

Investigation – Residents' Personal Monies

As reported to the Audit Committee in year, there was one investigation completed that related to a small amount of cash missing from a care home. Although the amount was low, the money belonged to a resident, and the associated paperwork

was also missing. The matter was reported to Internal Audit by service officers and work was completed to further understand and investigate the concerns raised.

A number of findings and recommendations were agreed with the relevant Head of Service, including a recommendation for further audit work. As a result, an audit has been included in the 2026/27 Internal Audit plan to review controls over income collection and the management of residents' personal monies, providing assurance that similar issues are not present at other residential homes.

Additional Referrals to Internal Audit for Potential Investigation

There was one other referral of note that was made to the Internal Audit service in the financial year regarding potential concern relating to a £100.00 banking loss within the Bath Housing, Welfare and Advice Services team. Internal Audit reviewed the circumstances, identified control weaknesses, and provided advice to help prevent recurrence.

7.4 Fraud Reporting

In the financial year 2025/26, a total of 32 potential fraud referrals were received through our dedicated Whistleblowing online referral form. As is common with these type of referrals, the majority of these related to areas such as Housing and were passed to the relevant area for action.

In addition to the above, whistleblowing referrals relating to employee conduct were also passed on to HR for review as they were not Internal Audit related.

8 STAFF TRAINING AND AWARENESS

8.1 Fraud information and awareness is promoted and communicated to staff throughout the year. The Staff Engagement updates circulated via email are a key channel for this communication.

On an annual basis in November, 'International Fraud Awareness Week' is held. Last year it covered the period 16th – 22nd November 2025, and, ahead of this date, the Internal Audit Service produced an article/ newsletter for staff. The newsletter discussed fraud and reminded officers of the counter-fraud arrangements at Bath & North East Somerset Council, including mandatory training requirements, common types of fraud to be aware of, and links to policies and guidance. Content of this article included:

- What is Fraud?
- Protecting Bath and North East Somerset Council
- Mandatory Fraud Awareness Training & 'Five Minutes of Fraud' Training Videos
- Council Strategy and Policies
- Examples of Known Fraud Risks
- Internal Fraud Risks
- Focus on Corporate Credit Cards
- Whistleblowing: Speak Up, Protect Our Organisation
- What You Can Do

- 8.2 Internal Audit also produced several other articles for staff, one of which was an important reminder that all Council employees are required to undertake mandatory general fraud prevention training and should also retake training as a refresher.

10 STRATEGY & POLICY FRAMEWORK

- 10.1 Nationally, the Fighting Fraud and Corruption Locally 2020 document is the most recent counter fraud and corruption strategy for local government. It provides a blueprint for a coordinated response to fraud and corruption perpetrated against local authorities.
- 10.2 Bath and North East Somerset Council's own Anti-Fraud & Corruption Strategy takes the national strategy and adopts it at a local level. This is therefore the "umbrella strategy" that brings together all fraud related policies within the Council. Its objective is to ensure that the local authority is proactive in preventing and detecting fraudulent activities and corrupt practices and takes the necessary action to punish those involved and recover losses. The Council's Anti-Fraud and Corruption Strategy is presented for approved at this Committee meeting (see Appendix 1).
- 10.3 Policies linked to the Strategy have also been reviewed and updated, and are also presented for approval. These include the Whistleblowing Policy, the Anti-Money Laundering Policy and Guidance, and the Anti-Bribery & Corruption Policy (see Appendix 2, 3 and 4 respectively).
- 10.4 The Committee are advised that the key change to policy is in respect of the Whistleblowing Policy, whereas from the 6th April 2026, sexual harassment became a 'qualifying disclosure' under whistleblowing law (introduced under the Employment Rights Act 2025 phased-implementation). This will afford those making a sexual harassment disclosure the same protection from detriment and unfair dismissal as in other circumstances.

11 STATUTORY CONSIDERATIONS

- 11.1 There are no specific statutory considerations related to this report. Accounts & Audit Regulations set out the expectations of provision of an Internal Audit service. This is supported by S151 of the Local Government Act and CIPFA Codes of Practice and the IIA professional standards for delivery of an adequate Internal Audit Service.

12 RESOURCE IMPLICATIONS (FINANCE, PROPERTY, PEOPLE)

- 12.1 This is an information and update report so there are no direct implications arising from this report.

13 RISK MANAGEMENT

- 13.1 No decision or recommendation is being made and this report details the council's approach to risk management. As a result, there are therefore no new significant risks to consider in relation to this report.

14 EQUALITIES

14.1 An equalities impact assessment has been considered using corporate guidelines and no significant issues have been identified.

15 CLIMATE CHANGE

15.1 There are no direct climate change implications related to this report. In terms of risk management, risks associated with the Council's roles in respect of climate change are captured at different levels, including in the CRR and other risk registers.

16 OTHER OPTIONS CONSIDERED

16.1 None.

17 CONSULTATION

17.1 This report has been consulted and cleared by the Director – Risk, Assurance & Pensions.

Contact person	Peter Cann, Head of Audit & Assurance
Background papers	Internal Audit Update Reports to Audit Committee, Sep 2025, Nov 2025, Apr 2026 2025/26 Internal Audit Plan – April 2025 2026/27 Internal Audit Plan – April 2026
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