

Counter Fraud Annual Report – March 2026

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Position on Counter Fraud

Leaders of public service organisations have a responsibility to embed effective standards for countering fraud and corruption in their organisations. This supports good governance and demonstrates effective financial stewardship and strong public financial management.

Fraud is a risk to the public sector with the Government estimating that £50.2 billion of public spending was lost in 2022/2023*. Financial loss due to fraud can reduce a Council's ability to support public services and cause reputational damage.

Lincolnshire County Council (LCC) promotes a zero-tolerance culture to fraud and corruption:

We have a zero-tolerance stance to all forms of fraud, bribery, corruption and theft. This includes within the authority and from external sources. We recognise fraud can:

- *undermine the standards of public service that we are attempting to achieve;*
- *reduce the level of resources and services available for the residents of Lincolnshire;*
- *result in major consequences which reduce public confidence in us.*

We are committed to the highest possible standards of openness, probity, honesty, integrity and accountability.

The County Council maintains a suite of policies and deploys various strategies to support the effective management of the prevention, detection and investigation of fraud and corruption. Counter fraud activity during the year has seen the programme deliver both proactive and reactive. This work complemented the internal audit strategy and audit plan which aligned resources with assessed fraud risks and new and emerging threats.

Role of Counter Fraud Team

LCC has an independent counter fraud team (CFT) delivering the corporate fraud services across the Council with the aim of preventing, detecting, and deterring fraud and related criminality. CFT consists of a qualified criminal investigator and two counter fraud colleagues. The team has a separate counter fraud manager who oversees the service and reports directly to the Head of Internal Audit. This arrangement delivers the necessary independence for investigations and unfettered access to information across the council and this is actively supported by the corporate leadership team. To deter fraud, offenders face a range of outcomes, including in the most serious cases, prosecution.

Raising awareness of fraud amongst Council staff and the public is an important function of the counter fraud team. We continue to provide support to officers and undertake periodic training with several directorates and staff groups. We have delivered over 40 fraud awareness sessions for staff this year outlining the work of the team and the proactive support available. These sessions were delivered to colleagues across all directorates and included business support, adult care and community wellbeing, children's services, schools, human resources, highways, commercial team and place.

As a direct result of the briefing sessions, interactions, internal promotion and communications; the team has seen a significant rise in on the number of employees completing the online eLearning counter fraud course. From 01 April 2024 to 28 February 2025 a total of 212 officers had completed the online eLearning. For the same period in 2025-26, a total of 407 officers completed the course. This is an increase of 92% from the previous year. CFT have designed a new eLearning course which is due to go live from April 2026. It is aimed to be more prescriptive to officers in relation to their fraud risks, how they can identify them and how to report suspected fraud. We are hopeful that this update will be more meaningful to staff and add value to their daily operations.

Investigation Management

In the CF strategy, presented to the Audit Committee in July 2023, we set out the strategic aims to:

- *Deliver proactive fraud prevention and detection work across LCC whilst undertaking investigations in a timely and efficient manner.*
- *Develop effective communication with managers, keeping them appropriately informed of progress and areas of further review.*
- *Shift of focus from large investigations towards value added and enhancing work.*
- *Intelligence gathering and sharing of fraud risks to feed into audits and wider risk management.*

Progress against these plans has resulted in timely investigation and case duration with managers kept informed and updated as the investigation progressed. Work continues to embed resources away from large investigations in favour of focused proactive work to enhance learning, improve policy and add value to the council. The benefits of disseminating gathered intelligence has started to materialise and will continue to progress and further develop.

Since April 2025, CFT have received 75 referrals of potential or suspected fraud, this is an increase of 25% on 2024/25 referrals. Six of the referrals progressed to investigations. These relate to a maintained school, Business Support, Lincolnshire Fire & Rescue, Children’s Services. The concerns raised included unauthorised overtime/additional hours claims, inflated mileage claims, falsification of documentation, conflicts of interest, and timesheet fraud. All investigations have been completed by CFT.

One investigation was referred to Lincolnshire Police who were able to use the evidence already collected by CFT to conduct their own investigation. The resulting outcome was a full admission to the allegations by the subject and due to eligibility, they were given an adult caution. Following this, a disciplinary panel dismissed the employee with immediate effect.

One investigation has resulted in management action. One is pending a disciplinary hearing. For the remaining three investigations, the individual resigned during the process and management decision was to cease any further action.

Investigatory work has resulted in identified recoveries to be made along with quantifiable savings. We are pending a decision regarding the value and recovery of overpaid overtime claims in relation to the investigation awaiting a disciplinary hearing. CFT have also identified recovery and savings amount through proactive work such as control review work and data analysis work. The known recovery and savings values are detailed in table 1 below.

	As of 01 March 2026
Value of recoveries identified through fraud investigation.	£330.30
Value of recoveries identified through proactive work.	£12,160.17
Value of recoveries pursued	£330.30 (duplicate claim) £104.20 (expenses) £11,250.00 (third party) £792.97 (control reviews) Total: £12,477.47
Value of actual savings (quantifiable savings – e.g. repayment of loss) identified through fraud investigation.	£1431.52 (false payroll claim – not paid)

% of investigations completed which result in a successful outcome (for example payments stopped or amended, sanctions, prosecutions).	100% Three of the six investigations were ceased part way through due to resignation.
	As of 01 March 2026
Number of referrals received	75
Number of cases under review (live)	0
Number of investigations completed	6
Number of investigations involving financial recovery.	1

Table 1

Whistleblowing & Confidential Concerns Received

Whistleblowing is a statutory element in the Council’s governance arrangements, and it is therefore important the Council remains committed to the principles of honesty, openness, and accountability. It is vital that the Council provides effective whistleblowing arrangements to ensure that fraud and wrongdoing can be reported and that these referrals are dealt with seriously, confidentially and with sensitivity.

The Public Interest Disclosure Act 1998 (PIDA) defines a whistleblower as an; *“Identifiable person who works in or for an organisation disclosing an honest and reasonable concern relating to one or more of the below:*

- *commission of a criminal offence*
- *failure to comply with a legal obligation*
- *a miscarriage of justice*
- *danger to the health and safety of any individual*
- *damage to the environment*
- *the deliberate concealment of information falling within any of these categories.”*

Upon receipt of a referral, an assessment is made using the criteria within the PIDA to determine whether it is identified as either a whistleblowing report or a confidential concern. Following the initial review, concerns that relate to other LCC policies, not fraud matters, are referred to the relevant service to address and respond. For whistleblowing reports, the outcomes of their investigations are provided to CFT who will update the whistleblower in line with the Whistleblowing policy.

For 2025-26, LCC have received a total of 20 confidential reports and nine whistleblowing reports. Figures 1A and 1B show the areas that the referrals related to. “Other” relates to reports received that do not relate to LCC services.

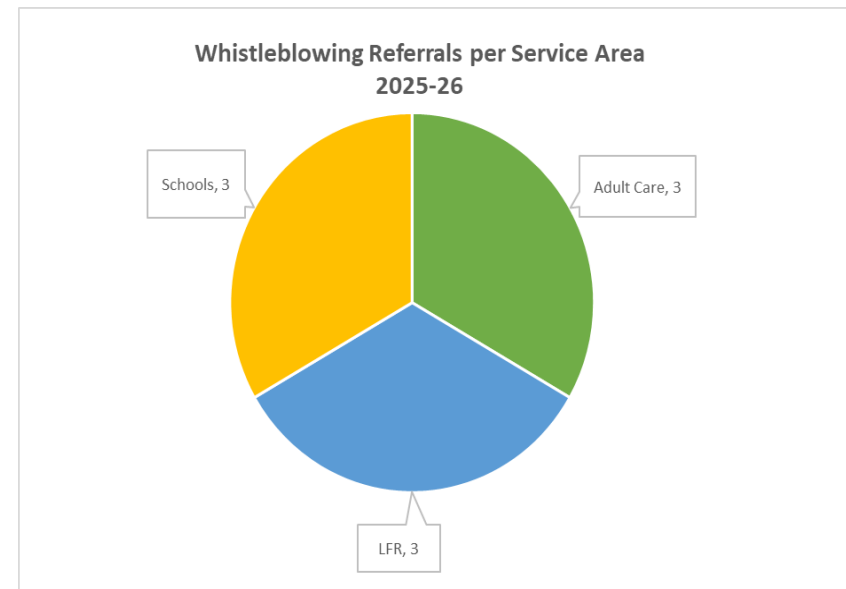


Figure 1A

**Confidential Reports per Service Area
2025-26**

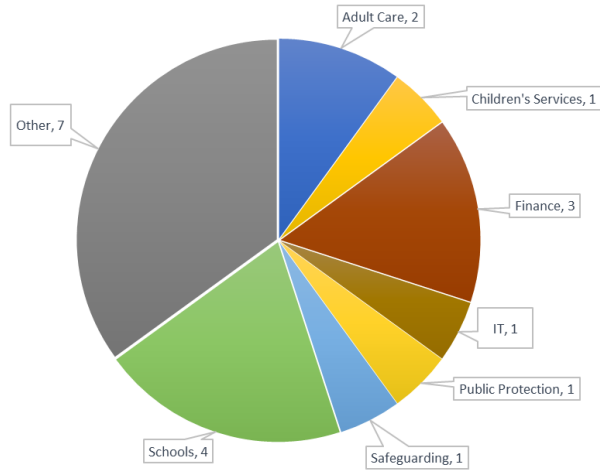


Figure 1B

In addition, CFT record the number of enquiries received by all members of the team that do not come through the whistleblowing facility. These cover enquiries relating to advice on procedures, counter fraud service packages, FOI requests, manager queries, along with contact from other authorities. For 2025-26, the total number of enquiries received was 55. Figure 1C below shows the split of enquiries per service area. Other relates to enquiries that have been directed to CFT in error.

Enquiries per Service Area 2025-26

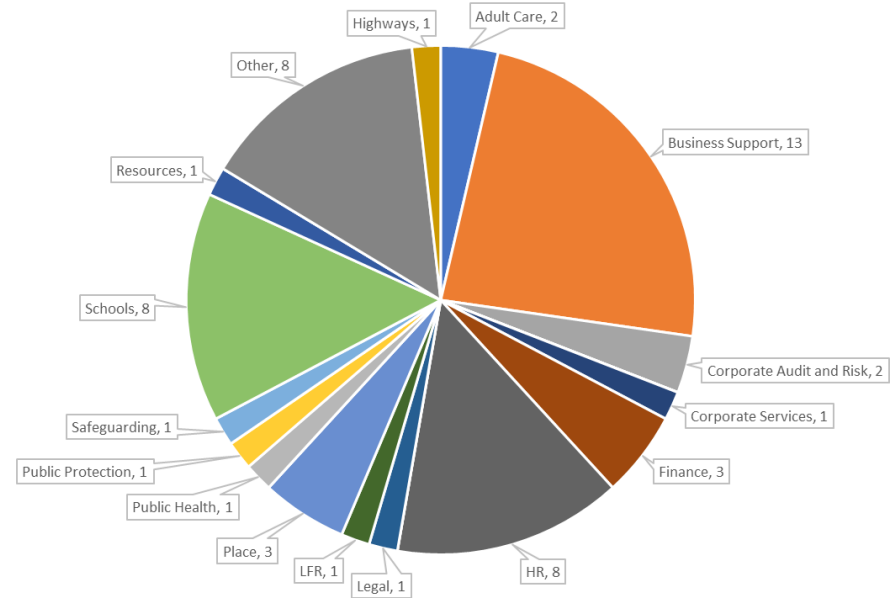


Figure 1C

Proactive Management

The fraud risk register has been updated following conversations with risk owners. The work completed has heavily influenced the counter fraud plan for 2025-26 through highlighting areas that may be vulnerable to fraud. Further development of the register will continue into 2026-27 to ensure all services areas are captured to present an accurate reflection of the current fraud status across the council.

CFT have continued to deliver proactive counter fraud work during the financial year. Fraud risk assessments as well as counter fraud review assignments have been designed and executed for a greater understanding of the internal fraud profile.

The counter fraud plan for 2025-26 set out 12 counter fraud reviews that were going to be completed during the year. Figure 2 below shows the plan delivery update.

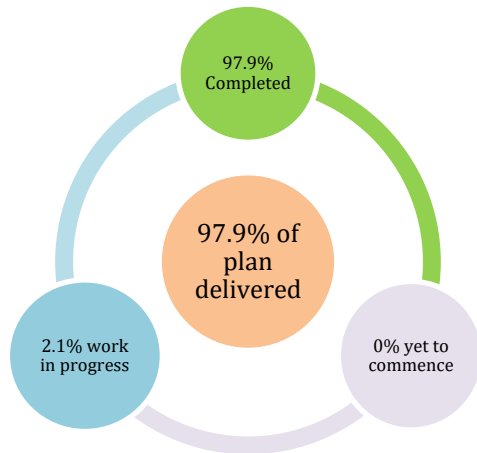


Figure 2

At the time of writing 97.9% of the plan has been delivered with 11 reviews fully completed and the remaining review in the final reporting stages, due for completion in March 2026. In addition, a further two reviews were completed by the team during the year, so CFT delivered 14 reviews overall covering fuel cards, employment references, procurement cards (x2), pension top ups, schools, visitor access, asset management, asset disposals, sundry accounts (x2), personal allowances, the Reuse Shop, and payroll new starters. As part of the review process, CFT issued findings and recommendations to the client. Resulting actions were set out by management to address the control failings that were identified.

Review	Overall Fraud Risk Level	Critical	High	Medium	Low	Incomplete
Fuel Cards Highways	Medium	0	0	4	2	0
Recruitment References	High	0	4	2	0	0
Teacher Top Up Pension	High	0	4	1	1	0
Fostering & Adoption Pcards	Medium	0	0	7	0	0
InspireU Asset Management	Low	0	0	1	2	1
Uncoded Pcard Transactions	Medium	0	2	3	1	1
Visitor Access - County Offices	Medium	0	0	3	0	2
Sundry Account - Legal	High	2	3	2	0	3
Personal Allowances - 91 Eastgate, Sleaford	Low	0	0	0	1	0
IT Asset Disposals	Low	0	0	0	1	1
The Reuse Shop at Tattershall	Low	0	0	0	1	0
Sundry Account – Richmond House (additional review)	High	0	9	4	0	10

Table 1

Table 1 above shows the completed reviews, the overall fraud risk level awarded, and the total number of agreed management actions (MAs), including those that haven't yet been completed.

Figure 3 shows the split of incomplete actions in terms of fraud risk level. CFT proactively engaged with the clients during the year to review the status of outstanding actions and capture any progress made. While there are some incomplete actions at the time of writing, no actions have surpassed the agreed deadline date. The high actions are due for completion by the end of the financial year. The majority of the high actions relate to the reviews completed surrounding sundry accounts. There is a collaborative project ongoing between Business

Support and Finance to develop and implement standard operating procedures for these accounts along with a comprehensive training program for account operators and administrators. Table 2 shows the fraud risk levels and their associated descriptions.

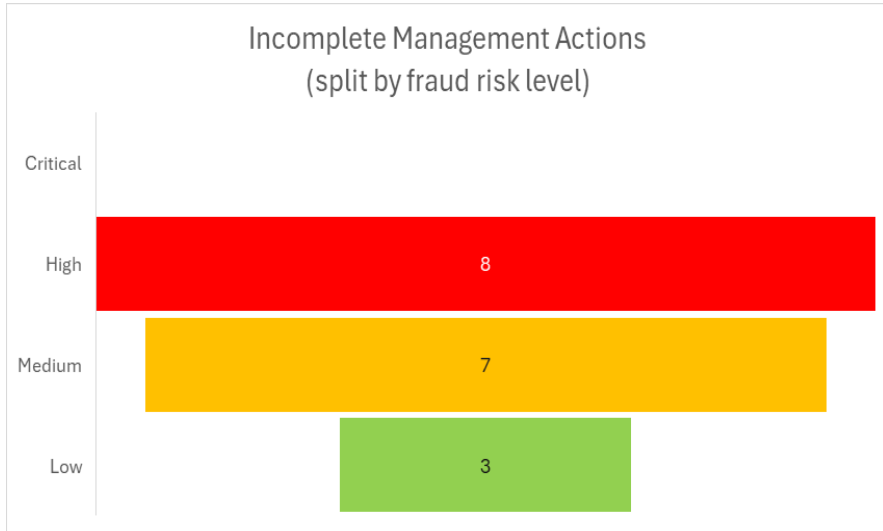


Figure 3

Critical:	There is a critical risk of fraud being committed. There is a fundamental breakdown in internal control; significant risk of fraud, irregularity, impropriety. These must be considered as urgent and must be addressed within one month.
High:	The area is at high risk of fraud being committed. There are significant weaknesses/gaps in internal control which leave the area vulnerable to fraud, loss or public criticism. The fraud risks should be considered as high priority and addressed within three months.

Medium:	There is a medium risk of fraud being committed. There are some weaknesses that undermine systems of internal control. These risks should be considered as medium priority and may have various milestones or timeframes for being addressed within a three-to-nine-month period.
Low:	This area is at low risk of fraud. The area is well controlled but there may be some further improvements that can be made to make the function as good as possible. It could be considered as a low priority over higher rating findings and should be addressed over the course of nine to 12 months.

Table 2

As part of the review process, CFT conducts root cause analysis work to identify any common themes and/or systemic issues. Please note that root cause analysis was introduced midway through the year so was not formally conducted for our earlier reviews. In addition, for the reviews that were assessed as low fraud risk, root cause analysis was not completed as the area was considered to be well controlled with no systemic issues identified. Based on the completed reviews, the biggest area of fraud vulnerability relates to lack of documented processes and procedures which was identified in eight out of the twelve areas reviews. The other reoccurring theme related to a lack of fraud risk management knowledge across officers. In order to support directorates in developing in this area, CFT are proposing to deliver educative sessions following the completion of counter fraud control reviews in 2026-27. This is outlined further in the CF workplan 2026-27. The education will be bespoke to the service area and the findings of the review. Table 3 below shows a breakdown of the root causes identified for the reviews.

Review	Root Cause(s)
Sundry Account - Richmond House	<p>Insufficient Governance Arrangements <i>Several of the findings were relating to failure to have adequate fraud risk management and control systems in place. There were instances of officer/s providing intentionally inaccurate information to management and other departments</i></p> <p>Inadequate Assurance & Monitoring <i>Weaknesses in supervisory review and exception reporting allowed control failures to go undetected. In some cases, responsibilities for oversight were unclear or not consistently applied.</i></p> <p>Lack of Competencies & Training <i>A number of issues were linked to insufficient training or awareness of key processes and compliance requirements. This was particularly evident in areas involving manual processes and reconciliations of accounts.</i></p>
Visitor Access - County Offices	<p>Policy and Procedure Gaps <i>Several findings stemmed from the absence of clear, up-to-date policies or policies lacking key fraud controls. This has resulted in non-compliance with expected processes and increased opportunities for fraud to be committed.</i></p> <p>Insufficient Governance Arrangements <i>This area is managed in collaboration with several departments however there is a lack of clearly defined and documented roles and responsibilities. This decreases accountability and can result in inconsistency.</i></p>
Sundry Account - Legal	<p>Lack of Accountability <i>Several findings stemmed from the absence of clear accountability or responsibility in</i></p>

	<p><i>relation to the office move which led to confusion among staff and inconsistent application of controls and ownership.</i></p> <p>Inadequate Assurance & Monitoring <i>Weaknesses in supervisory review and exception reporting allowed control failures to go undetected, and responsibilities for oversight were unclear or not consistently applied.</i></p> <p>Lack of Competencies & Training <i>An issue linked to insufficient training or awareness of key processes was particularly evident in relation to the reporting of concerns where items have gone missing.</i></p>
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Table 3

CFT have seven KPIs to work towards during the course of the control review process. Figure 4 below shows the KPI area and whether the desired timescales have been achieved or not. For draft reports, these should be issued within 10 working days from fieldwork completed, which was achieved for nine out of the eleven reviews. For the two occasions where this KPI was not achieved, these were completed with 11 and 14 working days, the slight delays due to annual leave. Once the final report has been issued and the closure meeting is held, we request feedback from the client using Microsoft forms. For eight of the reviews, feedback was provided within five working days, as per KPI. Two forms were completed within seven working days, and one review (sundry account – Legal) did not receive feedback at all despite multiple reminders from CFT.

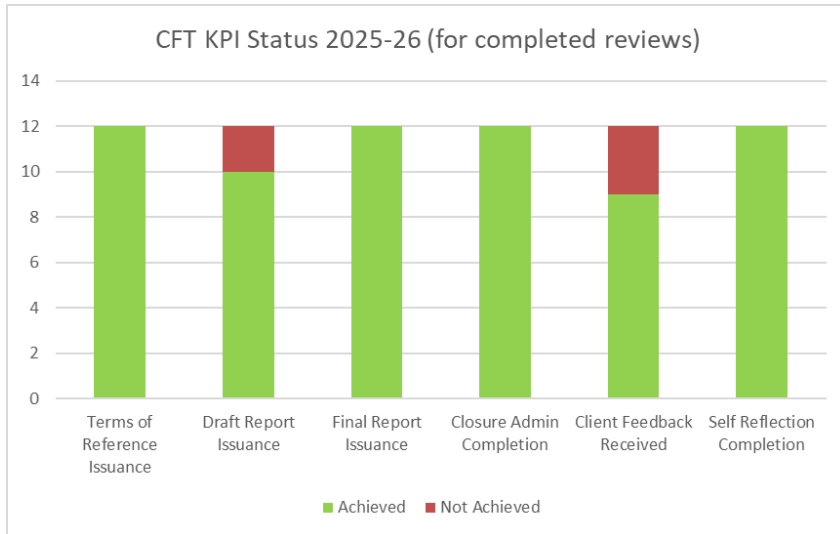


Figure 4

CFT have continued to conduct monthly data analysis work into procurement cards and expense claims. Expenses are reviewed per expense type, and we have identified high levels of non-compliance with policy with staff across all areas of LCC. Of a sample of 587 claims, CFT identified a 64% rate of non-compliance. The main reasons for non-compliance relate to the lack of documentary evidence of the claim being uploaded with the claim and/or reimbursements made for reasons outside of policy such as long service awards and team meeting refreshments.

CFT have challenged claims with approving managers and worked alongside HR and Payroll to escalate issues where required. Moving into 2026-27, we are amending our analysis approach to review expenses on a directorate basis per month to aid our understanding as to whether the issues with expenses are council wide or focused within a particular area. CFT have been made aware that the Travel & Expenses Policy is being updated with the view it will go live from April 2026 so we will review whether the changes to the policy impact the level of non-compliance.

For all counter fraud work completed feedback is sought from client to inform future reviews and internal quality processes. For the question "Overall, how well did we do?", the team received a total of 82 responses, 5 in relation to fraud investigations completed, 19 for counter fraud control reviews, and the remaining 58 for counter fraud services such as training sessions and periodic reports to external clients. The results are in figure 5 below.

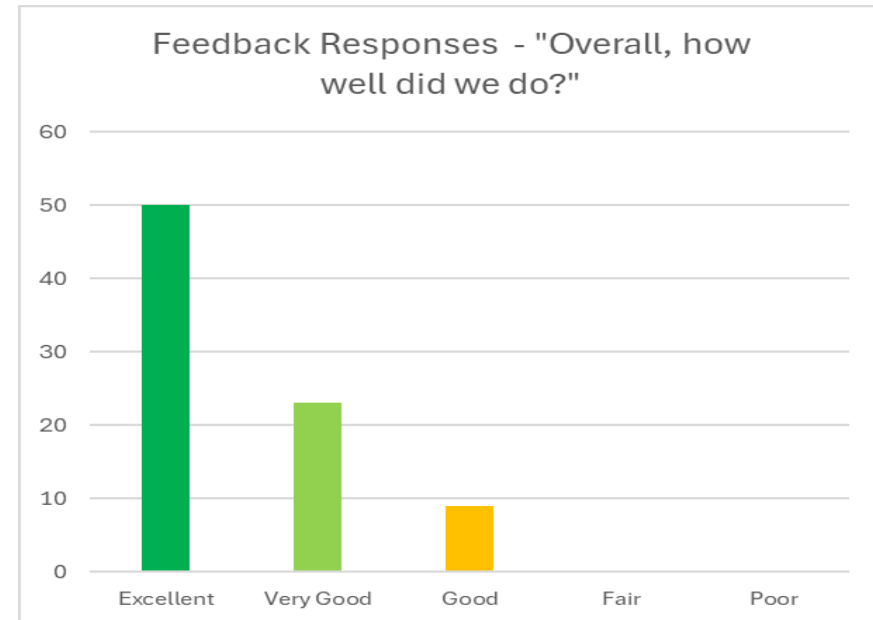


Figure 5

The team continues to develop the counter fraud representative group with the purpose of sharing information, best practice, developing controls and informing areas for analysis or further development. The meetings are structured and, to date, have received positive feedback.

The delivery of over 40 staff presentations have helped to raise awareness of and interaction with CFT. The sessions covered the support, guidance and advice services available from the team as well

as outlining whistleblowing and investigative services. CFT have also delivered bespoke fraud risk management training to different departments to aid them in identifying and controlling fraud risks relevant to their area of work.

The team delivered a session to members of the LCC Audit Committee. The session provoked quality dialogue and discussion relating to the work we conduct. The feedback received was unanimously positive.

Multi Agency Delivery – NFI & DWP

The National Fraud Initiative (NFI) is a large-scale data matching exercise involving all councils and several other public sector bodies across the UK. This is a mandatory initiative for public sector authorities that runs every two years. The purpose of the data matching is to assist in the prevention and detection of fraud. From a total of 11,487 data matches, CFT reviewed 5,757 rows of data. The remaining 5,730 matches relating to blue badges and concessionary travel and were referred to the relevant departments for investigation. The results of the latest NFI exercise (2024-25) are in table 4 below.

A total savings value of £1,078,218.68 was identified plus a total amount of £9,910.09 identified as errors. The error value was in relation to overpayments of pension top ups and was not pursued for recovery at the discretion of the budget holder.

Sharing NFI data is valuable in aiding the effectiveness of operating fraud controls and supports the assessment of fraud risks and their mitigative actions. The team remain committed to continuing these improvements.

Blue badge savings value has increased from £386,750.00 in 2022-23 to £889,280.00. This is largely due to an increase in the estimated saving per badge and the reduction in the length of time a blue badge is valid which has impacted on the number of badges processed each year. CFT completed a counter fraud control review in this area in 2024-25 and along with the annual fraud risk register Pension top-up overpayments decreased from £24,891.00 in 2022-23 to £9,910.09 indicating that control improvements have been made to reduce the risk of fraud and errors. CFT completed a counter fraud control review in this area in 2025-26 which provided findings and recommendations to the service area to further mitigate the risks of fraud.

Area:	Activity	Estimated Value
Blue Badge	1120 live blue badge matches which were closed (49.8% of the total matches received).	£889,280.00 (savings based on cabinet office figure of £794 average saving per badge)
Concessionary Travel Passes	3165 live passes cancelled (90.9% of the total matches received)	£120,270 (savings based on cabinet office figure of £38 average saving per pass)
Pension Top-up Payments: Teachers	16 live pension accounts closed, with 8 accounts with overpayments identified	£9,910.09 in overpayments identified. However, these were not pursued for recovery as per budget holder decision. £68,668.68 (savings based on cabinet office calculations using gross annual pension amounts)

Duplicate Invoices	5,185 data matches reviewed relating to potential duplicate payments and creditors. All matches have been reviewed and closed.	No duplicate payments identified.
VAT	146 matches reviewed.	No errors identified.
Total Savings		£1,078,218.68
Total Errors		£9,910.99

Table 4

All the 2024-25 NFI work has been completed and closed. The results have been analysed, and the team will be undertaking proactive control assignments to further develop control and detection work.

The Council supports the Department for Work and Pensions (DWP) with information sharing to facilitate their investigation of housing benefit and council tax fraud within Lincolnshire district councils. 62 referrals in relation to five of the seven district councils in Lincolnshire have been made within this fiscal year, arising from direct contact from communities, this is a 244% increase compared with 2024-25.

The CFT will continue to develop this facility from 2025/26 with enhanced reporting, intelligence sharing, counter fraud education workshops and fraud risk assessments for district partners who purchase the counter fraud service. The aim of this work is to improve and empower district councils in their ownership for development and reduce potential losses across the county. CFT have delivered five fraud training sessions to audit committees, assistant directors and service managers at City of Lincoln Council, North Kesteven District Council and East Lindsey District Council.

Fraud Risk Information

The CFT are responsible for understanding and assessing the level of risk the council faces from internal control procedures, the application and efficiency of these controls and adherence to policies and procedures. The fraud risk register is a live document, which is continually updated and amended through the work undertaken with colleagues across the council. The risk assessment process highlights several areas where controls can be strengthened, and enforcement improved to better inform the success of prevention strategies and financial savings.

Counter Fraud Networks and National Picture

The CF team actively work with partners at local, regional, and national levels to enhance, develop and collaborate in identifying best practice. This supports the team's focus on performance and outcomes, as well as enhance broader services to support directorates to reduce the impact of fraud.

CFT chair the Counter Fraud Representatives group within LCC which sees heads of service (or their delegates) attend quarterly meetings to share fraud intelligence, receive counter fraud training, and discuss any areas of concern they have. These meetings have been well attended and has allowed the opportunity for different departments to share best practise with others. These meetings will continue into the next financial year.

CFT have an active role within the Procurement Card Design Authority. The purpose of this project group is to support with the changes that Finance are bringing to the procurement card policy and processes. CFT have contributed so far by advising the project group on any fraud weaknesses, reviewed proposed processes and guidance to identify any areas that may provide an increased opportunity for fraud to be committed, and provided counter fraud advice and guidance.

At a national level the team has attended the Counter Fraud 2025 Conference and continue to work with the Public Sector Fraud Authority (PSFA) through alignment of our practices and knowledge to the PSFA Counter Fraud Framework. This has aided further development of our professional standards and improved quality and efficiency in our delivery. Two officers within the team completed the PSFA Fraud Risk Assessment Programme in October 2025 and are implementing the knowledge they gain from this course into their daily operations.

The team work with and utilise both CIFAS (the UK's leading fraud prevention service) and the National Anti-Fraud Network (NAFN) to

keep up to date with emerging counter fraud risks and best practices. When fraud alerts are received by the team, these are shared with the relevant departments with LCC to reduce the risk of vulnerabilities to external frauds.

Regionally CFT participate in the Midland County Fraud Forum, which allows us to collaborate and share intelligence with our counterparts across the wider region. Locally we work in partnership with Lincolnshire Police and attend their Multi Agency Intelligence Network meetings. This provides us with an opportunity to work alongside the various agencies to discuss issues around serious and organised crime groups that operate within our region and the offences they commit.