



Coventry City Council

# Public report

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**Report to**

Audit and Procurement Committee

2<sup>nd</sup> February 2026

**Name of Cabinet Member:**

Cabinet Member for Policy and Leadership - Councillor G Duggins

**Director approving submission of the report:**

Director of Finance and Resources

**Wards affected:**

City Wide

**Title:** Half Yearly Fraud and Error Report 2025-26

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**Is this a key decision?**

No

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**Executive summary:**

The purpose of this report is to provide the Audit and Procurement Committee with a summary of the Council's anti-fraud and error activity undertaken by the Internal Audit Service during the first half of the financial year 2025-26.

**Recommendation:**

The Audit and Procurement Committee is recommended to note and consider the anti- fraud and error activity undertaken during the first half of the financial year 2025-26.

**List of Appendices included:**

None

**Background papers:**

None

**Other useful documents:**

None

**Has it or will it be considered by scrutiny?**

No other scrutiny consideration other than the Audit and Procurement Committee.

**Has it, or will it be considered by any other council committee, advisory panel or other body?**

No

**Will this report go to Council?**

No

## **Report title: Half Yearly Fraud and Error Report 2025-26**

### **1. Context (or background)**

- 1.1 Fraud in the public sector has a national focus through the publication of "Fighting Fraud and Corruption Locally – The Local Government Counter Fraud and Corruption Strategy". Whilst the national strategy states that the level of fraud in the public sector is significant, the current trends in fraud activity includes areas which Coventry City Council does not have responsibility for, for example, social housing, and the levels of identified / reported fraud against the Council remain at relatively low levels, in terms of both numbers and value.
- 1.2 This report documents the Council's response to fraud and error during the first half of the financial year 2025-26 and is presented to the Audit and Procurement Committee in order to discharge its responsibility, as reflected in its terms of reference 'to monitor Council policies on whistle blowing and the fraud and corruption strategy'.

### **2 Options considered and recommended proposal**

- 2.1 The Internal Audit Service is responsible for leading on the Council's strategic response to the risk of fraud and error. The work of the team has focused on three main areas during 2025-26, namely:
  - National Fraud Initiative
  - Referrals and Investigations considered through the Council's Fraud and Corruption Strategy
  - Fraud awareness

A summary of the key activity that has taken place during 2025-26 to date is detailed below.

- 2.2 National Fraud Initiative –The NFI exercise is led by the Cabinet Office. The exercise takes place every two years and matches electronic data within and between public bodies, with the aim of detecting fraud and error. The follow up of matches can also provide assurance that the Council's own arrangements for preventing and detecting fraud / error are effective. The results of the last exercise were released in January 2025 and form part of the planned programme of work for 2025-26. It should be noted that matches relating to Housing Benefit / Council Tax Support / Single Person Discounts fall under the responsibility of the Revenues and Benefits Service and are not reported here.
  - 2.2.1 Given the number of matches released, a risk-based approach is used in following up the matches. To date, around 700 matches have been processed. Table one overleaf provides a breakdown of those areas where overpayments / forward savings have been identified to date (where overpayments are identified, these are subject to standard recovery arrangements.)

**Table One – Breakdown of National Fraud Initiative results April to September 2025**

<b>Match Type</b>	<b>Purpose of Match</b>	<b>Number of errors / discrepancies</b>	<b>Overpayments</b>	<b>Cabinet Office Estimate of Forward Savings</b>
Pensions to DWP deceased data	To identify instances where an occupational pensioner has died but the pension is still being paid	6	£5,498	£15,439
Blue Badges to DWP deceased data	To identify cases where a blue badge holder has died but the local authority has not been notified.	131	-	£104,014
Residents Parking Permits to DWP deceased data	To identify cases where the holder of a resident parking permit has died but the local authority has not been notified.	83	-	-
Waiting list to waiting list	To identify where an individual has registered on the housing list using two different addresses.	14	-	£59,962
Waiting list to DWP deceased data	To identify cases where an individual who is registered on the housing list has died but the local authority has not been notified.	34		£145,622
Duplicate invoices by amount and creditor reference	To identify duplicate payments to suppliers.	1	£1020	
<b>Total</b>		<b>269</b>	<b>£6518</b>	<b>£325,037</b>

- 2.3 Referrals and Investigations – From time to time, the Internal Audit Service receive referrals or are asked to assist with investigations relating to employee misconduct and other fraud against the Council involving external individuals. Table two overleaf indicates the number of referrals by source in 2025-26, along with figures for the previous three financial years.

**Table Two - Fraud Reports Received between 2022-23 and 2025-26**

Source	Reports 2022-23	Reports 2023-24	Reports 2024-25	Reports 2025-26 April to September
Whistleblower	1	4	1	3
Manager	10	18	24	13
External	2	1	3	2
Total	<b>13</b>	<b>23</b>	<b>28</b>	<b>18</b>

It is important to note that there is no mechanism for determining the number of reports the Council should receive on an annual basis and it is very difficult to anticipate or identify the reasons behind fluctuations in numbers. It is worth noting that this information only reflects referrals made in respect of concerns relating to fraud and corruption and does not include other matters raised under the Whistleblowing Policy.

- 2.3.1 Of the 18 referrals received, eleven have led to a full investigation. The reasons for referrals not resulting in a full investigation include (a) initial assessment / fact finding does not find any evidence to support the allegations (b) appropriate action has already been taken, e.g. the fraud has been prevented, and (c) the nature of the event means it is impractical to pursue further.

In addition to the eleven investigations highlighted above, two further investigations were carried forward from 2024-25. All of the investigations related to fraud / theft or other activities linked to obtaining a financial benefit. Five out of the 13 investigations are still on-going, whilst of the remaining eight:

- In one case, the employee resigned during the disciplinary investigation.
- In three cases, the concern was not substantiated.
- In one case, a formal re-setting of standards took place.
- In one case involving a direct payment, the direct payment was ended.
- In one case involving the theft of ICT equipment, the employee was dismissed and was prosecuted by the police.
- In one case involving European grant funding provided to four local businesses (who were connected to each other), a sum of £138k was recovered and returned to central government.

- 2.4 Fraud Awareness – In 2025-26 to date, the Internal Audit Service have continued to support training sessions with employees from Adult Social Care to raise awareness of the types of fraud that can occur within the social care environment, and particularly within direct payments. The Service are also in discussion with colleagues from Customer Services around how the single resident record which is in development can be used to detect / prevent fraud in claims for financial assistance.

- 2.5 Significant frauds - Within auditing standards there are clear expectations around the level of oversight that the Audit and Procurement Committee should have in relation to the risk of fraud within the Council. This includes an expectation that appropriate detail is provided around significant fraud. We have applied the following principles when defining significant fraud:

- A financial impact in excess of £10,000.
- Frauds of under £10,000 can be included if the Chief Internal Auditor considers this justified by the nature of the fraud.

- In terms of establishing when a fraud has occurred, this is normally defined as occurring when the disciplinary process has been concluded, although in cases not involving employees, this will be linked to other management action, such as criminal prosecution.

In the period April 2025 to September 2025, two significant frauds have been concluded. Whilst in both cases, the investigations related to previous financial years, associated legal processes have not been concluded until 2025-26.

The specific details of these frauds are provided below.

2.5.1 Case One – Prior to leaving the European Union, the Council received European Regional Development grant funding from the Department of Housing, Communities and Local Government (DHCLG). The purpose of the funding was to provide grants to local businesses to support capital investment under a number of specific projects. In order to receive a grant, businesses were required to submit an application which provided specific details of the capital expenditure which they were looking to receive a contribution towards. Applications were subject to assessment and approval and once awarded, businesses had to provide evidence of the purchases made in order to receive the funding. The evidence included invoices and bank statements showing the purchases made.

Following a review by the service area, concerns were raised that four businesses had submitted fraudulent evidence in support of their grant applications and the matter was referred to Internal Audit. The investigation established that the four businesses were connected to each other and in three cases it was identified that the businesses had submitted fraudulent invoices to the Council, for which they received £138k in grant funding. Concerns were also identified that the transactions on the bank statements showing payments for the purchases were not legitimate and had been purposely fabricated to facilitate the fraudulent activity. In the other case, where the business received £50k in grant funding, whilst it was confirmed that the purchase had been made, it was suspected that it had not been purchased / was not being used for the intended purpose stated on the grant application.

The Council reported the matter to both the relevant government department and Action Fraud, but in this case, it was not accepted for criminal investigation by the police. Consequently, the Council undertook its own legal proceedings and was successful in recovering the £138k from three of the businesses (which was returned to central government.) However, it should be noted that in returning the funds, the businesses did not accept any liability. In the other case (£50k), the Council did not secure any recovery, and further legal action was not considered appropriate given that:

- Whilst fraudulent activity was suspected, the Council's powers to investigate are more limited than the police; and
- It was not possible to sufficiently prove the matter and as such would be improper to pursue such allegation as it would have resulted in the Council incurring further legal costs.

Under the terms of the grant funding received by the Council from DHCLG, the government can hold the Council accountable for losses incurred due to fraud and the Council has set out in correspondence with the government its legal position to mitigate this. Whilst there is a residual risk that the government could choose to pursue recovery of the £50k suspected fraud from the Council, we are of the view that due to the extended period this issue has existed with no such action having arisen, the risk is now considered to be minimal.

Frauds of this type are rare and clearly in this case, this involved considerable efforts by the businesses to portray the expenditure as legitimate. Notwithstanding this, the service area has taken action to review their processes for verifying grant claims and put in place additional measures to minimise risk.

- 2.5.2 Case Two – The Council holds a stock of laptops and associated items to enable equipment to be issued to employees and members on a timely basis when required, for example new starters, replacements for broken items, and refresh projects. As such, stock is moved on a frequent basis. In 2022, a concern was raised that some stock had been misappropriated and following a fact-finding investigation by Digital Services, a Council employee was identified as being responsible. The matter was reported to the police, and they undertook a criminal investigation which resulted in a prosecution. Alongside this, a disciplinary investigation was undertaken, which resulted in the employee being dismissed.

The prosecution was concluded in July 2025. The individual pleaded guilty to the theft of 210 laptops, for which they received a suspended 2-year prison sentence. (The associated proceeds of crime process is ongoing at the current time.) Separately, the Council made a claim to its insurers and received a payout of £190k.

From an audit perspective, whilst the officer was clearly in a position of trust, the controls in place to safeguard equipment from the risk of insider theft required strengthening. In saying this, it is recognised that risk cannot be mitigated entirely and consequently controls also need to be in place to detect discrepancies on a timely basis. Following identification of the issue, Digital Services took immediate steps to address this and have worked closely with Internal Audit to strengthen arrangements. Whilst initially this involved the introduction of a number of manual/ paper-based controls, the Service have now procured a specific software package which should provide a more efficient and robust solution in the longer term.

### **3. Results of consultation undertaken**

- 3.1 None

### **4. Timetable for implementing this decision**

- 4.1 There is no implementation timetable as this is a monitoring report.

### **5. Comments from the Director of Finance and Resources and the Director of Law and Governance**

#### **5.1 Financial Implications**

All fraud has a detrimental financial impact on the Council. In cases where fraud / error is identified, recovery action is taken to minimise the impact that such instances cause. This also includes action, where appropriate, to make improvements to the financial administration arrangements within the Council as a result of frauds identified.

#### **5.2 Legal implications**

The Council has a duty under section 151 of the Local Government Act 1972 to make arrangements for the proper administration of their financial affairs. To effectively discharge this duty, these arrangements include Council policies and procedures which protect the public purse through managing the risk of fraud and error.

All cases are conducted in line with the Data Protection Act 2018 and if appropriate are referred to the Police for investigation.

## **6. Other implications**

### **6.1 How will this contribute to achievement of the One Coventry Plan?**

(<https://www.coventry.gov.uk/strategies-plans-policies/one-coventry-plan>)

The scope and content of this report is not directly linked to the achievement of key Council objectives, although it is acknowledged that fraud / error can have a detrimental financial impact on the Council.

### **6.2 How is risk being managed?**

The risk of fraud is being managed in a number of ways including:

- Through the Internal Audit Service's work on fraud which is monitored by the Audit and Procurement Committee.
- Through agreed management action taken in response to fraud investigations and / or proactive reviews.

### **6.3 What is the impact on the organisation?**

Human Resources Implications

Allegations of fraud made against employees are dealt with through the Council's formal disciplinary procedure. The Internal Audit Service are involved in the collation of evidence and undertake, or contribute to, the disciplinary investigation supported by a Human Resources representative. Matters of fraud can be referred to the police concurrent with, or consecutively to, a Council disciplinary investigation.

### **6.4 Equalities / EIA**

Section 149 of the Equality Act 2010 imposes a legal duty on the Council to have due regard to three specified matters in the exercise of their functions:

- Eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act;
- Advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it; and
- Foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

The "protected characteristics" covered by section 149 are race, gender, disability, age, sexual orientation, religion or belief, pregnancy and maternity and gender reassignment. The duty to have due regard to the need to eliminate discrimination also covers marriage and civil partnership.

The Council acting in its role as Prosecutor must be fair, independent, and objective. Views about the ethnic or national origin, gender, disability, age, religion or belief, political views, sexual orientation, or gender identity of the suspect, victim or any witness must not influence the Council's decisions.



**6.5 Implications for (or impact on) Climate Change and the environment**

No impact

**6.6 Implications for partner organisations?**

None

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