

Agenda Item	7
Report No	AC/10/26

THE HIGHLAND COUNCIL

Committee: Audit Committee

Date: 27 May 2026

Report Title: Fraud and Whistleblowing Annual Report 2025/26

Report By: Strategic Lead (Audit & Risk)

1. Purpose/Executive Summary

- 1.1 This annual report presents the information relating to the activities undertaken by the Corporate Fraud Team during 2025/26. This includes details of fraud and other investigation activities, and the outcomes relating to the whistleblowing concerns reported.

2. Recommendations

- 2.1 The Committee is invited to:
- (i) **Scrutinise** and **note** details of the fraud investigations and activities undertaken as detailed in section 5.1 of the report.
 - (ii) **Scrutinise** and **note** the information at section 5.2 including the low number of whistleblowing concerns requiring investigation.
 - (iii) **Note** that where a fraud or whistleblowing investigation identifies any control weakness, fraudulent activity or areas for improvement, this will be addressed through an Internal Audit report which will be provided to Committee for scrutiny purposes.
 - (iv) **Note** the updated self-assessment against the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption set out at **Appendix 1**.

3. Implications

- 3.1 There are no **Resource, Risk, Legal or Gaelic** implications arising from this report.

4. Impacts

- 4.1 In Highland, all policies, strategies or service changes are subject to an integrated screening for impact for Equalities, Poverty and Human Rights, Children's Rights and

Wellbeing, Climate Change, Islands and Mainland Rural Communities, and Data Protection. Where identified as required, a full impact assessment will be undertaken.

4.2 Considering impacts is a core part of the decision-making process and needs to inform the decision-making process. When taking any decision, Members must give due regard to the findings of any assessment.

4.3 This is an update report and therefore an impact assessment is not required.

5. Annual Report 2025/26

5.1 Fraud investigations and activities

5.1.1 During the year, the activities involved work on a total of 8 fraud cases and these are summarised below. This consisted of active cases subject to investigation and concluded cases with ongoing recovery or further actions by the Procurator Fiscal.

Fraud cases:

5 Closed cases:

- Grant fraud (closed, not established)
- Tenancy fraud (closed, property recovered by Housing)
- NFI (closed not established)
- Service reported concern surrounding employee conduct (closed as insufficient evidence)
- Harbour fraud (closed, fraud established and employee dismissed).

3 Ongoing investigations:

- Service reported concern over employment practice
- NFI tenancy fraud enquiry (property ownership and occupancy)
- Payroll mandate.

At the 31 March 2026 there were 3 active cases subject to investigation.

Payroll Cases:

We continue to monitor where overpayments have arisen and the recipient fails to engage with the repayment of the sum involved; these are referred to the Corporate Fraud Team for potential investigation. An update report on salary overpayments is provided as a separate agenda item.

5.1.2 The Corporate Fraud Team also acts as the Single Point of Contact (SPoC) for information enquiries from organisations such as Police Scotland, the Department of Work and Pensions and the UK Immigration Office. The information provided often leads to successful outcomes for these organisations, but the role of the Corporate Fraud Team is not routinely recognised and reported. Therefore, a flavour of the work undertaken during the year is provided below.

Department of Work and Pensions (DWP)

The DWP issues Local Authority Information Exchange Forms (LAIEFs) to the Corporate Fraud Team to request evidence for their enquiries and investigations. The DWP has a two-prong approach: their Criminal Investigation Team pursue allegations of serious benefit fraud potentially resulting in prosecution. Their Compliance Team review instances of failure to declare changes of circumstances resulting in potential

overpayments of benefit. Without provision of appropriate evidence, the DWP is unable to progress their cases. During the year, the Corporate Fraud Team have collated information and responded to 54 LAIEFs.

Police Scotland

Police Scotland's Local Divisional Intelligence Unit, requests information on a daily basis from the Corporate Fraud Team. This process negates any duplication of work across Council Services and ensures the information and intelligence gathered is for a policing purpose and is retained in line with the Management of Police Information procedure. The following information has been provided by Police Scotland.

"During the last 12 months, Highland Council's Corporate Fraud Team provided critical support to Police Scotland's Highland and Islands Division across a variety of incidents including serious and high-risk investigations. They are an important resource that is essential to the Division, and their contributions have directly supported successful investigative outcomes.

As the Single Point of Contact between the Division and the Corporate Fraud Team, we are directly aware of the volume of enquiries they support. These are dealt with in a timely manner, with clear communication throughout. Where enquiries are urgent, the team are able to prioritise and respond quickly, ensuring investigative activity is supported without delay.

The majority of the enquiries they assist with are Inverness based however their input in rural investigations is also critical. During 2025 the Corporate Fraud Team supported us on two enquiries in Skye and Wick, and their input was key to identifying additional investigative strands. Both locations were suspected to house cannabis cultivations. They provided identification for those linked to the addresses. This information allowed for research on Police Scotland systems and established a link to two separate Serious and Organised Crime Groups that were based out with the Highlands.

The Corporate Fraud Team continue to provide an essential service to the Police Scotland's Highland and Islands Division."

5.1.3 Audit Committee Training - Counter Fraud Arrangements

As part of the programme of Audit Committee training undertaken in 2025, the Strategic Lead (Audit & Risk) and Corporate Audit Manager provided training on Counter Fraud Arrangements to Members on the 20 August 2025. The session was well attended and received by Members.

5.2 Whistleblowing cases

- 5.2.1 During the year 2025/26 a total of 14 concerns were reported through whistleblowing. For completeness all concerns received are listed in Table 1 below including those outside the scope of whistleblowing. The "Category" used is one of the six categories of malpractice/ wrongdoing set out in section 1.1 of the Whistleblowing policy. Where the concern reported is out of scope, this will be referred elsewhere, either internally to the relevant Council Service or to the appropriate external organisation.

Where there are any lessons to be learned, or improvements required these will be addressed in the normal manner through an Internal Audit report. This report will also be provided to the Audit Committee for scrutiny purposes.

Table 1 – 2025/26 whistleblowing concerns

WB Category	Investigated? Yes/ No	Open/ Closed	Outcome/ comments
Sexual harassment	No	Closed	Outside scope - referred to HR. (Note this is now the seventh category as of 06/04/26.)
Legal non-compliance	Yes	Open	Ongoing enquiry.
Health and Safety concern	No	Closed	Outside scope - referred to Social Work.
Legal non-compliance	No	Closed	Outside scope - referred to DWP and Housing.
Employee fraud	Yes	Closed	Service already aware (proven). Advice provided.
Health and Safety concern	Yes	Closed	Service had investigated and taken appropriate action (proven).
Health and Safety concern	No	Closed	Outside scope – not covered by Whistleblowing Policy.
Legal non-compliance	Yes	Open	Ongoing enquiry.
Health and Safety concerns	Yes	Closed	Historic allegation already been addressed by the Service (proven).
Health and Safety concern	Yes	Closed	Historic allegation which the Service was already aware. Insufficient evidence of wrongdoing (not proven).
Legal non-compliance	No	Closed	Insufficient evidence to pursue any investigation.
Legal non-compliance	No	Closed	Outside scope - referred to Housing.
Legal non-compliance	Yes	Closed	Historic allegation already addressed by the Service (proven).
Legal non-compliance	Yes	Closed	Service already aware (not proven).

5.2.2 Table 2 below details the number, type and outcomes of the whistleblowing complaints for the previous 3 years. It should be noted that more detail in relation to each annual report was provided to the Committee at the time with the information below provided for comparison purposes only.

Table 2 – summary of previous three year’s whistleblowing concerns

Year	No. of concerns	Investigated?		Investigation outcomes		
		Y	N	Proven	Not proven	Comments
2025/26	14	8	6	4	2	Proven allegations addressed with the Service. 2 still ongoing.
2024/25	8	4	4	n/a	3	1 ongoing.
2023/24	10	5 ^{*1}	5	1	3	Proven allegations addressed with the Service.
Totals	32	17	15	5	8	

Notes:

Where a case was not investigated this was due to the matter being outside the scope of the Whistleblowing policy.

*1 1 of the cases investigated in 2023/24 established that the concerns did not relate to the Highland Council and so was subsequently closed. Therefore, this has not been included in the outcome totals.

5.3 National Fraud Initiative (NFI)

The Council participates in the biennial National Fraud Initiative (NFI), led by Audit Scotland. The NFI is a UK-wide counter-fraud exercise designed to prevent and detect fraud by using data matching techniques to identify potential cases of fraud and error.

The exercise generates a high volume of matches across a wide range of service areas. These require further investigation and verification to eliminate false positives and identify any potential fraud cases. This work is undertaken by Council staff within Services alongside their existing duties.

The Council submitted the required datasets for the 2024/25 exercise, with matches made available for review and investigation in December 2024. All matches were allocated to relevant Council staff, and work has been progressing to support timely completion. The Corporate Fraud Team has monitored progress and actively engaged with services to support and drive match completion.

For reporting purposes, the cut-off date for outcomes to be included in the 2024/25 national report is 31 March 2026. Investigations will continue beyond this date, with any additional outcomes being carried forward to the next reporting cycle. It is expected that Audit Scotland's next national NFI report will be published in August 2026.

Preparation is now underway for the 2026/27 exercise. Draft data specifications were issued on 30 March 2026, with data submissions scheduled for October 2026.

5.4 Compliance with the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption

5.4.1 A review of compliance with the above Code of Practice was originally undertaken in 2023/24 which resulted in the amendment and renaming of the Counter Fraud Policy. This action meant that it could be reported that the Council fully complied with the Code.

It is good practice to revisit the assessment periodically in order to identify if any changes have occurred and to update it accordingly. This has been completed and the updated assessment is provided at Appendix 1. There is one action identified which relates to the need to undertake fraud risk assessments. This will be progressed during 2026/27, and the Committee will be updated on progress. It is considered that this action will further enhance the Council's fraud prevention arrangements and does not change the previous assessment that we fully comply with the Code.

5.4.2 As part of a review of the Council's fraud prevention framework the Counter Fraud, and Whistleblowing policies have been updated. The latter was also revised to reflect a new legislative change which came into effect on 6th April 2026. The Employment

Rights Act 2025 introduced a number of workplace reforms including enhanced whistleblowing protection for sexual harassment. Therefore, this has been included as an additional category in which malpractice or wrongdoing can be reported through whistleblowing and is a legally protected disclosure.

Date: 30 April 2026

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CIPFA - Code of practice on managing the risk of fraud and corruption

Code Principle	Conclusion	Action required
A Acknowledge responsibility The governing body should acknowledge its responsibility for ensuring that the risks associated with fraud and corruption are managed effectively across all parts of the organisation. Specific steps should include:		
A1 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.	The Council acknowledges the threats of fraud and corruption through its Code of Conduct, Financial Regulations and Counter Fraud Policy.	
A2 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.	The Council and its leadership team acknowledges the importance of a culture that is resilient to the threats of fraud and corruption and aligns to the principles of good governance through its adherence to a Local Code of Corporate Governance, Code of Conduct, Financial Regulations, Counter Fraud policy and Whistleblowing Policy.	
A3 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.	The Council sets out in the Annual Accounts its responsibility for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently, and effectively. The Council has a statutory duty to make arrangements to secure Best Value under the Local Government in Scotland Act 2003. In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions. This includes arrangements for the management of risk.	
A4 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	The Counter Fraud Policy forms part of the Highland Council's governance arrangements. Its aim is to ensure that the Council's resources are used for their intended purpose and that any losses through fraud and corruption are minimised. Through the participation in the National Fraud Initiative and the work of the Corporate Fraud Team opportunities for fraud detection and	

	prevention are pursued with further loss being prevented or funds being recovered.	
B Identify risks Fraud risk identification is essential to understand specific exposures to risk, changing patterns in fraud and corruption threats and the potential consequences to the organisation and its service users.		
B1 Fraud risks are routinely considered as part of the organisation's risk management arrangements.	The Council Risk Management Strategy sets an objective that by implementing the risk management process this will inform decisions and actions on internal controls and governance and counter-fraud awareness. Procurement activities are recognised as being high risk for potential fraud. To address this risk, a Procurement Fraud Impact Assessment must be completed when developing business cases to obtain approval for the expenditure from the Procurement Approval Group. However, this only applies to revenue expenditure.	A more formalised approach to fraud risk assessments is still to be progressed with Chief Officers for their areas of responsibility.
B2 The organisation identifies the risks of corruption and the importance of behaving with integrity in its governance framework.	The Council has identified the risks of corruption and the importance of behaving with integrity in its governance framework as evidenced through its Code of Conduct, Counter Fraud Policy and adherence to its local Code of Corporate Governance.	
B3 The organisation uses published estimates of fraud loss, and where appropriate its own measurement exercises, to aid its evaluation of fraud risk exposures.	The Council's Counter Fraud Policy asserts that the Council may share information with other authorities and agencies for the purposes of preventing and detecting fraud. This includes participation in the National Fraud Initiative (NFI). Internal Audit considers risk from previous fraud cases and awareness of weaknesses and the results from the National Fraud Initiative, when formulating the Internal Audit Plan.	
B4 The organisation evaluates the harm to its aims and objectives and service users that different fraud risks can cause.	The Council has determined its risk appetite as averse (avoidance of almost all risk) for financial risks associated with impairing financial stewardship, internal controls, and financial sustainability as well as for compliance and regulatory risks that will result in non-compliance or breaches in statutory obligations, regulations, and law.	

C Develop a strategy

An organisation needs a counter fraud strategy setting out its approach to managing its risks and defining responsibilities for action.

C1 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.

The Council's Counter Fraud Policy outlines its commitment to creating an anti-fraud culture and maintaining high ethical standards in the administration of public funds. Its aim is to ensure that the Council's resources are used for their intended purpose and that any losses through fraud and corruption are minimised.

C2 The strategy includes the organisation's use of joint working or partnership approaches to managing its risks, where appropriate.

The Counter Fraud Policy outlines the approach within the Council and defines the roles and responsibilities for dealing with the threat of fraud and corruption, both internally and externally. It also requires all individuals and organisations with whom it deals, in any capacity, to behave towards the Council with integrity, and without intent or actions involving fraud or corruption.

C3 The strategy includes both proactive and responsive approaches that are best suited to the organisation's fraud and corruption risks. Proactive and responsive components of a good practice response to fraud risk management are set out below.

The Council Counter Fraud Policy includes both proactive and responsive approaches that cover the good practice responses to fraud risk management.

Proactive

- Developing a counter-fraud culture to increase resilience to fraud.
- Preventing fraud through the implementation of appropriate and robust internal controls and security measures.
- Using techniques such as data matching to validate data.
- Deterring fraud attempts by publicising the organisation's anti-fraud and corruption stance and the actions it takes against fraudsters.

Responsive

- Detecting fraud through data and intelligence analysis.

<ul style="list-style-type: none"> • Implementing effective whistleblowing arrangements. • Investigating fraud referrals. • Applying sanctions, including internal disciplinary, regulatory and criminal. • Seeking redress, including the recovery of assets and money where possible. 		
<p>C4 The strategy includes clear identification of responsibility and accountability for delivery of the strategy and for providing oversight.</p>	<p>The Council's Audit Committee is responsible for approving the Counter Fraud Policy. The policy outlines the approach within the Council and defines the roles and responsibilities for dealing with the threat of fraud and corruption, both internally and externally.</p> <p>The Assistant Chief Executives and Chief Officers are responsible for ensuring that the Policy is cascaded through their service structures so that their employees are aware of the Policy and the need for adherence.</p> <p>Managers should ensure that all members of staff are adequately trained in order to perform their duties. This includes the need for induction and work-related training, particularly for those employees involved in internal control systems. These should be regularly highlighted and enforced.</p>	
<p>D Provide resources The organisation should make arrangements for appropriate resources to support the counter fraud strategy.</p>		
<p>D1 An annual assessment of whether the level of resource invested to counter fraud and corruption is proportionate for the level of risk.</p>	<p>The Internal Audit Annual Plans includes the resources for, and work undertaken by the Corporate Fraud Team. This includes acting as the Single Point of Contact with the Department of Work and Pensions, and Police Scotland, investigating all fraud referrals and investigation of Whistleblowing concerns. A contingency is held for allocating time for any unplanned fraud or whistleblowing investigations.</p>	
<p>D2 The organisation utilises an appropriate mix of experienced and skilled staff, including access to counter fraud staff with professional accreditation.</p>	<p>The Council through its Corporate Fraud Team utilises an appropriate mix of experienced and skilled staff with professional accreditation.</p>	

<p>D3 The organisation grants counter fraud staff unhindered access to its employees, information and other resources as required for investigation purposes.</p>	<p>The Internal Audit Charter allows internal audit (including the Corporate Fraud Team) to have unrestricted access to all records, assets, personnel and premises including those of partner organisations and third-party service providers, where relevant. As well as the requirement to receive such explanations as are necessary concerning any matter under examination.</p>	
<p>D4 The organisation has protocols in place to facilitate joint working and data and intelligence sharing to support counter fraud activity.</p>	<p>The Council has in place arrangements through its participation in the National Fraud Initiative and Corporate Fraud Team acting as the single point of contact for data and intelligence sharing to support counter fraud activity.</p>	
<p>E Take action The organisation should put in place the policies and procedures to support the counter fraud and corruption strategy and take action to prevent, detect and investigate fraud.</p>		
<p>E1 The organisation has put in place a policy framework which supports the implementation of the counter fraud strategy. As a minimum the framework includes:</p> <ul style="list-style-type: none"> • Counter fraud policy • Whistleblowing policy • Anti-money laundering policy • 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>The Council has in place a policy framework covering all the key policy areas which support the implementation of the Counter Fraud Policy. This Policy was updated in November 2025 to include reference to the Economic Crime and Corporate Transparency Act 2023 and the new offence of “the failure to prevent fraud”.</p>	
<p>E2 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>	<p>The Council has defined its strategy through the Highland Outcome Improvement Plan, Operational Delivery Plan and Performance Plan. The Council’s governance framework enables the Council to monitor the achievement of its strategic objectives and to consider whether</p>	

	those objectives have led to the delivery of appropriate, cost-effective services. The system of internal control is a significant part of that framework and is designed to manage risk to an acceptable level, and provide reasonable, but not absolute, assurance that policies, aims and objectives can be delivered.	
E3 Making effective use of national or sectoral initiatives to detect fraud or prevent fraud, such as data matching or intelligence sharing.	The Council participates in the National Fraud Initiative and draws on sectoral best practice and guidance as well as additional knowledge gained through attendance at specialist sectoral initiatives. The Corporate Fraud Team act as the Single Point of Contact for the Department of Work and Pensions (DWP) and also Police Scotland.	
E4 Providing for independent assurance over fraud risk management, strategy and activities.	The Annual Internal Audit report provides an overall opinion on the Council's framework of governance, risk management and control and is supported, principally, by individual audit assignments identified through the Annual Audit Plan. The Internal Audit progress report provides regular information to the Audit Committee on the work of the Corporate Fraud Team in carrying out its work regarding Corporate Fraud, Whistleblowing concerns and other investigations activity.	
E5 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>The Internal Audit progress report provides regular information to the Audit Committee on the work of the Corporate Fraud Team in carrying out its work regarding Corporate Fraud, Whistleblowing concerns and other investigations activity. As well as the Single Point of Contact (SPOC) work providing information to Police Scotland and the DWP.</p> <p>The Annual Internal Audit report includes commentary on the assessment of compliance with the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption.</p> <p>The Annual Governance Statement includes commentary on Fraud arrangements from the Annual Internal Audit Report.</p>	

Date of assessment: 30/04/26