
Report to: Audit and Scrutiny Committee

Date of Meeting: 17 April 2025

Subject: Annual Fraud Risk Assessment and Assurance Report

Report by: Lee Robertson, Senior Manager of Legal and Governance

1.0 Purpose

- 1.1. Clackmannanshire Council recognises its responsibility to ensure the public finances it administers are used efficiently, effectively and for the purposes they were intended. The Council recognises that it is vulnerable to fraud and corruption and, in the current economic climate, acknowledges the increased risk posed by such illegal activities against valuable public funds.

2.0 Recommendations

- 2.1. Committee is asked to **note, comment** on and **challenge** the report.

3.0 Considerations

- 3.1. Clackmannanshire Council acknowledges its responsibility for ensuring the risks and negative impacts associated with fraud are managed effectively and any allegations of fraud and corruption are investigated appropriately.
- 3.2. The size and nature of the Council's services, as with other large organisations, puts the Council at risk of loss due to fraud, theft, corruption and crime.
- 3.3. By law the Council is required to protect the public funds it administers.
- 3.4. The impact of financial crime on the public sector is enormous. As stewards of public money, it is the responsibility of each and every public sector organisation to take an active role in the fight against corruption, bribery and fraud.
- 3.5. We recognise that with reduced resources there are elements of our approach to anti-fraud and corruption that require to be reviewed and strengthened, further we recognise that limited progress has been made in relation to "reviewing and updating our anti-fraud arrangements and policies and to ensure these are clearly communicated to staff", a recommendation which arose from the 2021/22 audit undertaken by Audit Scotland.

- 3.6. As part of the Budget for 2025/26 additional resource was approved to recruit a Fraud Officer. It is proposed to recruit to this role as quickly as possible. Provided for in paragraph 13 are some of the key priorities of the Fraud Officer.
- 3.7. The efficacy of the Council's arrangements for the prevention, detection and investigation of fraud and corruption is predicated on the ongoing awareness of and compliance with the approved policies, procedures and guidelines by staff when carrying out their duties, and on the vigilance of staff in identifying and reporting any irregularities. An e-learning course on money laundering is available to access via Clacks Academy however a suite of on-line training modules covering Fraud Awareness will be developed and made available for staff to utilise.
- 3.8. There is regular and evolving IT security awareness training for staff/users across all levels of the Council, furthermore, continued employee cascades are distributed regularly reminding staff of their responsibilities and guidance on what to do if a phishing email is received. Information on cyber awareness for employees is published on Clacks Academy and on our internal communication channels. Relevant policies and procedures for employees is also being refreshed to improve the Council's IT security and internal controls.
- 3.9. Where there are cases of suspected fraud the Council will investigate, detect and pursue recovery of amounts fraudulently obtained and:
- 3.9.1 where appropriate report the crime to Police Scotland for investigation;
- 3.9.2 in all cases where it is shown that fraud has been committed, the Council will consider sanctioning those who commit fraud.
- 3.10. The Council has in place a number of measures to combat fraud and corruption which are outlined below.

4.0 Whistle Blowing

- 4.1. The Council's Whistleblowing Policy was approved by Council in October 2023.

The Whistleblowing Policy serves as a vital mechanism for promoting transparency, accountability, and ethical conduct within the Council. The Policy covers wrongdoing under the Public Interest Disclosure Act 1998 (the 'Act') and provides a structured framework for employees, contractors, and stakeholders to report concerns about illegal, unethical, or improper activities without fear of retaliation. By encouraging the reporting of such issues, the Council aims to foster a culture of openness and integrity, ensuring that any potential misconduct is promptly addressed and rectified. The Whistleblowing Policy underscores the Council's commitment to maintaining high standards of governance and safeguarding the public interest.

5.0 Gifts, Hospitality and Rewards

- 5.1. The Council has in place a code on gifts, hospitality and rewards.
- 5.2. The purpose of the code is to provide guidance to staff when offered gifts or hospitality from individuals or organisations. This is a sensitive area in the public sector, where it is of great importance that individuals and Council reputations for impartiality are maintained at all times.
- 5.3. It is not possible in any code to provide a fully comprehensive "list" of actions which are acceptable and those which are not, rather the code is written to help officers adopt a questioning attitude towards the acceptance of gifts and hospitality, to ensure inappropriate offers are recognised and declined.
- 5.4. The National Code of Local Government Conduct to which Councillors (elected Members) are obliged by law to have regard gives advice to them on the acceptance of gifts and hospitality in paragraphs 27 to 29. Whilst applying specifically to elected Members these particular paragraphs are also relevant to paid officials within Local Government.

6.0 National Code of Local Government Conduct

- 6.1. The Council's recognises and adopts the code of conduct for local Government employees in Scotland.
- 6.2. The National Code sets out the minimum standards of conduct that are expected of Council employees and are incorporated into the Council's Employee Handbook.
- 6.3. The Code incorporates 'The Seven Principles of Public Life' identified by the Nolan Committee on Standards in Public Life i.e. selflessness, integrity, objectivity, accountability, openness, honesty and leadership.

7.0 Register of Interests

- 7.1. After election Councillors are required by law to declare certain individual interests. The information includes the name of their employer, ownership or interest in land, houses or buildings, details of partnerships or directorships in companies.
- 7.2. The Council maintain its register of interests in relation to elected members and is a matter of public record via the Council's website.
- 7.3. The Register of Interests is reviewed annually with elected members by the Council's Monitoring Officer.
- 7.4. Detailed guidance on the information required is specified within the Councillors' Code of Conduct www.gov.scot/publications/code-conduct-councillors-9781787810778/

8.0 National Fraud Initiative (NFI)

- 8.1. The National Fraud Initiative (NFI) is a significant part of the Public Sector Fraud Authority's data and analytics service, matching data to help in the prevention and detection of fraud. The NFI provides multiple solutions, ranging from real time point-of-application fraud prevention checks, through to the national batch data matching exercise which helps those that take part detect active fraud cases within systems.
- 8.2. Audit Scotland carry out the NFI under powers introduced by the Criminal Justice and Licensing (Scotland) Act 2010 and incorporated in Part 2A of the Public Finance and Accountability (Scotland) Act 2000
- 8.3. The main data match areas for the 2022/23 NFI exercise were:
- Payroll
 - Creditor payments
 - Council Tax (Single Person Discounts and Reduction Scheme reliefs) •
 - Pensions
 - Housing Benefit
 - Housing Tenancy and waiting lists
 - Blue Badges (disabled parking)
 - Adult concessionary bus travel (new in 2022/23 exercise))
- 8.4. The proactive detection and prevention of fraud using the National Fraud Initiative (NFI) remains vitally important to public sector financial management as public bodies continue to recover from the Covid-19 pandemic and to deal with the impact of the cost-of-living crisis.
- 8.5. The exercise operates across the UK public sector and in 2022/23, there were 132 participating public sector bodies in Scotland. The NFI shares and matches data held by public bodies and helps confirm that services and payments are provided.
- 8.6. Participation in the NFI is mandatory for the Council and is an established part of the corporate approach to the prevention and detection of fraud and error. Once NFI matches are received they are reviewed and investigated where required.
- 8.7. The NFI in Scotland 2024 report highlights significant outcomes ([The National Fraud Initiative in Scotland 2024](#)):

- £21.5 million in fraud and payment errors across the Scottish public sector
 - £4.6 million was saved through Council tax discounts by removing ineligible claims
 - £1.2 million in housing benefit overpayments were identified and stopped
 - £1.5 million was preserved in occupational pensions by discontinuing payments to individuals who had passed away
- 8.8. As in previous years a number of cases of potential fraud relating to Blue Badges were identified, however officers advise that of the 31 cases it is more likely that it is generally a lack of the Council not having been notified of a blue badge holder being deceased. This is often due to family members not being aware the deceased had a blue badge. The vast majority are picked up through the TELL US ONCE system.
- 8.9. From 193 Matches identified in relation to Council Tax Reduction Scheme no evidence of fraud was detected although 8 errors were found which amounted to £12,173.81.
- 8.10. Internal Audit Service during the course of 2023/24 undertook training with Managers and officers who complete the NFI work to understand the need for compliance, ensure timely responses and compliance with Internal Audit requirements for this work.

9.0 Council Tax and Housing Benefit

- 9.1. In addition to The National Fraud Initiative, there are various measures taken by the Revenues Team to identify and prevent fraudulent activity across Council Tax and Housing Benefits
- 9.2. Annual reviews are carried out on selected dwellings exempt from paying Council Tax or those who are in receipt of Council Tax discounts. The most common of has historically been the Single Person Discount review, which is now predominantly covered by NFI who provide annual data of dwellings in receipt of 25% discount who may be claiming incorrectly. The Team use this data and carry out internal investigations using various person tracing software to ensure accurate liability and charges
- 9.3. The Benefits team also work closely with the Department of Work and Pensions (DWP) and HMRC to identify, reduce and prevent Housing Benefit Fraud. Where Housing Benefit has been paid, where there has been no entitlement, this is recoverable as a Housing Benefit overpayment. The most effective tools used are:

- Real Time Information (RTI) – real time information that is provided Local Authorities with claimants Pay As You Earn (PAYE) and Pension data which allows Local Authorities to update claims quickly with accurate information.
- Verify Earnings and Pension (VEP) - The VEP service allows benefit officers to utilise RTI data to verify the earnings and pension information of claimants, as well as their partners when applicable. Regular VEP notifications are sent from the DWP relating to potential changes to circumstances which may impact on the claimant's entitlement, which allows the team to investigate.
- Automated Transfer to Local Authority Systems (ATLAS) – The primary function of ATLAS is to streamline the transfer of information regarding changes in citizens' circumstances to ensure that benefits and local services are administered accurately and efficiently reducing error and the likelihood of fraudulent claims. ATLAS sends information to all Councils daily providing information on welfare benefits such as PIP, ADP, Carer Support Payment, ESA, Savings Credit, New State Pension and provides details on address changes.

9.4. Any fraud investigation in relation to claimants who receive Universal Credit will be undertaken by the DWP.

10.0 Serious Organised Crime

10.1. The Councils Corporate Risk register highlights failure to address serious organised crime as a key corporate risk, and the Council recognises that more work is required with partners around serious organised crime. In previous years, the Council has, working with partners including Police Scotland, sought to raise awareness of risks through employee training and through data sharing with Police Scotland. Similar to arrangements in place around CONTEST, national work is underway to develop a serious organised crime Local Authority network which will seek to share information and good practice. The Council is involved with this emerging work with Scottish Government which aims to improve networking and sharing of good practice. Through this work we aim to refresh our approaches to:

- 10.1.1. Complete a self-assessment on serious organised crime threats using nationally developed tools and develop and implement an action plan for Clackmannanshire.
- 10.1.2. Refresh local partnership working, information sharing and data on serious organised crimes and threats.
- 10.1.3. Raise awareness of serious organised crime threats across the Councils workforce.

11.0 Fraud Indicators

11.1. It is essential that the Council is alert to the signs of potential fraud in order that this can be identified and tackled quickly. Examples include:

- Inconsistent financial records
- Unusual financial transactions
- Duplicate payments
- Missing documents
- Lack of transparency in terms of financial transactions and decision making
- Significant behavioural changes
- One employee taking control of a process from beginning to end with little to no involvement from colleagues

11.2 As part of the work of the Fraud Officer will be to review and where necessary revised and improve on the fraud indicators working along side the Council's Internal Audit service.

12.0 Fraud Referrals

12.1. There was one suspected case of fraud which has been referred to Police Scotland for investigation. Committee members have been updated on this and further updates will be provided once Police Scotland complete their investigation.

12.2 There has been no dedicated Fraud resource within the Council for a number of years . This may have had an impact on the Council's referrals in respect of fraud as the lack of a dedicated resource/team can potentially lead to a lack of awareness and a lack of referrals.

12.3 Council Officers works closely with the Internal Auditors and their investigations/reporting in respect of any detection of fraud.

13.0 Forward Planning

13.1. We are aware of the previous fraud incident at Aberdeen City Council in which an employee managed to embezzle £1.1million over the course of seventeen years through council tax refunds. The impact of this fraudulent activity will require to be reviewed by this Council in greater depth and a plan implemented to ensure prevention and/or early detection

13.2. The Council has used all reasonable endeavours to discharge its responsibilities in relation to preventing, detecting and recovering public funds lost through fraud, however with no dedicated resource focused on fraud there has been a significant risk that fraud may go undetected, and we are more reactive than proactive.

13.3. Recruitment processes including the development of Job profiles are being developed for the Fraud Officer.

13.4. In the interim period we are currently developing a training programme for staff to assist prevention/early detection.

13.5 Key priorities for the new Fraud Officer include:

13.5.1 carry out a self assessment on the Council's counter fraud arrangements using the Scottish Government's Counter Fraud Model and identify what actions are required to improve the Council's resilience to fraud and corruption;

13.5.2 develop an Anti-Fraud and Corruption Strategy (which should include fraud risk assessment, measurement, prevention, intelligence and investigation) which may sit alongside the Whistleblowing Policy for the Council;

13.5.2 creation of a Register of Interests for Senior Managers;

13.5.3 creation and sourcing training for a fraud investigation team;

14.0 Sustainability Implications

14.1. None

15.0 Resource Implications

15.1 Financial Details

15.2 The full financial implications of the recommendations are set out in the report. This includes a reference to full life cycle costs where appropriate.

Yes ☒

15.3 Finance have been consulted and have agreed the financial implications as set out in the report.

Yes ☒

15.4 Staffing

There are no staffing implications arising from this report.

16.0 Exempt Reports

16.1 Is this report exempt? Yes ☐ (please detail the reasons for exemption below) No ☒

17.0 Declarations

The recommendations contained within this report support or implement our Corporate Priorities and Council Policies.

(1) **Our Priorities** (Please double click on the check box ☒)

Clackmannanshire will be attractive to businesses & people and ensure fair opportunities for all ☐
Our families; children and young people will have the best possible start in life ☐
Women and girls will be confident and aspirational, and achieve their full potential ☐
Our communities will be resilient and empowered so that they can thrive and flourish ☐

(2) **Council Policies**

Complies with relevant Council Policies ☒

18.0 Equalities Impact

18.1 Have you undertaken the required equalities impact assessment to ensure that no groups are adversely affected by the recommendations?

Yes ☐ No ☒

19.0 Legality

19.1 It has been confirmed that in adopting the recommendations contained in this report, the Council is acting within its legal powers. Yes ☒

20.0 Appendices

20.1 Please list any appendices attached to this report. If there are no appendices, please state "none".

None.

21.0 Background Papers

21.1 Have you used other documents to compile your report? (All documents must be kept available by the author for public inspection for four years from the date of meeting at which the report is considered)

Yes ☐ (please list the documents below) No ☐

Author(s)

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Approved by

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