
Report to: Audit and Scrutiny Committee

Date of Meeting: 23 April 2026

Subject: Annual Fraud Risk Assessment and Assurance Report

Report by: Senior Manager, 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. By prioritising the recruitment of a Corporate Fraud Investigator within the 2025/26 Budget, the Council has taken positive steps to strengthen its anti-fraud and anti-corruption arrangements, even within a challenging resource environment.
- 3.6. The Corporate Fraud Investigator was successfully recruited and took up post in February 2026. Provided for in paragraph 13 are some of the key priorities of their role.

- 3.7. 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.
- 3.8. Key actions required to address this and provide assurance to senior management and the Audit Committee that the recommendation is being fully addressed and embedded in practice are:
- refreshing the anti-fraud policy framework, to ensure alignment with current fraud risks, legislation and best practice.
 - strengthening governance and assurance through appropriate approval routes, improving accessibility and visibility of policies.
 - delivering targeted communications and staff training.
- 3.9. The Council does however have in place a number of measures to combat fraud and corruption which are outlined in the points below.

4.0 Whistleblowing

- 4.1. The Council’s Whistleblowing Policy was approved by Council in October 2023.
- 4.2. 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.
- 4.3. The Corporate Fraud Investigator is undertaking a comprehensive review and update of the Whistleblowing Policy, which will be submitted for consideration and approval at the earliest opportunity.
- 4.4. An up to date Anti-Fraud and Corruption Policy is also being developed. This policy will complement and operate alongside the Whistleblowing Policy to strengthen the Council’s overall framework for preventing, detecting, and responding to fraud and corruption.
- 4.5. In line with the Prescribed Persons (Reports on Disclosures of Information) Regulations, a total of four disclosures were received during the reporting period.
- 4.6. Of these, three disclosures progressed to a formal investigation; One investigation has been completed, resulting in the development of a new policy, engagement with specialist colleagues, and the delivery of targeted training. The remaining investigations are ongoing.
- 4.7. No disclosures were found to have had an adverse impact on organisational function.

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 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. In addition, one of the responsibilities of the Corporate Fraud Investigator will be the creation and development of a Register of Interests for Senior Managers, which will operate in the same way as the ROI for Councillors.
- 7.5. 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. 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.
- 8.4. Responsibility for oversight and reporting in relation to NFI sits with Internal Audit. The next NFI national exercise is scheduled for 2026/27 and is due to commence later this year. Internal Audit will report the outcomes arising from the 2024/25 national exercise once these have been finalised, including any identified matches, investigations undertaken and resultant savings or assurance gained.
- 8.5. In addition, Internal Audit will provide details of the preparatory work underway for the 2026/27 exercise, including data readiness, engagement with relevant services, and arrangements to ensure timely submission and effective follow-up of NFI matches.

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. Forward planning will consolidate the Council's shift from a historically reactive corporate-fraud approach to a more proactive and preventative model. The appointment of a Corporate Fraud Investigator has strengthened capacity and expertise, and future work will focus on embedding fraud prevention across the organisation through consistent policy application, staff training, and increased awareness of fraud risks and whistleblowing arrangements.

13.2. While this enhanced resource reduces the risk of undetected fraud and supports stronger safeguarding of public funds, some element of reactivity will remain, as investigations will continue to rely in part on intelligence received via whistleblowing referrals.

13.3. Key priorities for the Corporate Fraud Investigator include:

13.3.1 carry out a self assessment on the Council's counter fraud arrangements

- Completed, with the findings and recommendations formulating the below points.

13.3.2 develop an Anti-Fraud and Corruption Strategy

- Currently under review by senior management.

13.3.3 creation of a Register of Interests for Senior Managers

- Currently under review by senior management.

13.3.4 creation and sourcing training for a fraud investigation team

- The establishment, resourcing and training of a fraud investigation team will be determined by service demand and workload levels, and is subject to available budget and resource capacity.
- Development of a Council-wide fraud awareness training programme is proposed to begin following appropriate approvals of related policies. It is proposed that e-learning along with in-person training will be made available to all employees and services across the Council.

13.3.5 review and update the Council's existing Whistleblowing Policy

- Recommendations currently under review by senior management.

13.3.6 Development of an Anti-Fraud and Corruption Policy, to sit alongside the Whistleblowing Policy.

- In development to be submitted for review by senior management, before being subject to formal governance processes.

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 Impact Assessments

- 18.1 Have you attached the combined equalities impact assessment to ensure compliance with the public sector equality duty and fairer Scotland duty? (All EFSIAs also require to be published on the Council's website)

Yes

- 18.2 If an impact assessment has not been undertaken you should explain why:

There are no direct impacts resulting from the contents of this report.

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

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Approved by

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