

CORPORATE FRAUD POLICY

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Strategic Alignment
The Corporate Fraud Policy highlights the Council's zero tolerance approach to fraud and outlines how fraud risks will be managed across the organisation and how suspected or identified fraud will be managed as part of robust corporate governance arrangements designed to enable and support the delivery of all Council ambitions and priorities.

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1. INTRODUCTION

- 1.1 The Corporate Fraud Policy outlines the Council's commitment to preventing, detecting and investigating fraudulent activities across all the Council's service areas, ensuring ethical conduct and compliance with legislation.
- 1.2 Fraud is defined as the deliberate use of deception or dishonesty to disadvantage or cause loss to another person or party. Fraud includes a wide variety of dishonest behaviour such as theft, false accounting, embezzlement, forgery, bribery, corruption, deception, false representation, concealment of material facts and other intentional acts designed to deceive others for personal gain. Fraud can occur within the Council or can be perpetrated against the Council by outside parties.
- 1.3 The scope of this policy extends to all employees, elected members, service users, contractors, agencies and suppliers and other partner organisations, including the voluntary sector.

2. ZERO-TOLERANCE APPROACH

- 2.1 North Lanarkshire Council has a zero-tolerance approach to fraud.
- 2.2 The Council expects its staff to act honestly, with integrity and to safeguard public resources for which they are responsible. The Council aims to conduct its business in an honest and ethical manner and is committed to acting professionally, fairly and with integrity in all its dealings and relationships wherever it operates.
- 2.3 Any instances of fraud will be investigated thoroughly, and employees found to have been involved in fraudulent activity will be subject to disciplinary action, including termination of employment and other relevant legal consequences. The Council will seek to recover any loss suffered because of fraud.
- 2.4 The Council is committed to ensuring that opportunities for fraud are minimised and will actively co-operate and share information with other local authorities and public sector bodies to assist in the prevention, detection and investigation of fraud.

3. OFFENCE OF FAILURE TO PREVENT FRAUD

- 3.1 The Economic Crime and Corporate Transparency Act 2023 (ECCTA) introduced the new offence of the failure to prevent fraud. This objective of this provision is to make it easier to hold large organisations (such as the Council) accountable for fraudulent acts committed by employees, agents, subsidiaries or other associated persons. Organisations found guilty of this offence may be subject to unlimited financial penalties on conviction.
- 3.2 ECCTA provides a defence for organisations that they will not be held liable for the “failure to prevent fraud” offence if it can demonstrate that, at the time the fraud was committed, it had reasonable procedures in place to prevent fraud. To rely on this defence, organisations must implement procedures that reflect their specific risk profile, determined through risk assessment – the Council should assess the likelihood of frauds being committed and based on those findings, review and revise their existing controls.
- 3.3 The UK Government has issued guidance outlining six key principles that organisations should follow when establishing a fraud prevention framework:
- **Top Level Commitment** – senior management must actively demonstrate a clear commitment to the prevention of fraud.
 - **Risk Assessment** – organisations should evaluate the nature and extent of their exposure to fraud risk, ensuring these assessments are documented and reviewed.
 - **Fraud Prevention Procedures** – based on identified risks, organisations should implement proportionate, risk-based procedures as part of a comprehensive fraud prevention strategy.
 - **Due Diligence** – organisations must carry out appropriate, risk-based due diligence to identify and mitigate potential fraud risks.
 - **Effective Communication** – fraud prevention procedures must be clearly communicated and embedded across the organisation, with strong emphasis on training and ongoing education.
 - **Monitoring and Review** – organisations should continuously monitor the effectiveness of their procedures and make improvements where necessary to ensure they remain fit for purpose.

4. RESPONSIBILITY FOR MANAGING FRAUD RISK

- 4.1 Managers, staff and elected members must always be alert to the risk of fraud. The prevention, detection and reporting of fraud are the responsibility of all members, officers and employees of the Council.
- 4.2 The **Chief Executive** has overall responsibility for the operations and activities of the Council. This includes overall responsibility to ensure that the Council’s management arrangements in respect of fraud are adequate and effective and that any lessons to be learned corporately from any fraud occurrences arising are appropriately

addressed.

4.3 The **Deputy Chief Executive and all Chief Officers** are expected to display high personal standards of conduct in accordance with the Chief Officers' Code of Conduct and are responsible for establishing and maintaining a sound system of internal control within their areas of responsibility which supports the achievement of Council policies, aims and objectives. The system of internal control is designed to respond to and manage the wide range of risks which the Council faces, including minimising the scope for fraud. Chief Officers should ensure that their employees are made aware that they should report any matter arising which involves, or is thought to involve, a fraud or irregularity.

4.4 The **Chief Officer (Finance and Technology)** has a duty, in accordance with Section 95 of The Local Government (Scotland) Act 1973, to make proper provision for the administration of the Council's financial affairs. Proper administration includes ensuring that an adequate system of financial control exists and operates effectively throughout the Council.

4.5 The **Chief Officer (Audit and Risk)** is responsible for:

- Reviewing and reporting on the Council's control environment for the prevention of fraud.
- Establishing and maintaining an effective corporate fraud policy, commensurate to the level of fraud risk identified, including establishing appropriate mechanisms for staff to report suspected fraud risk issues.
- Disseminating the Council's Corporate Fraud Policy to all staff to ensure that they are aware of their responsibilities in relation to preventing and combating fraud.
- Ensuring that vigorous, prompt and proportionate investigations are carried out where fraud occurs or is suspected, and reporting to the Service, Chief Executive and Audit and Scrutiny Panel on the outcome of these investigations.
- Co-ordinating assurances about the effectiveness of anti-fraud arrangements to support the Statement of Internal Financial Control and the Council's Annual Governance Statement.
- Notifying the Council's External Auditors regarding all frauds over £5,000.
- Liaising on fraud matters with other relevant stakeholders, including the Audit and Scrutiny Panel and the Risk Management Corporate Working Group.

4.6 **All Chief Officers and managers** are responsible for:

- In line with the Council's Risk Management Strategy, identifying and analysing potential fraud risks for their service area.
- Designing and implementing an adequate system of internal control to mitigate these risks and ensuring that that these controls are operating effectively and are being complied with.
- Ensuring that any fraud or suspected fraud or irregularity is reported promptly.

4.7 **All employees and elected members** are responsible for:

- Complying with relevant codes of conduct, council policies and procedures, including declaring and registering relevant conflicts of interest and offers of gifts or hospitality.
- Ensuring that the Council's procedures and management arrangements designed to mitigate fraud and corruption risks facing the Council operate effectively.
- Reporting any suspicion of fraud or irregularity promptly.

4.8 The **Audit and Risk** team is responsible for:

- Assisting in the prevention and detection of fraud by examining and evaluating the adequacy and effectiveness of controls in line with the annual Internal Audit Plan and in accordance with the Global Internal Audit Standards (GIAS).
- Ensuring management has considered and identified the possibility of fraud as a business risk and has included any such fraud risks in their risk register.

5. FRAUD REPORTING

EMPLOYEES

- 5.1 The Council accepts that, to enable the process for reporting concerns of serious wrongdoing within the Council to have credibility, employees must have the confidence that any matter highlighted will be treated confidentially and handled with discretion and tact.
- 5.2 In the first instance, employees should report any issue or suspicion of fraud or irregularity at the earliest possible stage, to their Line Manager or Chief Officer. If they do not feel that this is appropriate, they may contact the Chief Officer (Audit and Risk) or email the Internal Audit mailbox internalaudit@northlan.gov.uk. Anonymous reports will be accepted and followed up by Internal Audit where possible, however, this should be avoided as it could hinder the investigation if further information is required.
- 5.3 An employee wishing to raise any matter on a confidential basis may do so using the Council's whistleblowing arrangements, which are part of the Public Interest Disclosures Policy. This Policy is consistent with the Public Interest Disclosure Act 1998, with respect to the disclosure of information by employees, and all matters highlighted under these arrangements will be dealt with in confidence and in strict accordance with the terms of the policy. This statute protects the legitimate personal interests of staff irrespective of how an allegation is highlighted. The Policy is located at [Whistleblowing Procedure](#).
- 5.4 Individuals who refuse to accept an offer or bribe and wish to raise concerns or report another's wrongdoing are sometimes worried out possible repercussions. The Council aims to encourage openness and will aim to support anyone who raises genuine concerns in good faith under the Public Interest Disclosures policy. Whilst reports of suspected or actual fraud will be dealt with sensitively, it may not always be possible to deal with fraud allegations on a confidential basis, however, the Council

will, wherever possible, observe the wishes of an employee raising concerns who does not wish their identity to be disclosed.

- 5.5 The Council is committed to ensuring that no-one suffers any detrimental treatment by refusing to take part in bribery or corruption or reporting suspicion of fraud. Detrimental treatment includes dismissal, disciplinary action, threats or other unfavourable treatment connected with raising a concern. If someone believes that they have suffered such treatment, they should inform the officer who received the original report immediately. If the matter is not remedied, this should be raised formally using the Dignity at Work Policy.

ELECTED MEMBERS, THIRD PARTIES AND MEMBERS OF THE PUBLIC

- 5.6 The Council is committed to dealing with any allegation of fraud brought to its attention by Elected Members, third parties (e.g. contractors, suppliers, organisations) and members of the public. Elected Members should report any concerns of fraud directly to the Chief Officer (Audit and Risk). Third parties and members of the public can contact the Chief Officer (Audit and Risk) or email internalaudit@northlan.gov.uk.

BENEFIT FRAUD

- 5.7 The Department for Work and Pensions (DWP) Single Fraud Investigation Service (SFIS) are responsible for investigating Housing Benefit Fraud. All matters relating to the allegation of fraud in respect of Housing Benefit should be reported directly to the DWP via the online referral form, which can be found [here](#). Further information on reporting fraud relating to benefits administered by Social Security Scotland can be found [here](#).
- 5.8 Fraud referrals from Council staff should initially be made to the Council's Appeals and Adjudication team where the report will be added to the SFIS referral form and passed for investigation.

PROCEDURES FOR CHIEF OFFICERS AND MANAGERS NOTIFIED OF FRAUD

- 5.9 Managers and Chief Officers notified of instances of fraud or irregularity must immediately notify the Chief Officer (Audit and Risk).
- 5.10 On being informed by an employee of a fraud, it is important that the manager receiving the information deals with it appropriately. In particular, the manager should:
- Deal with the employee giving the information in a way that shows that their concerns are being taken seriously.
 - Not belittle or dismiss the information.
 - Respect, as far as possible, the confidentiality of the employee.
 - Attempt to identify where any evidence may be but should not attempt to obtain it, or question anybody.
 - Pass the information to the Chief Officer (Audit and Risk).
- 5.11 Line managers should not conduct their own investigations before informing the Chief

Officer (Audit and Risk) as this may compromise any later investigation, invalidate evidence and consequently enable someone who has committed fraud to avoid punishment.

- 5.12 Circumstances may require the temporary relocation or suspension of an employee. Such decisions rest with the appropriate Chief Officer and must be in accordance with relevant Council policies including the Discipline Policy. It is recommended that HR advice is sought before a member of staff is suspended. In circumstances where an employee is suspended, they should be escorted from the premises immediately, only being allowed to remove personal belongings under supervision. All IT devices held by the employee should be retrieved and the employee's access to the Council's network should be suspended. The Chief Officer (Audit and Risk) must be advised of any such action taken by the Chief Officer as soon as possible.

6. INVESTIGATION PROCESS

- 6.1 The Chief Officer (Audit and Risk) is responsible for determining what course of action should be taken when notified of allegations or concerns of possible fraud. The audit approach to the investigation of a potential fraud is likely to vary depending on the nature and complexity of the fraud, the number and seniority of employees involved and the nature of the Service in which the suspected fraud has occurred. All investigations will be undertaken in a manner that ensures confidentiality and fairness, and where possible the anonymity of those reporting the fraud will be respected.
- 6.2 Internal Audit's role in relation to fraud is to act as an independent investigator to establish whether there is any substance to allegations made. This role includes establishing the facts as far as possible, quantifying any loss, identifying any control weaknesses or failures, recommending improvements to address control weaknesses, providing a written factual report on the fraud to the relevant Chief Officer and attending any subsequent disciplinary proceedings, where appropriate, in the role of witness.
- 6.3 The Council's Financial Regulations and Internal Audit Charter give Internal Audit staff unrestricted access to all Council records and authority to enter all Council premises or land at all reasonable times. Internal Audit staff can also require and expect to receive any explanations from Council staff as considered necessary to fulfil their role and responsibilities.
- 6.4 As part of any fraud investigation, Internal Audit will be required to interview Council employees. This may take the form of a general fact-finding interview, or the employee may be called to an investigative interview to answer questions specifically in relation to the alleged or suspected fraudulent activity. In the latter case, the employee will be notified in advance of their right to Trade Union or other representation at the interview. In either type of interview, the employee will be advised of the reasons for the interview and, where appropriate, cautioned by Internal Audit staff, thus ensuring any statement taken and subsequently used as evidence in disciplinary proceedings or in court, will not be rejected as inadmissible.

- 6.5 Two officers will always be present when conducting any such interviews, one asking questions and one taking notes.
- 6.6 On completion of an investigation, a written report will be prepared by the Chief Officer (Audit and Risk) and sent to the relevant Chief Officer detailing the findings of the investigation. The report may include recommendations to improve controls, to mitigate the threat of similar frauds re-occurring in the future. Details of this report will also be presented to the Audit and Scrutiny Panel.
- 6.7 If the value of the fraud is greater than £5,000, the Chief Officer (Audit and Risk) is required to report the details to the Council's External Auditor.

7. INVESTIGATION OUTCOMES

- 7.1 Fraud is a serious offence against the Council, and several outcomes are possible from the investigation processes.
- 7.2 Employees found to have been involved in fraudulent activity will be subject to disciplinary action in line with the Council's Discipline Policy. Internal Audit staff involved in the investigation, will attend any subsequent disciplinary hearing as a witness, if requested. Where the disciplinary process concludes that the employee's actions are deemed to be gross misconduct, the employee can be summarily dismissed with no entitlement to notice.
- 7.3 If there is evidence to support involvement in an alleged criminal offence, the Chief Officer (Audit and Risk) will make the decision to refer the case to Police Scotland. Any such decision requires to be approved by the Chief Executive. Where the incident involves a break-in, Services are authorised to contact the Police immediately.
- 7.4 The Council will seek to recover any financial loss it has suffered through fraudulent or corrupt activity, through means such as salary recovery, court compensation or by pursuing civil action. Any party or person committing fraudulent activity or behaviour against the Council may be subject to relevant measures as available to the Council and other relevant agencies under the law. These may include warnings, recovery of losses through legal action, fines, interest charges and custodial sentences.

8. MEDIA CONTACT

- 8.1 The Senior Strategic Communications Manager has been designated by the Chief Executive as the appropriate officer to manage all contact with the media to ensure that the release of information is properly co-ordinated.
- 8.2 No statements relating to actual or alleged fraud, or any ongoing or complete investigations should be made to the press or on social media by any member of staff unless through the Senior Strategic Communications Manager, who will liaise with the Chief Executive, Deputy Chief Executive and the Chief Officer (Audit and Risk).

9. JOINT WORKING

- 9.1 The Council participates in the National Fraud Initiative, a comprehensive data matching exercise between public bodies to highlight potential frauds and errors. Internal Audit plan and co-ordinate the submission of data and investigation of matches identified.
- 9.2 The Council is an active member of the National Anti-Fraud Network (NAFN) and the Scottish Local Authority Investigator's Group (SLAIG) and liaises closely with other public sector bodies and fraud professionals to raise awareness of the risk of fraud and share information, knowledge and good practice regarding common fraud risks.
- 9.3 The Council, where appropriate, provides information to other public bodies which has been requested under Schedule 2 part 1(2) of the Data Protection Act 2018 to assist in the prevention and detection of crime. The Chief Officer (Legal, Democratic and Strategy) co-ordinates this process and maintains a log of all requests received, together with appropriate documentation.

10. FRAUD TRAINING AND AWARENESS

- 10.1 Training on Fraud Awareness in Local Government is available to all staff as an e-Learning module. The content of this training has been updated to reflect the requirements of ECCTA.
- 10.2 Internal Audit will undertake exercises to raise fraud awareness amongst Council employees on a periodic basis, including the communication of the Corporate Fraud Policy.

11. CONCLUSION

- 11.1 The Council recognises the importance of making best use of public resources and of demonstrating high standards of corporate governance. The Council takes a zero-tolerance approach to fraud, and all cases of actual and suspected fraud will be vigorously and promptly investigated, with appropriate action taken.
- 11.2 The policy will be scheduled for review every two years and may be updated within this timescale to reflect any required amendments or changes to legislation.

APPENDIX A – DEFINITIONS OF FRAUD

<p>Bribery</p>	<p>A bribe is an offer, promise, gift or receipt of a financial or other advantage, designed to induce another person to act improperly in the performance of their functions, to reward them for acting improperly or where the recipient would act improperly by accepting. A person acts improperly where they act illegally, unethically, contrary to an expectation of good faith or impartiality, or where they abuse a position of trust. The improper acts may be in relation to any business or professional activities, public functions, acts in the course of employment, or other activities by, or on behalf of, any organisation of any kind.</p>
<p>Corruption</p>	<p>Corruption is the abuse of entrusted power or position for personal gain.</p>
<p>Money Laundering</p>	<p>Money laundering is the process by which criminally obtained money or other criminal property is exchanged for ‘clean’ money or other assets with no obvious link to their criminal origins. The aim of this activity is to legitimise the possession of such monies through circulation, and this effectively leads to ‘clean’ funds being received in exchange.</p>
<p>Insider Threat</p>	<p>Insider threat is a perceived threat to an organisation that comes from people within the organisation who have inside information concerning the organisation’s security practices, data and computer systems. The threat may involve fraud, theft of confidential or commercially valuable information, theft of intellectual property or sabotage of computer systems.</p>
<p>Serious Organised Crime</p>	<p>Serious organised crime (SOC) refers to criminal activity that is planned, co-ordinated and committed by individuals or groups. The motivation for these crimes is often financial gain. Examples of SOC include money laundering, fraud, bribery and corruption, cyber-crime, illegal firearms, illegal drugs, child sexual exploitation, modern slavery and human trafficking.</p>
<p>Tax Evasion</p>	<p>The Criminal Finances Act 2017 created two new corporate criminal offences in relation to the failure to prevent facilitation of UK and of foreign tax evasion. Tax evasion is defined as the deliberate and dishonest evasion of tax or knowingly taking steps to facilitate another person to evade tax. The Council would be guilty of an offence if a person commits a UK tax evasion facilitation offence when acting in the capacity of a person associated with the Council.</p>

APPENDIX B – EXAMPLES OF FRAUD RISKS FOR COUNCIL SERVICES

Payroll	False employees; fraudulent overtime claims or expenses
Employees	Misappropriation of money, equipment, expenses; time recording irregularities; undeclared conflicts of interest
Tenancy	Fraudulent applications for housing/successions of tenancy; subletting of properties
Benefits	Fraudulent applications; failure to declare sources of income or capital; failure to declare changes of circumstances (DWP responsible for benefit fraud)
Council tax	Fraudulent applications for discounts and exemptions or council tax support
Business rates	Fraudulent applications for exemptions and reliefs; unlisted properties
Procurement	Tendering issues including conflicts of interest, collusion, disclosure of sensitive information; attempting to influence Council processes and/or decision-making
Payment of creditors	False invoices, inappropriate changes of bank details; double invoicing
Social care fraud	Overstatement of needs through false declaration; multiple claims across authorities; third party financial abuse by carer, family or organisations; posthumous continuation of claims; including personal budgets
Schools	Theft of monies
Identity fraud	False identity/fictitious persons applying for services/ payments
Blue badges	Use of counterfeit/altered badges; use when disabled person is not in the vehicle; use of deceased person's badge; corporate badges being misused by employees
Grants	Fraudulent claims; work not carried out; funds diverted; ineligibility not declared
Cyber crime	A range of fraud types resulting in diversion of funds, creation of false applications for services and payments
Insurance Fraud	False claims, including slips and trips
Concessionary travel	Use of concession by ineligible person
Immigration	False entitlement to services and payments, sham marriages
Tax evasion	Failing to identify workers/contractors that should be paid via payroll (IR35), failure to deduct income tax at the correct rate, Construction Industry Scheme – suppliers submitting artificially low labour breakdown on their invoices to avoid tax being deducted on labour element

APPENDIX C – LIST OF RELATED DOCUMENTS

The following list of documents includes other existing policies, procedures and guidance notes which touch upon issues which are of relevance, or are closely related, to fraud matters. The list is not exhaustive and will be subject to periodic update without requiring a formal review of this policy.

- Scheme of Delegation
- Contract Standing Orders
- Financial Regulations
- Public Interest Disclosures Policy (Whistleblowing)
- Discipline Policy
- Chief Officers' Code of Conduct
- Employees' Code of Conduct
- Acceptable Use of ICT Policy
- Information Security Policy
- Policy and Procedure on Directed Surveillance, Use of Covert Human Intelligence Sources and Obtaining Communications Data
- Procurement Journey Route maps and tender toolkit