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To: Governance and Audit Committee – 30 November 2010

Subject: SELF ASSESSMENT OF ANTI-FRAUD AND CORRUPTION ARRANGEMENTS

Classification: Unrestricted

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**Summary:** This paper presents the outcome of a self-assessment against two good practice frameworks for anti fraud and anti-corruption arrangements.

## FOR DECISION

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### Introduction and background

1. Internal Audit has carried out a self assessment of the Council's anti-fraud and corruption arrangements against the CIPFA Red Book '*Managing the risk of fraud – Actions to counter fraud and corruption*'. The Red Book is divided into five key areas of activity covering the strategic approach to anti-fraud and corruption, measuring fraud and corruption losses, the necessary authority and support for anti-fraud and corruption work, the range of actions taken to tackle problems (eg. deterrence, prevention, detection, investigation, sanctions and redress), and ensuring that there are clear outcomes for anti-fraud and corruption work.
2. The provisions of the CIPFA Red Book are not mandatory but serve as a 'best practice' framework for local authorities engaged in anti-fraud and corruption work. Separately, the Audit Commission recently published a report entitled 'Protecting the public purse 2010' which reports the findings from their fraud surveys for 2009 and 2010. It also describes actions taken by some councils to tackle fraud. A checklist with the report gives organisations an opportunity to consider how effective they are at reporting the risk of fraud.
3. Within Kent County Council the responsibility for this area of activity is set out within the Council's Financial Regulations and the Terms of Reference for the Governance and Audit Committee. The work of the Committee is to ensure that the Council has a robust counter-fraud culture backed by well-designed and implemented controls and procedures. This paper supports the Committee in meeting this outcome.

### Outcome of the Self-assessment

4. The self assessment of anti-fraud and corruption arrangements against the CIPFA Red Book and the Audit Commission's checklist, completed by the Head of Audit and Risk, confirmed that a framework for anti-fraud and corruption activity is in place in the Council. However, there are areas where current arrangements need to be reviewed and enhanced as follows:
  - The Council has an anti-fraud and corruption statement of policy and a fraud response plan but these are dated 2005 and therefore need to be reviewed,

updated and formally approved by CMT, Cabinet and the Committee.  
Likewise the whistleblowing procedure needs to be reviewed and updated.

- The Council has an investigation manual and procedures to be followed but a quality assurance process needs to be developed to assess the monitoring and effectiveness of investigations. The policy and procedures for monitoring recovery of losses and formal outcomes for work relating to fraud and corruption need to be developed (i.e. a Prosecution Policy)
  - More effective links between 'policy' work (developing an anti-fraud and corruption and 'zero tolerance' culture) and 'operational' work (to detect and investigate fraud and corruption, apply sanctions and reduce losses) need to be established.
  - Time is set aside in the annual Internal Audit Plan for any fraud, corruption or other irregularity work required. However, the risk of fraud and corruption within the Council has not been formally assessed, so whether the current level of activity devoted to anti-fraud and corruption activities is proportionate has not yet been determined. A formal plan for proactive fraud exercises also needs to be put in place by Internal Audit if resources allow.
  - Apart from the annual Internal Audit Plan and fraud awareness training sessions which are available on request, there is no clear programme of work to publicise the prevention of fraud arrangements.
5. Dedicated resource will be required to deliver these changes. The reorganisation of the Internal Audit section currently being implemented should help to create some of the capacity required (equivalent to 1 wte). In the interim, Internal Audit have put in place an action plan to address the points set out above, and in the absence of any other resource, will aim to complete these actions during the 2011/12 financial year.

### **Recommendations**

6. Members are asked to:
- Note the assessment of the Council's framework for anti-fraud and anti-corruption arrangements against CIPFA and Audit Commission recommended practice, and;
  - Agree that the Head of Audit and Risk lead on the required changes to the Council's framework for anti-fraud and anti-corruption arrangements, with update reports to the Committee.

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