

By: Neeta Major – Interim Head of Internal Audit
To: Governance and Audit Committee – 26 July 2012
Subject: **ANTI-FRAUD AND CORRUPTION
PROGRESS REPORT**
Classification: Unrestricted

Summary: This paper provides a summary of progress of anti-fraud and corruption activity since the last Governance and Audit Committee meeting in April 2012.

FOR ASSURANCE

Introduction and Background

1. Within Kent County Council the responsibility for anti-fraud and corruption 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.

Managing the Risk of Fraud

2. We have 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 (e.g. deterrence, prevention, detection, investigation, sanctions and redress), and ensuring that there are clear outcomes for anti-fraud and corruption work.
3. This assessment identified that further work is required to complete CIPFA's recommended actions. Key themes include:
 - Fraud risk assessment
 - Stakeholder engagement
 - Measuring potential fraud losses
 - Measuring fraud awareness
4. A copy of the assessment is attached at Appendix A. The assessment identifies required actions and details the associated target dates as well as progress made to date.

Irregularities

5. Since the last Governance and Audit Committee eight irregularities remain open and eight have been concluded. In addition there are a number of ongoing preliminary and supportive enquires that may reveal further fraud/irregularities. A summary of the concluded cases is set out in appendix B.

6. In terms of emerging themes in these allegations, two relate to staff in satellite units who have acted outside KCC financial procedures. In response we have instigated a programme of financial compliance inspections across remote sites which will highlight any concerns and provide an opportunity to improve standards. In addition, we have completed two investigations in relation to direct payments. The 12/13 Internal Audit plan already includes proactive work to review controls in relation to Personal Budgets (which includes Direct Payments) and specifically consider the fraud risks.

Recommendations

7. Members are asked to note:
 - the self assessment against CIPFA's Red Book "Managing the Risk of Fraud" (*Appendix A*)
 - summaries of concluded cases (*Appendix B*).

Paul Rock
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