

By: Neeta Major – Interim Head of Internal Audit
To: Governance and Audit Committee - 25 September 2012
Subject: **ANTI-FRAUD AND CORRUPTION
PROGRESS REPORT**
Classification: Unrestricted

Summary: This paper provides a summary of progress of anti-fraud and corruption activity as well as the outcome of investigations concluded since the last Governance and Audit Committee meeting in July 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.

Anti-Fraud and Corruption Activity

Procurement

2. In response to a management request and in keeping with the 2012/13 Internal Audit Plan for proactive fraud work, the counter fraud team undertook a brief review of the new supplier process to identify potential fraud risks.
3. Key fraud risks in this area include fraudulent attempts to add or amend supplier details (including bank details) thus re-directing payments away from the intended recipients. A number of public sector organisations have been the victim of successful attempts in recent months, some incurring significant losses.
4. Based on the findings and the recent audit of Oracle Accounts Payable and iProcurement (CS02-2012) we made two medium priority recommendations to improve controls in relation to the authorisation and verification of new supplier requests. These have both been agreed by management.

National Fraud Initiative

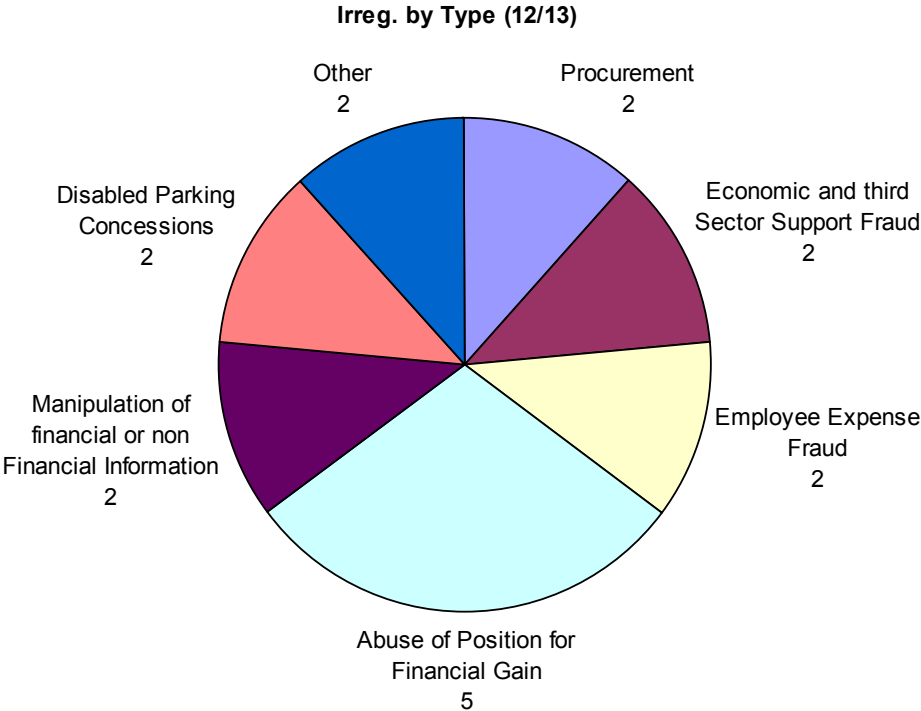
5. Work has begun in preparation for the Audit Commission's National Fraud Initiative (NFI). The NFI is an exercise that matches electronic data within and between public and private sector bodies to prevent and detect fraud. The exercise requires KCC to submit data sets for payroll, creditors, pensions, insurance and concessionary fares. The subsequent data matches will be made available in January 2013.

Fraud Awareness

- 6. We continue to highlight fraud risks across the Council via KMail and KNet and have provided fraud awareness presentations to the School’s Financial Service team, Employment Support Coordinators (FSC) and have confirmed a series of presentations with School Bursars in October.

Irregularities

- 7. Since April 2012 we have recorded seventeen new irregularities and two cases were carried forward from 2011/12. In addition there are a number of ongoing preliminary and supportive enquires that may reveal further fraud/irregularities. A summary of the concluded cases since July 2012 is set out in appendix A.
- 8. We have completed some analysis of the types of irregularities that have been recorded for 2012/13. The most common type of irregularity has been identified as “Abuse of position for financial gain.” This category involves the misappropriation or distribution of funds by someone taking advantage of their position such as payments officers, bursars or finance managers and includes financial gain for the person or another.
- 9. This type of fraud is best prevented though sound financial procedures that are adhered to by staff and supported by a strong anti-fraud culture. With this in mind we will be reviewing financial regulations and procedures and continue to promote a strong anti-fraud culture throughout the Council. The following chart provides a breakdown of irregularities by type:



Recommendations

10. Members are asked to note:

- the progress of anti-fraud and corruption activity; and
- the assurance provided in relation to anti-fraud culture and fraud prevention/investigation activity.

Appendices

Appendix A *Concluded cases since July 2012*

Paul Rock
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