

By: Neeta Major – Interim Head of Internal Audit
To: Governance and Audit Committee - 19 December 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 September 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.

Protecting the Public Purse

2. In November 2012 the Audit Commission published Protecting the Public Purse which is an annual publication that focuses on local government's progress in tackling fraud. The report identified more than 124,000 cases of fraud with a total value of £179m, which is a marginal (2-3%) increase on previous years. Housing and council tax benefit fraud accounted for more than half of the losses. Other significant areas of fraud relate to council tax discounts, procurement, abuse of position, payroll, expenses and pensions.
3. The Audit Commission made a number of recommendations including actively pursuing matches identified by the National Fraud Initiative, maintaining robust recruitment and internal controls and exploring partnership and funding arrangements in two-tier areas to incentivise district councils to investigate council tax discount fraud. The full report is available from www.audit-commission.gov.uk.

Anti-Fraud and Corruption Activity

Fraud Awareness

4. We continue to highlight fraud risks across the Council via KMail and Kent Trust Web (for schools) and have provided a series of fraud awareness presentations to school finance staff, aspiring head teachers and Commercial Services. We have received very positive feedback and will continue to raise the level of fraud awareness across the Council. We believe that this increased fraud awareness activity is leading to a direct increase in the number of higher quality referrals.

National Fraud Initiative

5. The NFI is an exercise that matches electronic data within and between public and private sector bodies to prevent and detect fraud. In accordance with the Audit Commission's instructions, we have submitted seven data sets including payroll and creditors. The subsequent data matches will be made available to us in January 2013 for investigation.

Irregularities

6. In April 2012 we carried forward twenty-one irregularities and since April we have recorded thirty new irregularities. Twenty six irregularities have been concluded and have been reported previously to G&A. Twenty five irregularities remain open which includes two from 2011/12. In addition there are a number of ongoing preliminary and supportive enquiries that may reveal further fraud/irregularities.
7. The investigations are becoming increasingly complex and are taking a significant amount of time to investigate, hence no completed investigations can be reported to this meeting. However many of the current cases are nearing completion and will be reported next quarter.
8. Internal Audit provided for 200 days of investigation activity for the entire 2012/13 Internal Audit Plan. To date we have undertaken 242 days of investigation activity.

Recommendations

9. Members are asked to note:
 - the progress of anti-fraud and corruption activity; and
 - the assurance provided in relation to the anti-fraud culture and fraud prevention/investigation activity.

Paul Rock
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