

By: Neeta Major – Interim Head of Internal Audit
To: Governance and Audit Committee - 11 April 2013
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 December 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

Fraud Awareness

2. We continue to highlight fraud risks across the Council via KMail and Kent Trust Web (for schools) and have provided fraud awareness presentations to new Head Teachers. We also presented during the recent Challenger event 'Mind the Gap' which was well received and resulted in several Heads of Service requesting additional sessions for their respective departments. We will continue to raise the level of fraud awareness across the Council which will increase the number and quality of referrals.

National Fraud Initiative

3. We previously reported the Council's participation in the Audit Commission's National Fraud Initiative (NFI), an exercise that matches electronic data within and between public and private sector bodies to prevent and detect fraud. The data matches have now been released and we are coordinating the review of these matches.

Irregularities

4. In April 2012 we brought forward twenty-one irregularities and since April we have recorded a further forty five. Of these, twenty five irregularities have been reported previously to G&A as concluded cases. Since the last G&A meeting in December, a further 23 have been concluded and summaries are set out in Appendix A. Eighteen irregularities remain open which includes two from 2011/12.

5. The most common types of fraud reported this year were fraud by abuse of position (32%) which includes the misappropriation or distribution of funds and fraudulently securing a job for a friend or relative; procurement (21%) which includes any fraud linked to the false procurement of goods and services, manipulation of accounts and failure to supply to contractual standards; and fraudulently claiming disabled parking concessions (13%).

Irregularities by Type

Type	%
Abuse of Position for Financial Gain	32%
Procurement	21%
Disabled Parking Concessions	13%
Social Services Fraud	9%
Other	7%
Economic and Third Sector Support Fraud	4%
Payroll and Contract Fulfilment Fraud	4%
Employee Expense Fraud	4%
Manipulation of Financial or non Financial Information	4%
Pension Fraud	2%

6. The most common sources of referral were KCC staff (38%) followed by management (22%) and the public (18%), which indicates the level of fraud awareness is increasing. A full breakdown is shown below:

Irregularities by Source

Source	%
Staff	38%
Management	22%
Public	18%
Outside Agency	11%
Whistleblower	7%
Anonymous	2%
Internal Audit	2%

7. We recorded irregularities from the following directorates ELS (27%), FSC (27%), C&C (18%), E&E (16%) and BSS (12%).
8. Internal Audit identified 200 days of proposed investigation activity for the 2012/13 Internal Audit Plan. Up to 28 February 2013 we had undertaken 412 days of investigation activity.

Emerging Themes

9. Over the last twelve months we have identified an increase over previous years in the number of recorded irregularities. We do not believe this is because the council is more at risk to fraud than any other public sector organisation. The increase in referrals is indicative of a more determined approach to tackle fraud. As a result of promoting fraud as a risk, Members, officers and the public will become more fraud aware and we are very likely to see further increases in

referrals to Internal Audit. On some occasions the information we receive indicates that fraud is taking place but subsequent investigation reveals little or no evidence to support further action. However, the information we receive, whether fraud is proven or not, provides a valuable opportunity to review different parts of the council's business and highlight any areas that might be susceptible to fraud.

10. For example, we have identified that services operating remotely from County Hall are more susceptible to fraud and error. We recently highlighted this trend at a Senior Manager and Director briefing (Challenger event) to improve awareness and we are continuing with a programme of establishment audits to review the financial controls, inspection standards and safety and security of these remote services.

Recommendations

11. 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.

Paul Rock
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