

By: Neeta Major – Head of Internal Audit
To: Governance and Audit Committee – 24 July 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 April 2013.

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 including schools and have provided fraud awareness presentations to staff in Libraries and Archives, Community Learning and Skills and senior leaders within schools. We will continue to raise the level of fraud awareness across the Council which should increase the number and quality of referrals.

Managing the Risk of Fraud

3. 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.
4. The most significant achievements to date have been in the areas of strategy, anti-fraud culture and investigation. The council has adopted a strong policy, which is supported by senior management and promotes the full range of counter fraud activity. Internal Audit regularly provides fraud awareness information across the council using a variety of media and advice is routinely sought by management and staff alike. While the level of staffing has fluctuated, Internal Audit has been able to successfully respond to a significant increase in irregularities which has included working closely with Kent police.

5. As is to be expected for a team that is still relatively new, the assessment has identified that further work is required in order to fully meet CIPFA’s recommended standards. Key themes include improving fraud risk assessments, measuring potential fraud losses across the authority, engaging stakeholders and measuring fraud awareness.

Irregularities

6. Detailed analysis of the irregularities recorded by Internal Audit during 2012/13 is provided in the Internal Audit Annual Report tabled earlier in the meeting. The following table summaries the irregularities received in 2013/14 as well as those brought forward from 2012/13. Summaries of the concluded irregularities are set out in Appendix A.

	Number of Irregularities
Brought forward at 1 April 2013	21
New referrals	4
Concluded in period	5
Carried forward at 27 June 2013	20

7. The 4 new irregularities comprised of 2 employee expenses frauds (ELS & E&E), 1 procurement fraud involving a grant (BSS) and one allegation of abuse of position for financial gain concerning parking permits (FSC). Three of these irregularities were reported by management, the fourth irregularity was reported by a member of the public.

8. As the year progresses, we will provide further analysis of irregularities by type and source in order to identify emerging themes and preventative action.

Recommendations

9. 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 Summary of Concluded Irregularities

**Paul Rock
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