

By: Neeta Major – Head of Internal Audit
To: Governance and Audit Committee – 24 September 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 July 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, and Business Partner Support. We will continue to raise the level of fraud awareness across the Council.

Proactive Fraud

3. We have completed a review of the policies and procedures related to declarations of interest for both officers and Members. Appendix A details the outcome of the review. Progress in relation to the implementation of the agreed recommendations will be reported within the Internal Audit Progress Report.
4. In addition, KCC has recently detected and successfully prevented an attempted 'Mandate Fraud.' This fraud involves fraudulently redirecting payments intended for legitimate suppliers. In response to an increasing risk across the public sector to this type of fraud, Internal Audit previously recommended new procedures for verifying requests from suppliers to amend their banking details. This was implemented with responsibility given to the Finance Business Partner Support team. Following implementation, the new procedures identified a fraudulent request to change the account details of one of KCC's suppliers, which could have resulted in legitimate payments being made to an unknown third party. The attempted fraud has now been reported to the police.

Irregularities

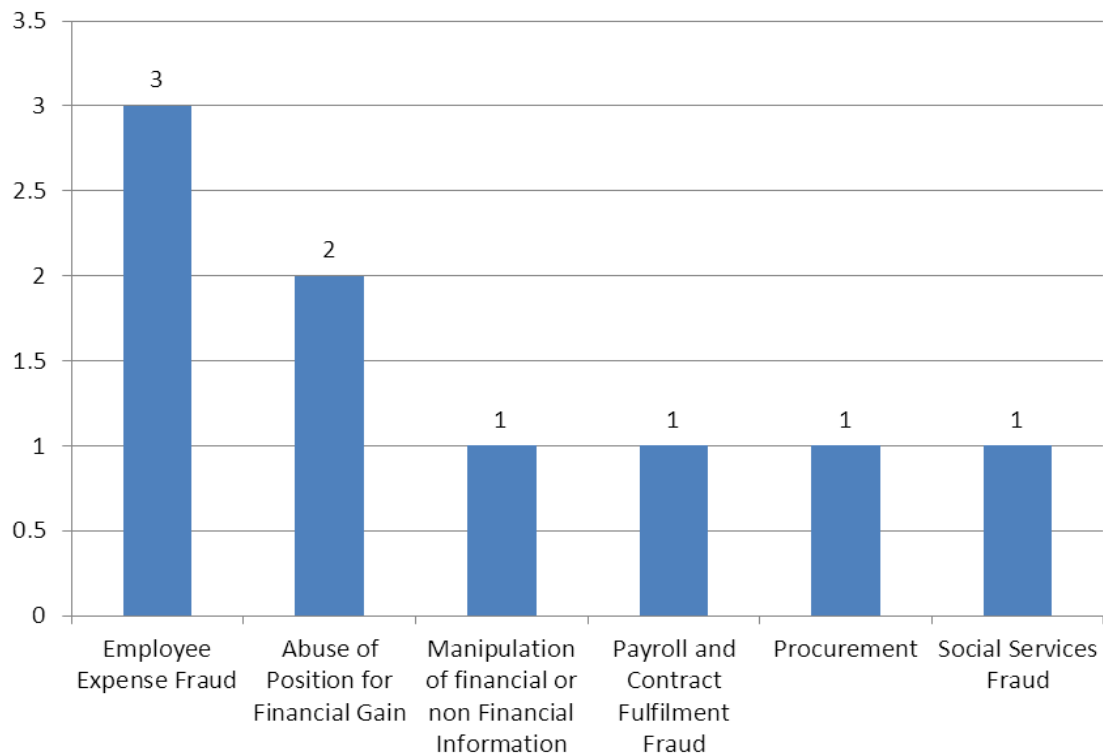
5. The following table summarises the irregularities under investigation since the last progress report in July 2013. Summaries of the concluded irregularities are set out in Appendix A.

Table 1 - Irregularities Received

	Number of Irregularities
Brought forward at 27 June 2013	20
New referrals	5
Concluded in period	5
Carried forward at 19 August 2013	20

6. Internal Audit has recorded 9 new irregularities in 2013/14. The most common types of fraud reported have been employee expense fraud (3) and fraud by abuse of position (2). The definition of each fraud type is detailed in Appendix B. A full breakdown is shown below.

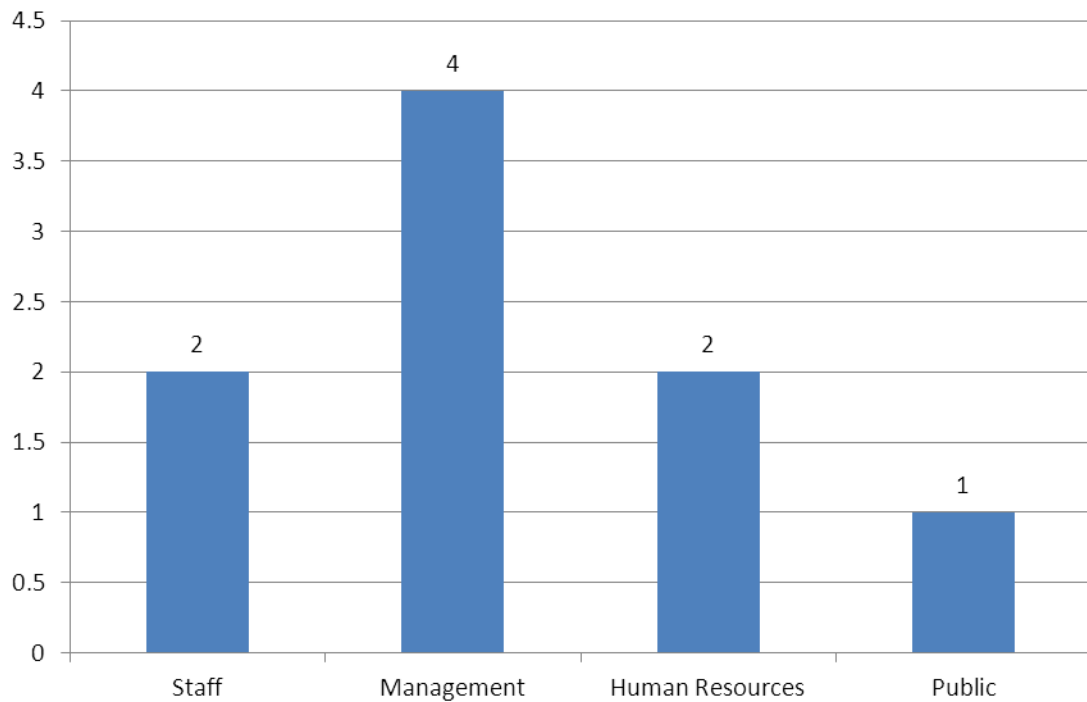
Chart 1 - Irregularities by Type



7. In relation to employee expense fraud, we are in the process of concluding a review of the associated policies and procedures and anticipate reporting the outcome at the Governance and Audit Committee meeting in December 2013.
8. The most common sources of referral were management (4) followed by staff (2) and Human Resources (2) which indicates a good level of fraud awareness but

we will continue to promote an anti-fraud culture and encourage management and staff to report any concerns. A full breakdown is shown below:

Chart 2: Irregularities by Source



Recommendations

9. Members are asked to note for assurance:

- the progress of prevention and investigation anti-fraud and corruption activity

Appendices

Appendix A Summary of Proactive Fraud Reviews and Concluded Irregularities

Appendix B Definitions of Fraud Types

Paul Rock
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