

By: Neeta Major – Head of Internal Audit

To: Governance and Audit Committee – 24 July 2014

Subject: **ANTI-FRAUD AND CORRUPTION PROGRESS REPORT**

Classification: Unrestricted

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**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 2014.

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## **FOR ASSURANCE**

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### **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 Campaign*

2. We continue to highlight fraud risks across the Council, including schools, and this year, with the agreement of the Leader and the Corporate Management Team, we will be undertaking a month long fraud awareness campaign which will be launched in November 2014.
3. The theme of the campaign is 'Fraud: Spot it, Stop it' based on the former National Fraud Authority's cross-local government internal communication campaign designed to reduce fraud perpetrated against local government. The campaign will include internal communications, fraud awareness workshops and e-learning.
4. The objectives of the campaign are to:
  - Raise staff awareness of fraud – including the scale, nature and impact of fraud and what staff should do to recognise, report and prevent fraud.
  - Establish a sense of personal responsibility for reporting and preventing fraud among staff at all levels.
  - Promote a strong council-wide ethos that fraud will not be tolerated.
  - Encourage take up and completion of the fraud awareness, bribery act and document fraud e-learning courses for all staff.

- Launch a new whistleblowing hotline maintained by Internal Audit.
5. We will measure the success of the campaign and report the results to CMT and the Governance and Audit Committee.

#### *National Fraud Initiative*

6. In October 2014 the Audit Commission will require KCC to submit data for its biennial 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 2015.
7. When the Audit Commission closes in 2015 the National Fraud Initiative will become part of the Efficiency and Reform Group's remit, which is a joint Cabinet Office and Treasury initiative.

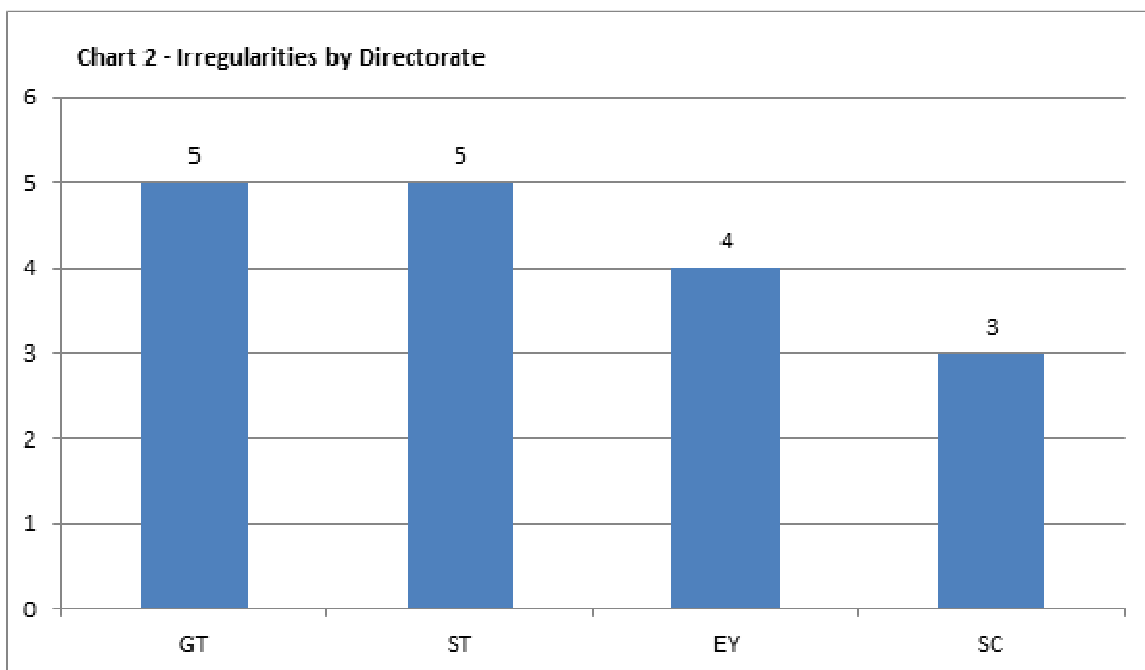
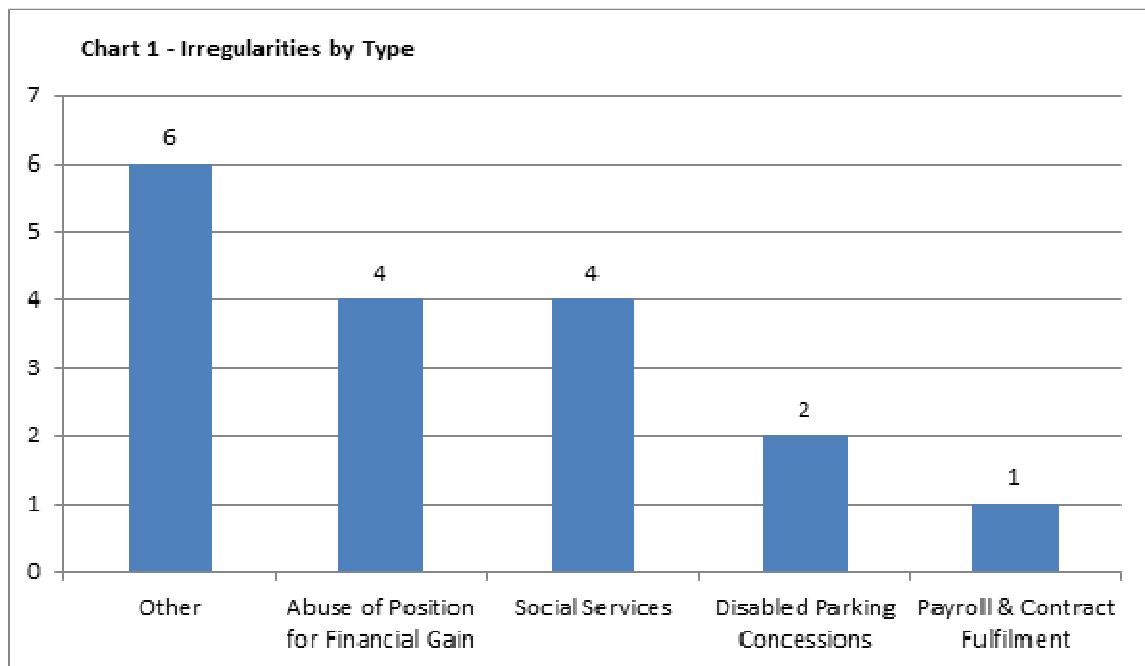
#### **Irregularities**

8. The following table summarises the financial irregularities under investigation since the beginning of the financial year. Summaries of the concluded irregularities are set out in Appendix A.

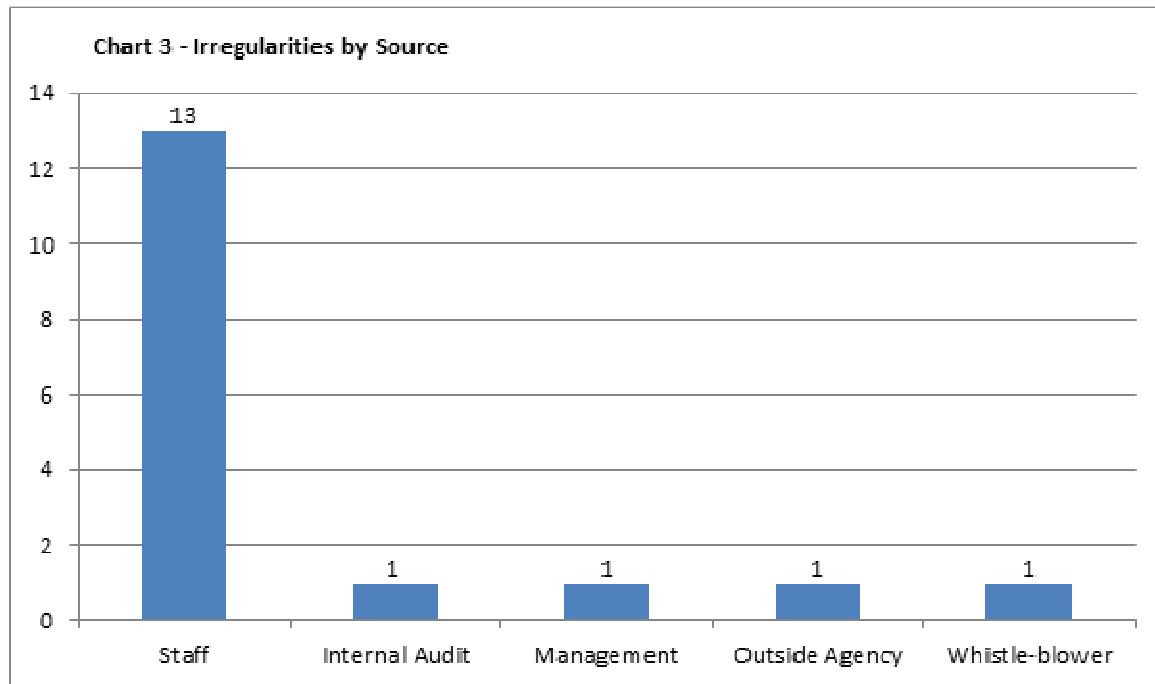
**Table 1 – Irregularities Received**

	<b>Number of Irregularities</b>
Brought forward at 1 April 2014	19
New irregularities recorded in period	17
Concluded in period	10
Carried forward at 17 June 2014	26

9. Internal Audit has recorded 17 new irregularities in 2014/15. The most common types of fraud reported have been Abuse of Position for Financial Gain (4), Social Care (4) and several (6) falling within the 'Other' category as defined by the Audit Commission. The 'Other' category includes school cheque frauds, an unauthorised use of a payment card terminal, and an allegation related to multiple applications for concessionary bus passes. The Audit Commission's definitions for each fraud type are detailed in Appendix B. A breakdown by type and directorate is shown below.



10. The most common source of referral was staff (13) 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 breakdown is shown below:



## Recommendations

11. Members are asked to note for assurance:

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

## Appendices

Appendix A          Summary of Concluded Irregularities

Appendix B          Definitions of Fraud Types

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**Counter Fraud Manager (Ext: 4694)**