# Governance, Audit and Risk Management Committee

## AGENDA

**DATE:**      **Thursday 29 November 2012**

**TIME:**      **7.30 pm**

**VENUE:**      **Committee Room 5, Harrow Civic Centre**

### MEMBERSHIP      (Quorum 3)

**Chairman:**      **Councillor Bill Phillips**

**Councillors:**

Sue Anderson                          Amir Moshenson
Mano Dharmarajah                  Chris Mote
Victoria Silver (VC)                  Richard Romain

### Reserve Members:

1. Ben Wealthy              1. Tony Ferrari
2. Ajay Maru                 2. Kam Chana
3. Krishna Suresh         3. Anthony Seymour
4. Varsha Parmar

**Contact:** Una Sullivan, Democratic & Electoral Services Officer
**Tel: 020 8424 1785      E-mail: una.sullivan@harrow.gov.uk**

# AGENDA - PART I

**1. ATTENDANCE BY RESERVE MEMBERS**

To note the attendance at this meeting of any duly appointed Reserve Members.

Reserve Members may attend meetings:-

(i)     to take the place of an ordinary Member for whom they are a reserve;

(ii)    where the ordinary Member will be absent for the <u>whole</u> of the meeting; and

(iii)   the meeting notes at the start of the meeting at the item 'Reserves' that the Reserve Member is or will be attending as a reserve;

(iv)    if a Reserve Member whose intention to attend has been noted arrives after the commencement of the meeting, then that Reserve Member can only act as a Member from the start of the next item of business on the agenda after his/her arrival.

**2. DECLARATIONS OF INTEREST**

To receive declarations of disclosable pecuniary or non pecuniary interests, arising from business to be transacted at this meeting, from:

(a)     all Members of the Committee;

(b)     all other Members present.

**3. MINUTES** (Pages 1 - 10)

That the minutes of the meeting held on 24 September 2012 be taken as read and signed as a correct record.

**4. PUBLIC QUESTIONS**

To receive questions (if any) from local residents/organisations under the provisions of Committee Procedure Rule 17 (Part 4B of the Constitution).

**5. PETITIONS**

To receive petitions (if any) submitted by members of the public/Councillors under the provisions of Committee Procedure Rule 15 (Part 4B of the Constitution).

**6. DEPUTATIONS**

To receive deputations (if any) under the provisions of Committee Procedure Rule 16 (Part 4B) of the Constitution.

**7. REFERENCES FROM COUNCIL AND OTHER COMMITTEES/PANELS**

To receive references from Council and any other Committees or Panels (if any).

8.  **2011/12 ANNUAL GOVERNANCE STATEMENT ACTION PLAN**   (Pages 11 - 26)

    Report of the Assistant Chief Executive.

9.  **INTERNAL AUDIT MID-YEAR REPORT 2012/13**   (Pages 27 - 46)

    Report of the Assistant Chief Executive.

10. **HEALTH AND SAFETY HALF YEAR REPORT**   (Pages 47 - 68)

    Report of the Corporate Director of Resources and Assistant Chief Executive.

11. **RISK AUDIT AND FRAUD ACTIVITY UPDATE**   (Pages 69 - 134)

    Report of the Corporate Director of Resources and Assistant Chief Executive.

12. **ANY OTHER URGENT BUSINESS**

    Which cannot otherwise be dealt with.

# AGENDA - PART II

13. **EXCLUSION OF THE PRESS AND PUBLIC**

    To resolve that the press and public be excluded from the meeting for the following item of business, on the grounds that it involves the likely disclosure of confidential information in breach of an obligation of confidence, or of exempt information as defined in Part I of Schedule 12A to the Local Government Act 1972:

    | Agenda Item No | Title | Description of Exempt Information |
    | --- | --- | --- |
    | 9. | Internal Audit Mid-Year Report 2012/13 – Appendix 4 | Information under paragraph 1 (contains information relating to any individuals). |

14. **INTERNAL AUDIT MID-YEAR REPORT 2012/13 - APPENDIX 4**
    (Pages 135 - 136)

This page is intentionally left blank

# GOVERNANCE, AUDIT AND RISK MANAGEMENT COMMITTEE
## MINUTES

# 24 SEPTEMBER 2012

| | | | |
|---|---|---|---|
| **Chairman:** | * Councillor Bill Phillips | | |
| **Councillors:** | * Sue Anderson | * | Chris Mote |
| | * Mano Dharmarajah | * | Richard Romain |
| | * Amir Moshenson | * | Ben Wealthy (1) |

| | | |
|---|---|---|
| **In attendance:** | Thaya Idaikkadar | Minute 196, 198 |
| **(Councillors)** | Sachin Shah | Minute 196, 197, 198, 199 |

\*    Denotes Member present
(1) Denotes category of Reserve Member

### 191.   Attendance by Reserve Members

**RESOLVED:**  To note the attendance at this meeting of the following duly appointed Reserve Member:-

| Ordinary Member | Reserve Member |
|---|---|
| Councillor Victoria Silver | Councillor Ben Wealthy |

### 192.   Declarations of Interest

**RESOLVED:**  To note that there were no declarations of interests made by Members.

## 193. Minutes

In accordance with the Local Government (Access to Information) Act 1985, the following agenda item was admitted late to the agenda so that the minutes could be approved at the earliest opportunity.

**RESOLVED:** That the minutes of the meeting held on 4 September 2012 be taken as read and signed as a correct record.

## 194. Public Questions, Petitions and Deputations

**RESOLVED:** To note that no petitions were received, questions put or deputations received.

## 195. References from Council and other Committees/Panels

None were received.

# RESOLVED ITEMS

## 196. Information Report - Whistle-Blowing

The Committee received a report which set out information on the Council's Whistleblowing Policy (The Policy). The Director of Legal and Governance Services introduced the report and explained that this was a regular annual report. Within the past year there had been indications that the Government was proposing to introduce new protection for whistleblowing in the public sector but had recently announced that this proposal was now on hold.

The Director of Legal and Governance Services also reported that:

- the Policy had been in existence for a number of years. It protected employees from harassment or victimisation if they raised a complaint. The Policy was also published widely on the Council's website;

- in the last twelve months, the Council had received only one complaint under the Policy. The issue raised was investigated and the claims made were not substantiated.

During the discussion on this item, Members of the Committee raised a number of issues, which officers responded to as follows:

- it was not believed that the sole complaint made under the Policy indicated that there was an issue relating to non-reporting. However it was recognised that there was an ongoing issue for the Council in increasing confidence amongst staff generally to feel able to raise issues with their manager. This issue had been indicated by recent staff surveys;

- the Policy ensured that comprehensive responses were provided to all complainants to address all of their concerns;

- if an employee raised an issue, every effort was made in order to ensure confidentiality.  However, when conducting an investigation further information may be required from other employees;

- complaints under the Policy were usually at the formal end of the scale in relation to dealing with issues raised by employees.  The majority of complaints made by employees were dealt with under the Conduct Procedures;

- it was important that senior officers within the Council set the right tone. This involved addressing broader cultural issues including how ideas were welcomed and reacting positively to different issues;

- complaints made anonymously under the Policy were harder to investigate and more difficult to substantiate.  Whilst there was an ability to make complaints anonymously, if the frequency of these increased, it would become onerous for staff in terms of the time spent on investigations.  It was better that the Council to create a climate of trust and confidence amongst its staff;

- all new members of staff were advised of the Policy as part of their Corporate Induction.

During the discussion on this item, various Members of the Committee made a number of comments as follows:

- it was important that all staff felt comfortable in their ability to make a complaint under the Policy.  This was particularly important for junior members of staff who could feel more worried about repercussions and a breach of confidentiality.  In addition to this, the Policy was not user friendly.  For these reasons there had to be a greater emphasis on allowing employees to raise complaints anonymously;

- Members had an important role to play, in representing employees who wished to remain anonymous, by dealing with their issues;

- for any anonymous complaints,  a balance had to be sought between conducting the investigation effectively and the likely increased costs that may be associated with it;

- Trade Unions were a useful source of advice and support if anyone wished to make a complaint under the Whistleblowing Policy.

At the conclusion of the discussion, Members of the felt that it was important in light of the debate, that the Committee investigated the issues raised further.  An officer proposed that a broader report be presented to a future meeting of the Committee on issues relating to a healthier culture and how practices amongst staff could contribute to governance principles including the Whistleblowing Policy.

**RESOLVED:** That

(1)     the report be noted;

(2)     a report be presented to a future meeting of the Committee on issues relating to a healthier culture and practices amongst staff contributing to governance principles including the Whistleblowing Policy.

## 197.   Management Assurance Report 2011/12

This report set out the results of the 2011/2012 Management Assurance Exercise. In response to questions raised by Members of the Committee, officers reported the following:

- the Internal Audit team was currently small. However work is currently being undertaken to determine how best to fill vacant posts to meet the needs of the Council;

- if purchase order numbers were raised after an invoice had been received, there was currently little disciplinary action taken.  It was important to recognise that employees worked hard and sometimes systems and processes led to errors.  Training was being conducted and procedures were being tightened up.  In addition to this, suppliers were also being advised of the consequences if they issued invoices without the relevant purchase order number.

**RESOLVED:**   That the results of the 2011/12 Management Assurance Exercise were suitable for use as supporting evidence for the Annual Governance Statement.

## 198.   Statement of Accounts 2011/12

In accordance with the Local Governance (Access to Information) Act 1985, this agenda item was admitted late to the agenda as at the time of publication of the agenda, the Statement of Accounts were being amended for late, technical audit adjustments.

The Committee welcomed representatives from the Council's auditors, Deloitte LLP (Deloitte), who were in attendance for this item.

At the outset, a Member of the Committee stated that in previous years it had been customary for the auditors to meet privately with the Committee prior to the meeting where the Council's final accounts were approved.  Whilst there were no issues to be raised on this occasion, it was hoped that this practice would continue in the future.  A representative from Deloitte responded that they would be happy to continue with this practice in the future and would be happy to meet with Members of the Committee prior to the next meeting, if requested.

The Committee then proceeded to consider the report which presented the audited Statement of Accounts for 2011/12.  The Corporate Director of Resources reported that there were five recommendations for the Committee

to consider as contained within the report.  The report would be presented to the Committee in two sections.  The first section would focus on the audited Statement of Accounts.  The second section would focus on the audited Pension Fund Account.

A representative from Deloitte introduced the audited Statement of Accounts and reported the following points:

- the interim findings had been highlighted to the last meeting of the Committee.  All issues had been resolved between Deloitte and the Finance Team within the Council.  It was expected that the Statement of Accounts would be finalised by the end of the week;

- the accounts would not be certified at this stage due to an outstanding objection, raised by a resident a number of years ago in relation to credit card charges on penalty enforcement notices.  It was expected that this issue would be resolved within a couple of months;

- key risk areas had been identified as part of the audit planning process.  One of these risks related to revaluation of properties.  This was judgemental and work was focused on the assumptions made.  Overall they were satisfied with the approach and assumptions made by the Council;

- another key risk area related to the valuation of the pension liability.  They found that the assumptions used by the authority in this valuation fell within a reasonable range;

- recognition of grant income was also a key risk.  This included judgements made on different recognition criteria attached to individual grants.  Deloitte had made a recommendation to the Council to hold a central register;

- one other key risk was capital miscoding.  The work carried out by them had demonstrated that the new control environment adopted by the Council operated well.  They had worked closely with the Internal Audit team on this aspect;

- large provisions had also been included as a key risk area.  heir review of the assumptions made by the Council in calculating these provisions highlighted no material issues;

- one further key risk area that had been highlighted related to the management override of controls.  This was considered to be significant and required the performance of extended audit procedures in some areas.  This risk was associated with three main areas.  Firstly ledger codes for Academy schools, which were no longer Council assets, had been closed and removed from the chart of accounts without proper approval.  Secondly audit errors and inconsistencies in reporting had been identified in relation to the West London Waste Authority (WLWA).  In Deloitte's view this highlighted the need for a

separate bank account for funds held in relation to the WLWA. The final area related to issues on the capacity within the Finance Team.

During the discussion on this item, various Members of the Committee raised a number of queries which representatives from Deloitte and officers responded to as follows:

- there were various reasons why the management override of controls occurred. This related to lack of training, a lack of communication and from incorrect assumptions about the level of responsibility and control officers had. More work was required to train officers in accountancy rules. In addition to this the SAP team had not realised that by closing codes, the Finance Team would no longer be able to see relevant information. More training on accountancy rules was also therefore required by the SAP team;

- there were issues with the way SAP was set up at the Council which caused difficulties in producing balance sheets or service specific reporting. Officers were therefore required to run a trial balance and any adjustments had to be done manually;

- more work was required with SAP to ensure that the software met the needs of the Council. SAP had been implemented better in other Councils and officers would be doing some research on potential SAP improvements to establish a best practice to be adopted in the Council;

- there were issues in relation to opening a separate bank account for the funds relating to the WLWA. SAP had been implemented to only operate for the Council as a single entity. As a result WLWA transactions had to be performed through the Council's single entity accounting system. To rectify this would become complex and potentially involve a significant amount of expenditure. The Council's arguments presented to the auditors would in the future be presented in a clearer manner;

- there was a joined up working approach between Internal Audit and the Finance Team in addressing issues related to the management override of controls;

- the risk area of large provisions related to a previous insurance provider for the Council. This company had been wound up which had meant that there was a period of time for which there was no cover provided. The Council had consulted an independent actuary and made provision for £1.1 million to cover any potential claims made against the Council in relation to the uninsured period. An additional £300,000 would be funded from reserves. Deloitte believed that the figure should have been provided for outright;

- there was a requirement for the Council to complete Whole of Government Accounts return. In response to a Member asking if the Council really had to perform this, a representative from Deloitte stated

that it was unlikely that any audit would be cleared if this was incomplete and it would have to be an issue raised with the Audit Commission. Currently all authorities in London completed this;

- the likelihood and impact of any risks highlighted in relation to the Value for Money Conclusion would be contained in the Council's risk register. The Council had demonstrated to the auditors that they had a track record of effective monitoring of its financial position especially in the current challenging national economic climate;

- there were now a significant number of control mechanisms in place to counter against capital mis-coding controls. These mechanisms had been independently reviewed by the Internal Audit team. The Capital Forum played a key role in maintaining these mechanisms. It did this by regularly monitoring the status of projects, examining business cases and providing express permission before any funding was released;

- the Capital Forum was held accountable through a number of routes. Its role primarily related to a delegation to the Section 151 Officer. The outcomes from the Capital Forum were regularly reported to the Leader of the Council and Portfolio Holder for Finance. Additionally budget monitoring reports were regularly submitted to the Corporate Strategy Board, the Performance and Finance Scrutiny Sub-Committee and Cabinet.

During the discussion on this section of the report, various Members of the Committee made a number of comments:

- the recommendation to authorise the Section 151 Officer to make technical audit adjustments to the Statement of Accounts should include a caveat that any changes were reported back to the Committee at a future meeting;

- the sign off of the accounts by the auditors was welcomed and its significance should not be underestimated;

- the auditor's recommendation that all grants be centrally maintained and for the Council to monitor spend by each directorate to identify risks of claw back was onerous on the Section 151 Officer. There was doubt expressed that this could be achieved in the timescales indicated;

- there was concern that any testing on the issues relating to capital mis-coding controls had not been performed on comparable projects to those projects where problems had been encountered. There was a significant reduction in the amount spent on big scale projects which meant comparable testing could not take place.

The Committee then considered the second section of the report relating to the Council's Pension Fund Account. A representative from Deloitte introduced this section of the report and reported the following:

- Deloitte were pleased with the outcome of the audit. This was now complete subject to a technical review. There were no issues which gave cause for concern;

- previous issues relating to tolerance ranges and the creation of a separate bank account for the Pension Fund had been satisfied;

- one control point had been raised in relation to the Pension Fund audit relating to the authorisation of journals. The Council had acknowledged this issue and agreed to address it.

In response to a query raised by a Member of the Committee, officers and representatives from Deloitte confirmed that it was not the usual practice for the auditors to meet with the Council's actuary advisor, although there had been email correspondence between them. If there were any issues arising with the actuary, only then could a need to meet arise.

Members of the Committee made a number of comments as follows:

- it was important to highlight that the Council made little use of derivatives. The current way this was worded in the report seemed to indicate that the Council made significant derivative investment, and this needed to be corrected;

- relevant dates and years were required to be inserted on various parts of the report at page 217;

- the letter sent to the auditors at page 224 of the report was requested to be amended at paragraph 8 to reflect that Members had been given the opportunity to comment on and raise issues on the stewardship of the Pension Fund, rather than stating that enquiries had been made of Members.

At the conclusion of the report, the Committee thanked the representatives from Deloitte for their report and their attendance. A Member of the Committee commented that the Council should take comfort that the accounts had been signed off by the auditors with no major issues. This position also reflected the good relationship between the Council and Deloitte. He also proposed that all officers within the Finance Team be thanked for their work in ensuring that the accounts had been signed off successfully. This note of the congratulations should be on behalf of the Committee. This proposal was unanimously agreed.

**RESOLVED:** That

(1)     the report of the External Auditor for Harrow and the Pension Fund be noted;

(2)     the accounts for 2011/12 be approved;

(3)     the Section 151 Officer be authorised to make technical audit adjustments to the Statement of Accounts, with any changes reported to a future meeting of the Committee;

(4)     the Pension Fund Annual Report for 2011/12 be noted;

(5)     the Chairman be authorised on behalf of the Committee to agree the Annual Audit Letter for publication and submission once all audit matters have been completed.

## 199.    Further Announcements

The Chairman confirmed a briefing had been conducted for the Committee earlier that day on the investment of the Council's cash balances.  Option 3 of the proposals had been expressed as the preferred option by Members present.  This would be used as guidance to develop proposals before a decision was required by the Full Council.

(Note:  The meeting, having commenced at 7.44 pm, closed at 9.49 pm).

(Signed) COUNCILLOR BILL PHILLIPS
Chairman

This page is intentionally left blank

REPORT FOR:     **GOVERNANCE, AUDIT &
RISK MANAGEMENT
COMMITTEE**

**Date of Meeting:**     29th November 2012

**Subject:**     **INFORMATION REPORT – 2011/12
Annual Governance Statement
Action Plan**

**Responsible Officer:**     Tom Whiting - Assistant Chief Executive

**Exempt:**     No

**Enclosures:**     2011/12 AGS Action Plan

## Section 1 – Summary

This report sets out the action planned to close the gaps identified in the 2011/12 Annual Governance Statement.

**FOR INFORMATION**

# Section 2 – Report

2.1 The 2011/12 Annual Governance Statement was presented to the GARM Committee on 4th September 2012. Two significant and twelve non-significant governance gaps were identified by the annual governance process and the action plan attached shows the gaps identified, the agreed action (to close the gaps), the responsible officer, the agreed timescale and traffic lights the gap risk for 2012/13.

2.2 One of the significant governance gaps identified have been traffic lighted green for 2012/13 indicating that the gap is expected to be closed before the end of the year and the other is traffic lighted amber as, although the action is planned to be implemented by December 2012 we are reliant on CAPITA for this and the Head of the IT Client Team is concerned that the timescale may slip. Seven other governance gaps have also been traffic lighted green. One non-significant governance gap has been traffic lighted amber to indicated that whilst action is planned it may not be fully implemented before the end of the year and four other gaps have been traffic lighted red as action will not be fully implemented before the end of the year.

2.3 If everything goes to plan therefore ten governance gaps, including the two significant gaps, will be closed for 2012/13 and four non-significant governance gaps will be carried forward and shown as governance gaps for 2012/13.

# Section 3 – Financial Implications

3.1 Financial implications have been shown, where relevant, in the action plan attached.

# Section 4 – Equalities Implications

4.1 There are no equalities implications.

# Section 5 – Corporate Priorities

5.1 The annual governance process contributes to all the corporate priorities by assessing the robustness of the governance mechanisms that directly or indirectly support these priorities.

| | | |
|---|---|---|
| Name: Steve Tingle………. | √ | on behalf of the<br>Chief Financial Officer |
| Date: 16/11/12 | | |

# Section 7 - Contact Details and Background Papers
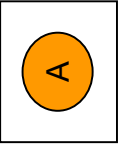
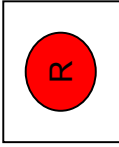**Contact:**  Susan Dixson, Internal Audit service Manager

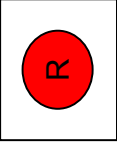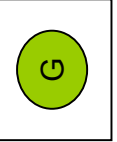**Background Papers:**  None

This page is intentionally left blank

# 2011/12 AGS Action Plan

| AG Review Ref | Area of Assurance | Gap Identified | Agreed Action | Responsible Officer | Timescale | Risk of Gap 2012/13 |
|---|---|---|---|---|---|---|
| 3.4 c/f | There is a counter fraud and corruption policy in place which has been formally approved, regularly reviewed and widely communicated to all relevant staff. | The CAFT pages have been updated on the hub so that there is now information surrounding fraud affecting the authority and how employees can report it. There is no direct link to the Corporate Anti-Fraud Policy as this is under review.

No awareness sessions etc. are run. | Policy review to be completed.

Link to policy to be incorporated.

The government has recently launched a new 'Fighting Fraud Locally' strategy and toolkit for implementation in local government and part of this toolkit is a free fraud awareness package endorsed by CIPFA that authorities can roll out within their organisation. The tool disk was provided in August and has been sent to the learning pool for incorporation into Harrow's Learning & Development programme. | Corporate Anti-fraud Service Manager

HRD | Nov 2012

End Nov 2012

End Dec 2012 | G |

15

# 2011/12 AGS Action Plan

| AGS Ref | Area of Assurance | Gap Identified | Agreed Action | Responsible Officer | Timescale | Risk of Gap 2012/13 |
|---|---|---|---|---|---|---|
| 3.7 c/f | Where a scheme of delegation has been drawn up, it has been formally approved and communicated to all relevant staff | Management Assurance Exercise identified directorate/service specific schemes of delegation covering HR / service specific responsibilities not consistently in place across the Council.<br><br>2011/12 Management Assurance Exercise shows a 2% corporate improvement to 58% working well. | Reminder on the requirement for a directorate/service specific scheme of delegation to be put in place provided to CSB August 2012.<br><br>Management Assurance Action plans for Childrens, Adults and RAF require action to be taken to develop Directorate delegations. | Corporate Directors | Dec 2012 | A |
| 3.34 c/f | There are up-to-date data security policies and guidance in place covering:<br><br>• key business areas | There is no consistent approach for validating information from third parties as it is the responsibility of the contract 'owner'<br><br>Information Management Team now taking this on. | The data Quality Procedures will be reviewed and communicated to management using the new policy compliance software.<br><br>**Current position:**<br>Taken on by Information Manager August 2012 | Information Manager | March 2013 | R |

# 2011/12 AGS Action Plan

| AGS Ref | Area of Assurance | Gap Identified | Agreed Action | Responsible Officer | Timescale | Risk of Gap 2012/13 |
|---|---|---|---|---|---|---|
| 3.35 New | Policies and procedures meet the requirements of national standards, rules, definitions and guidance, for example the Freedom of Information Act and Data Protection Act. The Council periodically reviews and updates these as necessary. The Council can demonstrate it applies policies and procedures consistently and there are mechanisms in place to check this based on risk. | Currently no monitoring or compliance testing of policies. | Policy compliance software to be purchased in 2012 which will monitor and test policy compliance.  **Current position:** Software identified and costed (£20k + implementation costs). Hope to secure capital funding. Negotiating project details and costs of implementation with CAPITA (as a BTP project). | Information Manager | In place by April 2013 | R |
| 3.36 New | Senior management receives the results of these reviews and take corrective action where necessary. The council complies with data protection legislation and other relevant requirements, without creating unnecessary barriers to sharing data legitimately with partners. | Lack of robust reporting mechanisms to senior management. | Risk approach to Information Management/Data security to be reviewed in 2012/13 (this will include more robust reporting mechanisms to senior management)  **Current position:** Planned structure (see below) will improve reporting. | Information Manager | January 2013 | G |

# 2011/12 AGS Action Plan

## Proposed Information Risk Management/Security Reporting Structure
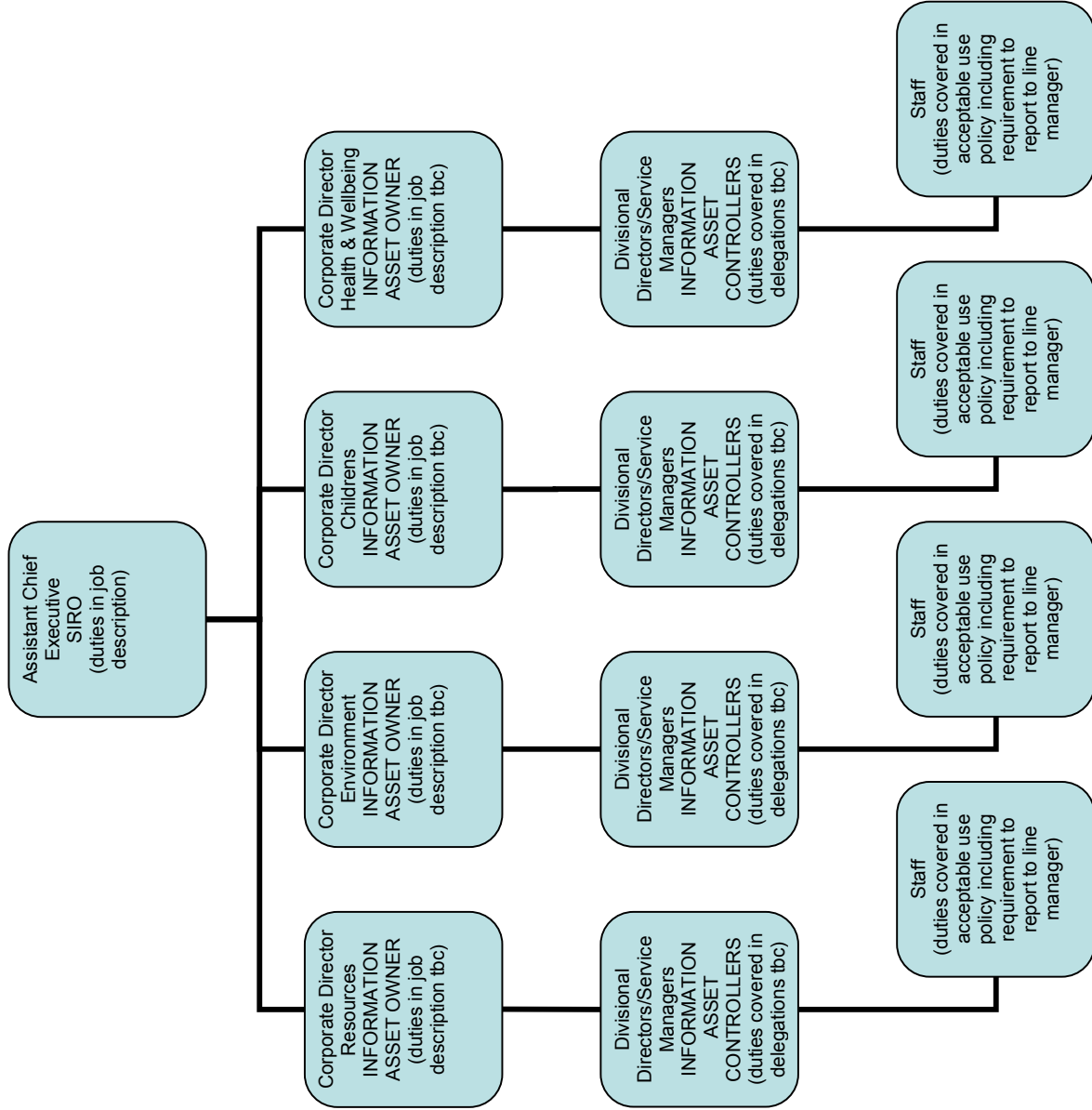
Information Asset Owners (IAOs) are supported by Information Asset Controllers (IAC), who are responsible for managing risks to information assets within their respective directorate. The IAOs are responsible for ensuring that information risk is managed appropriately and for providing assurances to the Information Governance Board (IGB) and the Senior Information Risk Owner (SIRO). The SIRO in turn provides assurances on the controls and procedures for managing Information to the Chief Executive.

The aim is to ensure that the approach to information risk management:

- Takes full advantage of existing authority and responsibility structures where these are fit for this purpose;

- Associates tasks with appropriate management levels;

- Avoids unnecessary impacts on day-to-day business;

- Ensures that all the necessary activities are discharged in an efficient, effective, accountable and visible manner.

Whilst this is the proposed structure individual directorates may find it more appropriate to allocate the role of IAO to another senior officer such as a Divisional Director.



Assistant Chief Executive SIRO (duties in job description)

Corporate Director Resources INFORMATION ASSET OWNER (duties in job description tbc)

Corporate Director Environment INFORMATION ASSET OWNER (duties in job description tbc)

Corporate Director Childrens INFORMATION ASSET OWNER (duties in job description tbc)

Corporate Director Health & Wellbeing INFORMATION ASSET OWNER (duties in job description tbc)

Divisional Directors/Service Managers INFORMATION ASSET CONTROLLERS (duties covered in delegations tbc)

Divisional Directors/Service Managers INFORMATION ASSET CONTROLLERS (duties covered in delegations tbc)

Divisional Directors/Service Managers INFORMATION ASSET CONTROLLERS (duties covered in delegations tbc)

Divisional Directors/Service Managers INFORMATION ASSET CONTROLLERS (duties covered in delegations tbc)

Staff (duties covered in acceptable use policy including requirement to report to line manager)

Staff (duties covered in acceptable use policy including requirement to report to line manager)

Staff (duties covered in acceptable use policy including requirement to report to line manager)

Staff (duties covered in acceptable use policy including requirement to report to line manager)

# 2011/12 AGS Action Plan

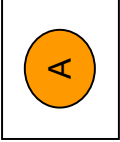| AGS Ref | Area of Assurance | Gap Identified | Agreed Action | Responsible Officer | Timescale | Risk of Gap 2012/13 |
|---|---|---|---|---|---|---|
| 3.37 c/f | The council manages information risk effectively. Arrangements meet the requirements expected in government including having a capable Senior Information Risk Owner (SIRO). The council complies with the requirements set out in any relevant codes of connection for services it has in place, for example the Government Secure Intranet / Government Connect. | The Council has complied with the Governments Code of Connection and was formally certified on 1st Sept 09 and updated 29/07/11. However CAFT moved 01/08/11 to open plan office that does not, in the opinion of the CAFT Service Manager and the Information Management Service Manager comply with the relevant code of connection: **All hosts and network equipment are to be located in secure accommodation.**<br><br>The latest compliance statement for GCSX submitted in July 2012 stated:<br>All hosts and networking equipment are located in locked secure accomodation.<br><br>In addition: GCSx users are restricted to defined areas at two physical locations (Civic1 and Civic 6 buildings) at Harrow Council. Their access to the GCSx system is controlled via firewall rules.<br><br>There remains a risk that the open plan nature of the accommodation will not be deemed suitably secure should we be audited plus the London Public Sector Network regulations coming in 2013/14 are more rigorous. | **Current Position:**<br>Harrow Council has been Authorised to remain connected to GCSX. However, following review of our Code of Connection (CoCo) documents, some non-compliance issues were identified. As a result, we have been asked to provide updates to the following on a quarterly basis (end of March, June, September & December) to the Compliance Team, PSNA:<br>1. IT Health Check remedial action plan (if there were Critical or High risks identified).<br>2. CoCo - MUST/RECOMMENDED controls where you were unable to state as 'Yes' to compliance.<br><br>Key issues include the security required for remote access and environment controls including patching and device lockdown.<br><br>The risk re the open plan accommodation is only part of the compliance requirements according to the Architecture & Security Assurance Manager but is considered to be high risk by the CAFT Manager.<br><br>**Action:**<br>Quarterly updates to be provided to the Compliance Team , PSNA<br><br>Continue to work towards closing gaps identified in the CoCo & IT Health Check.<br><br>To explore use of glass screening for CAFT with Property Services. | Head of Business transformation Partnership<br><br>Divisional Director RAF/CAFT Manager | Through out 2012/13<br><br>Nov 2012 | R |

# 2011/12 AGS Action Plan

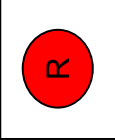| AGS Ref | Area of Assurance | Gap Identified | Agreed Action | Responsible Officer | Timescale | Risk of Gap 2012/13 |
|---|---|---|---|---|---|---|
| 3.38 c/f | The council incorporates good practice standards and specified public sector policies on data and information security into its own policies and procedures. For example, ISO27001 and relevant Codes of Connection for the NHS Network (N3) and Government Secure Intranet and Government Connect. | When Capita took over the ITO a full suite of policies was implemented by the Capita ICT Security Manager that meet ISO Standards.<br><br>Whilst the Council has a full suite of Information Management Policies in place these need to be reviewed and updated. | **Current position:**<br>Full suite of Information Policies currently being reviewed by Information Manager/Information Governance Board. | Information Manager | January 2013 | G |
| 3.39 New | The council can demonstrate it is reducing the number, severity, or both, of security incidents as well as feeding lessons from incidents into information security policies and practice. | A security incident log is now in place and is monitored by Council's Client Team. Polices and procedures have also been improved through reviews improvement conducted by the client team i.e. Incident reporting and management procedure. However, the Council can only capture what is reported as a breach or incident and there may be many more out there un-reported. | An awareness campaign on security incidents and reporting of will be launched soon. | Information Manager | January 2013 | G |

# 2011/12 AGS Action Plan

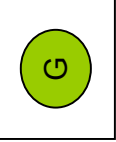| AGS Ref | Area of Assurance | Gap Identified | Agreed Action | Responsible Officer | Timescale | Risk of Gap 2012/13 |
|---|---|---|---|---|---|---|
| 13.11 c/f | Joint workforce planning. | Although there is an integrated Children's Workforce Strategy and joint induction arrangements for those working with children across local partners this does not exist to any significant extent in other Directorates.<br><br>Workforce strategies and plans continue to be developed but are not yet in place in all Directorates. Where appropriate Directorate workforce strategies / plans include joint planning with partners | This has been identified in the Strategy for People 2010-2012 as an action for 2011 therefore no further action is needed here.<br><br>**Current position:**<br>Workforce Strategies are now in place for all Directorates with the exception of Resources which is currently being developed (although strategies are in place for number of Divisions within the Directorate) and where relevant partners are identified. | Jon Turner | Dec 2012 | G |

# 2011/12 AGS Action Plan

| AGS Ref | Area of Assurance | Gap Identified | Agreed Action | Responsible Officer | Timescale | Risk of Gap 2012/13 |
|---|---|---|---|---|---|---|
| GF7 c/f | Making sure that an effective risk management system is in operation | **A significant gap** relates to IT Disaster Recovery which was recognised as a significant governance gap in the 2008/09 Annual Governance Statement and remained a gap throughout 2009/10, 2010/11 and 2011/12.<br><br>There are arrangements in place to meet this requirement however the main project to support this is the migration of the council's IT applications to the Capita West Malling site, which was due to commence in September 2011 on a phased programme to be completed in April 2012. This programme has been delayed as the Council is considering keeping the data centre on-site in order to deliver a cost saving. Given the delay this necessitates a plan is now being put together to test disaster recovery of the systems as they stand.<br><br>There is a continuing risk until this project is complete although the wider business continuity plan takes this into account and the risk is no greater than it has been historically over a number of years. | A disaster recovery plan is now being put together for the main systems; SAP, Framework I + Telephony and a test will be carried out mid December. | Head of IT Client Team | End December 2012 (reliant on CAPITA) | A |

# 2011/12 AGS Action Plan

| AGS Ref | Area of Assurance | Gap Identified | Agreed Action | Responsible Officer | Timescale | Risk of Gap 2012/13 |
|---|---|---|---|---|---|---|
| OGF8 c/f | Making sure that an effective risk management system is in operation | Health & Safety<br><br>Management Assurance Exercise identified that Health & Safety not working well across all areas of the Council.<br><br>A comprehensive review of H&S has been carried out and a new restructure and a two year improvement plan is commenced in 2011/12. | Progress made i.e. audit tool rolled out, but will not be fully implemented until 2013 as it is a two year plan. | Divisional Director Risk, Audit & Fraud | April 2013 | R |

# 2011/12 AGS Action Plan

| AGS Ref | Area of Assurance | Gap Identified | Agreed Action | Responsible Officer | Timescale | Risk of Gap 2012/13 |
|---|---|---|---|---|---|---|
| 3.42 c/f | The council engages with its staff and gains their commitment to, and ownership of, the council's approach to reducing its impact on the environment | Although a well publicised Energy Saving Campaign was run in 2008/09 it is recognised that a more pro-active engagement with staff is needed.<br><br>Reduced staffing levels and a freeze on recruitment during 2010/11 have meant that it has not been possible to devise a pro-active engagement programme on the Council's approach to reducing its impact. | 2010/11 AGS agreed action : To devise a pro-active engagement programme on the council's approach to reducing its impact on the environment.<br><br>Not implemented during 2011/12 due to lack of resources and this is not expected to change in the near future.<br><br>Whilst the Council will continue to engage with staff on individual campaigns it is recognised that it will not be possible to undertake an extensive pro-active engagement programme. Whilst not ideal this is not considered to be a significant governance risk. | Head of Climate Change | n/a | G |
| 16.5 New | External Audit | This **significant gap** relates to the lack of separation in the Council's main accounting system between the Council's financial records and those of the West London Waste Authority (WLWA) and the fact that, whilst the WLWA is a separate legal entity, a separate bank account is not in operation. Although the account has been operating in this way for many years a number of issues arose during the course of the audit, that the External Auditors and the Council's Corporate Finance team have worked together to resolve, which highlighted the risks of no separate bank account. | Action will be agreed as part of the 2011/12 AGS Action Plan to ensure that this situation does not re-occur in the future.<br><br>**Current position:**<br>A new treasurer for WLWA is about to be appointed and a decision taken as to whether the Finance back office will transfer to another authority under the new treasurer.  It will be for the new treasurer to determine the appropriate action to be taken however if Harrow are no longer involved in WLWA finance this will cease to be a governance issue for Harrow. | Treasurer WLWA/Treasury Management | New treasurer to be agreed by end Dec 2012 | G |

# 2011/12 AGS Action Plan

| AGS Ref | Area of Assurance | Gap Identified | Agreed Action | Responsible Officer | Timescale | Risk of Gap 2012/13 |
|---------|-------------------|----------------|---------------|---------------------|-----------|---------------------|
| 16.6 New | External Audit | Ledger codes for Academy schools that are no longer 'closed' council assets were 'closed' and removed from the chart of accounts without the required approval. Hence income and expenditure was omitted from the draft financial statements. | Management will review the approval processes in place. We will write to all finance staff and the ERP team to reinforce the importance of this control.<br><br>IA – This should be included in a Financial Procedure linked to Financial Regulations.<br><br>**Current position:**<br>Review complete and responsibility for authorising action agreed and communicated to relevant staff. (Evidenced)<br><br>Formal Financial Procedure to be drafted. | Finance Business Partner, Financial Accounting, Capital & Taxation | Dec 2012 | G |

This page is intentionally left blank

**REPORT FOR:** GOVERNANCE, AUDIT AND RISK MANAGEMENT COMMITTEE

| | |
|---|---|
| **Date of Meeting:** | 29 November 2012 |
| **Subject:** | **INFORMATION REPORT –** **Internal Audit Mid-Year Report 2012/13** |
| **Responsible Officer:** | Tom Whiting, Assistant Chief Executive |
| **Exempt:** | Appendix 4 to the report is an exempt report. This report has been excluded from public inspection under paragraphs 1 and 7 of part 1 of schedule 12A to the Local Government Act 1972 (as amended) as it contains information relating to individuals and information relating to actions taken in connection with the prevention, investigation and prosecution of crime.). |
| **Enclosures:** | Appendix 1 – Internal Audit Mid Year Report 2012/13 Appendix 2 – Core Financial Systems Report Appendix 3 – Reports issued in Q1&2 2012/13 Appendix 4 - Suspected Financial Irregularities (Exempt) |

## Section 1 – Summary

This report sets out progress against the 2012/13 Internal Audit plan and key issues arising from work undertaken.

**FOR INFORMATION**

HarrowCOUNCIL
LONDON

# Section 2 – Report

**Background**

2.1. Annually the GARM Committee considers a mid and full year Internal Audit Report covering progress against the internal audit plan. This is the mid year report for 2012/13 (Appendix 1) and includes a report of the review of the authority's Core Financial Systems (Appendix 2) and a report detailing the reports issued in quarter 1 & 2 (Appendix 3) and a report on Suspected Financial Irregularities (Appendix 4) .

2.2 Overall, the Internal Audit team have started work on 27 projects (49%) of the annual audit plan for 2012/13 as at the mid-year point of 30/09/12. 100% of the planned key control reviews relied upon by the council's External Auditors have been completed along with the work on the 2011/12 Management Assurance and the annual review of governance and the Annual Governance Statement. Of the 27 projects started, 9 (33%) have been completed/finalised, 2 (7%) have been completed to draft report stage, 15 (56%) are contributions to projects/groups or advice that will run throughout the year e.g. working groups and a further 1 (4%) project is in progress.

2.3 In the first quarter of every financial year the work of the Internal Audit team concentrates on the authority's core financial systems. The systems are reviewed on a 3 year risk based cycle. 4 of the 9 systems were reviewed in the first quarter of 2012/13. In addition, to satisfy the requirements of the External Auditors, managers were asked to review and update systems documentation, Internal Audit undertook walkthrough tests to confirm the actual system in operation for all core financial systems and control self-assessments were obtained for the 5 of the systems not reviewed. Out of a total of 92 controls reviewed, 56 (61%) were fully operating, 14 (15%) were substantially operating, 19 (21%) were partially operating and 3 (3%) were not operating. See detailed report Appendix 2.

2.4 The mid-year position shows that overall the team have achieved 486 productive days which exceeds the target of 457 by 29 days.

2.5 100% of the Internal Audit performance targets were met or exceeded including the key indicator of achievement against plan however 2 of the 3 Corporate Audit Indicators have not been met.

2.6 During the first half of 2012/13 a total of 165 recommendations have been followed up of which 127 have been implemented, 31 were partially implemented/in the process of being implemented, 2 were planned for implementation, 3 although originally agreed by management were not implemented and 2 that were no longer applicable. This represents a 77% implementation (of recommendations still applicable) with a further 20% in progress or planned at the time of follow-up thus it is expected that in due course 97% will be implemented. There were 12 high risk

recommendations still only partially implemented or in progress and 1 high risk recommendation that had not been implemented.

## Section 3 – Further Information

3.1 The next report on the performance of the Internal Audit team will be the 2012/13 Year-End Report to be submitted to GARM Committee in June 2013.

## Section 4 – Financial Implications

4.1 There are no financial implications to this report.

## Section 5 - Equalities implications

5.1 There are no equalities implications.

## Section 6 – Corporate Priorities

6.1 Internal Audit contributes to all the corporate priorities by enhancing the robustness of the control environment and governance mechanisms that directly or indirectly support these priorities.

| | | On behalf of |
|---|---|---|
| Name: Steve Tingle | √ | Chief Financial Officer |
| Date: 16/11/12 | | |

## Section 7 - Contact Details and Background Papers

**Contact:** Susan Dixson, Service Manager, Internal Audit, Tel: 0208 424 1420

**Background Papers:** None

This page is intentionally left blank

**INTERNAL AUDIT 2012/13 MID-YEAR REPORT**

**Progress against the 2012/13 plan**

1. Overall, the Internal Audit team have started work on 27 projects (49%) of the annual audit plan for 2012/13 as at the mid-year point of 30/09/12. 100% of the planned key control reviews relied upon by the council's External Auditors have been completed along with the work on the 2011/12 Management Assurance and the annual review of governance and the Annual Governance Statement.  Of the 27 projects started, 9 (33%) have been completed/finalised, 2 (7%) have been completed to draft report stage, 15 (56%) are contributions to projects/groups or advice that will run throughout the year e.g. working groups and a further 1 (4%) project is in progress.

2. In addition to this 157 days have been spent on projects carried forward from 2011/12 (representing 32% of the teams total productive time for the first half of the year), 36 days have been spent on investigating suspected financial irregularities (61% of the annual allocation), 46 days have been spent on providing professional advice on internal control and risk mitigation (76% of the annual allocation) and 13 days have been spent on standard follow-ups of audit recommendations (33% of the annual allocation).

3. During the first half of 2012/13 a total of 165 recommendations have been followed up of which 127 have been implemented, 31 were partially implemented/in the process of being implemented, 2 was planned for implementation, 3, although originally agreed by management were not implemented and 2 were no longer applicable. This represents a 77% implementation (of recommendations still applicable) with a further 20% in progress or planned at the time of follow-up thus it is expected that in due course 97% will be implemented.  There were 12 high risk recommendations still only partially implemented or in progress and 1 high risk recommendation that had not been implemented.

**Emerging Risks**

4. Emerging risks are areas of risk arising during the year that were not apparent at the time of the annual planning process but that are considered significant enough by management/internal audit to warrant audit input. Emerging risk areas identified so far this year include:

   - FB60 Payments – payments made through the SAP system without raising a purchase order.  Internal Audit worked with the Procurement Team to reduce the number of payments being made in this way and incorporated a review of the controls in place into the core financial systems review of the corporate accounts payable system.

   - Adults Vehicle Hire - concern was raised regarding the cost effectiveness of particular use of ad hoc hire arrangements.  A review of the actual costs incurred confirmed that they were in fact cost effective.

5. In total 19 days have been spent on emerging risk areas in the first half of the year equating to 4**%** of the team's total productive time.
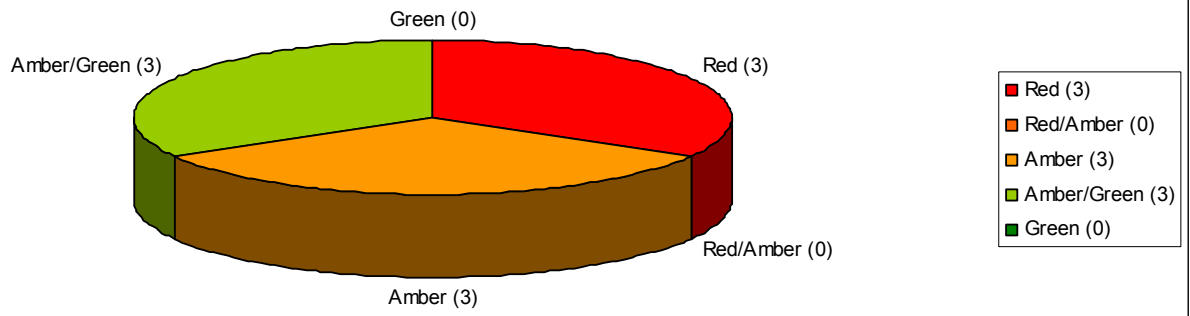
**Work undertaken 01/04/12 – 30/09/12**

6.  In the first quarter of every financial year the work of the Internal Audit team concentrates on the authority's core financial systems. The systems are reviewed on a 3 year risk based cycle. 4 of the 9 systems were reviewed in the first quarter of 2012/13. In addition, to satisfy the requirements of the External Auditors, managers were asked to review and update systems documentation, Internal Audit undertook walkthrough tests to confirm the actual system in operation for all core financial systems and control self-assessments were obtained for the 5 of the systems not reviewed. Out of a total of 92 controls reviewed, 56 (61%) were fully operating, 14 (15%) was substantially operating, 19 (21%) were partially operating and 3 (3%) were not operating. See detailed report Appendix 2.

7.  Other work undertaken annually in the first quarter includes the completion of reviews from the previous years plan, the completion of the annual Management Assurance exercise and the annual governance review feeding into the authority's Annual Governance Statement (AGS). Both of these were successfully completed with the results already reported to the GARM committee.

8.  A total of 8 final and draft reports were issued in the first half of the year and the following graph provides an overview of the assurance ratings of these reviews:
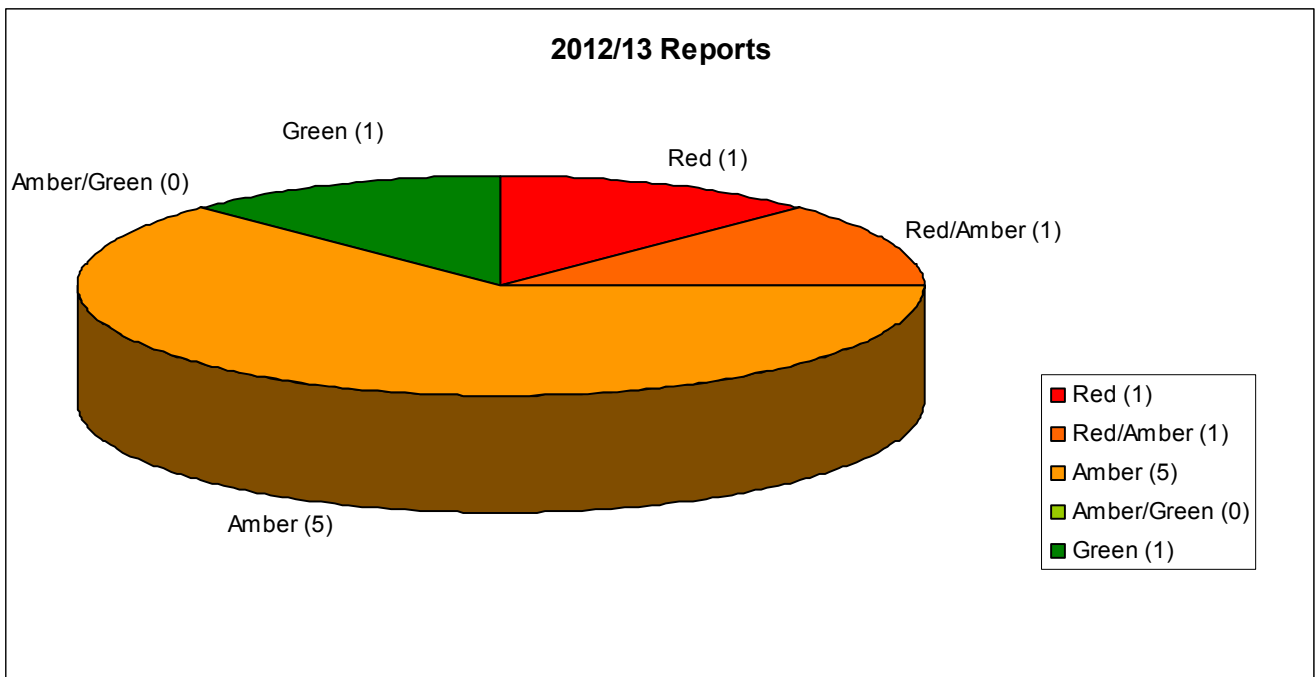


9.  Appendix 3 details all the final reports, draft reports and follow ups issued in Q1 &2 for 2012/13.

10. 9 follow-ups were completed in the first half of the year and the graphs below illustrate the original and re-assessed assurance ratings:

# 2012/13 Follow Ups Original Traffic Light Rating

Green (0)

Amber/Green (3)

Red (3)

Red/Amber (0)

Amber (3)

- Red (3)
- Red/Amber (0)
- Amber (3)
- Amber/Green (3)
- Green (0)

# 2012/13 Follow Ups Re-Assessed Traffic Light Rating

Red (1)

Red /Amber (0)

Amber (1)

Amber/Green (0)

Green (7)

- Red (1)
- Red /Amber (0)
- Amber (1)
- Amber/Green (0)
- Green (7)
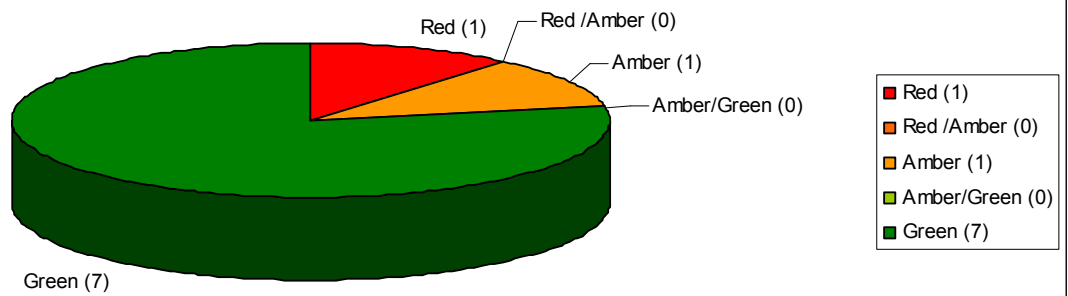
11. Internal Audit have been involved in the following ongoing projects/groups:

- Corporate Governance Group – chaired by the Monitoring Officer and responsible for the annual review of governance feeding into the Annual Governance Statement. There were 3 meetings of the Corporate Governance Group in the first half of the year. Considerable work has been undertaken outside of the meetings by Internal Audit to collect and assess evidence to support the annual review of governance and to prepare a draft Annual Governance Statement for the Corporate Governance Group consideration. 34 days have been spent on this work 85% of the annual allocation (the majority of the work is undertaken in the first half of the year).

- Corporate Strategic Risk Group – set up to assist the Council in embedding and enhancing the risk management process to ensure that risks are actively managed so that the council can achieve its objectives, take advantage of opportunities and serve Harrow's community better. Service Manager, Internal Audit attends quarterly meetings.

- Information Governance Board – Internal audit attends and contributes to the Information Governance Board. There have been 2 meetings of this group.

- IT Working Group – Internal Audit attends monthly meetings to provide control and risk advice on new and on-going IT projects.

- Shop4Suport – Internal audit attend 2 working group meetings every month to provide ongoing control and risk advice for this project.

**Productivity**

12. The days available to implement the internal audit annual plan are based on an estimation of the team's productive time. To enable this estimation to be made, and to feed into performance indictor 3 (see section below), each auditor is required to record a breakdown of their time spent each day. Each element of productive time (i.e. every project/element of the annual plan plus any additions e.g. emerging risks) and each element of non-productive time (e.g. annual leave, training, audit management) is allocated a unique code and time is recorded against each code.

13. The 2012/13 annual plan was estimated to require 874 productive days from the internal audit team to complete plus 40 days for WLWA, i.e. 914 days in total. This is based on an expectation of between 186 – 196 productive days per auditor and 150 productive days for the Service Manager.

14. The mid-year position shows that overall the team have achieved 486 productive days which exceeds the target of 457 by 29 days.

**Performance Indicators**

15. Table 1 below outlines the three corporate audit indicators and table 2 the seven Internal Audit indicators agreed for the year, including the key indicator covering achievement of the IA annual plan and the results achieved. These indicators cover performance on projects

from the 2011/12 plan and the 2012/13 plan issued in the first half of the year (i.e. up to 30/09/12).

**Table 1 – Corporate Audit Indicators Results**

| | Indicator | Target | Mid Year Results |
|---|---|---|---|
| 1 | Implementation of recommendations | 90% | 77% (expected to be 97%) |
| 2 | Auditee response times to draft reports within 3 weeks | 80% | 0% |
| 3 | Auditee response times to follow ups within 2 weeks | 80% | 10% |

**Analysis of Results**

16. As detailed in paragraph 3 of those recommendations where follow-up has been completed a total of 127 have been implemented, 31 were partially implemented/in the process of being implemented, 2 were planned for implementation, and 3, although originally agreed by management were not implemented. This represents a 77% implementation (of recommendations still applicable) with a further 20% in progress or planned at the time of follow-up thus it is expected that in due course 97% will be implemented.

17. Auditee response times were introduced as corporate audit indicators during 2011/12 and reported for the first time in the 2011/12 year-end report although the timescales for auditee responses have been in use for many years.  The results reported in the 2011/12 year-end report, whilst not meeting the target of 80% (47% and 72% respectively), were significantly better than the results reported above for the 2012/13 mid-year position.  This is in part due to the smaller number of draft reports and follow-ups the percentages are based on. Although the delayed responses does create extra work for the Internal Audit team in chasing colleagues on a positive note we have received a response to all draft reports and follow-ups issued in the first half of the year.

18. For the second half the year consideration will be given to how to raise the profile of this indicator e.g. through the Improvement Board process; whether the requested response times need to be more realistic (the average auditee response time to draft reports is 8 weeks and to follow-ups is 7 weeks) and whether the target should be lowered to a more achievable level in the short-term.

**Table 2 – Internal Audit Performance Indicator Results**

| | Indicator | Target | Mid Year Results |
|---|---|---|---|
| 1. | Recommendations agreed for implementation | 95% | 99% |
| 2. | Final reports issued on/ahead of time | 85% | 100% |
| 3. | Projects completed within budgeted time allowance | 85% | 100% |
| 4. | Target met for issue of draft report after end of fieldwork | 85% | 100% |
| 5. | Follow-up undertaken | 100% | 100% |
| 6. | Plan achieved for Key Control reviews | 100% | 100% |
| 7. | Plan achieved overall (Key indicator) | 45% | 49% |

**Analysis of Results**

19. 5 (71%) performance targets have been exceeded and 2 (29%) have been fully met i.e overall 100% of the performance targets have been met or exceeded.

20. Performance Indicator 7 reflects the work undertaken against the plan in the first half of the year including some individual projects that have been started but not completed and work on particular areas e.g. suspected financial irregularities and follow-up, where more than half of the annual allocation has been used i.e. more work than expected has been undertaken. However this indicator does not fully reflect all the work undertaken by the Internal Audit Team which also includes work on projects carried forward from 2011/12 and work on emerging risks.

Susan Dixson
Service Manager, Internal Auditor
October 2012

**AUDIT OF CORE FINANCIAL SYSTEMS 2011/2012**
**(Undertaken as part of the 2012/13 Audit Plan)**

**Introduction**

1    A key control review was undertaken on the following systems as part of the agreed approach to the audit of the Authority's core financial systems for the financial year 2011/2012:

- Housing Rents
- Accounts Payable
- Accounts Receivable
- Capital Programme

2    Control self-assessments were obtained from the relevant managers for the following core financial systems:

- Housing Benefits
- NDR
- Council Tax
- Payroll
- Treasury Management

3    In addition, to satisfy the requirements of the External Auditors, managers were asked to review and update systems documentation, Internal Audit undertook walkthrough tests to confirm the actual system in operation for all core financial systems and control self-assessments were obtained for the 5 systems not reviewed.

4    The testing strategy used for the reviews was based on CIPFA Control Matrices and also agreed with the external auditors for reliance purposes. A minimum sample size of 24 (2 transactions per month) was used from 2011/2012 financial records for the full reviews to confirm the application of key controls and a minimum of 3 transactions were used for walkthrough testing.

**Audit Opinion**

5    Overall out of a total of 19 key controls reviewed, 14 (74%) were fully operating, 3 (16%) were substantially operating and 2 (10%) were partially operating. In total 4 recommendations were made, which were all medium risk. All 4 recommendations have been agreed for implementation.

**Full Key Control Reviews**

6    The position for each system reviewed is shown below:

| SYSTEM | NUMBER OF CONTROLS | FULLY OPERATING | SUBSTANTIALLY OPERATING | PARTIALLY OPERATING | NOT OPERATING | OVERALL RATING[1] |
|---|---|---|---|---|---|---|
| Housing Rents | 9 | 6 | 2 | 1 | 0 | 89% |
| Accounts | 14 | 11 | 0 | 3 | 0 | 89% |

---

[1] Operating controls given a weighting of 2 and partially operating controls given a weighting of 1

| | | | | | | |
|---|---|---|---|---|---|---|
| Receivable | | | | | | |
| Accounts Payable | 9 | 5 | 2 | 2 | 0 | 83% |
| Capital Programme | 60 | 34 | 10 | 13 | 3 | 80% |
| **Overall** | 92 | 56 | 14 | 19 | 3 | 83% |

7    For the Housing Rents system overall, 6 (67%) of the key controls were operating effectively, 2 (22%) were substantially operating with a further 1 (11%) partially operating. Each of the 9 key controls is made up of a number of individual elements that were each tested. Eight recommendations have been made to address the weaknesses identified, 3 have been rated as medium risk and 5 as low risk.

8    For the Accounts Receivable system overall, 79% (11) of the controls were operating effectively, with a further 21% (3) partially operating. Although these percentages indicate an amber/green assurance, the report has been rated as amber assurance due to the 4 high risk recommendations.  Each of the 14 key controls is made up of a number of individual elements that were each tested.  Seven recommendations have been made to address the weaknesses identified, 4 have been rated as high risk with a further 3 rated as medium risk.

9    For the Accounts Payable system overall, 70% of the elements of the controls were operating effectively, with a further 18% substantially operating and 12% partially operating.  Although these percentages indicate a green assurance, the report has been rated as amber/green assurance due to the 2 high risk recommendations.  Each of the 9 key controls is made up of a number of individual elements that were each tested.  Nine recommendations have been made to address the weaknesses identified.  Two recommendations have been rated as high risk, and 7 are medium risk.  Some extra work on one-time vendor payments has been included in this review and a further 3 recommendations have been made to address the issues identified.  Two of these recommendations have been rated as high risk and one as medium risk.

10   For the Capital Programme system overall 57% of the expected controls were found to be in place and operating effectively, 16% were substantially operating, 22% were partially in place with a further 5% not operating.  Although these percentages indicate an amber/green assurance, due to the 4 high risk recommendations and the number of recommendations made, the report has been rated as amber assurance.  Twenty-one recommendations have been made to address the weaknesses identified, 4 were rated as high risk and 16 were rated as medium risk and 1 was low risk.   Monitoring and Reporting and the Use of Project Management were highlighted as particular areas of strength.  The most significant weaknesses relate to the fact that although assurances have been given that capital transaction testing for 2011/12 was carried out for the first 3 quarters of the year, this could not be evidenced due to the fact that the relevant file could not be located and the officer involved has left the authority; similarly detailed testing on virements could not be undertaken for the same reason.  Other significant weaknesses relate to the fact that a risk assessment is not carried out for the overall capital programme; there is no protocol in place regarding notifying Finance on completion of a project that all purchase order and commitments have been goods receipted and invoice received, including final retention payments; and capital expenditure is not currently profiled across quarters.

Susan Dixson
Service Manager, Internal Audit

This page is intentionally left blank

**INTERNAL AUDIT REPORTS ISSUED IN Q1 & 2 - 2012/13**

1.  The following reviews were finalised in quarter 1/quarter 2 of 2012/13:

| REPORT/ASSURANCE RATING | ISSUE DATE | SUMMARY OF CONTROLS OPERATING |
|---|---|---|
| Petty Cash -Vaughan Primary School<br><br>Assurance Rating = Amber | 02.04.12 | Overall 65% of the expected controls were found to be in place and operating effectively 12% was substantially operating with a further 23% partially operating. Although percentages indicate an assurance ranking of Amber/Green, due to 2 high recommendations this has been reduced to Amber. All 6 recommendations have been agreed for implementation. |
| Petty Cash – Stanburn First School<br><br>Assurance Rating = Amber | 30.04.12 | Overall 65% of the expected controls were found to be in place and operating effectively, 12% were substantially operating with a further 23% partially in place. Although this indicates an amber/green ranking, an assurance rating of amber has been given as 2 high recommendations have been made. All 5 recommendations have been agreed for action. |
| Children's Centres Income Collection & Banking<br><br>Assurance Rating = Red | 22.08.12 | Overall 24% of the expected controls were found to be in place and operating effectively, 7% were substantially operating, 59% were partially in place with a further 10% not operating. All 18 recommendations have been agreed for implementation. |
| Energy Bills<br><br>Assurance Rating = Amber | 24.08.12 | Five recommendations have been made to address the weaknesses identified, 1 was rated as high risk and 4 were rated as medium risk. From the sample of 312 (128 by the Climate Change Team and 184 by Internal Audit) energy bills inspected there was no evidence that the authority are paying 2 different suppliers for the same sites. 3 duplicate payments (1.5% of the sample) were identified totalling £1,449.88, of which 2 are within Children's and 1 is within Adults. The cause of the duplications was due to the invoice being paid against 2 suppliers for Southern Electric.<br>A total of 4 out of 5 recommendations have been agreed for implementation. One recommendation has not been agreed which relates to Procurement obtaining evidence to support their findings as well as using report from a system. This recommendation was made as had Procurement obtained evidence to support their report they would have identified there was no major concern in relation to Energy Bill duplicate payments. As this recommendation has not been accepted there remains a risk going forward that this situation reoccur causing unnecessary work for other areas. |

2.  The following draft reports were also issued in quarter 1/quarter 2 of 2012/13

| REPORT/ASSURANCE RATING | ISSUE DATE | SUMMARY OF CONTROLS OPERATING |
|---|---|---|
| Housing Rents Key Control Review<br><br>Assurance Rating = Green | 31.07.12 | Overall, 6 (67%) of the key controls were operating effectively, 2 (22%) were substantially operating with a further 1 (11%) partially operating. Each of the 9 key controls is made up of a number of individual elements that were each tested. |
| Debtors Key Control Review<br><br>Assurance Rating = Amber | 31.07.12 | Overall, 79% (11) of the controls were operating effectively, with a further 21% (3) partially operating. Although these percentages indicate an amber/green assurance, the report has been rated as amber assurance due to the 4 high risk recommendations. Each of the 14 key controls is made up of a number of individual elements that were each tested. |
| Contract Monitoring – Community & Environment<br><br>Assurance Rating = Red/Amber | 17.09.12 | Overall 49% of the expected controls were found to be in place and operating effectively, 2% were substantially operating, 44% were partially in place with a further 5% not operating. 17 recommendations have been made to address the weaknesses identified, 6 were rated as high risk and 10 were rated as medium risk and 1 was rated as low risk.  The assurance rating of red/amber reflects the wider range of control weaknesses across all processes when looking at the overall system.  The individual service reports are all rated as either amber or amber/green. |
| Capital Expenditure Programme<br><br>Assurance Rating = Amber | 19.09.12 | Overall 57% of the expected controls were found to be in place and operating effectively, 16% were substantially operating, 22% were partially in place with a further 5% not operating.  Although these percentages indicate an amber/green assurance, due to the 4 high risk recommendations and the number of recommendations made, the report has been rated as amber assurance. |

3.    The following follow up reports were in issued in quarter1/quarter 2 of 2012/13

| REPORT | DATE OF FOLLOW UP MEMO | CONCLUSION |
| --- | --- | --- |
| Grants to Voluntary Organisations – Follow-up<br><br>Original assurance rating = Red<br><br>Re-assessed assurance rating - Amber | 04.04.12 | It was established that the action agreed to address 20 of the 32 recommendations has been fully implemented and evidence was obtained to support this. It was established that 10 of the remaining 12 agreed actions have been partially implemented.<br>Follow up has established that it is now an amber report with 66% of expected controls now operating effectively, 4% substantially operating, and a further 28% partially in place (it has been assumed that the controls that were originally operating are still operating effectively during follow up and these have not been re-tested). The 30% of controls partially and not operating reflect the 12 recommendations yet to be fully implemented.<br>The level of implementation made to date is not acceptable due to the 12 recommendations which have not been fully implemented, in accordance with the original action plan received, these have now exceeded the implementation dates.<br>As an Amber assurance rating has now been given there will not be a further follow up by Internal Audit, however management should ensure that they monitor the progress of the 12 recommendations still to be fully implemented. |
| Customer Service Standards – Follow-up (Corporate Review)<br><br>Original assurance rating = Amber<br><br>Re-assessed assurance rating – Green | 12.04.12 | This was a corporate review and a report was issued with 13 recommendations made at a corporate level. These recommendations are to be rolled out to the whole authority. A sample of 10 service areas/teams were chosen to establish their level of customer service standards and individual reports were also issued and a total of 44 recommendations were made.<br>It was established that all 13 recommendations made at a corporate level were implemented and evidence was obtained to support                                                                 this.<br>It was further established that of the action agreed across the 10 teams, 73% of recommendations made has been fully implemented and evidence was obtained to support this. It was further established that 18% are partially/in the process of being implemented, 2% are planned for implementation, 2% have not been implemented and 5% are no longer  applicable.<br>Follow up has established that for the overall corporate report it is now a Green report with 100% of the overall expected controls now operating effectively. (It has been assumed that the controls that were originally operating are still operating effectively during follow up and these have not been re-tested). |

| REPORT | DATE OF FOLLOW UP MEMO | CONCLUSION |
|---|---|---|
| CCTV – Canon Lane Junior School – Follow-up<br><br>Original assurance rating = Amber/green<br><br>Re-assessed assurance rating - Green | 20.04.12 | It was established that the action agreed to address 3 of the 6 recommendations has been fully implemented and evidence was obtained to support this. It was identified that 1 of the remaining 3 agreed actions has been partially implemented. This relates to the updated CCTV policy which does not contain the retention period of images which was suggested by Internal Audit. Two recommendations are in the process of implementation. These relate to training being undertaken by staff once the CCTV policy has been approved and the school appointing an external service provider to carry out annual maintenance work on the CCTV system.<br>Follow up has established that it is now a green report with 89% of the controls operating (it has been assumed that the controls that were originally operating are still operating effectively during follow up and these have not been re-tested). |
| Contract Management – Highways Contract – Follow-up<br><br>Original assurance rating = Amber/green<br><br>Re-assessed assurance rating - Green | 29.06.12 | It was established that the action agreed to address 9 of the 11 recommendations has been fully implemented and evidence was obtained to support this. It was established the 2 remaining agreed actions are in progress. These relate to recruiting a dedicated Communications Officer. This new role will be based around a clear communications strategy including processes, standards and ensuring community involvement and to deliver a customer care strategy.<br>Follow up has established that it is now a Green report with 90% of expected controls now operating effectively and a further 5% partially in place (it has been assumed that the controls that were originally operating are still operating effectively during follow up and these have not been re-tested). The 10% of controls partially operating reflects the 2 recommendations yet to be implemented. |
| Application of Contract Procedure Rules<br><br>Original Assurance rating = Red<br><br>Re-assessed assurance rating = Red<br><br>NB: This will therefore be followed up again in 3 months. | 20.09.12 | It was established that the action agreed to address 2 of the 7 recommendations has been fully implemented and evidence was obtained to support this. It was established that the remaining 5 agreed actions are in progress. These relate to mandatory refresher training being provided to requisitioner's approvers and budget holders that have appeared on the non compliance spreadsheets on more than 1 occasion, detailed procedure notes/guidance being complied covering specific points, SAP being re-configured so that only the budget holder can approve any expenditure from their budget, a decision being made of the action that should be taken for areas of non compliance with Contract Procedure Rules and that once the mandatory training taking place has been completed, Senior Management and HR agreeing a Corporate process that fits in with the Capability Procedure. Many of these actions are linked to the SAP Procurement project which has been delayed.<br>Follow up has established that this remains a red report with 29% of recommendations implemented and a further 71% of recommendations in progress. |

| REPORT | DATE OF FOLLOW UP MEMO | CONCLUSION |
|---|---|---|
| Roxbourne Junior School CCTV – Follow up<br><br>Original assurance rating = Amber/green<br><br>Re-assessed assurance rating = Green | 26.09.12 | It was established that the action to address 6 of the 7 recommendations has been fully implemented and evidence was obtained to support this. It was established that the remaining 1 agreed action is in progress of being implemented. This relates to the school appointing an external provider to carry out annual maintenance work on the CCTV system. The school has actioned a price comparison for the maintenance. |
| Weald Junior School – Financial Controls Follow up<br><br>Original assurance rating = Amber<br><br>Re-assessed assurance rating = Green | 26.09.12 | It was established that the action agreed to address 28 of the 30 recommendations has been fully implemented and evidence was obtained to support this. It was established that 1 of the remaining 2 agreed actions has been partially implemented. This relates to all delegations being updated to take out any reference to the old Finance Regulations & Standing Orders, it was identified that the delegations to the members of staff, Inclusion Manager and the Headteacher still all refer to either Standing Orders/Contract Procedures or Standing Orders. The remaining one recommendation is planned for implementation, this relates to various options being considered to obtain value for money at the renewal for the current agreement of rent free printers. |

This page is intentionally left blank

**REPORT FOR:** **Governance, Audit and Risk Management Committee.**

**Date of Meeting:** **29ᵗʰ November 2012**

**Subject:** **INFORMATION REPORT** – Half Yearly Health and Safety Report

**Responsible Officer:**

Julie Alderson, Corporate Director of Resources

Tom Whiting, Assistant Chief Executive

**Exempt:** No

**Enclosures:** Appendix 1 – Health & Safety Objectives & Targets April 2012 – October 2012 (The improvement plan)

Appendix 2 - Analysis Report for Accidents Quarter 1 To Quarter 2 (1ˢᵗ April 2011 – 30ᵗʰ September 2011)

## Section 1 – Summary

This report summarises the Council's health and safety performance for the half year 1ˢᵗ April 2012 to 30ᵗʰ September 2012, providing an update of activities and giving information on outcome measures – training, audits and accidents.

**FOR INFORMATION**

Harrow COUNCIL LONDON

# Section 2 – Report

## Executive Summary

2.1 The organisation has continued to develop its health and safety management system in the half year from April to September 2012. The key work streams during this period have been:

- The continuation of the health and safety e-self audit tool programme across the organisation.

- Progression of the two year improvement plan (see appendix 1).

- Revision of health and safety codes of practice to meet identified needs in line with the programme.

- The provision of health and safety advice and support across the directorates.

- The provision of the health and safety training programme across the directorates.

- Commencement of the procurement for a new occupational health contract incorporating a new employee assistance programme contract.

## Background

2.2 A safety review is performed bi-annually to enable the Council to monitor and measure health and safety performance and prioritise areas of health and safety risks The 2011/12 annual report was reported to the committee in June 2012 and this is the half yearly review.

### External Assurance

2.3 As a large employer undertaking a wide range of activities the Council is subject to a large number of statutory regulations and will be scrutinised by a number of enforcement agencies.

2.4 In September 2012 the HSE visited the Council to inspect waste and recycling arrangements. No notices were issued but the Inspector asked for improvements in a number of areas. These were improvements in supervision and monitoring during waste collection, a review of traffic management arrangements on the civic amenity site and repairs to the heating elements used for hot water on the collection vehicles.

### Improvement Plan

2.5 The Corporate Health & Safety Service is continuing to work through the two year improvement plan (See appendix 1). Some minor delays have been encountered due to high staffing turnover within the service but progress against the overall plan is being made. This progress is monitored by the Corporate Health and Safety Group.

**Health and Safety Policy and Guidance**

2.6     The two year improvement plan requires the Corporate Health and Safety Service to provide a series of health and safety policies and guidance notes which reflect the needs of the organisation and enable its operations to be performed safely. A number of documents have therefore been released for consultation and are due for approval, on completion of the consultation process, at the December 2012 Corporate Health & Safety Group meeting. These documents will then be uploaded onto the Harrow Hub.

- HSCOP 02    -    Manual handling
- HSCOP 04    -    Control of Substances Hazardous to Health
- HSCOP 41    -    New & Expecting Mothers
- HSCOP 22    -    Hand and arm vibration
- HSCOP 15    -    Portable electrical Appliance Testing

2.7     The document review programme will continue throughout 2012/13. In addition the overarching policy is under review to reflect changes following the restructure.

**Health and Safety Groups**

2.8     The Directorate & Corporate Health and Safety groups, including the Health at Work group, continue to meet quarterly, with the exception of the schools forum which meets every term, in line with the requirements of the consultation and communication code of practice. In addition the Corporate Health & Safety Service holds a monthly partnership meeting with the Trade Unions.

**Health and Safety Visits, Inspections and Audits**

2.9     The provision of health and safety support to the organisation has continued during this period including on site training, on site inspections and the investigation of incidents.

2.10    Although this has been a transitional period for the service, managers have continued to receive support on completing the e-self audit tool. The initial audit has been a compliance audit determining whether services comply with key health and safety legislation e.g. fire management. Where a non compliance has been identified the tool has required an action to be raised with an appropriate timescale.

2.11    All the audits are expected to be completed by the end of December 2012. Approximately 250 audits across the Council have been started out of a total of approximately 300. A physical programme of audit inspections is also in place.

2.12    At present there are approximately 500 actions requiring completion in areas as wide ranging as asbestos management, manual handling and first aid.

2.13    In analysis of the results of the audits, as anticipated the tool has already identified areas for improvement, principally in training. Schools have also identified areas for improvement such as fire management and feedback will be given in the annual

report on progress to meet legislative requirements. A physical programme of audit inspections is also in place.

## Educational Outside the Classroom

2.14 The Service continues to review educational visits for schools. Approximately 30 visits have been reviewed in this period. The nature of these trips has been wide ranging from residential activity trips to trips overseas.

## Occupational Health

2.15 A joint service has continued to be delivered to both Harrow and Brent Council during this period. The Framework agreement that Harrow had accessed ended on the 30th September and therefore Brent and Harrow Councils were not able to continue to access this service and a procurement exercise was required. The current provider has agreed to continue providing a service while this exercise is completed and a new contract is expected to in place for January 2013.

2.16 The number of management referrals and work health assessments has remained broadly consistent with previous periods. Again musculoskeletal problems remain the most common reason for referral, followed by stress and respiratory issues.

## Promotion of Health, Safety and Well Being

2.17 A Men's Health Week promotion took place in June, delivering health promotion at the Civic Centre and the Central Depot, including the delivery of 'Mini MOTS' including cholesterol and Blood pressure tests.

## Employee Assistance Programme

2.18 The Employee Assistance Programme has continued to be provided by First Assist. This service will continue under December 2012 while a procurement exercise is undertaken.

2.19 Usage of the service remains broadly consistent with previous years. As with previous years the majority of the cases remaining non-work related with topics including depression, legal advice and relationship issues.

## Accidents at Work

2.20 The Council continues to scrutinise quarterly, half yearly and annual accident data for monitoring by the Health and Safety Groups (see appendix 2). The data provided is described in terms of the former directorates to allow comparison with previous years and a more detailed report will follow for the annual report.

2.21 There have been 372 incidents in this period, 72 of which have required reporting to the Health and Safety Executive. This is broadly consistent with previous years.

2.22 The majority of incidents continue to occur in the Children's Service Directorate (251), principally in schools (201). The majority of reportable incidents (65) relate to

non employees, generally pupils, who have sustained an injury either in the playground or in a P.E. lesson.

2.23    The Adults & Housing and Community and Environment Directorates have the next largest number of both reportable and non reportable employee incidents (58 & 48 respectively).

2.24    The number of both reportable and non reportable employee incidents is still low in the remaining Directorates over this half yearly period.

2.25    Physical assault (69) and slips, trips and falls (94) continue to be the largest accident types. Slips, trips and falls remains the largest cause of reportable incidents (24). As previously discussed the majority of these reportable incidents will have occurred in a school.

2.26    When considering the recorded physical assault incidents 42 of these incidents occurred in a special school. None of theses incidents resulted in a serious injury or required reporting to the Health and Safety Executive. The majority of injuries sustained were minor cuts or scratches.

2.27    When considering the recorded slips, trips and falls, 66 of these incidents occurred in a school, principally in a playground and 17 required hospital treatment for injuries including broken bones and sprains / strains.

2.28    Employee occupations with the highest number of incidents continue to be teachers, teaching assistants and school support staff, followed by social care workers. There were 81 recorded employee incidents in the schools, of which 48 occurred in a special school.

2.29    In considering the data, it is clear that the largest incident group relates to pupils, principally slipping, tripping or falling in a playground or during a sports activity. The main cause of employee incidents, as previously reported relates to the management of persons with additional needs, and serious injuries are not generally sustained. A comprehensive training programme is in place to minimise risks to staff.

**Health and Safety Training Data**

2.30    The Corporate Health and Safety Service has continued to offer training across the Council in line with the published training programme. Attendance has been poor and a marked improvement has been noted in the period between the date of this report and the period reported on. One reason for this is that due to the transitional nature of the service during this period the delivery of bespoke on-site training has been limited.

2.31    The significant difference between this period and the previous equivalent period has been the delivery of fire awareness / fire marshal training in schools with many schools now having completed this training.

2.32    Attendance for new starters on the Health and Safety induction does not reflect the number of new starters within the organisation. Only twelve people have attended the Health and Safety Induction for staff in this period and yet there were sixty new

starters (excluding schools) in quarter two of 2012/13. This point will be highlighted as an area for improvement at the Directorate Health and Safety group meetings in November 2012.

2.33 Training needs are being determined within individual services through the completion of the e-self audit which asks specific questions in relation to training for each health and safety topic. The Corporate Health & Safety Service are therefore now exploring alternative methods of delivering training to meet the training need and ensure this training is delivered. One option is to further develop health and safety courses on the learning pool e-learning service available on the hub.

**Table 1: Main Health & Safety Training Courses Attendances 1/4/2012 – 30/9/2012 (1/4/2011- 30/9/2011)**

| Directorates Courses / | Corporate Finance | Children's Services | Adults and Housing | Environment and Community | Chief Executive | Place Shaping | Total |
|---|---|---|---|---|---|---|---|
| Health and Safety Induction for staff | (2) | 1 (5)) | 4 (13) | 3 (5) | 4 (4) | (5) | 12 (34) |
| Health and Safety Induction for managers | (1) | (-) | (3) | 2 (-) | 1 (1) | (-) | 3 (5) |
| Health and Safety Risk Assessment | (-) | 3 (-) | 4 (7) | (-) | (-) | (-) | 7 (7) |
| Health and Safety for Premises managers | (-) | (4) | (3) | (7) | (-) | (-) | (14) |
| Lone working | (-) | (-) | (6) | (4) | (-) | (-) | (10) |
| DSE users | (3) | (1) | (1) | (-) | (1) | (-) | (6) |
| DSE assessors | (6) | (3) | (2) | (-) | (1) | (-) | (12) |
| Stress awareness / risk assessment | (-) | 1 (-) | 1 (-) | (-) | 1 (-) | (-) | 3 (-) |
| COSHH awareness | (-) | 2 (-) | 12 (17) | (-) | 1 (-) | (-) | 15 (17) |
| Manual Handling | (-) | (10) | (9) | (4) | (-) | (-) | (23) |
| Fire safety awareness | (1) | 16 (240) | 1 (10) | (-) | (-) | (-) | 17 (251) |
| Total | (13) | 23 (263) | 22 (71) | 5 (20) | 7 (7) | (5) | 57 (379) |

Note: To enable comparison to be made with the previous equivalent period the directorates listed reflect the old structure.

**Legislation Update**

2.34 The HSE have revised the Fees Regulations and extended the range of activities for which HSE recovers costs. This now includes a duty on HSE to recover costs where duty-holders are found to be in material breach of health and safety law. Costs will be recovered from the start of the intervention where the material breach was identified, up to the point where HSE's intervention in supporting businesses in putting matters right has concluded. The new regulations came into force on 01st October 2012 and hence there was no charge for the recent inspection in September.

**Stakeholder Feedback**

2.35 Harrow Council has continued to liaise with the HSE following their visit in September 2012 to review waste management arrangements.

2.36 The recognised Trade Unions attend the Directorate and Corporate Health and Safety groups and remain active participants in the implementation of the Improvement plan. Monthly Health and Safety Partnership meetings are also continuing to be held, to resolve immediate issues and ensure effective communication.

**Management Assurance**

2.37 The Directorate and Corporate Health and Safety groups continue to monitor and enable implementation of the two year improvement plan.

2.38 The last six months have been a transitional period for the Corporate Health and Safety Service. However the service has continued to drive the implementation of the audit tool, revise policies and procedures, deliver training and investigate incidents.

**Plans for October 2011 - March 2012**

2.39 The key actions for the remainder of 2012/13 include the following:

- Completion of the implementation of the audit tool across the Council.

- Continued delivery of the two year improvement plan.

- The provision of a new contract for the delivery of the Occupational Health Service and the Employee Assistance Programme.

- Continued health and safety support and advice within Harrow Council.

- Delivery of proactive and reactive data to the Health and Safety Groups and forums to enable effective monitoring.

- Recruitment of a permanent team in the Corporate Health and Safety Service.

# Section 3 – Further Information

None

# Section 4 – Financial Implications

Health and safety management is integral to directorate budgets, and the functions of the Corporate Health and Safety team are carried out within the budget available.

# Section 5 - Equalities implications

An Equality Impact Assessment was carried out and no adverse impacts were determined.

# Section 6 – Corporate Priorities

The delivery of health and safety management is integral to, and supports the achievement of all Corporate Priorities.

| | | |
|---|---|---|
| Name: Steve Tingle | X | On behalf of the Chief Financial Officer |
| Date: 14 November 2012 | | |

# Section 7 - Contact Details and Background Papers

**Contact:** **Mark Riordan, Interim Health & Safety Consultant, 0208 424 1521**

**Background Papers:** None

# Appendix 1

**HEALTH AND SAFETY OBJECTIVES AND TARGETS April 2012 – March 2013**
**Mark Riordan**

| No. | Objective | Target | Programme | Owner | Start | Status | Finish Date |
|-----|-----------|--------|-----------|-------|-------|--------|-------------|
| 1 | Health & Safety Policy:<br><br>A Policy needs to be prepared which will reflect the organisation's intention for the management of health and safety. | 1.1 Statement of commitment. | 1.1.1 Preparation of a statement of commitment towards legislative compliance and continuous improvement in the management of Health and Safety. | SR | June 2011 | Complete | Sept 2011 |
| | | | 1.1.2 Statement to be agreed by CHSG, signed by the Chief Executive and issued on the intranet/internet. | CHSG/ML | Sept 2011 | Complete | Sept 2011 |
| | | 1.2 Outline of responsibilities, including all stakeholders. | 1.2.1 Responsibilities for health and safety management & members to be drafted for consultation, including details of senior management who will 'champion' health and safety and the scope of responsibilities e.g. SLAs. | SR | June 2011 | Complete | Sept 2011 |
| | | | 1.2.2 Responsibilities to be agreed by CHSG & relevant stakeholders and issued on the intranet as part of full policy. | CHSG | Sept 2011 | Complete | September 2011 |
| | | 1.3 Outline of arrangements, including all stakeholders. | 1.3.1 Arrangements for health and safety management to be drafted for consultation. This will include risk assessment, training, consultation, emergency arrangements, safe workplaces, first aid, incident reporting etc. | SR | June 2011 | Complete | September 2011 |
| | | | 1.3.2 Responsibilities to be agreed by CHSG & relevant stakeholders and issued on the intranet as part of full policy. | CHSG | Sept 2011 | Complete | September 2011 |
| 2 | Organisation. | 2.1 Establish control over | 2.1.1 Day to day responsibilities for health and safety management from | SR | Sept 2011 | Ongoing | Dec 2011 |

56

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| | Control | health and safety in the workplace. | the top to the bottom of the organization to be drafted for consultation. This will include attendance at health and safety meetings, inspection regimes, management of incidents, defining individual responsibilities, compliance checks etc. | | | | |
| | | | 2.1.2 Responsibilities, arrangements & compliance checks to be agreed within Directorates and fed back to CHSG & relevant stakeholders | CHSG/SR | Sept 2011 | Ongoing | Mar 2012 |
| 2 | Organisation.  Competence | 2.2 The establishment of a system that ensures that all employees are capable of doing their work in a proper and safe way. | 2.2.1 All services to identify the training needs of their team, including the CPD needs of managers,  against the currently available health and safety training and submit needs to the Health & Safety Service | All services | Aug 2011 | Ongoing | Dec  2011 |
| | | | 2.2.2 The health and safety service to explore the potential for e-learning | SR | July | Ongoing | April 2013 |
| | | | 2.2.3 The Health and Safety Service to determine the training needs of the organisation and any necessary budget changes, discuss with HR & L&D and submit a programme, including mandatory training & specialist provision of training, to CHSG. | SR | Dec 2011 | | Mar 2012 |
| | | | 2.2.4 CHSG to assess and endorse the programme. | CHSG | Mar 2012 | | April 2012 |
| | | | 2.2.5 Programme to be delivered. | SR | Mar 2012 | | Dec 2012 |
| | | | 2.2.6 Senior Management to determine the arrangements for the provision of professional health and safety support to the organization. | CSB | April 2011 | Complete | Oct 2011 |

| 2 | Organising<br><br>Communication: | 2.3 Establish communication routes for clarity of responsibilities & to ensure changes are communicated quickly throughout organisation | 2.3.1 Communication routes for health and safety management to be drafted for consultation. This will include the provision of information and support e.g. monthly health & safety updates, performance & an opportunity to express views and concerns. | SR | June 2011 | Complete | Sep 2011 |
|---|---|---|---|---|---|---|---|
| | | | 2.3.2 Communication routes to be agreed by CHSG & relevant stakeholders and issued on the intranet | CHSG | Sept 2011 | Complete | Sept 2011 |
| 2 | Organising<br><br>Co-operation: | 2.4 The formal participation and co-operation of everyone in the workplace in carrying out their Health & Safety responsibilities. | 2.4.1 Participation and co-operation mechanisms for health and safety management to be drafted for consultation. This will include the arrangements for health and safety committees and escalation of risks. | SR | Sept 2011 | Complete | Sept 2011 |
| | | | 2.4.2 Participation and co-operation mechanisms to be agreed by CHSG & relevant stakeholders, including trade unions, and issued on the intranet | CHSG | Sept 2011 | Complete | Sept 2011 |
| 3 | Planning:<br>Risk Assessment | 3.1 All risks with the potential to cause harm have been assessed. | 3.1.1 Each service to identify and risk assess the significant risks that are present in its work area and through its work activities and prepare a register for review at Directorate level, together with an action plan to address these issues. Directorate group to undertake a risk mapping exercise to ensure all significant risks have been assessed. | Each Service | | | December 2012 |
| | | | 3.1.2 The health and safety service to purchase a database tool to upload & monitor risk assessments and provide training to enable individual services to upload their assessments. | SR | | Complete | June 2012 |

| | | | | Each Service | Nov 2011 | Ongoing | December 2012 |
|---|---|---|---|---|---|---|---|
| | | | 3.1.3 Each service to ensure that where control measures are required they have been implemented or if not possible the risks have been escalated to Directorate level. | Each Service | Nov 2011 | Ongoing | December 2012 |
| | | | 3.1.4 Where risks are unable to be managed within a directorate, the risks are escalated to Corporate Level | Each Director ate Group | May 2012 | Ongoing | August 2012 |
| 3 | Planning: Policies & Procedures | 3.2 Policies & procedures to be developed for the management of all significant risks | 3.2.1 All policies & procedures for health and safety management to be reviewed and presented for consultation. This will include any new policies/ procedures identified by the risk assessment process. | SR | April 2011 | Ongoing | Sept 2012 |
| | | | 3.2.2 Policies & procedures to be agreed by CHSG & relevant stakeholders and issued on the intranet. | CHSG | April 2011 | Ongoing | Sept 2012 |
| | Monitoring: Pro-active monitoring | 4.1 Identify shortcomings in the management of Health & Safety though inspections, checking maintenance records, reviewing work activities etc. | 4.1.1 Draft mechanisms for pro-actively monitoring health and safety performance to be presented to CHSG/Directorate Groups for consultation/approval. | SR | Sept 2011 | Ongoing | December 2012 |
| | | | 4.1.2 Monitoring arrangements to be implemented. | Director ate | Sept 2011 | Ongoing | December 2012 |
| | | | 4.1.3 Monitoring data to be reviewed both corporately and at directorate level. | CHSG/D HSG | Sept 2011 | Ongoing | December 2012 |
| 4 | Monitoring: Reactive monitoring | 4.2 Assess health and safety performance through reactive data | 4.2.1 Ensure mechanisms for reporting data are implemented throughout Council and the relevant data is analysed. | SR | May 2011 | Complete | Sept 2011 |
| | | | 4.2.2 Ensure that the monitoring is reviewed both locally and at | CHSG/D HSG | Sept 2011 | Complete | Dec 2011 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | such as incident data | Directorate and Corporate level and appropriate remedial action is taken. | | | | | |
| 4 | Monitoring: KPI's | 4.3 Set KPI's e.g. lost time injury rate to benchmark and then set targets for improvement | 4.3.1 Draft proposed KPI's for monitoring health & safety performance, including performance board data, to be generated through procured audit tool and presented to CHSG/Directorate Groups for consultation/approval. | SR | Oct 2011 | Ongoing | Dec 2012 | |
| | | | 4.3.2 Agree targets for improvement and monitor progress. | CHSG | | | Dec 2012 | |
| 5 | Auditing | 5.1 The collation of information on the efficiency, effectiveness and reliability of the total health & Safety Management system and drawing up plans for corrective action | 5.1.1 The procurement and introduction of an e-audit tool to assess compliance against legislation and internal policies and procedures. | SR | Jan 2011 | Complete | July 2012 | |
| | | | 5.1.2 Completion of the audit by all services. | SR | June 2011 | Ongoing | December 2012 | |
| | | | 5.1.3 Commence assessment of the validity of the auditing by the health and safety service (approx 10%) | SR | Sept 2011 | Ongoing | April 2013 | |
| 6 | Review | 6.1 Assessment of the adequacy of health and safety performance and determining strategies for remedial action. | 6.1.1 The generation of annual and half yearly health & safety reports for submission to members and relevant stakeholders. | SR | May & Nov 2012 | Ongoing | June & December | |
| | | | 6.1.2 An annual corporate review of health & safety performance. | CSB | June 2012 | | June 2013 | |

Key

Green – in progress or on track

Amber – concern, budget, timescale or high risk problems

Grey - complete

Red – failed to achieve timeline or highly likely to fail to achieve timeline

No Fill – yet to be started.

# Appendix 2

## Analysis Report for Accidents Quarter 1 To Quarter 2 (1st April 2012 – 30th September 2012)

## Total Employee Reportable and Non–Reportable Accidents by Directorate Q1 2010 to Q2 2012 – Excluding Children Services
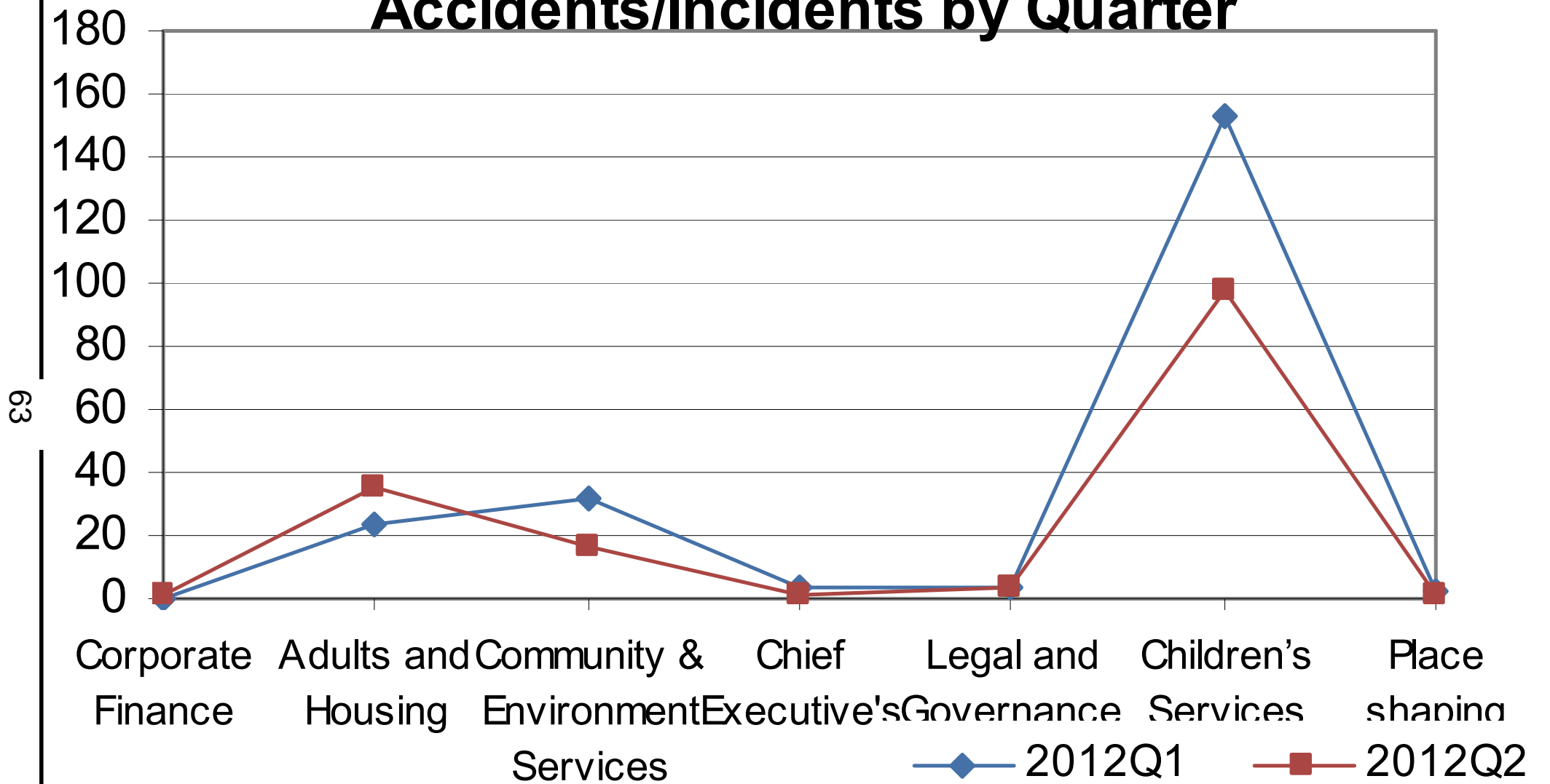
| Quarter | Corporate Finance | Adults and Housing | Community & Environment Services | Chief Executive's | Legal and Governance | Place shaping | Grand Total |
|---|---|---|---|---|---|---|---|
| 2010Q1 | 3 | 38 | 19 | 2 | 2 | 0 | 64 |
| 2010Q2 | 3 | 30 | 19 | 0 | 0 | 1 | 53 |
| 2010Q3 | 1 | 31 | 29 | 0 | 2 | 1 | 64 |
| 2010Q4 | 0 | 35 | 24 | 0 | 1 | 3 | 63 |
| 2011Q1 | 0 | 34 | 25 | 1 | 0 | 0 | 60 |
| 2011Q2 | 2 | 28 | 14 | 3 | 2 | 0 | 49 |
| 011Q3 | 0 | 33 | 23 | 5 | 3 | 0 | 64 |
| 011Q4 | 0 | 27 | 26 | 2 | 4 | 0 | 59 |
| 2012Q1 | 0 | 23 | 32 | 3 | 4 | 2 | 64 |
| 2012Q2 | 1 | 35 | 16 | 1 | 3 | 1 | 57 |
| Grand Total | 10 | 314 | 227 | 17 | 21 | 8 | 597 |

## Total Reportable and Non–Reportable Accidents by Directorate Q1 2012 to Q2 2012 – Including Children Services
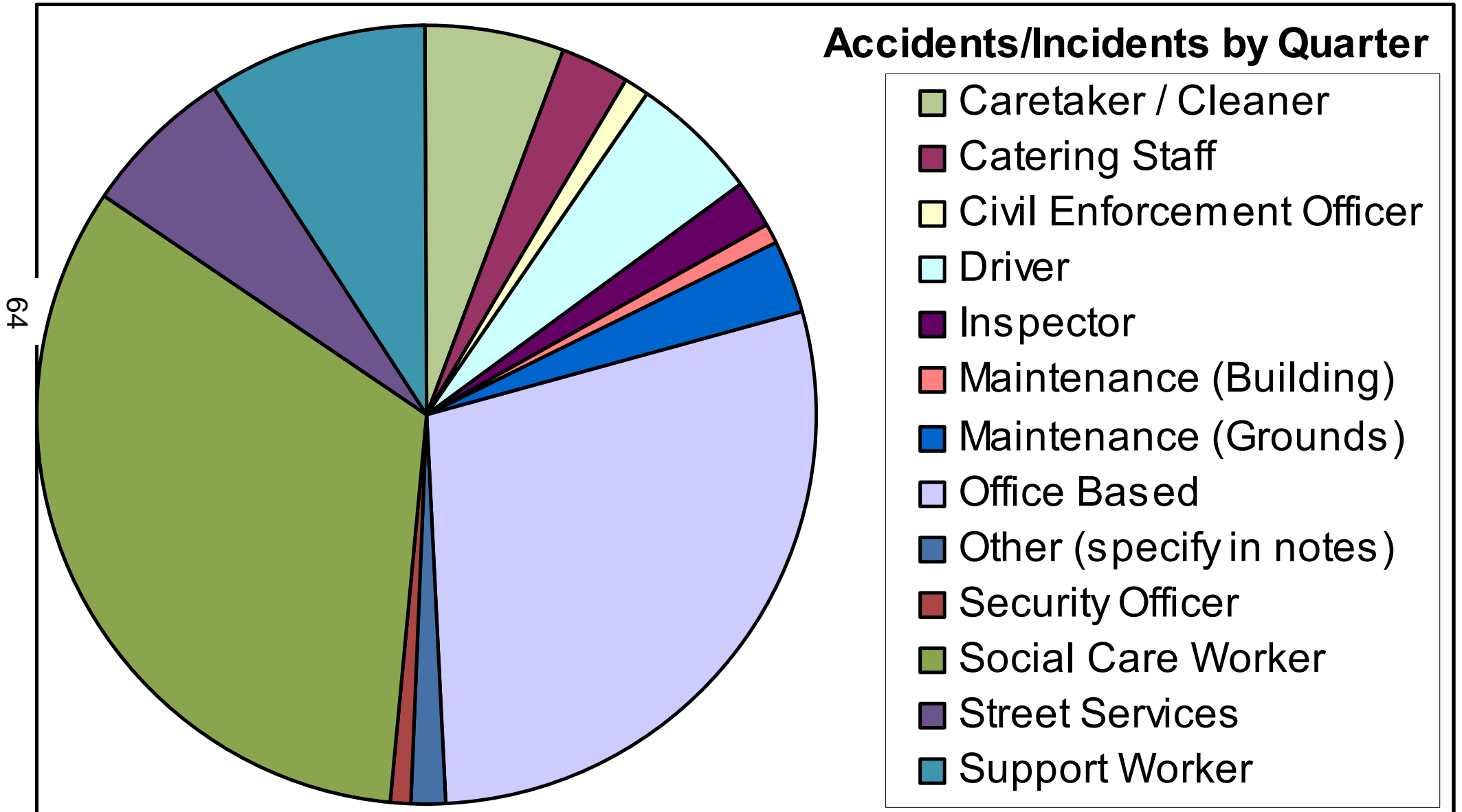
| Quarter | Corporate Finance | Adults and Housing | Community & Environment Services | Chief Executive's | Legal and Governance | Children's Services | Place shaping | Grand Total |
|---|---|---|---|---|---|---|---|---|
| 2012Q1 | 0 | 23 | 32 | 3 | 4 | 153 | 2 | 217 |
| 2012Q2 | 1 | 35 | 16 | 1 | 3 | 98 | 1 | 155 |
| Grand Total | 1 | 58 | 48 | 4 | 7 | 251 | 3 | 372 |

A graph illustrating the above data is shown on the next page.

# Accidents/Incidents by Quarter



| | Corporate Finance | Adults and Housing | Community & Environment Services | Chief Executive's | Legal and Governance | Children's Services | Place shaping |
|---|---|---|---|---|---|---|---|

Legend: 2012Q1 ♦ — 2012Q2 ■
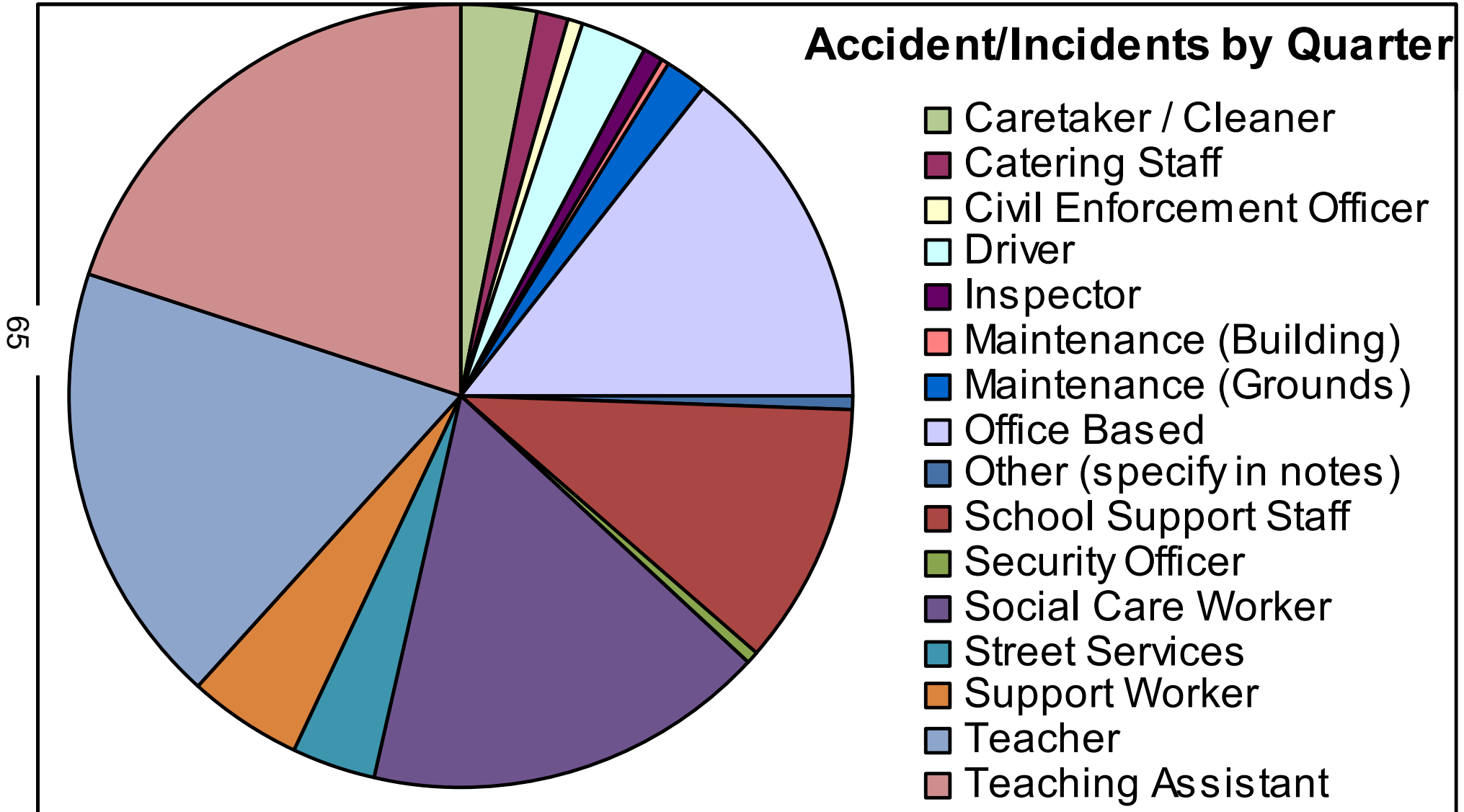
# Total Employee Reportable and Non–Reportable Accidents by Occupation Q1 2012 to Q2 2012 – Excluding Children Services



## Accidents/Incidents by Quarter

- ☐ Caretaker / Cleaner
- ☐ Catering Staff
- ☐ Civil Enforcement Officer
- ☐ Driver
- ☐ Inspector
- ☐ Maintenance (Building)
- ☐ Maintenance (Grounds)
- ☐ Office Based
- ☐ Other (specify in notes)
- ☐ Security Officer
- ☐ Social Care Worker
- ☐ Street Services
- ☐ Support Worker

64

## Accident/Incidents by Quarter

- Caretaker / Cleaner
- Catering Staff
- Civil Enforcement Officer
- Driver
- Inspector
- Maintenance (Building)
- Maintenance (Grounds)
- Office Based
- Other (specify in notes)
- School Support Staff
- Security Officer
- Social Care Worker
- Street Services
- Support Worker
- Teacher
- Teaching Assistant

65

## Top 5 Accidents/Incidents by Type for 2012 Q1 and 2

99
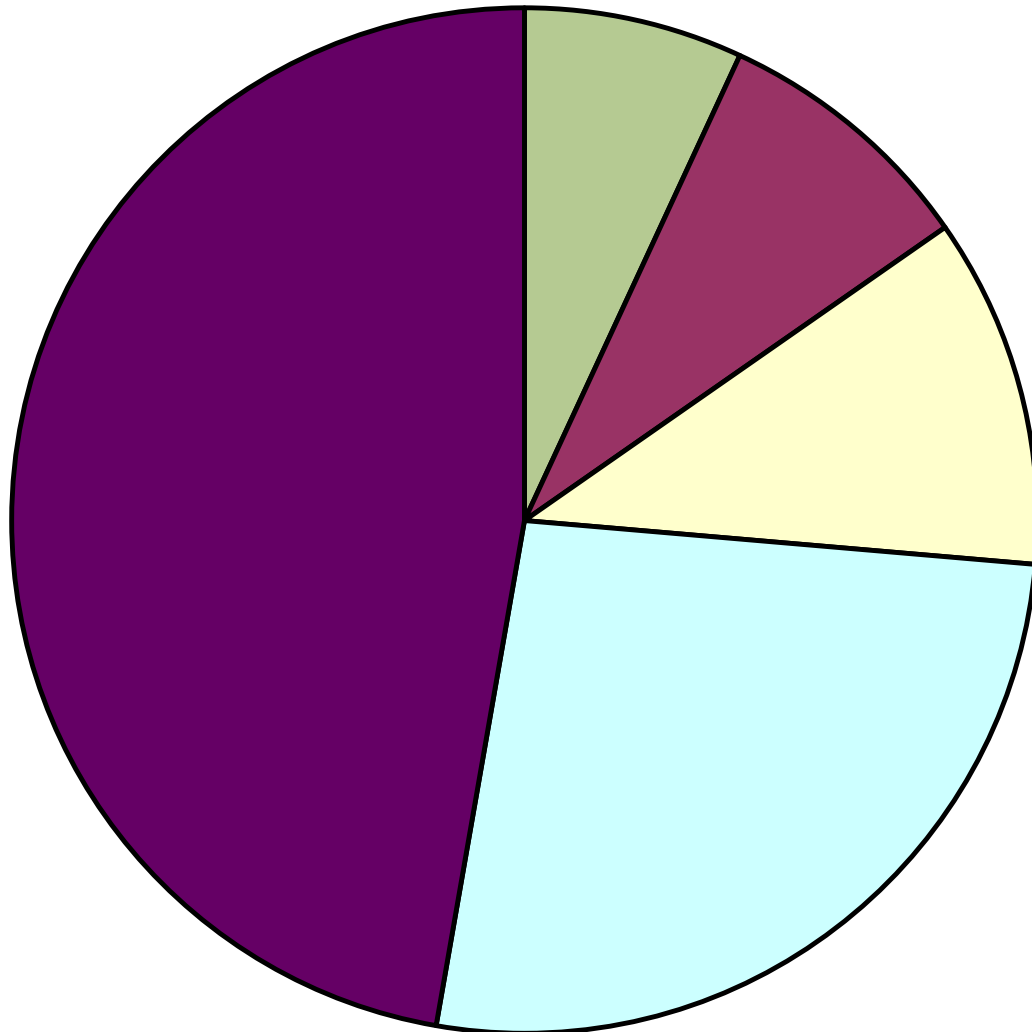


Legend:
- Hit something stationary
- Physical contact (not assault)
- Handling / lifting / carrying
- Slipped, tripped or fell on the same level
- Physical assault

This page is intentionally left blank

REPORT FOR: **Governance, Audit and Risk Management Committee**

---

**Date of Meeting:** 29th November 2012

**Subject:** **INFORMATION REPORT –
Risk, Audit & Fraud Division
Activity Update**

**Responsible Officer:** Julie Alderson, Corporate Director of
Resources

Tom Whiting, Assistant Chief Executive

**Exempt:** No

**Enclosures:** Appendix 1 : Olympic C3 operations
activities
Appendix 2: Changes to the Regulation
of Investigatory Powers Act 2000
(RIPA)
Appendix 3: Fighting Fraud Locally
Publication

## Section 1 – Summary

This report outlines the current work streams of the Risk, Audit and Fraud
group of services.

**FOR INFORMATION**

Harrow COUNCIL LONDON

## Section 2 – Report

2.1 This report sets out progress made and future work planned in respect of the Risk, Audit and Fraud group of services, which the GARM Committee is responsible for monitoring as part of its terms of reference.

2.2 The focus of this monitoring is quarter 2 in 2012-13, July to September 2012.

2.3 This report does not cover the health and safety service or the internal audit service as both these areas are covered in separate mid year progress reports elsewhere on this Committee agenda.

**Emergency Planning & Business Continuity Team**

2.4 In Quarter Two, the Emergency Planning & Business Continuity Team (hereafter Emergency Planning Team) was busy with final planning and preparation for the Olympics. (See appendix 1 setting out a summary of the council's activities during the event)

2.5 The Emergency Planning Team had a key role during the Olympic period (Torch Relay, Olympic Games, Paralympics) in co-ordinating the council's activities, to ensure that we helped "Keep London Moving", via sharing relevant information and effective and efficient management of resources, through the identification of events that may have a negative impact on council operations and/or delivery of the Olympic Games.

2.6 This co-ordination role is known as 'Olympic C3 Operations' amongst the emergency services and government agencies involved. The team worked in a structured Pan London setting with all 33 local authorities, as well as the police, fire and ambulance services, and other government departments and agencies.

2.7 During June, the council took part in a number of Pan London exercises organised by London Fire Brigade to test the Olympic arrangements. The Emergency Planning Team has recruited 20 volunteer staff from within the council to help staff the Borough Olympic Co-ordination Centre (BOCC) and the North Zone Borough Grouping Support Unit (BGSU) during the Olympic Period. Training sessions were arranged for these staff. The BOCC and the BGSU are explained below under 'Olympic C3 Operations'.

2.8 The team also took part in the planning for the Olympic Torch Relay by attending the multi-agency Safety Advisory Group (SAG) which was hosted by the council on a fortnightly basis. The SAG enabled security and safety issues to be addressed by the relevant members, e.g. police, fire, ambulance etc.

2.9 On 22nd June 2012, Exercise Edenhope was held, to practise the council's Emergency Response Officers (ERO) in the identification of vulnerable

people during a major incident and providing a Humanitarian Assistance Centre (HAC) within Cabinet Office guidelines.

2.10 On 5th July 2012, the Emergency Planning Team and some of our Olympic BGSU & BOCC volunteers took part in Exercise Gold Connect, which was a Pan London Olympic C3 communications test exercise.

2.11 On 12th July 2012, an annual Rest Centre exercise was held (Exercise Brisbane), to refresh our EROs on the processes and procedures required to run a Rest Centre, to care for displaced residents during a major incident.

2.12 During July, there was an increase in the frequency of Olympic related meetings that necessitated our attendance. These included regular attendance at the NHS North West London and Northwick Park Hospital Trust Olympic Planning meetings, North Zone BGSU meetings at Ealing, and Olympic Torch Relay Day Organising Committee Group meetings here at the council.

2.13 On 25th July 2012, the team acted as the council's C3 Lead for the Olympic Torch Relay as it passed through the borough. This involved staffing the BOCC and the CCTV Control Room to liaise with the police, fire and ambulance service, to ensure a safe and smooth day for all. The Olympic Torch Relay was judged to be a success with an estimated 99,600 spectators in the borough enjoying a fun and safe event.

2.14 During August the team were involved in preparation and planning for the Paralympic Torch Relay. This again involved attending planning meetings and SAG meetings with multi-agency partners. The Paralympic Torch Relay was scheduled to pass through Harrow at approximately 0400 hr. This involved the Emergency Planning Team being deployed at the BOCC from 0100 hr.

2.15 During September, the Emergency Planning Team continued to co-ordinate the council's C3 Operations for the Paralympics. The whole Olympic reporting period had run from 16th July to 12th September, with the team working evenings, nights and weekends to help ensure that a 'Safe Games' were delivered.

2.16 The rest of September was spent attending various debriefings to identify good practice and lessons learnt from the Olympics. An internal debriefing session was held for all the council service leads involved. The team also hosted a multi-agency borough-wide debrief for our multi-agency partners, such as the police, fire, ambulance, Environment Agency, HPA, MoD, Red Cross and others. We fed into higher level debriefs held by the North Zone BGSU and the Pan London Local Authority Olympic Co-ordination Centre.

**Future planned activities**

2.17 In the autumn, the Emergency Planning Team will be attending a multi-agency health exercise in Hounslow and will also be promoting Business

Continuity (BC) to local small and medium size businesses at a 'Harrow Means Business' event.

2.18 In addition the team will be embarking on a major review and overhaul of Business Continuity, including:

- Scoping a WLA BC Proposal to share 100 workstations during a disaster
- Furthering IT Disaster Recovery discussions with Capita IT Service
- Reviewing the BT Smartnumbers service for Access Harrow and other key users
- Reviewing our arrangements with the SunGard recovery site
- Reviewing the Corporate and departmental BC plans in the council post restructure

**Insurance Service**

2.19 A detailed report was previously presented to the GARM Committee providing information on the Council's current insurance arrangements, including self-funding and fund performance, and outlining the main insurable risk exposures faced by the Council.

**Key work achieved during the quarter:**

- Successfully recruited to the vacant Insurance & Risk Officer post.

- Supported Salvatorian College and Krishna Avanti school in their conversion to Academy status ensuring continuation of insurance cover.

- Liaised with the Council's insurers to ensure adequate insurance cover was in place for the merger of Harrow and Barnet's legal services teams.

- Successfully participated in the Insurance London Consortium (ILC) tender for a panel of solicitors to handle litigated claims where external legal expertise is deemed necessary.

- Procured LACHSweb, an additional module to the Council's insurance claims software, facilitating the online reporting of insurance claims in support of the Insurance Service's e-strategy.

- Completed a mini review of the Council's internal insurance provision in conjunction with the actuary to ensure the ongoing adequacy of the provision.

- Completed an actuarial review of Municipal Mutual Insurance (MMI) accounts, risks and strategies.

- Presented to the Housing Value for Money group on claims trends and insurance issues specific to the Housing department and leaseholders.

- Processed 383 new claims made by and against the Council since the start of the current financial year.

**Main tasks for the next period:**

- Tendering of the Council's external insurance contracts for Motor, Engineering, Terrorism and Crime insurance as a member of the ILC.

- Renewal of the Council's Property and Liability insurance contracts in line with existing long-term agreements.

- Roll out of the LACHSweb online reporting module to internal departments and schools.

- Completion of the MMI materiality review check with the actuary to assess the potential extent of the Council's future uninsured losses should the Scheme of Arrangement be triggered.

- Completion of an engineering audit in conjunction with the Council's insurers to ensure the accuracy of the Council's engineering inspection schedule.

- Completion of the tree root risk management initiative to identify and recommend proposals for cross-Council working to reduce the cost of tree root claims against the Council.

- Exploration of the option to remove driver age restrictions for the use of Council motor vehicles and identification of the associated cost and risks to the Council.

**Corporate Anti-Fraud Service**

2.20    The mid year update of service performance is as follows:

**High level outcomes**

2.21    **Benefit fraud**

| Criteria | Outcome |
|---|---|
| No. of FTE benefit investigation officers (based on 3FTE x 0.75 of investigation caseload is benefit fraud work) | 2.25 |
| No. of referrals received | 389 |
| No. of closed investigations (closed after full investigation) | 58 |
| No of cautions issued | 1 |
| No. of administrative penalties | 12 |
| Value of administrative penalties generated | £18,805.64 |
| Value of administrative penalties collected | £18,100 |
| No. of court summons issued | 8 |
| No. of successful prosecutions | 7 |
| Value of fraud overpayments (in relation to cautions, administrative penalties & prosecution cases) | £215,856.5 |
| DWP and HMRC overpayments related to joint cases | £131,366.28 |
| No. of other cases with a monetary saving/positive outcome (non fraud) | 12 |
| Value of monetary saving/positive outcome cases (non fraud) | £66,265.68 |

2.22 **Corporate fraud**

| Criteria | Outcome |
|---|---|
| No. of FTE corporate investigation officers (based on 1 FTE on housing fraud and 3FTE x 0.25 of investigation caseload is other corporate fraud work) | 1.75 |
| No. of referrals received | 67 |
| No. of closed investigations (closed after full investigation) | 52 |
| No. of cautions issued (with a fine of £150 attached to each caution) | 7 |
| Value of caution fines generated | £1050 |
| Value of caution fines collected | £950 |
| No. of court summons issued | 1 |
| No. of successful prosecutions | 1 |
| No. of cases where council services refused/withdrawn* | 9 |
| Value of cases in 1.29 above | £77,894.37 |
| No. of cases where employee dismissed/disciplined linked to fraud investigation | 2 |

* No of cases where council services refused/withdrawn is 4 x council tenancies, 2 x DFG's applications rejected, 2 x insurance claims rejected and 1 x disabled blue badge withheld. Based on figures provided by the Audit Commission a reclaimed tenancy = £18,000 and a withheld blue badge = £500. The DFG = £50,000 and Insurance claims = £4000 represent real savings for the council

**Progress update against fraud delivery plan objectives 2012/13**

**Deliver 40 Housing/Council Tax Benefit sanctions including 15 successful prosecutions**

2.23 At the half way mark the team had achieved 20 sanctions including 7 successful prosecutions so was on target to meet this objective. However, one investigation officer has recently resigned and there is a risk that this objective will not be met due to the vacant position pending recruitment of a replacement.

**Identification of 15 housing tenancies subject to misuse and targeted for possession action**

2.24 A total of 4 tenancies had been recovered as a result of investigation work carried out by the dedicated officer working on housing fraud in the first part of the year. There were a further 28 live housing fraud investigations, many at advanced stages including 5 cases where a tenancy termination form had been signed by the tenant and housing were awaiting return of the keys. Therefore shortly, it is expected that 9 tenancies would have been recovered subject to fraud and misuse so this objective was on target to be delivered.

2.25 This work continues to be implemented in a partnership arrangement with housing management funding the post 100%, although the post is positioned within the CAFT structure where the officer benefits from the investigation resources and expertise on the CAFT.

**A blue badge proactive fraud drive delivered in each quarter**

2.26 1 blue badge drive had been executed in May 2012 to date. Operation '*Jack in the box'* resulted in 6 badges being seized on Greenhill Way, Harrow through misuse and 5 of these cases resulted in a caution and a fine being administered to the offender. In addition to these cases, a further case was dealt with by way of a caution and fine following good intelligence received in relation to badge misuse from a member of public via a Councillor. There was no operation in qtr 2 due to a lack of police resources to support the team with the London Olympics taking place. Efforts will be made to organise and implement more drives in the latter part of the year, although this will be difficult with the reduced resources available.

**Fraud risk audit of Direct Payment cases**

2.27 This area of work has continued to prove challenging due to the general lack of information held about how clients and nominated budget holders are spending allocated council money. Joint work is also ongoing with Internal Audit who are looking into the systems surrounding the cash personal budget element with CAFT case study work feeding into the IA report. This is work in progress.

2.28 Currently the officer responsible for delivering this fraud risk audit has 3 live cases under investigation with a number of other audit checks underway, but a combination of a lack of information and resources on the CAFT is proving difficult to meet this objective fully.

2.29 Despite this however, the CAFT has fed into a new Direct Payment contract and procedure recently introduced and co-designed a new DP monitoring form that captures better quality financial information on how the budget is spent. There is also an intention to deliver some joint training with Personalisation on the new process and fraud awareness for social workers and back office monitoring staff so that cases that do not reach a required level of verification can then be earmarked for closer scrutiny.

**Fraud risk audit of Disabled Facility Grant cases (DFG)**

2.30 Good progress has been made in this area of work with changes already made to the DFG application process with a more robust '*fair collection and data processing notice'* being introduced on the application form based on best practice guidelines issued by the Information Commissioners Office. This clearly sets out how client information will be collected, used and stored and for what purposes and asks for the client consent to undertake verification checks for the purposes of preventing and detection fraud. The rationale behind the introduction of this notice is that it provides the CAFT with consent to make enquiries where there is a lack of statutory authority to make enquiries with 3rd party agencies.

2.31 In addition to this, 2 investigations have been undertaken and concluded and savings achieved amounting to £50,000 where had it not been for CAFT intervention fraudulent DFG grants would have been paid out. This

represents a real saving to the Council and these funds can now be diverted towards genuine applications in this area.

2.32 Further work on a fraud risk audit sample of applications will be undertaken in the second part of the year capacity permitting.

### Fraud risk audit of Insurance cases

2.33 The progress made in this new area for the CAFT has been promising since the start of the year. A decision was taken between the CAFT and Insurance Service Managers that a sample of claims involving Council property contents insurance claims and any other adhoc claims would be passed to the officer allocated in the CAFT responsible for this work. To date, 2 investigations have been undertaken and concluded with a combined saving to the Council of just under £4000. This represents a real saving to the Council and had the CAFT not intervened then these payments may have been made. There are a further 2 investigations in progress involving apparent damage claims to property by a Harrow Council vehicle and by apparent damp in a Council property.

2.34 Unfortunately the officer dealing with this area of work is the officer that has left the authority so there is a risk of this objective progressing no further due to capacity issues.

### Identify and pursue 8 cases suitable for Proceeds of Crime Act 2002 (POCA) action and recover £10K

2.35 No income has been recovered through this route so far. To date 3 cases have been referred to Brent Council Trading Standards for potential POCA enforcement action in 2012/13 and the confiscation outcomes may arrive sometime after conviction (usually within 6 months).

2.36 In one of the cases, both suspects have recently been convicted in Harrow Crown Court of a £23,000 benefit fraud and the POCA timetable has been set for a confiscation hearing in April 2013. In this particular case, 3 undeclared properties have been identified during the fraud investigation and there is sufficient equity held that is being targeted for recovery of losses plus any other sum of money considered as criminal benefit.

2.37 In addition to the above cases there are a further 7 cases currently active pending confiscation and recovery that were commenced in 10/11 and more recently in Nov 2012. These are all being led by other authorities or the DWP Financial Investigation Unit.

2.38 As Harrow Council does not employ a financial investigation officer, it cannot undertake POCA investigation work and has to rely upon other agencies such as the above mentioned or the police to take this form of action.

2.39 This procuring of the service results in the proceeds of any confiscation amount awarded being somewhat reduced as this service has to be funded using the proceeds of any confiscation award.

2.40 Again this target of identifying and pursuing 8 cases and recovering £10K is at risk due to capacity issues.

**NFI data matching exercise preparation work**

2.41 This objective has been met.  The National Fraud Initiative is a 2 yearly nationwide public sector data matching exercise co-ordinated by the Audit Commission in which contributing organisations submit bulk data for services such as housing rents, benefits, blue badge, payroll, creditors and insurance for fraud and error matching.  Prior to the submission of the data in a specified format, preparation work needs to be undertaken to ensure that all data subjects are informed that their data is being used for these purposes.  This is so that there is compliance with data matching guidelines issued by the Information Commissioners Office.

2.42 The compliance work commenced early in 2012 with CAFT working closely with each of the 11 separate service areas providing data, ensuring that their fair data collection and processing notices met the required standard.  The compliance certificate was signed off on time allowing the data to be extracted from key systems and uploaded securely to the Audit Commission through an encrypted process on deadline day.

2.43 The matched data for each of the areas is expected back into the authority in February 2013 for processing and grading into high, medium and low fraud risks.

**Identification of £10K income through administrative penalties, fines and HB overpayment recovery through fraud work**

2.44 This objective has been exceeded.  To date a total of £19,050 has been collected from a combination of administrative penalties and caution fines paid by those subjects guilty of fraud.  The CAFT will continue to maximise this income stream on fraud cases where it is appropriate, in the public interest and consistent with the sanction and prosecution policy.

**LEAN review of fraud investigation processes**

2.45 Some data analysis work has been undertaken in the first part of the year around a few of the work streams identified in CAFT processes that were causing blockages.

**Reducing processing bottlenecks at fraud referral stage & improving the fraud referral risk assessment matrix**

2.46 Risk assessing referrals and processing subject access requests (SAR's) is undertaken in the main by 1FTE, the Intelligence Officer.  Some analysis of incoming referral and subject access request data has been undertaken over a 12 week period.

2.47 In addition to this work, the actual risk assessment matrix has been reviewed and changes made to make it more generic and applicable to both benefit and corporate fraud referrals.  It is too early to assess whether

this has made any significant change to the time taken to risk assess and make a decision to either accept or reject a referral.

### Reviewing case closure categories so as to achieve recognition not currently being identified.

2.48 The CAFT investigation case closure categories have been reduced from 78 to 17 with effect from July 2012. Given the number of categories, errors were being made by officers unsure of what each case should be closed as and as a result many positive outcomes achieved by the team (proven as error not fraud) were not being recognised. This meant that whilst an overpayment may have been created as a result of CAFT work, if it was not proven as a fraud, it was not being identified as such.

### Improved channel migration of customer contact to the web

2.49 The CAFT web pages and online fraud referral form is currently undergoing amendments to make it more user friendly and once this piece of work is complete the majority of customer contact will be pushed through this route. A disproportionate amount of officer time is spent in Access Harrow taking information from members of the public that could just as easily be captured through an electronic solution. Officers can spend up to an hour on occasions taking information from the public that is sometimes poor quality and not sufficient to launch an investigation. This is vital officer time lost on undertaking productive investigation work.

### Increased automation of CAFT processes (technology integration and scanning)

2.50 This is still in process and if appropriate will be subject to approval of an invest to save business case of additional software and a scanner bolted to the fraud case management system. Currently investigations are undertaken part electronic and part paper based given the nature of evidence gathering. The CAFT cannot easily scan evidence gathered onto the electronic case management system as the technology is not capable of this currently.

2.51 This proposed change in process would allow incoming post and evidence gathered to be scanned automatically onto the relevant case via a feeder with originals held for a period of weeks before being destroyed. This would improve security and integrity of the investigation, reduce the risk of data loss and would also provide a reduction in Iron Mountain storage costs.

2.52 Reducing management review times of potential sanctionable cases and a separate project looking at reducing prosecution timescales working alongside Legal Services on a further LEAN review will be progressed in the latter part of the year

### Review, shape and implement Corporate fraud e-learning tool

2.53 Work on this objective is underway and with the assistance of L&D the fraud awareness e-learning course should appear in the learning pool

environment in the 3<sup>rd</sup> quarter. A decision to roll out the training on a phased approach will need to be made and to ensure that all new recruits undertake the training within a set period of commencing employment with the authority.

**Assess counter fraud and corruption arrangements against *Fighting Fraud Locally* strategy checklist and implement an improvement action plan (see**

2.54 No progress has been made on this objective and will be picked up in the second part of the year.

**Update on the Single Fraud Investigation Service (SFIS)**

2.55 A joint DWP/HMRC Fraud and Error strategy was launched in October 2010 and refreshed in February 2012 in a joint report with HMRC and the Cabinet Office - *Tackling Fraud and Error in Government: A Report of the Fraud, Error and Debt Taskforce*. This set out the Government's plans to tackle fraud and error in the tax credit and benefit systems and reduce fraud and error overpayments in the welfare system by one quarter (£1.4 billion) by March 2015.

2.56 One area of the strategy proposed the launch of a Single Fraud Investigation Service (SFIS) covering the totality of welfare benefit fraud.

2.57 SFIS :

- will operate under a single policy and one set of operational procedures for investigating all welfare benefit fraud.
- will conduct single investigations covering the totality of the fraud.
- aims to rationalise existing investigations and prosecution policies in order to create a more coherent investigation service that is joined up, efficient and operates in a more consistent and fair manner, taking into account the totality of offences that are committed.
- enhances closer working between DWP, HMRC and Local Authorities.
- will bring together the combined expertise of all 3 services drawing on the best practices of each.
- supports the fraud and error integrated strategy of preventing fraud and error getting into the benefit system by detecting and correcting fraud and punishing and deterring those who have committed fraud.

2.58 Whilst the overarching responsibility to design and implement SFIS is managed by the DWP, all other partners are key to its successful design and delivery.

**First steps**

2.59 In November 2011 following consultation with Local Authority (LA) partners it was agreed that initially LA investigators would remain employed by their LA but operate under SFIS powers, policies, processes

and priorities, SFIS will be a partnership of staff from DWP, LAs and HMRC rather than a singly owned entity.

2.60 Workshops then took place earlier this year, and in April the high level design for SFIS was published and comments welcomed.

2.61 The project also asked for LA volunteers to pilot the service and a number of expressions of interest were received.

**Pilots**

2.62 The Fraud and Error programme board agreed that piloting work should start with an initial 4 pilots. This is expected to be increased at a later stage once emerging findings are known. From the piloting activities the lower level design of SFIS will be drawn out.

2.63 The SFIS programme is working with the following LAs as well as other partners;

- Corby Borough Council
- Glasgow City Council
- London Borough of Hillingdon
- Wrexham Council

2.64 On 25/26 July the SFIS programme team met with representatives from the four Local Authorities, the corresponding DWP teams, HMRC and the Crown Prosecution Service. It is anticipated that representatives from the Crown Office in Scotland will be able to join in the future.

2.65 The group looked at the SFIS process followed by identifying activities that would need to be undertaken by either themselves or the programme to commence the pilots.

2.66 The pilots will test the design of SFIS (including new powers to conduct single investigations under the Welfare Reform Act) and identify any issues or changes which need to be considered for national roll out. Whilst it is intended to have one single policy and procedure by national roll out the programme will be using the pilot phase to test and measure some alternatives and then select the most effective. The pilots will also test the two organisational design models outlined in the High level Design paper to consider the advantages and disadvantages of each.

2.67 SFIS pilots are intended to drive out some of the lower level requirements for future IT systems. In the short term the pilots will make use of existing IT systems which all parties agreed may initially be "clunky" and this will be reflected in the pilot evaluation.

2.68 In 2013/14 it is thought that it will be business as usual for LA's investigating benefit fraud and there will be no immediate funding changes. It is envisaged that there will be some policy changes affecting LA's depending upon the findings emerging out of the pilots.

***Fighting Fraud Locally* (for information only Appendix 3)**

2.69 The cost of fraud to local government is estimated at £2.2 billion a year. This is money that could be used for local services. In April 2012, the *Fighting Fraud Locally Strategy* was launched as a strategic approach developed by local government, for local government and addresses the need for greater prevention and smarter enforcement of fraud affecting local services. Fighting Fraud Locally outlines a strategic approach that, if adopted across local government, will not only enable local authorities to become better protected from fraud but also contribute to the nation's ability to detect and punish fraudsters.

2.70 The CAFT is responsible for reviewing and updating the Council's Corporate Anti-Fraud Policy and will ensure that the key themes running through this strategy are adopted and embedded in the culture of the authority where possible, and support for the changes are received from senior management in the organisation and this committee. The committee is asked to note the contents of the report

**Changes to the Regulation of Investigatory Powers Act 2000 (RIPA) following the Protection of Freedoms Act 2012**

2.71 New sections in RIPA (ss.23A and 32A) require that with effect from 1 November 2012 a local authority cannot carry out any of the following with approval of its authorisation by a magistrate:

- Directed Surveillance;
- Deployment of Covert Human Intelligence Source (CHIS); and
- Access to communications data

2.72 The legislation changes will require a change to Harrow's RIPA 2000 policy and procedures. Legal Services is currently reviewing these and the committee is asked to note this.

2.73 Harrow Council does not routinely undertake any of the above activities and has seldom used the legislation to gather evidence in criminal investigations. In 2012/13, however the CAFT has undertaken two separate directed surveillance operations involving employee and benefit fraud allegations. Both investigations are currently live and disclosure of the details would be prejudicial to the ongoing criminal proceedings. Further information will be provided to the committee upon conclusion of the cases.

2.74 See attached briefing note provided by Legal Services (Appendix 2).

**Inspection by the Office of Surveillance Commissioners (OSC)**

2.75 The authority will be inspected by the OSC on 04/12/12 where Sir David Clarke, Assistant Surveillance Commissioner will review the policies and procedures the Council has in place to comply with the Regulation of Investigatory Powers Act (RIPA) and the use which the Council makes of its powers under the Act.

**Risk Management**

2.76 Work has continued during Q2 on developing the corporate risk register as a tool for capturing and driving management of the key and emerging business-critical risks of the Council, particularly during the current period of financial austerity, of developing new alternative models for service delivery and of implementing organisational change at the Council.

2.77 Work has also continued to develop the register so as it better meets the reporting requirements/needs of CSB. This has involved developing a process for integrating risk management reporting for Q2 into the newly combined/integrated finance and performance management reporting arrangements.

2.78 Closer liaison and joint-working on risk management has also been put in place with the Children's and Families directorate on risk management during Q2 in line with the management of key and significant changes at the directorate.

2.79 Preparatory work has also begun during Q2 for the annual review of the risk management strategy and for production of the annual (2013-14) Statement of Risk Appetite for the Council, as required by the UK Corporate Governance Code. Both these documents will be produced during Q3 and will be presented to the Committee at its next meeting in January 2013.

# Section 3 – Further Information

3.1 None

# Section 4 – Financial Implications

4.1 The work of the Risk, Audit and Fraud division is carried out within the budget available and supports the achievement of financial objectives across the council.

# Section 5 - Equalities implications

5.1 Each service within the division has undertaken an Equalities Impact Assessment and no equalities implications have been identified.

# Section 6 – Corporate Priorities

6.1 Collectively the work of the division contributes to the delivery of all the corporate priorities through supporting the council as a whole to achieve its targets and objectives.

<table>
<tr><td>Name: Steve Tingle</td><td>X</td><td>on behalf of the<br>Chief Financial Officer</td></tr>
<tr><td>Date: 14 November 2012</td><td></td><td></td></tr>
</table>

## Section 7 - Contact Details and Background Papers

**Contact:**    David Ward, Divisional Director – Risk, Audit & Fraud.
Tel: 020 8424 1781

**Background Papers:**  None.

**Olympic C3 Operations**

This is a complex theatre of operations interlinking local authorities, with multi-agency partners, such as the Police, Fire, Ambulance, Health Service, Transport and National Government.

This theatre of operations is multi-layered at the local level with individual boroughs (BOCC), at the sub-regional level with borough groupings (BGSU), regionally at the London Operating Centre (LOC) and Local Authority Olympic Co-ordination Centre (LAOCC), and nationally at the National Operating Centre (NOC) and Olympic Committee sitting at COBRA.

This Command, Control and Communication (C3) set up is explained in the CSB paper below:

**Summary of the issue**

The council, along with all other London councils, will be required to compile a report at 14:00 hr each day, of the RAG (Red, Amber, Green) status of predetermined key services, which could have a negative impact on the delivery of the Olympic Games.

This daily Situation Report (Sitrep) will be compiled from information provided by a range of service managers to the Emergency Planning Team, and forwarded onto the North Zone Borough Grouping Support Unit (BGSU) based in Brent, at 16:00 hr each day.  The North Zone BGSU is comprised of eight councils in North and West London.

There are five BGSU zones across London, who will all submit their zone SitReps at 00:00 hr each day, to the London Local Authority Olympic Coordination Centre (LAOCC).  This will then feed into the National Olympic Committee, sitting at COBRA, to brief Ministers the next morning.  This whole process is known as Command, Control & Communication Operations (C3 Ops).

**Reporting**

Each predetermined key service will report on two items:
(1) SitRep
Status of your service and arising trends/patterns or future problems for service delivery or Games operations
(2) Resource coordination
Support provided to, or requested of, another council

**Aim**
"Keep London Moving" via sharing relevant information and effective and efficient management of resources through the identification of events that may have a negative impact on council operations and/or delivery of the Olympic Games

**Predetermined key services**
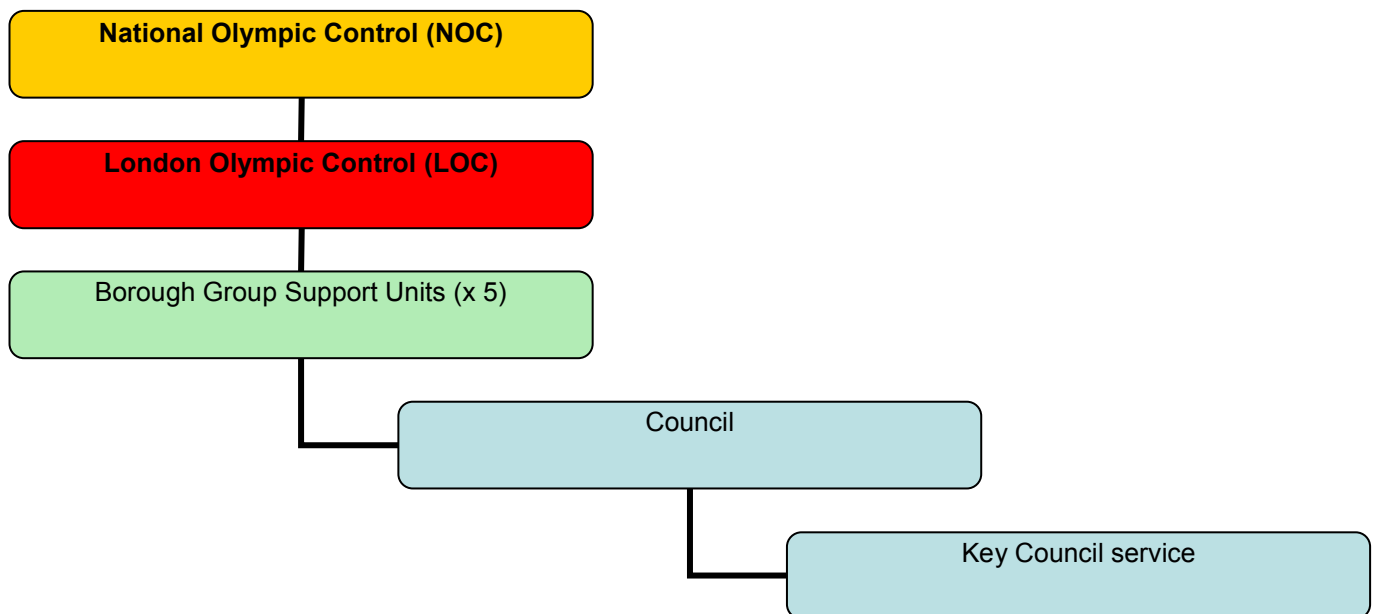Waste Management
Licensing

Environmental Health
Trading Standards
Highways Maintenance
Traffic Management
Parking
Community Safety
Community & Cultural Services
Parks
Leisure
Children and families
Education services
Adult Social Care
Housing and homelessness
Emergency Planning
Borough Olympic 'Look and Feel'

## How
Through the use of:
- A structured information flow, with reporting at local, sub-regional, regional and national levels.
- Situation report and resource coordination template
- By the resolution of issues at the lowest possible level and the circulation of information to highest necessary level

## Information flow

National Olympic Control (NOC)

London Olympic Control (LOC)

Borough Group Support Units (x 5)

Council

Key Council service

## Key roles
Olympics Director
Torch Relay Lead
Harrow C3 Lead
Borough Olympic Control Centre (BOCC)
Emergency Planning Team (Harrow C3 Lead)
Delivery Area Lead (DAL) / Service Manager Lead
Single Point Of Contact – SPOC

## Olympic reporting period
25th June 2012 – 12th September 2012 (incl.)
Key events:
- Olympic Torch Relay 25th July
- Olympic Games 27th July – 12th August
- Paralympic Games 29th August – 9th September

## Test Dates and Times
The proposed dates and times of tests are as follows:
- North Zone BGSU – $28^{th}$ May 09:00 to 12:30
- *Internal Borough Sitrep reporting Only - 19th June 09:00 to 16:00*
- *North Zone BGSU – $28^{th}$ June 09:00 to 12:30*

Delivery Area Leads (DAL) / Service Manager Leads will be required to participate in all of the above tests to ensure the procedures work in the Delivery Areas

## Service responsibilities
To have robust arrangements to be able to:
- Provide daily service-level situation report (by 14:00)
- Respond to specific requests for information
- Report extraordinary events that may affect the Olympics
- Request Resource Coordination
- Offer Resource Coordination
- Have a Single Point Of Contact (SPOC) contactable 24/7
- Have a Delivery Area Lead (DAL)

## Emergency Planning Responsibilities
Create and manage a process to:
- Have a 24/7 Single Point Of Contact (SPOC) for the Council
- Collate a daily Council situation report for North BGSU
- Request Resource Coordination
- Offer Resource Coordination
- Respond to extraordinary requests for information

## Contact
Kan Grover
Service Manager – Civil Contingencies
(Emergency Planning & Business Continuity)
020 8420 9319

**CHANGES TO RIPA FOLLOWING THE PROTECTION OF FREEDOMS ACT 2012**

**BRIEFING NOTE**

**Introduction**

1. The Protection of Freedoms Act 2012 has made changes to RIPA following a review of its provisions. Change was felt to be necessary following media reports of local authorities using RIPA powers to carry out surveillance on individuals for minor offences such as dog-fouling.

2. New sections in RIPA (ss.23A and 32A) require that a local authority cannot carry out any of the following without approval of its authorisation by a magistrate:

    a. Directed Surveillance;
    b. Deployment of Covert Human Intelligence Source (CHIS); and
    c. Access to communications data.

3. If the magistrate decides not to grant the authorisation it may make an order quashing the authorisation.

4. The other change involves the purpose for which directed surveillance can be used.

5. All changes take effect from 1 November 2012.

6. The new provisions are set out in more detail below.

**Communications data**

7. Chapter 2 of Part 1 of RIPA allows certain bodies, including local authorities to access certain communications data from any Communications Service Provider (CSP) e.g. a mobile phone service provider. A local authority cannot access traffic data i.e. where a communication was made from, to whom and when. It can only access service data i.e. the use made of the service by any person, and subscriber data i.e. any other information that is held or obtained by an operator or a person to whom they provide a service.

8. An authorisation or notice to obtain communications data from a CSP shall not take effect until and unless a magistrate has made an order approving it. The magistrate must be satisfied that:

    a. There were reasonable grounds to believe that obtaining communications data as set out in the authorisation or notice was necessary and proportionate and that there remain reasonable grounds, at the time the order is granted, for believing so;

b. The Designated Person was of the correct seniority within the local authority in accordance with the Regulation of Investigatory Powers (Communications Data) Order 2010 (SI 2010/480) i.e. Director, Head of Service, Service Manager or equivalent;

c. The granting or renewal of the application was only for the prescribed type of communications data to be acquired for the prescribed purpose as set out in the above Order (i.e. subscriber and service use data – e.g. mobile phone subscriber information and itemised call records – to be acquired only for the purpose of preventing or detecting crime or preventing disorder).

**Directed Surveillance and CHIS**

9. The provisions in relation to Directed Surveillance and CHIS are similar to those for communications data, with additional requirements for CHIS, and are set out below.

10. The authorisation for these surveillance methods shall not take effect until and unless a magistrate has made an order approving it. The magistrate must be satisfied that:

a. There were reasonable grounds to believe that the Directed Surveillance or deployment of a CHIS was necessary and proportionate and that there remain reasonable grounds, at the time the order is granted, for believing so.

b. The Designated Person was of the correct seniority within the organisation i.e. a Director, Head of Service, Service Manager or equivalent as per the Regulation of Investigatory Powers (Directed Surveillance and Covert Human Intelligence Sources) Order 2010.

c. The granting of the authorisation was for the prescribed purpose, as set out in the above Order i.e. preventing crime or preventing disorder (see also paragraph 13 in relation to directed surveillance).

11. If the approval applied for is for CHIS the magistrate also has to satisfy him/herself that:

a.  The requirements in s.29 (5) of RIPA are met (including the Regulation of Investigatory Powers (Source Records) Regulations 2000 which are made under this section). Section 29(5) requires that there are officers in place to have oversight of the use of the source and to have responsibility for the day to day contact with the source and their welfare. Other requirements relate to record-keeping in relation to the use of the source.

b. The requirements of the Regulation of Investigatory Powers (Juveniles) Order 2000 have been satisfied. This sets out rules about parental consent, meetings, risk assessments and the duration of the authorisation.

12. The procedure for applying for approval is set out in a new section 32B of RIPA. There are no restrictions on who in the local authority can apply for the approval. Therefore it does not have to be a designated person for the purposes of the Act.

13. The applicant is not required to give notice of the application to the subject of the authorisation or their legal representative.

**Changes in relation to the use of directed surveillance**

14. At present directed surveillance can be used for the purpose of preventing or detecting crime or preventing disorder. Amendments have been made to the relevant regulations so that this sort of surveillance can only be used when the conduct which is being investigated constitutes a criminal offence which is punishable by a maximum term of at least 6 months' imprisonment. Therefore, although a local authority can still use directed surveillance for the purpose of preventing disorder, it must be able to show that the disorder it wished to prevent would amount to a criminal offence of this type. However, there are some exceptions to this rule, namely offences in relation to the sale of alcohol and tobacco to children.

**Codes of practice and guidance**

15. Codes of practice are published by the Home Office under s.71 of RIPA. It is expected that they will be revised before 1 November.

16. The Home Office has also published guidance on the changes.[1] This suggests that it will be most appropriate for case investigators to attend court in respect of applications for judicial approval, other than in relation to Communications Data, where the Single Point of Contact (SPoC) may be the most suitable individual.

Caroline Eccles
18 October 2012

---

[1] http://www.homeoffice.gov.uk/publications/counter-terrorism/ripa-forms/local-authority-ripa-guidance/local-authority-england-wales?view=Binary

This page is intentionally left blank

# FIGHTING FRAUD LOCALLY

# The Local Government Fraud Strategy

**Fighting Fraud Locally Oversight Board 2011:**



**With support from:**

# Foreword

The urgent issue now facing this country is the need to reduce the deficit. Tackling fraud is an integral part of putting finances back on a stable footing and ensuring that tax-payers hard earned money is used to protect resources for frontline services. Fraud has a serious effect on all parts of the economy and costs the UK in the region of £73 billion per year. The cost of fraud to local government is estimated at £2.2 billion a year. This is money that could be used for local services.

Better prevention, detection and recovery of fraud will help reduce the financial pressure on councils. Many councils and housing associations are already tackling fraud and error in housing tenancy claims. In 2010-11, local authorities recovered about 1,800 properties, an increase from 1000 in 2008-09.

However in order to face the threat from fraud, organisations must be open about the risks they face. We have been heartened to learn about the number of local authorities who recognise that fraud must be tackled and are doing so through innovative pilots and initiatives, many of which are saving them sizeable sums of money. We want to encourage the wider adoption of such good practice.

We realise, however, that fighting fraud requires more than the adoption of good practice. It also requires a genuine partnership between local and central government and a strategic approach to fraud. For local government that is about using its local knowledge, flair and a determination to tackle this serious problem, whilst the role of central government is to create the right conditions for local authorities to take the necessary initiatives. This means exploring how to create the right incentives to reward councils that reduce fraud; exploring how we can remove barriers to appropriate information sharing; and exploring options for providing professional staff with access to the necessary investigative power.

The strategic approach outlined in Fighting Fraud Locally provides a blueprint for a tougher response to tackle fraud. Local authorities need to review and evaluate their current response to all areas of fraud they face across housing tenancy, procurement, pay, pensions and recruitment; council tax; grant; and blue badge schemes and create a robust and effective defence. More fraud needs to be prevented and detected and fraudsters need to be rooted out and punished. This includes ensuring that every penny they have stolen is taken back from them.
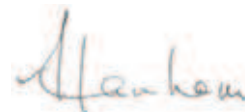
We would like to take this opportunity to thank all those from across local government who have been involved in the development of this strategy. We look forward to seeing local authorities implement this strategy and build upon the successes they have made so far in tackling fraud and offer our full and enthusiastic support to their efforts.

Signed jointly by:

**James Brokenshire MP**

Parliamentary Under Secretary of State for Crime and Security, Home Office

**Baroness Hanham CBE**

Parliamentary Under Secretary of State and Government spokesperson, Department for Communities and Local Government

**The Rt Hon Francis Maude MP**

Minister for the Cabinet Office and Paymaster General

## Cllr Peter Fleming, Chair of the Improvement Programme Board

Local Government Association,
Leader of Sevenoaks District Council

During my years of working in local government, I have seen at first-hand the damage that can be caused by fraud but I have also seen the progress made by local government in countering the threat of fraud. Local authorities have piloted new methods and techniques for preventing and identifying fraud and put in place professional audit and investigation teams. But more needs to be done. The fraud threat is one that crosses local authority boundaries and we need to respond to that threat together.

At Dartford and Sevenoaks we have merged our fraud teams which has given us improved resilience, improved quality of work, and shared good practice and skills sets. The merging of our teams has improved knowledge between the areas and has resulted in new fraud being uncovered. I am proud to say that we have been at the forefront of efforts to work in partnership using innovative methods to tackle fraud.

By working collaboratively Dartford and Sevenoaks have saved over £191,000 in fraudulent benefit overpayments and £70,000 on operating costs. But more could be saved if we shared data more widely, within and between councils and with other bodies, especially central government. I therefore very much welcome the commitment made by the Baroness Hanham and central government to exploring how to create the right incentives to reward councils that reduce fraud; exploring how we can remove barriers to appropriate information sharing; and exploring options for providing professional staff with access to the necessary investigative power.

Prevention is always better than cure when it comes to tackling fraud. However, not all fraud can be prevented and a strong enforcement policy that ensures that fraudsters do not get away with their ill gotten gains is essential to deter others from attempting fraud. To protect public money we need effective recovery processes and investigators that are empowered and supported by the police and other law enforcement bodies.

**Fighting Fraud Locally** is an approach developed by local government, for local government, and addresses the need for greater prevention and smarter enforcement. In developing this document we have listened carefully to the views of a wide range of local government stakeholders and put together a plan based on their collective experience and understanding. I am pleased to endorse the approach outlined in this document.

I know that local authorities are having to make tough choices in the current financial climate and there is a real risk that resources devoted to preventing and recovering money lost to fraud could be disproportionately reduced. However, as the examples throughout **Fighting Fraud Locally** demonstrate, this is a time for tackling fraud to help to save money and protect front-line services.

# Contents

5

# Executive Summary

This document calls for the adoption of a tougher approach to tackle fraud against local authorities organised around the three themes of Acknowledge, Prevent and Pursue. The approach demands a new partnership between central and local government: Local government must recognise the cross boundary nature of fraud and adopt the best practice identified throughout this document to tackle the highest fraud risks, whilst central government needs to create the right environment to enable local authorities to protect public funds through the creation of a positive incentive regime, the removal of barriers to information sharing and by conducting a review of the use of powers by local authorities and how they could be harnessed more effectively.

The Annual Fraud Indicator shows that there is £2.2 billion at stake. This includes £900 million in housing tenancy fraud, £890 million in procurement fraud, over £153 million in payroll fraud, £131 million in council tax discounts and exemptions fraud, £46 million in 'blue badge' fraud, £41 million in grant fraud and £5.9 million in pension fraud. This is money that can be better used to support the delivery of front line services. Local government is under pressure to make savings and tackling fraud can contribute to that agenda.

Radical changes are underway to how local services are to be delivered. The next few years will see major reforms to the welfare system, policing and local government. The change of emphasis from local government being a provider to a commissioner of services changes the risk profile of fraud, as well as the control environment in which risk is managed. More arm's length delivery of services by third parties in the voluntary and not-for-profit sector and personal control of social care budgets, for example, will mean that more public money is entrusted to more actors, whilst the controls the local authority previously exercised are removed or reduced. Without new safeguards, preventing, detecting and investigating fraud will become more difficult.

All of these changes are happening against a backdrop of depressed economic activity in which the general fraud risk tends to increase. Harder times tend to lead to an increased motivation to defraud by some clients, suppliers and employees who are feeling the squeeze.

At the same time as unprecedented change to the delivery of local services and increased risk, the counter fraud environment is being fundamentally altered. The abolition of the Audit Commission, the changes proposed to local auditing arrangements and the creation of a single fraud investigation service to tackle benefit fraud will considerably alter current fraud governance arrangements. These factors suggest that this is the time to put forward a new and tougher approach to tackle fraud against local government and introduce new arrangements to ensure that local government has a resilient response to the changed conditions.

Despite these challenges many local authorities have identified that fraud can be a source of sizeable savings and have used innovative ways to prevent, detect and recover losses from fraud. Birmingham City Council has saved £25 million in the last five years as a result of regular data matching, Ealing Council is set to realise nearly £7 million of savings from taking action against fraudulent claims for single person discount from council tax and similar action by West Berkshire is expected to yield £4 million in three years.

If the only impact this strategy had was to encourage the wider use of such good practice millions of pounds would be saved. However, that is not the limit of our ambition.

Fighting Fraud Locally outlines a strategic approach that, if adopted across local government, will not only enable local authorities to become better protected from fraud but also contribute to the nation's ability to detect and punish fraudsters. The new approach will strengthen the counter fraud response across local government and will result in more fraudsters being caught, more fraud prevented and more money returned to authorities.

**Fighting Fraud Locally** is part of a wider collaboration on counter fraud and is the local authority contribution to the national fraud strategy – **Fighting Fraud Together** – which encompasses both the public and private sectors response to fraud in the UK.

# Introduction

Our vision is that by 2015 local government will be better able to protect itself from fraud and have in place a more effective fraud response. Local authorities will be more aware of their fraud risk and acknowledge their exposure, but will be more resilient to the fraud threat. Local authorities would have carried out a radical realignment of their fraud strategies and will be preventing the majority of fraud from occurring through the greater deployment of real time, up front, data analytics solutions and by the timely sharing of intelligence on known fraud and fraudsters. Local authorities will be realising cashable savings across all areas of spend.

The new approach will be strengthened by governance arrangements that will drive the delivery of a fraud strategy across local government, supported by new collaborative arrangements to share intelligence and resources across local authorities. Local authorities will also have access to professionally trained staff with appropriate and relevant powers and specialist resources to investigate fraud and trace assets, supported by the police and central government departments.

Fighting Fraud Locally was developed by local government for local government. This strategy is a result of extensive engagement with a wide range of key stakeholders in local government and overseen by a Board of senior representatives of local authorities. Never before has local government collaborated to produce an approach to tackle fraud that applies across the entire sector.

## Significant savings are to be had by any Council implementing the good practice in this strategy:

- Ealing forecast savings of £7m by using analytics to tackle council tax fraud.

- Birmingham estimate savings of £10m by data-matching and collaborating on data-matching with neighbouring councils and Housing Associations.

- By the greater use of the civil recovery approaches recommended in this strategy Councils will be able to recoup their losses and may also claim compensation.

- Through the sharing of specialist resources such as financial investigators, investigations will be quicker and more effective and less reliant on the police. For districts and counties this will mean greater efficiency by not having to invest individually in costly resources.

- Through joint working and sharing information Councils will identify more organised frauds which currently cross Council boundaries.

- By improving the fraud alert network Councils will be informed about new frauds more quickly and more fraud will be prevented.

- By improving the checking of staff before they are employed more fraud will be prevented and reputational damage reduced.

## By using the free tools provided in this strategy local authorities will:

- Be able to estimate the level of individual fraud loss to their Council and understand their fraud risk and use this information to target their resources more efficiently.

- Be able to establish their resilience to the fraud threats and assess themselves against a checklist for what arrangements they should have in place to tackle fraud.

- Prevent more fraud by having access to a good practice bank of tried and tested methods.

- Have greater support through accessing an online technical advice service and a peer review process of fraud experts.
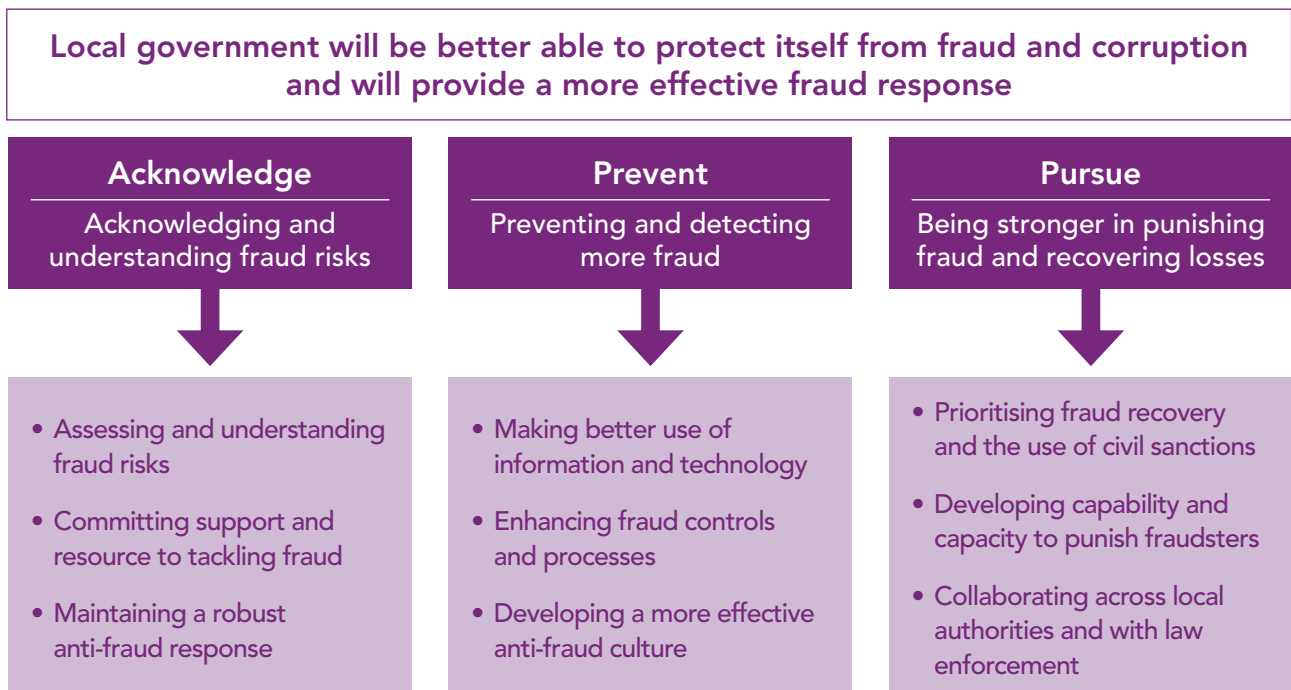
- Establish partnership arrangements more easily through using the templates held in the good practice bank.

- Be able to cost effectively create an anti-fraud culture through using the free fraud awareness training.

The public expects local authorities to be accountable for protecting public money and to operate in a transparent manner. To this end there needs to be effective systems for ensuring that anti-fraud arrangements are in place and working. Fraud is a common threat and requires common solutions and a common approach. Therefore local authorities need to adopt consistent practices and collaborate with each other and with other agencies, particularly to tackle cross authority attacks.

The best fraud fighters are the staff and clients of local authorities. To ensure that they are supported to do the right thing a comprehensive anti-fraud culture needs to be maintained, including clear whistle-blowing arrangements.

The strategic approach set out below provides the route to achieve this vision and to embed a more collaborative approach to tackle the fraud threat.

**Those who have helped to develop and oversee this strategy are committed to delivering the approach across local government and working in partnership with others to ensure widespread adoption of the strategy.**

---

**Local government will be better able to protect itself from fraud and corruption and will provide a more effective fraud response**

| Acknowledge | Prevent | Pursue |
|---|---|---|
| Acknowledging and understanding fraud risks | Preventing and detecting more fraud | Being stronger in punishing fraud and recovering losses |
| • Assessing and understanding fraud risks<br><br>• Committing support and resource to tackling fraud<br><br>• Maintaining a robust anti-fraud response | • Making better use of information and technology<br><br>• Enhancing fraud controls and processes<br><br>• Developing a more effective anti-fraud culture | • Prioritising fraud recovery and the use of civil sanctions<br><br>• Developing capability and capacity to punish fraudsters<br><br>• Collaborating across local authorities and with law enforcement |

The starting point of the strategic approach is to **Acknowledge** the threat of fraud and the opportunities for savings that exist. This acknowledgement must start at the top and lead to action. Whilst this document outlines the main areas of fraud risk across local government, each authority's risk profile will be different. This strategy recommends that the starting point for each council is to perform its own risk assessment and fraud resilience check.

The second element of the strategy focuses on **Prevention**. With reducing investigative and police resources a counter fraud strategy can no longer depend on enforcement activity. Prevention is often the most efficient way to make savings and so what is called for is a radical realignment of counter fraud resources with greater investment in techniques, technology and approaches that will prevent fraud.

Stopping fraud happening in the first place must be our aim. However, motivated offenders will still succeed. A robust enforcement response is therefore needed to Pursue fraudsters and deter others. Fraud is an acquisitive crime and the best way to deter offenders is to ensure that they are caught and do not profit from their illegal acts. This strategy argues for a fundamental shift to emphasise civil recovery and the more rigorous pursuit of losses.

**This document is divided into four sections:**

**Section 1:** the context: sets out the nature and scale of fraud, the action being taken to reduce it and the key challenges that must be addressed by this strategy.

**Section 2:** the strategic approach: highlighting areas where action is needed and identifying activities that must take place in order to achieve the strategic vision.

**Section 3:** tackling the main fraud risks: identifies the most pressing and serious fraud risks and provides examples of how local authorities are tackling them.

**Section 4:** the delivery plan: sets out the framework for delivery and programme of activity.

"Every local authority has a responsibility to be transparent and accountable to its residents. Taking responsibility for fraud means being honest about the level of fraud and it takes a degree of courage to take the first step and acknowledge that we are victims of fraud. But it is only by knowing the nature and scale of fraud that we can effectively counter its threat. We need to be braver in acknowledging the real levels of fraud, but we can be reassured by those who have already taken this step and assessed their risk levels thoroughly that this is the first step to implementing solutions that cut straight to the heart of the problem."

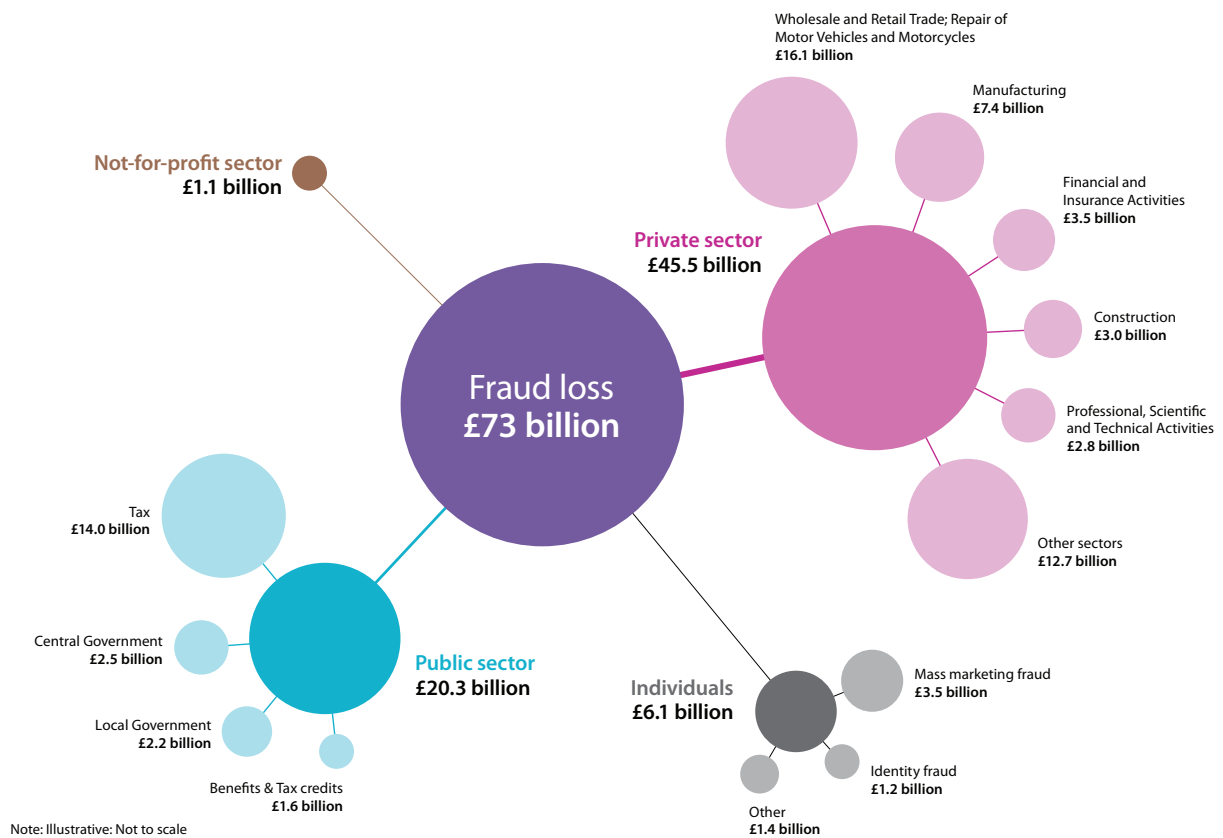**Joanna Killian, Chief Executive, Essex County Council**

# Section 1: The context

## The fraud challenge

Fraud causes significant financial harm to the UK economy. Individuals and the private, public and not-for-profit sectors pay a high financial price.

The most reliable and comprehensive estimate of UK fraud loss puts the cost of fraud against the UK at £73 billion.

**Fig 1:** Total annual fraud loss estimate, NFA Annual Fraud Indicator 2012.

Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles
**£16.1 billion**

Manufacturing
**£7.4 billion**

Financial and Insurance Activities
**£3.5 billion**

**Not-for-profit sector**
**£1.1 billion**

**Private sector**
**£45.5 billion**

Construction
**£3.0 billion**

Professional, Scientific and Technical Activities
**£2.8 billion**

Fraud loss
**£73 billion**

Tax
**£14.0 billion**

Other sectors
**£12.7 billion**

Central Government
**£2.5 billion**

Mass marketing fraud
**£3.5 billion**

**Public sector**
**£20.3 billion**

**Individuals**
**£6.1 billion**

Local Government
**£2.2 billion**

Identity fraud
**£1.2 billion**

Benefits & Tax credits
**£1.6 billion**

Other
**£1.4 billion**

Note: Illustrative: Not to scale

101

Of the total sum lost each year to fraud, around 30 per cent occurs in the public sector, with estimated losses of around £20 billion a year. The majority of this loss is the result of fraud against the tax system; however about £6 billion is estimated to be lost in areas such as payroll, procurement, grants and pensions.

Fraud in local government accounts for around 11% of total public sector fraud, costing tax payers £2.2 billion a year. The table below provides a breakdown of this figure.

| Fraud Type | Fraud Loss |
| --- | --- |
| Housing tenancy fraud | £900 million |
| Procurement fraud | £890 million |
| Payroll fraud | £153 million |
| Council tax fraud | £131 million |
| Blue Badge Scheme misuse | £46 million |
| Grant fraud | £41 million |
| Pension fraud | £5.9 million |

These figures do not take into account the indirect costs of responding to and dealing with fraud and excludes some areas of fraud loss. Losses suffered from fraud can have a direct, adverse, impact on those people who are in most need of support and, in some cases the reputational damage caused to a local authority can be serious and lasting.

increase awareness and reporting, and deliver a more effective enforcement response. **Fighting Fraud Together: the strategic plan to reduce fraud sets out the context for the national fight against fraud**[1] and states that in order to cut fraud in one sector it is crucial that there is collaboration across sectors that face the same threat.

## The national fraud response

Local Government's contribution to the fight against fraud must be seen in the light of wider efforts to tackle the harm caused to the UK by fraudsters. In October 2011, 37 representatives from public, private and not for profit organisations and law enforcement joined forces to release a shared strategic plan that seeks to better co-ordinate counter fraud activity in order to prevent fraud,

## The public sector fraud response

In October 2010, the Government established a cross-Whitehall taskforce focusing on tackling fraud, error and debt in public services. In its first six months, the taskforce ran a series of pilots using tools and techniques to tackle fraud and error in the public sector. The pilots delivered £12m of savings and, once rolled out, will save in the region of £1.5bn by 2014/15. In June 2011, the taskforce

---

[1] Fighting Fraud Together: the strategic plan to reduce fraud. http://www.homeoffice.gov.uk/publications/agencies-public-bodies/nfa/fighting-fraud-tog/

102

published **Eliminating Public Sector Fraud²**, an interim report presenting the findings of the pilots and setting out four priorities to tackle fraud effectively in the public sector: collaboration; zero tolerance; better assessment of risks and measurement of losses; and a greater focus on fraud prevention activity.  In February 2012 the taskforce published **Reducing Fraud and Error in Government³** which outlined the programme of activity to reduce fraud against all areas of government revenue and spend, including tax and benefit fraud. In these reports the taskforce recognised that the lessons it had learnt needed to be extended to local government and that central and local government needed to work together to fight common fraud threats.

While individual local authorities have made significant progress in tackling fraud, there has not yet been a concerted and collaborative approach encompassing the whole of local government. **Fighting Fraud Locally** seeks, for the first time, to bring about a truly inclusive and collaborative approach to tackle fraud across all of local government.

# Powers, barriers and incentives

Tackling fraud locally demands a new partnership between central and local government. Whilst local government can be more successful in tackling fraud by adopting best practice and implementing this strategy, central government needs to create the right environment to enable local government to tackle fraud more effectively. Three critical issues have been identified where central government can facilitate an improved response from local government:

- The most important issue for central government to address is the removal of perverse incentives that mean that some frauds are not worth investigating by local authorities and to introduce positive incentives for local authorities to tackle fraud, particularly where the main beneficiary is other parts of government or society.

- The second main issue to be addressed is the creation of the right framework to encourage more effective information sharing both within and between local authorities, and between local authorities and central government departments and the private sector.

- Thirdly, professional and trained staff in local authorities must be provided with the powers they need to protect public funds.

"Fraud does not respect geographical or organisational boundaries. But the complexity of public finances means that, even where local authorities are well placed to tackle fraud, too often the financial benefit of their effort accrues elsewhere, removing or limiting incentive. The most sophisticated fraudsters can exploit this sort of systemic vulnerability. This needs to change. The work that has underpinned Fighting Fraud Locally has highlighted perverse and inadequate incentives and by doing so has won central government's commitment to help bring about the changes required."

**Martin Smith, Chief Executive, London Borough of Ealing Council**

² http://www.cabinetoffice.gov.uk/resource-library/eliminating-public-sector-fraud-counter-fraud-taskforce-interim-report
³ https://update.cabinetoffice.gov.uk/resource-library/tackling-fraud-and-error-government-report-fraud-error-and-debt-taskforce

13

Central government needs to ensure that the right incentives are in place to encourage local authorities to tackle fraud and in particular those areas of fraud where there is little direct financial impact on the local authority but where costs fall to other parts of government and society. As a starting point central government has a role to play in praising those local authorities who acknowledge they have a fraud problem and then take action to detect and deal with fraud. Too often those local authorities who are transparent about their fraud problem - and who are successful in identifying fraud - are blamed for their fraud loss rather than praised for their positive action. The basis of a positive incentive regime must be that those local authorities who invest in reducing fraud against the public purse do not face a financial penalty, but retain all or a part of the savings they realise to re-invest in front line services.

"The Institute of Revenue, Ratings and Valuation (IRRV) believe that rewarding local authorities for their good work is one of the most effective ways to encourage improvement and innovation in service delivery. The annual IRRV Performance Awards acknowledge and praises local government successes in tackling revenue and benefit fraud. Any organisation taking significant steps and making investments in stopping fraud deserves recognition and I hope other organisations will follow our lead and play a more active role in rewarding local authorities who make an impact on fraud prevention and detection levels."

**David Magor, Chief Executive, Institute of Revenue, Ratings and Valuations**

An example of where a positive incentive regime is required is in tackling unlawful occupation of social housing. The benefit of reclaiming a social home often falls to central government who subsequently pay less housing benefit as a family is moved from expensive temporary accommodation into social housing. There is also very little incentive for local authorities to tackle some types of organised housing benefit fraud.

A further example of where incentives need to be addressed is that of two-tier councils. District councils are responsible for collecting council tax and dealing with fraudulent claims. However, the vast majority of council tax collected goes to the county authority, which has no responsibility for funding fraud investigation and prevention activity. The district council, with a smaller budget and counter fraud resource, has little incentive to invest in reducing fraud as it gets little return on its investment.

## Creating the right framework for effective information sharing

An effective fraud response relies on the effective sharing of information and intelligence both to prevent and investigate fraud. However, local authorities report barriers to information sharing within authorities, between local authorities, and with government departments and enforcement agencies.

There are numerous issues that need to be addressed including legislative and technological barriers and the consistency of data to facilitate more effective data matching. Central government is best placed to examine these barriers and make changes to ensure that fraud does not go undetected or unpunished due to data sharing failures. The Department for Communities and Local Government's (DCLG) social

housing fraud consultation of January 2012 proposes extending powers for investigators to compel certain named categories of organisation to comply with local authorities' requests for data in relation to tackling housing tenancy fraud.

"Barriers to sharing information are a real hindrance to local authorities in the fight against fraud. Confusion about the law and the cost of acquiring data often results in councils not being able to access simple but crucial information that can be used to identify and prevent fraud. I look forward to working with central government and partners to move towards an environment where intelligence can be shared quickly and easily within and between sectors and law enforcement so that we can tackle fraud head on".

**Tim Shields, Chief Executive, London Borough of Hackney**

## Providing an appropriate set of powers to enable local authority staff to protect public funds

Whether a criminal or civil sanction is to be pursued, investigators need to access information and premises for the purposes of collecting evidence in support of an investigation. Currently local authority investigators only have access to specific information from third parties, such as banks or the utilities in relation to the investigation of benefit fraud, whereas some of the most significant and costly frauds occur in other areas of local government, such as procurement or housing tenancy fraud. The lack of powers to obtain information increases the chances that fraudulent contractors, clients or staff will destroy incriminating evidence and hide stolen assets. This means that serious internal and major frauds by contractors, clients and staff are less likely to be successfully investigated.

In order to professionally investigate alleged fraud, investigators may need the ability to enter and search premises, obtain information, compel persons to attend for interview and obtain production and seizure orders. Local authorities currently do not have any statutory powers of access to information or premises to investigate non-benefit fraud cases without police intervention. Moreover, where a case is sufficiently serious to involve the police the likelihood of case acceptance is low without the presentation of substantial evidence that has been legally obtained and secured. In order to ensure that local authorities are using their existing powers effectively a review will be conducted into the powers that local authorities have and how they could be used to best effect in tackling fraud.

DCLG is currently consulting on proposals to allow tenancy fraud such as unauthorised sub-letting and assignment and key selling to be pursued as a criminal rather than a civil offence, where the landlord considers the seriousness of the fraud merits that approach. The consultation seeks views on whether local authorities should be able to themselves bring criminal prosecutions for tenancy fraud and whether new powers for investigators to require organisations such as banks, building societies and utility companies to share data for this purpose should be introduced. These proposals should help ensure that landlords have the powers they need to detect and prosecute housing tenancy fraud.

## Changing context

The fight against fraud locally needs to be seen in the context of a number of changes affecting local authorities. Financial constraints, the move towards localism, plus the introduction of local auditing arrangements and a single fraud investigation service to tackle benefit fraud could all make the environment for tackling fraud more challenging. To respond to this challenge it is necessary for local authorities to ensure that the strategic response addresses these issues and capitalises on the opportunities that these future challenges may present.

105

## Localism

The change in the way in which local government manages its services and finances may create new fraud risks. Under current proposals, neighbourhood and community groups will be able to receive funding to run local services and buy and manage local assets, changing the role of the local authority from one of delivering services to commissioning them from the not-for-profit, voluntary and community sectors. The nature of this commissioning could lead to local authorities having less control on how this devolved funding is managed, and with many of these sub-contracted organisations being inexperienced in managing public funds, the risk of financial mismanagement and abuse of funds could increase. In response to this, it is important that local authorities put in place robust governance structures to ensure that any transfer of funds or services to the community are properly protected, without introducing unnecessary additional bureaucracy.

Other proposals put forward in the Localism Act may also bring about new fraud risks as well as opportunities to reduce the fraud risk. For example, local authorities will be able to offer business tax discounts to retain or attract business, which could provide an opportunity for new types of business rates fraud, similar to those risks identified for council tax. Likewise, planning reform may bring about the risk of new planning related frauds. Local authorities should use these changes as an opportunity to re-assess their fraud risk and design out fraud from the processes and procedures they implement in response to the localism agenda.

## Enhancing fraud controls and processes

The first line of defence in preventing fraud is the consistent application of internal controls. Local authorities have considerable experience and knowledge of putting in place proportionate financial and system controls for the purpose of managing the

risk of fraud. This work is supported by internal and external audit teams who provide assurance on the operation of those controls and their effectiveness in preventing fraud. There are a range of controls that can be put in place to mitigate the risk of fraud and local authorities are best placed to consider which controls are most appropriate for their particular circumstances.

"Unfortunately, fraud is a business which is carried out to gain financial benefit. Fraudsters are extremely dynamic, and new threats can emerge very quickly, resulting in financial losses in the many millions of pounds for the local government sector. I very much welcome the messages contained in Fighting Fraud Locally, which will help organisations foster greater fraud awareness, and to proactively identify emerging risks. This is vital at a time when we face the challenge of delivering more with less, and need to consider how we best design and deliver high quality, local public services. As part of that process, we must include adequate fraud-proofing, and the provision of sufficient, skilled counter fraud detection and investigation resources to minimise the risk of loss to the public purse."

**Mark Babington,
Director and Head of the Fraud Practice Network, National Audit Office**

The changing landscape and delivery of services by third parties requires an assessment of new fraud risks. The response should include fraud proofing of new policies, systems and delivery models so that fraud risks can be designed out at the earliest opportunity, ensuring that internal audit and counter fraud practitioners are consulted at an early stage. Consideration should also be given to piloting new schemes to identify fraud risks and ensure that the correct controls are built in.

## The fraud control environment in local government

Local authorities are making tough choices in the light of current financial circumstances. Councils with efficient fraud detection services are doing some excellent work, which enables them to set lower council tax bills for everyone or spend more money on frontline services. All councils will want to ensure that sufficient attention is given to retaining an effective audit and fraud function which maintains their resilience to fraud in these challenging financial circumstances. Some local authorities have simply downsized fraud investigation teams, leading to a loss of fraud skills and experience. However others have made savings whilst retaining an effective fraud function, by pooling resources or redeploying counter fraud staff to investigate the full breadth of fraud threats against the authority including housing tenancy and council tax fraud.

## Single Fraud Investigation Service

Local authorities currently have devolved powers to investigate and prosecute social security benefit fraud. The next few years will see significant reform within the welfare system, with income-related working age benefits and tax credits being replaced by a Universal Credit and the introduction of a Single Fraud Investigation Service (SFIS) responsible for all investigations for social security benefits. This will have far reaching implications for local government.

The Department for Work and Pensions (DWP) has issued a consultation document to local authorities about the configuration of SFIS. The preferred option was that staff remain employed by the councils but work with DWP to ensure a single investigation into benefit fraud takes place. This option is now being

taken forward, and co-delivered local workshops are taking place to ensure that local government is able to contribute to the future design of the team and identify any issues.

Criminals who fraudulently claim housing benefit are likely to make false claims for relief from council tax and there are many documented cases of associations between benefit frauds and other frauds suffered by local authorities. To tackle the entire criminality of a fraudster there must be closer working between local authorities and the DWP. The creation of SFIS provides an opportunity to strengthen the local fight against fraud with SFIS using its expertise to support local authorities to tackle organised and cross boundary fraud.

## The Audit Commission

In 2010, the Government announced its plan to abolish the Audit Commission and re-focus audit on helping local people hold their councils and other local public bodies to account. The next few years will see local government move towards a new locally focused audit regime. The Audit Commission collects information on the level of detected fraud in local government and publishes the results of its annual survey in **Protecting the Public Purse**, which also highlights current and emerging fraud threats and identifies counter fraud good practice. The Audit Commission has responsibility for running the National Fraud Initiative, an exercise that matches electronic data within and between audited bodies to prevent and detect fraud. It also provides an external whistle blowing helpline and collects annual fraud statistics and publishes guidance on fraud risks and counter fraud good practice. The tools and expertise developed by the Audit Commission have been recognised by the Government as an important element in tackling fraud and it is taking the necessary steps to ensure that this expertise

is not lost in the transition to local auditing arrangements. In particular the Government is committed to the continuation of the NFI and DCLG is discussing with partners and the local public sector about how best to achieve this.

Local authorities and central government will need to look to design new arrangements for the new conditions. That will most likely require the greater sharing of counter fraud and audit resources, the creation of a new control framework and new institutional arrangements, building on the existing shared counter fraud infrastructure.

## Our Commitments

### National partners to take the following actions:

- The NFA will work with central government departments to review the need for a general power to facilitate the sharing of information for the purpose of preventing, detecting and investigating fraud and will form a working group that will report to Ministers within a year.

- Central and Local Government will review the powers currently exercised by local authorities and how they could be more effectively used.

- Central and Local Government will form a working group to explore how local authorities can be incentivised to tackle fraud and that will report to Ministers within a year.

- The Department for Communities and Local Government to work with local authorities, other government departments and the NFA to ensure the legacy of the Audit Commission's work in counter fraud is retained.

### Local partners to consider:

- Review new policies and initiatives where appropriate (or changes to existing policies and initiatives) to evaluate the risk of fraud and build-in strong fraud prevention controls.

- Continually review system weaknesses and assess the effectiveness of controls in light of the evolving fraud threats across local government, making best use of shared information and intelligence on known fraud and fraudsters.

# Section 2: The strategic approach

The changing context in which local government services are delivered, the increasing risk of fraud by motivated offenders, the cuts in resources and the removal of the existing control and audit framework means that there is a pressing need for a new approach to tackling fraud against local government. Fighting Fraud Locally recognises these challenges and the need for a cost effective way to reduce fraud. This strategy calls for a greater emphasis on prevention and the recovery of stolen money and highlights the need to create new arrangements to ensure that local authorities retain a resilient response to fraud based on the sharing of services and specialist resources.

It is our vision that by 2015 local government will be better able to protect itself from fraud and provide a more effective fraud response. To achieve this ambition, this strategy sets out a new approach for tackling fraud in local government underpinned by three principles:

- **Acknowledge:** acknowledging and understanding fraud risks and committing support and resource to tackling fraud in order to maintain a robust anti-fraud response.

- **Prevent:** preventing and detecting more fraud by making better use of information and technology, enhancing fraud controls and processes and developing a more effective anti-fraud culture.

- **Pursue:** punishing fraudsters and recovering losses by prioritising the use of civil sanctions, developing capability and capacity to investigate fraudsters and developing a more collaborative and supportive law enforcement response.

## Part A: Acknowledge

"Admitting your local authority is the victim of fraud is not an easy thing to do, particularly when the fraudster is an employee or a supplier. We are all worried about the impact a fraud might have on our reputation and on the public's confidence in our ability to manage its resources and services. But we have to bite the bullet. Fraud is often a hidden crime and we must not play a part in keeping it hidden. It is only by acknowledging the problem, recognising our risks and targeting our resources intelligently and effectively that we can take real action. And that action has to be led from the top if we're to gain the full support of the public, employees and arm's length organisations. Acknowledging the issue does not mean fraud is rife in your area. Rather it recognises that systems can never be 100% fraud-proofed and that the first step in stopping the fraudsters is admitting they are there and they cause irrevocable harm to our local communities."

**Stephen Hughes,**
**Chief Executive, Birmingham City Council**

No local authority is immune from fraud. Acknowledging this fact is the most important part in developing an appropriate and effective anti-fraud response. Recognising fraud must also incorporate a thorough understanding and knowledge about what the fraud problem is, where it is likely to occur, and the scale of potential losses. This is so that a robust and proportionate fraud response can be developed to counter the threat.

## Committing support to tackling fraud

Leadership and support for counter fraud work from the very top are critical to underpinning a successful and robust counter fraud response. Those local authorities who have the most successful counter fraud strategies are generally those where there is strong support at a senior level, led by elected members, Chief Executives and Directors of Finance. They also have an effective anti-fraud culture in place where employees understand the role they can play in tackling fraud. These local authorities ensure that they have the capability and capacity to investigate and prosecute fraud, implement strong fraud prevention controls and look for innovative solutions to make the best out of the resources they have allocated for countering fraud. Birmingham City Council provides a good example of having high-level commitment and support to tackling fraud.

**Birmingham City Council** has invested considerable resource in developing an effective counter fraud function. It currently employs around 40 counter-fraud staff for the purpose of tackling benefit, social housing and corporate fraud against the council, and has allocated resource towards the development of an internal data matching process for preventing and detecting fraud. The Chief Executive, Strategic Director of Corporate Resources, and the Section 151 officer champion all aspects of counter fraud work at the council. This activity is further supported and endorsed by members of the Audit Committee and the Cabinet Member for Finance, who review the council's annual fraud report, monitor the outcomes of data matching exercises and endorse the council's quarterly fraud bulletins. This high level support and commitment helps reinforce the council's zero tolerance approach to fraud and sends a clear message that fraud against the council will not be tolerated.

Local authority Chief Executives should be aware of the highest risks and threats in the fraud landscape. A network of local authority Chief Executives, with one nominated for several geographical groupings, would mean that important dissemination could happen easily and similarly would give a support network if a large problem arises. This would also give a senior voice for counter fraud in an area.

## Assessing and understanding fraud risks

An effective counter fraud strategy needs to be informed by a good understanding of the fraud threat, emerging risks and the savings that can be made from investing in countering fraud. The best local authorities know how fraud affects them and what they can do about it. Good local authorities will have 'fraud' identified as a risk on their corporate risk register, or hold a fraud risk register. This risk-based approach to fraud enables organisations to manage the risk more effectively and target their resources more efficiently. Considering fraud risks as part of an organisation-wide risk assessment programme means that local authorities are able to assess the organisation's overall vulnerability to fraud and identify areas that are most likely to be affected by this type of crime.

Different techniques and processes are available to local authorities for evaluating fraud risks in systems and processes and assessing their impact. The Metropolitan Police Authority provides a good case study of how fraud risk assessment tools can be used to support a counter fraud strategy.

Analysing the number and value of reported fraud cases can provide an indication of where the more serious fraud risks exist in the authority. Reporting fraud at a senior level should be a key component of local authorities demonstrating openly that they have acknowledged their fraud risks. The Audit Committee or relevant committee should receive regular reports on the levels of detected fraud in the authority, along with regular updates on all aspects of anti-fraud arrangements and outcomes. The Audit Committee or relevant committee must be satisfied that fraud risks have been mitigated and that there are no significant issues before the Annual Governance Statement[4] is signed off.

The Metropolitan Police Authority (MPA) carries out a yearly systematic review of fraud risks in the MPA and Metropolitan Police Services (MPS). The fraud risk analysis examines over two hundred business systems for risks of potential fraud, weighting the risk according to different criteria. These include: the level of expenditure; level of income; other funds affected by the system; impact on operational objectives; likelihood; time since the area had been last audited; the number of staff who have access to the system; and the level of reputational damage that would be sustained if a fraud occurred. The fraud risk analysis forms part of the overall risk management arrangements of the MPA and MPS. It is used to:

• Support business areas under the highest levels of risk

• Inform fraud prevention controls and fraud awareness activity

• Highlight areas for risk audit reviews and proactive research

• Select areas of the business in which to deploy audit resources.

The fraud risk analysis report is presented at audit committee level and is published on their website.

In tandem with developing an understanding of fraud risks is an appreciation of the likely scale of fraud losses. Few authorities undertake their own fraud measurement work to quantify undetected fraud loss. The best estimate of undetected fraud loss in local government are the figures published in the NFA Annual Fraud Indicator, however these figures only provide a high level snap-shot of fraud loss across the whole local government sector and are not broken down to local authority level. To assist local authorities to determine an appropriate and proportionate response, the NFA has developed a tool that allows local authorities to calculate their own fraud loss profile. This will give an indication on how much the local authority may be losing to fraud, broken down by fraud type.

## Maintaining a robust counter fraud response

Different authorities are affected by fraud in different ways and are best placed to determine what is the appropriate response and resource to dedicate to combating fraud in their local circumstances. There is no 'one-size-fits-all' approach to tackling fraud, but each local authority should test the resilience of its current arrangements to the changing fraud threat and craft a response by applying the best practice of benchmarked authorities.

The Local Government Association has conducted over 500 peer reviews across the UK during the last ten years and has access to over 1000 accredited practitioner peers. Peer reviews have emerged as a strong component of sector-led improvement within UK local government. A peer review is not an inspection but a supportive process undertaken by 'critical friends'. Peer reviews could be offered to local authorities as part of the process of ascertaining whether an authority has an appropriate fraud response informed by best practice.

---

[4] Regulation 4 of the 2011 Accounts and Audit (England) Regulations requires that the Council shall conduct a review at least once in a year of the effectiveness of its system of internal control and following the review, the body or committee must approve an Annual Governance Statement, prepared in accordance with proper practices in relation to internal control. The Annual Governance Statement accompanies the Council's State        unts.

111

Easy access to the right support and guidance and examples of best practice is needed to support local authorities and any peer review process in developing a resilient response. At present, there are several sources of information where fraud practitioners can go to get help in countering fraud however there is no single place from where this information can be accessed.

## Our Commitments

**National partners to take the following actions:**

- The Society of Local Authority Chief Executives (SOLACE) to work with the NFA, the Local Government Association (LGA) and other partners to establish a network of local authority Chief Executive 'fraud champions' with links to elected members.

- SOLACE will work with the LGA to implement Fighting Fraud Locally and its recommendations, with sessions for Chief Executives.

- The NFA to work with local partners to develop plans for a targeted communication campaign to key groups within local government to raise the profile of fraud and to praise and recognise local authorities that tackle fraud.

- The NFA to collate and disseminate best practice and develop tools to support local authorities in assessing their fraud risks.

- The LGA to work with partners to develop a mechanism of peer review and support including creating a panel of fraud experts to assist authorities in addressing their fraud risk.

- The NFA and CIPFA to develop an online fraud resource tool to act as a repository for counter fraud guidance, including a technical communication forum for fraud practitioners and auditors.

- NFA to work with key stakeholders to revise and refresh the Commission's Counter-Fraud and Corruption Manual.

- The NFA to work with Department for Communities and Local Government (DCLG) and the National Audit Office (NAO), in light of new auditing arrangement legislation, to advocate for the introduction of a duty by auditors to make an assessment of the adequacy of anti-fraud arrangements.

- External auditors should make themselves aware of the recommendations to local authorities in Fighting Fraud Locally as part of the current arrangements and current Code of Audit Practice, to ensure that audited bodies have in place a system of internal control.

- The NFA to work with CIPFA to advocate for inclusion of counter fraud arrangements in the CIPFA/SOLACE framework for the Annual Governance Statement.

**Local partners to consider:**

- Conducting a fraud risk assessment to identify their own fraud threat and using the fraud loss tool to determine their likely fraud risk exposure.

- Performing a resilience check of their current capabilities and making use of the free resilience tool which can be accessed via the National Anti-Fraud Network (NAFN) website.

- Keeping records of all suspected and confirmed fraud cases and reporting annually at an Audit Committee level, or equivalent, on all matters relating to fraud, including an assessment of the effectiveness of the authority's fraud response.

- Reviewing key systems that may be vulnerable to fraud and ensuring that key fraud risks are managed effectively.

- Developing a response plan aligned with their fraud risk and this strategy, accompanying guidance documents and checklist and reporting on this to senior management and relevant committees.

## Part B: Prevent

 "The best way to fight fraud is to prevent it from happening.  Long ago, local government deployed a range of control measures with this in mind. But times change, and fraudsters, assisted by technology, find new ways.

Councils like Ealing are responding with new counter measures that are effective and affordable, and at the same time enhance the quality of our customer service. The savings we have made as a result of this approach have contributed millions of pounds towards balancing our budget."

**Ian O'Donnell, Executive Director, London Borough of Ealing Council**

Traditionally, counter fraud work in local and central government has been mostly reactive with a focus on investigation and prosecution. While enforcement work is a crucial strand of any counter fraud strategy, the most efficient way to tackle fraud is preventing it from happening in the first place. Prevention extends beyond making sure that there are appropriate system and process controls in place. It depends on the development of an effective anti-fraud culture that reinforces a zero tolerance and deters criminals from committing fraud in the first place. It also involves greater use of data and analytical software to prevent fraudulent activity. Fraud prevention is closely linked to the early recognition of fraud, clear reporting processes and access to a whistle blowing helpline.

## Making better use of information and technology

Because funding is heavily skewed towards reactive work, there is often little resource left for proactive and preventative fraud work. However some local authorities have demonstrated that investment in up-front preventative checking and the use of data analytics and credit reference data bears dividends.

The intent of this strategy is to bring about a radical realignment of counter fraud resources away from enforcement to prevention. Data analytics is a fundamental part of this new approach.

Data analytics is the term used to describe the process of bringing the necessary data together to verify and validate transactions, or to uncover potential and actual fraud. It relies on the sharing of data and fraud intelligence. Recent years have seen significant developments in the use of data analytical software for the purpose of preventing and detecting fraud, particularly in the private sector. Several local authorities are piloting some of these tools to demonstrate the financial benefits that they can bring.

**Ealing Council** has introduced a data matching initiative for the purpose of identifying fraudulent council tax claims. They have developed SNAP (Synchronising Names and Addresses of People) – a system that cross-references between property and people to identify anomalies in data. Ealing Council estimate that this data matching (used in conjunction with National Fraud Initiative matching and other council tax counter-fraud activity) will bring in additional income of around £1.6 million this year, and around £7.2 million over the next seven years.

Local authorities have been successful in utilising their own data sets to good effect through the creation of data warehouses, and matching data with local health bodies and residential social landlords. It is vital that these efforts are scaled up. Fraudsters do not respect local authority boundaries. They pose a common threat across local government which must be countered more effectively through the better sharing of intelligence across local authorities. Access to and the timely exchange of relevant information within local authorities and between local and central government and the private sector, offers enormous potential for combating fraud in local government. What is required is a clear system that facilitates this sharing of known fraud intelligence based on existing tools and technology.

113

**Birmingham City Council** regularly uses data matching for the purpose of preventing and detecting fraud and error. Over the last few years, it has developed a comprehensive data warehouse facility that is used to provide intelligence and large-scale data matching across multiple systems. The time and resource invested means that virtually any data can be matched from any source, including data from other councils and housing associations. The data matching has proven to be very successful and has resulted in around 20,000 instances of fraud or error being identified so far. It is estimated this has had an equivalent financial saving of over £10 million.

The National Fraud Initiative (NFI) is a national data matching exercise currently run by the Audit Commission. It is a good tool for helping local authorities detect fraud in areas such as council tax, housing benefit, pensions, blue badges and social housing. NFI data matching currently operates over a two year cycle, but is moving towards more real-time and near real-time fraud prevention activity. Building on the successes of the NFI so far, there is potential to develop this tool into a real-time counter fraud checking service for local authorities. The NFI can also directly support the implementation of this strategy through targeting its matches to these areas of identified fraud risk.

In addition to the NFI, there is a need for the analytical capability to detect fraud across local authorities. The National Anti-Fraud Network (NAFN) is a not-for-profit organisation hosted by Tameside Metropolitan Borough Council and Brighton and Hove City Council for the purpose of providing data, analytical services and best practice services to its members. NAFN has the analytical expertise to optimise the prevention capability of the NFI and must be integrated to this effect. Another part of NAFN's role involves collating and disseminating fraud alerts to notify member organisations about known fraud and fraudsters. These alerts provide a mechanism for sharing information on known fraudsters and new and emerging fraud issues. The effectiveness of NAFN depends on its membership, the free exchange of information between members, and ensuring timely issuing and action on alerts. It offers an excellent mechanism for local authorities to self-protect.

### Use of NAFN alert bulletins

Criminals have targeted a number of public sector organisations in an attempt to re-direct payments made to large construction industry creditors. Fraudulent letters are issued to finance teams notifying them of a change in bank account details for legitimate suppliers with the intention of further payments being diverted to the fraudster's bank account instead of the creditor. Over the last few years, NAFN has received reports of around 50 such attempts.

When reports are received, NAFN issues fraud alerts to its membership organisations notifying them about new attempts. As a result of these bulletins over £20 million worth of payments have been blocked or recovered by public sector organisations including many local authorities. One council alone is estimated to have prevented £5 million from being paid out.

Fraud alerts provided by NAFN are useful to local authorities but only draw from fraud intelligence known to its membership organisations. Fraud is a cross cutting crime that affects all areas of the public and private sector, and there are common fraud threats between local government and other sectors, particularly in regards to serious organised crime. It is therefore important to build on existing processes to facilitate a more effective intelligence network.

This system of sharing intelligence on known fraud is part of a wider initiative. **Fighting Fraud Together**, the new national fraud strategy, outlines the need for better co-ordination of intelligence gathering and analysis capabilities across all sectors. This will include the development of an intelligence sharing architecture that facilitates information sharing on known fraud and fraudsters across the public sector, and between the public and private sectors.

The NFI, with NAFN's analytical capability, could form the intelligence sharing hub for local government. Through regular data matching via the NFI, local authorities would be able to cross reference staff, suppliers and claimants and flag possible fraudsters. By developing this intelligence architecture to match against each other's data, as well as the known fraud data from across other parts of the public and private sectors, local government will be able to protect itself from fraud more efficiently.

## Developing a more effective anti-fraud culture

'The Audit Commission has been reporting annually on local government's fight against fraud for many years, in the belief that encouraging a counter-fraud culture helps to protect council services, funding and jobs. Fraud is never a victimless crime - the victims are honest council tax payers, and those who depend on housing, care and other essential services. The Fraud, Error and Debt taskforce of the Cabinet Office encourages public bodies to assess and improve staff awareness of fraud risks - by using the Audit Commission's toolkit, Changing Organisational Cultures.'

Eugene Sullivan,
Chief Executive, Audit Commission

Underpinning any preventative approach is a strong anti-fraud culture that is driven and implemented from the top down. It requires continuous active promotion and needs to include staff, members of the public and suppliers. An anti-fraud culture should seek to motivate staff and ensure that they understand the importance of tackling fraud, are able to recognise fraud and abuse and know how and where to report suspicions of fraud.

The most effective anti-fraud cultures change people's attitudes and behaviours towards fraud, positively reinforcing their responsibility in preventing,

detecting and reporting fraud and deterring criminals from committing fraud in the first place. Some authorities have shown initiative and creativity in identifying cost-effective ways of developing an anti-fraud culture, for example through the use of e-learning and culture change toolkits. Local authorities are encouraged to use these types of tools as they can be very effective in developing a strong anti-fraud culture.

The Metropolitan Police Authority (MPA) and Metropolitan Police Service (MPS) jointly took action to strengthen their counter-fraud culture by using the Audit Commission's 'Changing Organisational Cultures' toolkit.

This involved:

- Two online surveys completed by senior police officers and senior staff in 2009 and again in 2011 to capture their views on the strength of their organisation's counter-fraud culture.

- A series of interactive workshops focusing on issues highlighted by the survey and case studies highlighting the financial and reputational impact of fraud.

- A detailed report in 2009 and a follow-up report in 2011 highlighting the key issues from the survey and workshops with an agreed action plan for improvement. 25 workshops were delivered to over 550 delegates with consistently positive feed-back showing awareness had been raised.

Knowing when and where to report suspicions of fraud and having confidence in those arrangements is an important part of an effective anti-fraud culture. Local authorities are encouraged to establish clear and transparent whistle-blowing procedures and to report the referrals and outcomes to the Audit Committee and senior board. Analysis of referrals can lead to preventing further fraud or may be indicators of systems weaknesses across the authority.

115

Local authorities should have in place effective whistle-blowing procedures which give staff the opportunity to raise a concern. Local authority staff should be given the option to blow the whistle about wrongdoing or malpractice outside line management or externally to a prescribed regulator. The Public Interest Disclosure Act protects staff that are victimised or dismissed for making a protected disclosure. There is also a British Standard on whistle-blowing arrangements together with a code of practice. Local authorities can seek advice on how to set up whistle-blowing procedures via the expert charity Public Concern at Work.

## Our Commitments

### National Partners to take the following actions:

- The NFI and NAFN to work with local government to develop the capability and capacity to enable real-time or near real-time data matching checks and better use of intelligence relating to known fraud and fraudsters.

- The NFA to work with NAFN and the NFI to produce a detailed design of how local authorities can benefit best from being part of the wider intelligence sharing architecture.

- The NFA to collate and disseminate best practice in establishing an effective anti-fraud culture including making a common fraud e-learning tool available to local government.

- The NFA to support the piloting of fraud prevention tools and data checking services and develop a framework contract to help local authorities achieve value for money in the purchase of these tools and services.

### Local Partners to consider:

- Deploying data analytic tools in their areas of risk for the purpose of preventing and detecting fraud.

- Collaborating with NFI and NAFN to develop data warehouses for the purpose of data matching fraud prevention services across councils.

- Developing a programme of activity to embed a strong anti-fraud culture across departments and delivery agents.

- Using the Changing Organisational Cultures toolkit.

- Ensuring that staff and the public have access to a fraud and corruption whistle-blowing helpline, and assure themselves that it conforms to the British Standard for whistle-blowing arrangements.

## Part C: Pursue

"Prevention is always preferable. However, the determined fraudster will evade even the best controls and when they do, enforcement must be comprehensive. That means applying all appropriate investigation techniques. Where these are employed they must be done in accordance with the law and best practice by properly trained officers. Whilst that training and, indeed, the deployment of surveillance or computer forensic resources is expensive, they are often crucial in finding the key evidence to prove a case. With ever reducing funding it is imperative that local authorities look to either share or procure such expertise in a financially viable way.

Enforcement action should not be limited to criminal prosecutions. Where fraud is discovered we should deploy the full range of sanctions including civil and disciplinary routes, which can be very effective, particularly when run in parallel. All of this helps produce a high standard of evidence, increases the chance of a successful prosecution and the identification and recovery of criminal assets, and assists local law enforcement to identify any wider criminal activities."

**Simon Lane, Head of Audit and Anti-Fraud, London Borough of Brent**

Enforcement covers the investigation, punishment and recovery of assets and funds. Punishing fraudsters acts as a powerful deterrent. Where fraud is discovered the full range of sanctions should be deployed, including civil, disciplinary and criminal action. Effective enforcement requires that local authority investigators have the professional skills (operating within a professional code), appropriate powers and access to specialist support to undertake their duties. The key to success is the ability to access relevant information and the co-operation of law enforcement agencies.

## Prioritising fraud recovery and the use of civil sanctions

"Civil recovery is used in my local authority to ensure that money stolen is returned back to the delivery of important local services. It is also means that criminals do not profit from the misuse of council property or services. In one case, we successfully used civil litigation to claim back over £7,000 for 'unjust enrichment' from a tenant that we found to be unlawfully subletting his council property for £300 a week"

**Andy Hyatt, Head of Fraud, Royal Borough of Kensington and Chelsea**

Fraud is an acquisitive crime and must not pay. Fraud recovery through the use of civil litigation and the Proceeds of Crime Act is a crucial part of any counter fraud strategy. However there is an opportunity for recovery to be used more routinely across local government to ensure that the public and potential fraudsters are made aware that when public funds are stolen, every effort will be made to recoup losses and confiscate assets gained as a result of criminal activity. The local authorities who are most successful in recovering assets are those

that have the support of a financial investigator. Some local authorities have found that employing dedicated financial investigators brings a good return on investment. Others have secured access to financial investigators through their relationship with their local police. Camden Council provides a good example of the importance and benefits of fraud recovery.

**London Borough of Camden Council's** anti-fraud team has developed a close working relationship with the local police and has put in place a Memorandum of Understanding outlining each party's role and commitment in supporting each other in the fight against crime.

The council works particularly well with the Local Pay Back Unit at Camden Police to maximise their fraud recovery. In one recent case, the council worked closely with the unit to acquire bank statements and issue a production order for a school bursar who had perpetrated a large cheque fraud against the council. Not only was the fraudster ordered to pay back the £150,000 that was stolen, but the council was awarded an additional £120,000 in damages. This more than covered the costs of taking the case to court and seeking recovery.

The council make use of both the Proceeds of Crime Act and civil recovery processes to ensure that money stolen through fraud is recovered and paid back to the council. It is currently piloting a scheme whereby the credit control team issue debt invoices to facilitate fraud recovery processes. It is hoped that this process will allow the fraud team to have more control in the recovery of stolen funds and will increase the likelihood that money will be returned directly to the council.

117

## Developing capability and capacity to punish fraudsters

Criminal prosecutions are an important part of a counter fraud policy and can serve to deter offenders and reinforce a culture of zero tolerance to fraud. Developing in-house capability for investigating and prosecuting fraud or ensuring access to specialised investigative resource is the first step in developing an effective fraud enforcement response. Some local authorities have found it most cost effective to develop their own in-house specialised anti-fraud teams, while others have made good use of a shared services approach.

To investigate cases professionally and to ensure that all evidence is collected within the law, local authorities must have adequately trained staff with the skills and access to specialist resources adhering to a professional code. Investigation staff should be trained to the levels agreed by the Counter Fraud Professional Accreditation Board.

"A vital element of any effective counter fraud strategy is the ability of the organisation to call on competent, professionally accredited counter fraud specialists trained to the highest possible professional standard to investigate suspected fraud. Authorities need to be confident that evidence has been lawfully obtained and professionally presented, regardless of whether the anticipated outcome of an investigation is a disciplinary hearing, civil action or criminal proceedings."

**John Rosenbloom, Head of Fraud Investigations, Manchester City Council**

Greenwich and Bromley Councils started working in partnership to track, trace and prosecute benefit fraudsters in 2002. Bromley Council decided to form a working partnership with Greenwich in order to benefit from the latter's extensive range of skills and experience in this area. The Bromley Partnership Team consists of five qualified investigators, an intelligence officer and access to one of Greenwich Council's accredited financial investigators for the purpose of recovering money under the Proceeds of Crime Act. As a result of the partnership, Bromley went from having achieved no benefit fraud sanctions in April 2002, to being the highest performing council in London in this area. Given the success of the partnership, Bromley took the decision to extend the scope of the agreement to include 'corporate' fraud (non-benefit) investigations for Bromley. This partnership works well because of its formalised arrangement and well managed contract. Its benefits are joint intelligence, pooling of skills and lower costs. The extensive range of skills and experience in the partnership facilitates a multi-faceted approach to fraud detection and prevention.

## More collaborative and supportive law enforcement response

Organised crime affects local authorities as well as other organisations. The government has launched a new organised crime strategy – **Local to Global; Reducing the risk from organised crime**[5] – which outlines three priorities to stem the opportunities for organised crime to take root, strengthen enforcement against organised criminals and safeguard communities, businesses and the state.

Local government is not immune from organised fraud. Recent years have seen a number of fraud cases where perpetrators have been part of a larger

5 http://www.homeoffice.gov.uk/publications/crime/organised-crime-strategy?view=Binary

criminal network. Organised frauds often cross local authority boundaries and investigations tend to be complex requiring the deployment of specialist resources, such as computer forensics or surveillance capability. Such resources are expensive and expertise needs to be used constantly to maintain effectiveness.

Effective co-operation and joint working between local authorities and with other agencies is essential as there are often links between frauds against local authorities and benefit frauds, immigration offences and shadow economy tax evasion. There are many examples of good practice and joint working where local authorities work together with local police, HMRC, DWP or UKBA. Some local authorities even have police officers seconded and physically located in the authority whilst others have access to dedicated UKBA staff resource and, as a result, are more able to detect and investigate fraud.

**Brent Council** was one of the first authorities to set up a dedicated corporate anti-fraud resource and has been operating a corporate model since 1994. This has resulted in a well established, highly trained and experienced investigative capability which includes a forensic computing function, a mobile surveillance team and qualified financial investigators. This in-house anti-fraud resource proved to be invaluable in a recent case, in which the fraudster falsely claimed to be paraplegic and housebound, to claim benefits and social care direct payments. Through the use of Brent's experienced and specialised anti-fraud team, the council was able to use surveillance to capture the suspect's movements and forensic computing to analyse the suspect's computer for evidence to support the case. The surveillance footage and false accounting records shown to the jury were instrumental in securing a guilty verdict. The individual, who had stolen £200,000 from the council, was sentenced to four and a half years in prison. Following detailed financial investigator and forensic accounting work carried out by the team, the criminal was subsequently issued with a confiscation order to the value of £106,000.

The anti-fraud & corruption team at **Lewisham Council** has seconded a Detective Constable from the Metropolitan Police Specialist Crime directorate. The seconded police officer supports the team by researching police databases for intelligence and evidence, using police contacts and powers to gather evidence and arranges the arrest of suspects with support from the local police. He is also a member of the Joint Information Forum, a group set up to exchange intelligence and plan joint operations alongside outside law enforcement agencies.

**Lambeth Council** has a similar scheme in place. It uses their seconded police officer to help with the handling of fraud cases and to improve the detection and prosecution of offenders. The council pays half the cost of this police officer but the savings achieved more than cover the costs. The council believes that the officer's secondment has had a major impact on fraud deterrence and prevention and has successfully linked police powers with the expertise and local knowledge of council officers.

Local authorities have reported that collaboration with police and government agencies such as HMRC and DWP depends on local relationships. To be effective and consistently tackle fraud, local authorities need a consistent response from government and law enforcement. To achieve this, national agreements are required between local government and policing and other relevant agencies (including UKBA, DWP and HMRC) that set out the support they can provide to local authorities in taking forward fraud cases.

National agreements should underpin and encourage effective local arrangements. There are already pockets of exceptional good practice in local and partnership working. These were set out in the Regional Partnerships Guide published by the NFA in December 2010. Sustaining and replicating such local and joint working arrangements are essential to tackling cross boundary fraud.

119

They can be developed as shared services hubs for the provision of cost effective specialist resources and tasking to tackle the most serious and complex cross-boundary and cross-agency fraud.

"We are all faced with diminishing resources and an increasing fraud problem. Developing a more collaborative approach to tackling fraud is an effective way to enhance existing counter fraud work and bring tangible benefits to local authorities. Although significant levels of collaboration already exist, for example underpinning regional local shared services partnerships, there are real opportunities to increase partnership working to combat fraud. Sharing fraud expertise allows local authorities to provide a more cost-effective fraud response which is also more effective at tackling the problem, thanks to the stronger working relationships with neighbouring councils and opportunities to share knowledge, skills and best practice. With the government also committing to share its information with councils we will have an effective weapon in the fight against fraud".

**Jill Shortland,**
**Chair of the LGA Liberal Democrat Group,**
**Vice Chair of the Improvement Programme Board and County Councillor for Chard South, Somerset**

# Our Commitments:

**National partners to take the following actions:**

- The NFA to work with partners to produce a compendium of powers and penalties to assist local authorities in their law enforcement response.

- The NFA to work with other enforcement agencies to develop a template for local authorities to set-up agreements with local law enforcement agencies.

- The NFA to collate and disseminate best practice on the use of fraud recovery processes and case building.

**Local partners to consider:**

- Ensuring that the local authority has access to appropriate specialist investigative resource, including financial investigators, and explore options on whether access to these services can be shared across local authorities.

- Making arrangements with other authorities or partners to ensure access to a financial investigator.

- Adopting a parallel sanctions policy for the purpose of taking disciplinary, civil and criminal action against fraudsters and consider the use of fraud recovery for all instances of fraud.

- Securing appropriate training for fraud practitioners in line with agreed professional standards for all types of investigation.

- Only employing staff to undertake investigations that are suitably qualified and trained and adhere to a professional code.

- Adopting a professional code using the codes held by the Institute of Counter Fraud Specialists as a basis.

- Working closely with local law enforcement agencies and putting in place locally agreed service level agreements where appropriate.

# Section 3: Tackling the main fraud risks

Many local authorities are already saving money by tackling fraud; looking beyond benefit fraud to tackle other issues such as housing tenancy and council tax fraud. There are many examples of good practice and innovative pilots in local authorities, which if adopted more widely, would lead to immediate savings.

The Audit Commission produces an annual publication 'Protecting the Public Purse' which provides more detail of the key fraud risks faced by local government. A summary of the key fraud risks faced by local authorities and some examples of good practice in tackling these types of fraud are outlined below.

## Housing tenancy fraud

Housing tenancy fraud is the occupation of social housing, usually to make a profit. It can cover a wide range of fraud such as unlawful sub-letting, false homeless applications, false successions and right to buy. Unlawful occupation of social housing has a direct financial impact on local authorities because they are responsible for providing and paying for temporary accommodation for homeless people who could otherwise be housed in permanent social housing. The Audit Commission has estimated that at least 50,000 social homes in England are unlawfully

sub-let and other estimates put that figure at up to 160,000 homes. The National Fraud Authority places the cost of Housing Tenancy fraud at around £900 million a year. these unlawfully occupied social homes – to house those have who effectively been displaced by those who commit tenancy fraud - would cost several billion pounds. Work by landlords suggests that in London, where demand for social housing is particularly high, at least 5% of all social homes could be unlawfully sub-let.

Tackling housing tenancy fraud is one of the most cost-effective means of making social housing properties available for those in genuine need. In 2010-11, local authorities recovered about 1,800 properties, an increase in properties over 2008-09. The increase in the number of properties recovered last year was partly the result of increased detection through £19 million of funding provided to local authorities by DCLG. The majority of properties recovered were in London but some authorities based out of the capital have started to show what can be achieved from employing specialist housing tenancy fraud investigators and detective techniques. DCLG is also providing funding to the Chartered Institute of Housing for a Making Best Use of Stock Team (MBUS) which has the remit of sharing best practice to tackle Housing Tenancy fraud.

Bristol City Council has made good progress in tackling housing tenancy fraud over the last few years. As part of its work the council has set up a dedicated fraud hotline and launched a publicity campaign to encourage the public to report suspicious social housing tenancies. Housing staff are also encouraged to refer suspected tenancy fraud cases. The council received around 293 referrals which resulted in 265 investigations being made.

The council recognises the usefulness of the data they hold for the purpose of detecting housing tenancy fraud. This data is used to identify potential problem addresses, which is then passed onto one of the housing officers for the appropriate action. As a result of their proactive fraud work looking at housing tenancy fraud, Bristol Council has successfully recovered around 38 properties.

The council is now currently considering other methods for identifying high risk properties including introducing the interrogation of data held on key fobs for shared social accommodation, payments by credit/debit cards and failed gas servicing visits. Caretakers and maintenance staff have also been engaged in the tenancy fraud project.

Based on an initial pilot project run with Southwark Council and Family Mosaic Home, the South East London Housing Partnership has set up a sub-regional social housing fraud initiative to tackle unlawful subletting of social housing properties across four London boroughs: Bexley, Bromley, Lewisham and Southwark. The consortium has been paid for by pooling the funding provided by DCLG to tackle housing tenancy fraud and is overseen by a social housing fraud initiative board consisting of the local authorities and partner registered social landlords and arm's length management organisations.

This partnership has been very successful in recovering unlawfully sublet properties. Between January 2010 and March 2011, 88 properties have been recovered and 22 cases referred for legal action. There have also been some additional benefits in running this close partnership including the greater detection of housing benefit fraud, improved sharing of knowledge and good practice and better identification of vulnerable people that need support with their tenancy.

DCLG are currently consulting on new measures to increase the deterrent to tenants considering cheating the system through tenancy fraud, enable those who do to be detected more easily and punished more severely, and encourage social landlords to take a more proactive approach to tackling the issue.

Under these proposals, whilst landlords would retain the flexibility to pursue tenancy fraud as a civil matter, they would also for the first time be able to pursue tenancy fraud as a criminal offence. As a starting point the consultation suggests that a suitable maximum penalty for tenancy fraud might be two years imprisonment and a fine of up to £50,000.

Tenancy fraud can be extremely lucrative – cases of tenants making profits in excess of £10,000 have been uncovered by some landlords in London. The consultation therefore proposes allowing restitutionary payments to be made to the social landlord in whose stock tenancy fraud was committed. Payments of this nature would allow a landlord to recoup, in both civil and criminal cases, any money the tenant made using the landlord's property (independent of any loss to the landlord).

Tackling tenancy fraud effectively requires having the right powers and access to data. The consultation therefore proposes giving local authorities powers to bring criminal prosecutions for tenancy fraud themselves. It also proposes introducing powers for investigators to compel certain named categories of organisation – in particular banks, building societies and utility companies - to comply with local authorities' requests for data.

The consultation runs until 4 April.

# Council tax fraud

Local authorities have noted a sharp increase in the number of fraudulent applications for single person discount (SPD). Although this type of fraud is often opportunistic and of low value, the prevalence of this type of abuse is relatively high, with around 4-6% of all SPD claims likely to be fraudulent. In some areas of England and Wales, the level of evasion is much higher. Local authorities have made good progress in tackling council tax fraud and have made considerable savings in light of relatively modest investment in fraud prevention tools.

"There has been a tendency to focus council tax counter fraud activity on single person discount, however proactive fraud work carried out by my council has identified student exemptions as a major area of concern. In a recent review we successfully identified 50 claims where the claimant had used their registration at a bogus college to avoid paying their council tax. We will now continue to target this area to ensure that those who should be paying council tax are doing so"

**Nathan Elvery, Deputy Chief Executive, London Borough of Croydon Council**

Council tax fraud is not limited to SPD fraud. There are several other categories of discounts and exemptions that are not captured in this loss figure. Recent data matching pilots have shown that exemptions relating to false claims to be a student or for non-occupancy, could be as significant a risk as SPD fraud.

The NFA estimate that fraud in council tax exemptions costs around £31.2 million a year. The most common exemptions fraudulently claimed are for person(s) who are severely mentally impaired, student occupancy, vacant properties (empty and unfurnished for up to 6 months), and properties which are left empty by deceased persons. In addition the NFA estimate that fraud in council tax discounts costs around £99.6 million. The most frequently claimed discounts are single person discounts, of which £92 million has been estimated as fraudulent. The total value of council tax discounts and exemptions is estimated at £131 million a year.

123

West Berkshire Council regularly carries out reviews of claims for council tax single person discount (SPD). It has put in place processes for identifying fraudulently claimed discounts that includes the use of credit reference agency checks and data matches from the Audit Commission's National Fraud Initiative. Claimants flagged in these matches are issued with a letter asking them to confirm that their circumstances have remained the same. If the customer reports a change in circumstances, they are asked to provide further details of the change. If a customer confirms their continued entitlement, the system is marked accordingly and the letter is scanned into the internal data system. Where a customer fails to respond to a reminder letter, the SPD discount is cancelled for the previous financial year and a new council tax invoice issued to confirm the increased instalments. As a result of this process, West Berkshire Council estimates that it saved around £700,000 between 2008 and 2011 and generated approximately £4 million in additional council tax revenue over a four year period.

Localising council tax support further strengthens the direct financial incentive for local authorities to tackle fraud in the council tax system. The Government is committed to ensuring that local authorities are empowered to investigate fraud effectively, and will take steps to strengthen the system if necessary. In considering these steps to protect the public purse, respect for the privacy of law-abiding citizens will remain paramount.

## Procurement fraud

Procurement fraud is any fraud relating to the purchasing of goods and services. It covers the entire procure-to-pay lifecycle, including fraud in the tender / bidder selection and contract award stages (for example, illicit cartel activity or bribery of an official to influence the tendering process) as well as fraud occurring during the life of the contract (for example, false, duplicate or double invoicing).

Local government spends around £89 billion a year on procuring goods and services. The NFA estimates that local government could be suffering losses of around £890 million a year to procurement fraud.

"There is often a misconception that procurement fraud is only about suppliers and service providers colluding against the authority before contracts are awarded, and therefore there is little that can be done to prevent it from happening. In my experience, abuse can also often occur in the post-contract award phase, where there are greater opportunities to avoid detection by perpetrating smaller value frauds, more frequently and over a longer time frame. Good contract management and the use of data mining to identify potentially fraudulent invoices can help minimise fraud risks in this area".

Mike Suarez,
Director of Corporate Resources,
London Borough of Lambeth

Procurement fraud is one of the hardest types of fraud to identify, particularly at the pre-contract award phase. It is a difficult area for local authorities to tackle due to the complexity in procuring goods and services across several spending areas. Investigating and prosecuting suspected fraud can also be challenging, as it can be difficult to differentiate between so-called sharp practice and fraudulent activity.

However tackling procurement fraud brings with it a number of direct financial benefits and allows local authorities to achieve better value for money by scrutinising procurement processes and supplier payments in more detail. Several local authorities have made good progress in preventing and detecting procurement fraud, and there have been a number of initiatives set up across local government to look at the risks associated with procurement fraud and identify ways in which these risks can be addressed.

Local authorities should use a risk management approach with strong internal control arrangements to reduce the risk of any payment as a result of publishing public data. Local authorities should refer to the CIPFA Red Book 2 – **Managing the Risk of Fraud** – and the CIPFA Contract Audit Toolkit. DCLG have published guidance on data transparency and the NFA have produced a guide on procurement fraud (see further reading).

## Grant fraud

Local government pays out a number of different types of grants to individuals, community groups, not-for-profit organisations and arm's length organisations. The nature of grant processing and payment makes it difficult to assess the nature and scale of grant fraud risks. Fraud risks depend on various factors such as the type of grant recipient, the purpose of the grant, the nature of the scheme and the scale of the award. Because of this, further work is needed to consider how fraud in the grants system can be tackled, particularly in light of increased commissioning of services through the charity and voluntary sector and a move towards direct payments and personal budgets.

Grants provided by the **Royal Borough of Kensington and Chelsea** to charitable organisations undergo regular fraud and audit reviews. One such review of a grant aided organisation uncovered significant discrepancies in relation to supporting documentation for alleged expenditure totalling £60,000. Evidence gathered led to the prosecution of the charity's centre manager and finance officer. The centre manager was sentenced to 12 months in jail.

## Employee fraud

Any employee can perpetrate fraud against their employer. The nature of local government means considerable trust and responsibility is often delegated down to local authority employees to ensure the smooth running of finances and service delivery. This transference of responsibility brings about its own inherent fraud risks.

Types of employee fraud are wide-ranging and can include misuse of time and resources, fraudulent claims for allowances and expenses, failure to register or declare conflict of interests or the acceptance of gifts and hospitality, as well as the manipulation of finance and payroll systems. It also includes staff pre-employment fraud, where false information is given in order to gain employment.

One of the strongest defences against employee fraud is ensuring that proper and adequate vetting takes place and that a strong anti-fraud culture is in place to deter employees from committing fraud in the first place. Managers should be made aware of their role in preventing and identifying employee fraud, and clear controls and separation of duties must be in place.

Staff vetting is an important part of Ealing Council's recruitment process and a key measure in preventing fraud. The council carries out enhanced vetting for all newly recruited members of staff where the role is deemed to be high risk (for example roles that involve cash handling, financial decision making or working with vulnerable service users). Any role that is required to follow Ealing's enhanced vetting process is determined before the job is advertised, so that prospective candidates are made aware of this at the point of application. This acts as a strong deterrence for fraudsters applying to work at the council. In 2010-11, 4% of successful candidates applying for a permanent or temporary position at the council failed the vetting process. The percentage of candidates failing Ealing's vetting process for temporary roles was significantly higher than those applying for permanent roles - 18%. The main reasons for vetting failures included: job applicants had no right to work in the UK; false identification; false references; false work histories; false qualifications; or they had committed benefit or council tax fraud.

In one case, a housing officer was found to have used a false passport and UKBA entry visa as proof of identity. Working closely with the council's seconded police officer, the fraudster was successfully prosecuted and was sentenced to ten months in prison. This employee had previously been employed by other councils.

Fraudsters have been known to move from one employer to another and even between one local authority and another. Currently there is no system in place for local authorities to share information on those sacked or sanctioned for fraud. In the private sector, CIFAS – the UKs fraud prevention service – runs a staff fraud database for member organisations to help organisations self-protect. Local authorities should strongly consider using this facility, which has the secondary benefit of deterring fraudsters from applying for positions with local authorities in the first place.

## Schools

Some new fraud risks are exemplified in the new arrangements to fund schools. Maintained schools are funded via the local authority. The Director of Finance has responsibility for protecting public funds and can therefore deploy the local authority internal auditor or counter fraud function to provide assurance about financial controls in those schools. 'Free schools' are central governmentfunded initiatives from any group which can demonstrate demand for greater educational provision in a given area. Academies also benefit from greater freedoms to innovate and raise standards and have the ability to set their own pay and conditions for staff. Academies receive their funding directly from the Young People's Learning Agency (an agency of the Department for Education) rather than from local authorities. Changes to the schools systems may present new fraud risks and require those involved to fraud proof policies and put in place arrangements to prevent fraud without local authority support.

Local authorities have responsibility for protecting resources and funding across a wide area of expenditure, including responsibility for managing public funds outsourced to arm's length organisations such as schools and charities. Local authorities do not always provide audit services to such bodies. Therefore whilst the local authority may remain the accountable body for funds, there is transference of responsibility for protecting funds to these 'one-step removed' organisations, some of which may not have adequate mechanisms in place to properly counter the threat of fraud. This is likely to create a significantly increased risk of fraud and financial mismanagement that will need to be addressed.

## Personal budgets

A personal budget is the sum allocated to enable an individual to meet their own social care needs. Social care service users receive their personal budgets via a direct payment. Abuse of the system can occur as an overstatement of needs through a false declaration, by multiple claims across authorities,from third party abuse – for example by a delegated budget holder - or posthumously - where the service user has died and payments continue and are collected fraudulently.

Any new system attracts risks which need to be considered and mitigated with appropriate and proportionate controls.

**Enfield Council** is committed to preventing financial abuse and its impact on local people and the community. Some examples of the measures put in place to help protect customers receiving personal budgets or direct payments from financial abuse and fraud include:

- Dissemination of guidance and factsheets on preventing financial abuse through effective financial management, safeguarding finances and safer recruitment of personal assistants.

- Workshops for members of the public on self-protection and keeping finances safe.

- Creation of a sub-group of the Safeguarding Adults Board that focuses specifically on safeguarding adult finances.

- Development of a multi-agency response to suspicions of fraud and financial abuse in this area.

It is expected that the outcomes of this work will result in earlier detection and better levels of reporting of this type of crime and an increase in prosecutions under the Proceeds of Crime Act.

127

# Tackling high fraud risks

These good practice examples show not just that savings can be made, but that they are already being made by local authorities. If such best practice was adopted across all these areas of fraud risk, by every affected local authority, then significant amounts could be returned to front-line services.

The key fraud risks outlined above provide a high level snapshot of those areas of fraud that cause greatest harm to local government as a whole. However, it is recognised that fraud affects unitary, county and district councils in different ways, which means that in practice there is 'no one size fits all' approach to tackling fraud. Local authorities are best placed to identify those areas of fraud that pose greatest risk to them.

A summary of the different fraud risks in the local government sector, identified as part of the research for the strategy, can be found in the good practice bank. The Metropolitan Police Authority (MPA) has gone one step further by mapping out the severity and likelihood of each fraud type based on the quality and reliability of fraud controls in place. Its analysis of fraud risks, in a 'wheel of fraud', provides a good overview of where vulnerabilities exist in regards to local authority fraud. This can also be found in the good practice bank.

# Our Commitments:

**National Partners to take the following actions:**

- DCLG to remove barriers faced by local authorities in tackling housing tenancy fraud. DCLG are currently consulting on proposals to remove barriers.

- The NFA to produce guidelines and best practice on how to best tackle grants, insider and procurement fraud.

**Local Partners to consider:**

- Adopting best practice in staff vetting.

- Consider membership to the CIFAS staff fraud database.

- Working in partnership with Registered Social Housing Providers to help them tackle fraud in social housing

- Adopting the good practice on tackling housing tenancy and council tax exemption fraud outlined in the NFA guidance.

# Section 4: The Delivery Plan

## Implementing the strategy

To support the delivery of the strategy there is a need for an action plan, appropriate governance arrangements and new structures to underpin the key requirements to share intelligence and data, provide access to specialist investigative and forensic service, and improve collaboration across boundaries.

The set of recommendations contained in this strategy need to be turned into a set of ambitious yet achievable actions that are timetabled and allocated to appropriate local and national partners. These will need to be overseen by a governance board of senior stakeholders that commands widespread support across all levels of local government. This should include the Local Government Association and the relevant central government departments.

New structures, appropriate to the changing demands, need to be constructed to support the delivery of the strategy. It is recommended that these are built upon the existing counter fraud arrangements already paid for by local government, and that the resources of the existing and new structures are committed to supporting the delivery of this strategy. To bring about a much more co-ordinated response to fraud across local authorities, local government should create a 'virtual' Local Government Centre of Fraud Intelligence which forms links across current counter fraud arrangements and bodies including NAFN and NFI.

## Our Commitments:

### National Partners to take the following actions:

- NAFN to consider providing local authorities with a service that offers specialist resources (e.g. Financial Investigators or Analysts) and to coordinate the provision of specialist investigative support.

- NAFN to work with the NFA to enhance its alerts system and intelligence capability, and form links with relevant partners to provide the basis for a local authority prevention strategy.

- Further develop the NFI to offer a real time fraud prevention service as well as detective data-matching that responds to current and emerging threats across local authorities.

- NAFN to work with partners to pilot intelligence and information sharing warehouses based on the Birmingham model.

### Local Partners to consider:

- Convening a high level oversight board, including the Local Government Association and other relevant bodies, and oversee the delivery of this strategy.

- Membership of NAFN.

- The Local authority representative groups will work with the NFA to promote the approach outlined in this strategy and encourage members to use the free tools and good practice bank.

# Further reading

National Fraud Authority, **Annual Fraud Indicator**, March 2012

National Fraud Authority: Good practice publication
**www.homeoffice.gov.uk/publications/agencies-public-bodies/nfa/our-work/**

Eliminating Public Sector Fraud
**http://www.cabinetoffice.gov.uk/sites/default/files/resources/eliminating-public-sector-fraud-final.pdf**

Smarter Government
**http://www.homeoffice.gov.uk/publications/agencies-public-bodies/nfa/our-work/smarter-government-report**

Local to global: an organised crime strategy
**http://www.homeoffice.gov.uk/publications/crime/organised-crime-strategy?view=Binary**

CIPFA Counter-Fraud Standards Managing the risk of fraud – actions to counter fraud and corruption –
Red Book Hard copy only. NFA Guide to Tackling Procurement Fraud
**http://www.homeoffice.gov.uk/publications/agencies-public-bodies/nfa/our-work/procurement-fraud-public-sector?view=Binary**

The Code of Recommended Practice for Local Authorities on Data Transparency
**http://www.communities.gov.uk/documents/localgovernment/pdf/1997468.pdf**

Annex A to the Code of Recommended Practice for Local Authorities on Data Transparency
**http://www.communities.gov.uk/documents/localgovernment/pdf/1829193.pdf**

Department for Communities and Local Government, Tackling Unlawful Tenancies and Occupancy:
Good Practice Guidance for Social Landlords, November 2009
**http://www.communities.gov.uk/documents/housing/pdf/1396431.pdf**

Department for Work and Pensions, Housing Benefit and Council Tax Benefit by Local Authority District
1996/97 to 2009/10, December 2010
**http://statistics.dwp.gov.uk/asd/asd4/index.php?page=explanatory_notes_hb_ctb**

Public Concern at Work, **www.pcaw.org.uk**

Audit Commission, **Protecting the Public Purse 2010 and 2011**, October 2010 and November 2011
**http://www.audit-commission.gov.uk/fraud/protecting-the-public-purse/pages/default.aspx**

Chartered Institute of Housing, Making Best Use of Stock team
**www.cih.org/bestuseofstock**

Office of Fair Trading guidance on cartels
**http://www.oft.gov.uk/OFTwork/competition-act-and-cartels/ca98/decisions/bid_rigging_construction**

# Thank you

**Fighting Fraud Locally Oversight Board 2011:**



**With support from:**



CIPFA: http://www.tisonline.net

133

135

Document is Restricted

This page is intentionally left blank