

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

Date of Meeting: 19 January 2011

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

Responsible Officer: Myfanwy Barrett Corporate Director Finance

Exempt: No

Enclosures: Appendix 1: Audit Commission report - Protecting the Public Purse
Appendix 2: DCLG Fraud Funding Letter
Appendix 3: DPW Fraud & Error Special Supplement
Appendix 4: Asbestos management report

Section 1 – Summary and Recommendations

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

Recommendations:

The Committee is requested to note the progress across the division to fulfil the Committee's role of reviewing and monitoring the work carried out by the Risk, Audit and Fraud Division.

FOR INFORMATION

Section 2 – Report

Background

- 2.1 This report sets out the progress made and future work planned in respect of the Risk, Audit and Fraud group of services, which the GARMC is responsible for monitoring as part of its terms of reference.
- 2.2 The focus of this monitoring is quarter 3 in 2010/11, October to December 2010.
- 2.3 At its last meeting, the Committee requested more detailed information where this was appropriate and accordingly this report sets out a summary of the work undertaken across all the teams but also includes a more thorough explanation of three key areas of work, namely Corporate Anti-Fraud, Information Management and asbestos management activities.

Emergency Planning and Business Continuity Planning

- 2.4 The main work delivered during the quarter was as follows:
 - Delivered training to Members on their role during a major incident on 30th November, as part of the Member Development Programme.
 - Assisted the Police on Operation Fairway, a counter terrorist awareness programme for local businesses.
 - Hosted “Exercise Canberra” to test the council’s response to a CBR (Chemical, Biological and Radiological) incident with multi-agency partners. 50 officers attended from the Police, Fire, Ambulance, NHS, Health Protection Agency, Red Cross, neighbouring boroughs and the council.
 - Jointly hosted “Exercise Edenhope” to test the council and NHS response to dealing with vulnerable people during a major incident.
 - Took part in “Exercise Preparer”, a London-wide training exercise for all 33 borough emergency planning officers organised by London Fire Brigade.
 - Assisted Facilities Management who held a Central Depot evacuation exercise with Metropolitan Police Service, London Fire Brigade and London Ambulance Service.
 - Attended Humanitarian Assistance Centre training for emergency planners and responders in London.
 - Held the annual Business Continuity phone cascade test in November, which was a good success.

2.5 During the final quarter the main tasks scheduled are as follows:

- Delivering training to our Emergency Response Officers on the role of a local authority liaison officer during a major incident
- Participate in the Cabinet Office's Civil Contingencies Act Enhancement Programme Consultation
- Participate in the London Human Infectious Diseases Framework Validation
- Deliver training to the senior management team on strategic management during a major incident
- Take part in "Exercise Safer City", the London Fire Brigade exercise for emergency planning officers across all 33 boroughs
- Continue monitoring the influenza pandemic situation and attending the Influenza Pandemic Committee hosted by NHS Harrow
- Take part in the West London communications test for emergency planners and responders

Business Risk Management

2.6 The main activity during the period was to appoint a new interim Risk Manager following the departure of the previous post holder and to handover the work programme. This is now achieved and the Risk Manager is also leading on the assurance mapping project, in close liaison with Internal Audit.

2.7 The assurance mapping project will identify all sources of assurance being carried out across the council with a view to identifying any duplication and gaps.

2.8 Going forward, the Interim Risk Manager will be picking up the work programme of risk management activities carried out on a cyclical basis to ensure the strategic and operational risk registers are reviewed and updated on a timely basis.

Insurance

2.9 The key work achieved during the quarter was as follows:

- The Lean review of the Insurance Service is nearing completion. A capacity model has been produced, which will support the recommendations for the future structure of the section.
- A good response has been received from the market for the Insurance London Consortium (ILC) insurance and claims handling tenders. The closing date for submission of tenders is 11th January.

- Five insurers submitted tenders for the Tenant's Home Contents Insurance scheme. Tenders were jointly evaluated by the Insurance Service and Corporate Procurement and supported by Legal Services.
- The Motor Risk Management Standards review has been completed and insurers have identified areas of best practice.

2.10 During the final quarter of 2010/11 the main tasks scheduled are as follows:

- Implementation of the recommendations from the Lean review of the Insurance Service.
- In conjunction with external solicitors a mock trial is to be staged on 18th January to provide witness training for Highways Officers and other Council staff who may be involved in litigated insurance claims.
- Recommendations arising from the evaluation of the Tenant's Home Contents Insurance tender will be submitted to the Strategic Procurement Board in January.
- Evaluation of the Insurance London Consortium (ILC) tender submissions is scheduled for 12th January and the results will be reported in full to GARMC in March.

Internal Audit

- 2.11 The work of Internal Audit is reported in detail to GARMC at mid-year and year-end. Throughout quarter 3 Internal Audit have continued to work towards completing the 2010/11 plan, including a number of suspected financial irregularity investigations.
- 2.12 Work has also continued with the Interim Risk Manager on the Assurance Mapping Exercise and on recruitment, the outcome of the re-evaluation of the Senior Professional's role is still awaited.
- 2.13 Internal Audit have been asked to confirm that recommendations made as a result of the investigation into the overspend of the Children's Services Capital Programme have been implemented and report to the GARM Committee.
- 2.14 This work will be undertaken in quarter 4, the days allocated in the 2010/11 plan for a review of the Capital Programme will be used, however, it is anticipated that more days will be required and this will have an impact on other areas of the plan. The position will be reported to the next GARMC meeting (29th March).

Corporate Anti Fraud Team

- 2.15 During the quarter the Corporate Anti-Fraud team achieved the following (figures represent the position at 23/12/2010):

2.16 Benefit fraud

Referrals received = 127

Closed investigations (cases investigated by Investigation Officers, does not include anything risk-assessed out) = 42

Cautions issued = 2

Administrative penalties = 7

Administrative penalties raised = £9274.62 (fines)

Summons issued = 3

Successful prosecutions = 4

Overpayments = £126,362.97 (in relation to the above cautions, administrative penalties & prosecution cases)

2.17 Corporate Fraud

Referrals received = 31

Closed investigations (cases investigated by Investigation Officers, does not include anything risk-assessed out) = 15

Cautions issued = 7

Summons issued = 3

Successful prosecutions = 1

Application for services refused/withdrawn = 0

Employee dismissals/conduct activity = 0

2.18 Successful prosecution case studies:

2.19 Ms Saker Dhanani

Ms Dhanani pleaded guilty at Harrow Magistrates on Thursday (27th October) to five charges of benefit fraud in which she was overpaid housing benefit of £64,536.43 and council tax benefit of £6,415.25 between January 1996 and June 2007.

Ms Dhanani had received housing and council tax benefit that she was not entitled to by claiming she paid rent for a property that she jointly owned with her daughter.

She claimed housing and council tax benefit from Harrow Council for a property at Kenmore Avenue with her late husband in 1996.

On her application forms she said she did not own any property and that her landlord was Ms Rajan and that Ms Rajan was not a relative of hers.

However, in 2008 an investigation began after the Council Tax Dept passed a suspicion to the fraud team that Ms Rajan was in fact Ms Dhanani's daughter.

When interviewed by investigators, Ms Dhanani claimed she didn't know she was the joint owner of the Kenmore Avenue property from 1996 - 2003 and that her late husband dealt with the paperwork, this despite signing over her share of the property to her daughter in 2003 and then continuing to claim benefit until 2007.

She did accept however, that had she told the truth she would not have received Housing Benefit and would have ended up on the street. Ms Dhanani was sentenced to six months imprisonment which was suspended for 12 months due to her age and physical health.

To date just £8,000 has been repaid to the Council with monthly payments of £100 in place.

2.20 Mr Abdul Wahid

Saman Abdul Wahid, 39, of The Crossway, Wealdstone, had pleaded guilty at Harrow Crown Court on 1st October 2010 to nine charges of benefit fraud in which he was overpaid Housing & Council Tax Benefit of £8,127.81 as well as Income support of £22,674.81 between January 1996 & June 2007.

The father of two had claimed Housing & Council Tax Benefit from Harrow Council & Income Support from the DWP in 2002 on the basis that he was unemployed & held one bank account.

However in October 2007 he started working for Sam's mechanics based in Masons Avenue Wealdstone & failed to inform the Council that he had started work.

This led Harrow Council to start an investigation that uncovered a bank account that Abdul-Wahid had failed to declare on his claims for benefits.

The bank was contacted & bank statements for this undeclared account were obtained. The statements showed that £83,000 had been deposited into the account in the six year period he was claiming Income Support.

Copies of credit applications completed by Abdul Wahid were also obtained & they showed that when applying for credit he had represented his income as £65,000 per year.

Abdul-Wahid was sentenced on 29th October 2010 at Harrow Crown Court to 6 months imprisonment suspended for 12 months. He was also ordered to carry out 300 hours of unpaid work within the next 12 months & ordered to observe a curfew between the hours of 7pm to 7am for 6 months.

He is repaying the overpaid benefit at the rate of £110 a month

2.21 Mrs Beverly Wright

Beverley Wright, 47, of Kenton Lane, had pleaded guilty at Harrow Magistrates Court on 4th November 2010 to two charges of benefit fraud in which she was overpaid Housing & Council Tax Benefit of £8,321.75 as well as Income support of £5,309.55 between June 2007 & January 2009.

She had claimed Housing & Council Tax Benefit from Harrow Council & Income Support from the DWP in 2000 on the basis that she was unemployed & a single mother of one.

However, following an anonymous tip off in June 2007 and lengthy enquiries, Council investigators discovered that her husband Andrew Reid, had moved in with her in June 2007 & was in full time employment earning in the region £21,000.

Also uncovered were three concealed bank accounts for Wright which indicated a lifestyle above and beyond what she was representing to the Council and account activity illustrating a three week holiday in the US in August 2007.

Searches for Andrew Reid also revealed 6 concealed credit accounts for Andrew Reid registered at the address with spending on one of the accounts in the US at the same time.

Mrs. Wright was sentenced on 24th November 2010 at Harrow Magistrates Court & ordered to carry out 200 hours of unpaid work & pay prosecution costs of £500

2.22 Mr Alan Traynor

Alan Traynor of Masefield Avenue, had pleaded guilty at Harrow Magistrates Court on 1st December 2010 to three charges of benefit fraud in which he was overpaid Housing Benefit amounting to £3158.21 between February 2009 & October 2009.

Mr Traynor had claimed benefit on the basis of Job Seekers Allowance and vacated the address at Masefield Avenue and continued to claim benefit payments direct into his account to which he was not entitled.

He admitted failing to notify the Council of the change and refused to confirm what he had spent the money on.

However, when offered a financial penalty as an alternative to prosecution, he failed to attend interview and so legal proceedings were issued against him.

Mr Traynor was sentenced to 150 hours Community Service.

2.23 Mrs Jayshree Halligan

Jayshree Halligan, of Sussex Road, Watford appeared at Harrow Magistrates Court on 22nd December 2010 and pleaded guilty to one offence of disabled blue badge misuse.

Mrs Halligan had been apprehended by fraud officers on joint fraud drive 'Operation Cactus' on St Johns Road/Lyon Road with the Greenhill Way

Safer Neighbourhood Team and claimed that the badge belonging to her son was being displayed correctly as she was meeting him in the shopping centre with the child's father.

Despite trying to make contact with them, attempts failed so she was invited to attend an interview.

She persisted with the explanation, however, further checks were undertaken by officers, confirming that her son was registered as being in school on the day the misuse was uncovered.

Mrs Halligan was issued with £150 fine and prosecution costs of £500.

General fraud update

National Fraud Initiative (NFI)

2.24 All requested NFI data was successfully and securely uploaded onto the Audit Commission website in October 2010.

2.25 The NFI is a public sector nationwide data-matching exercise co-ordinated by the Audit Commission that runs every two years and has resulted in the identification of £664million in incorrect overpayments since its inception in 1996.

2.26 The matched data for 2011/12 exercise will arrive back into the authority for further investigation in January 2011 covering areas such as Housing Benefits, Payroll and Pensions, Blue Badges, Creditors, Insurance claims, Housing rents and Private Residential Care Homes.

Audit Commission report – “Protecting the Public Purse”

2.27 Reference was made to Harrow Council in the Audit Commission's 'Protecting the Public Purse' report issued in October 2010 for good practice in dealing with Council Tax Single Person Discount (SPD) fraud (Appendix 1 paragraph 36).

2.28 This work is conducted by the Revenues team who have undertaken a rolling programme of SPD reviews over the last three years which has resulted in Harrow having the 3rd lowest incidence of SPD exemptions in the country.

2.29 The report also deals with current levels and areas of fraud affecting local authorities which was based on findings from the annual fraud survey. The report focuses on the areas of most susceptible to fraud risks, namely Direct Payments, Housing tenancy fraud, Blue Badges, Procurement, Payroll, Pension & expenses and Insurance claims.

2.30 The CAFT is focussing on four of the above areas as part of the fraud service plan for 2011/12. These are direct payments, housing tenancy fraud, recruitment and blue badge misuse. The results of which will be fed into a year end report.

Housing Tenancy Fraud

- 2.31 Harrow Council obtained £30,000 grant funding last year to assist in implementing a range of measures to tackle tenancy fraud such as a best practice guide to tackling sub-letting, increasing the use of enhanced tenancy audits, encouraging partnership working with Registered Social Landlords (RSL's), setting up of a tenant hotline and the use of specialist investigators.
- 2.32 Strong evidence and positive results had emerged from other local authorities that had used specialist investigators to tackle tenancy fraud so a decision was taken to recruit a dedicated Investigation Officer on a 12 month contract. The officer was appointed in December 2010 and will commence work in January 2011 in the CAFT, working alongside Housing Management and Registered Social landlords
- 2.33 Given the pressure on social housing across the country, particularly in London and the continued depressed economic conditions, the government via the Department of Communities and Local Government has provided a further financial incentive to the 51 authorities that have been most proactive in dealing with housing tenancy fraud. Harrow Council has been allocated a further £100,000 in 2011/12 and £100,000 in 2012/13 as part of the Preventing Homelessness area based grant to go towards housing fraud initiatives. (Appendix 2 DCLG letter).
- 2.34 The grant however is not ring fenced and whilst an extra £100,000 has been awarded to tackle housing tenancy fraud, a decision on allocation of this funding will be required.
- 2.35 Harrow welcomes this additional funding to tackle this area of fraud and the CAFT strongly supports the continuation of the dedicated Investigation Officer post past the initial 12 month contract in addition to other proactive work such as data-matching.

Welfare Reform

- 2.36 The DWP published their new fraud and error strategy for tackling fraud and error in the benefits and tax credit systems on 18th October 2010, with no consultation with local authority associations. Their intention is to simplify the welfare system and to generate reductions in fraud and error by over 25% (£1.4bn) by 2015. The proposals form part of a more detailed White Paper that enters parliament in January 2011. (Appendix 3 - Housing Benefit Direct summary of proposals).
- 2.37 The DWP are proposing to introduce and administer a Universal Credit (UC) to replace all other benefits (including housing/council tax benefit) to be implemented from 2013 in a phased approach so that by 2017 all other benefits will be replaced by the new UC. They are also proposing to remove the investigation of this benefit from local authorities and create a Single Fraud Investigation Service, again that they will administer. Both of these measures will impact upon current local authority services and will place at risk both the housing benefit and

CAFT services. There are currently 6 FTE's in the CAFT team in Harrow plus the affects on the Housing Benefits team.

- 2.38 Naturally this announcement has triggered a national debate amongst local authorities and it is clear that there are concerns from most local authorities at the implications that this change may bring. In consultation with the Portfolio Holder, our current position is that we would wish to retain the service locally.
- 2.39 The Committee will be kept advised of developments and once a proper consultation / dialogue commences, the Committee's views will be sought on these proposals.

Operation Elderflower

- 2.40 The CAFT successfully executed a blue badge fraud drive on December 9th 2010 in conjunction with Harrow Police, Greenhill Safer Neighbourhood Team and Parking Enforcement and apprehended 16 individuals suspected of misusing badges on Greenhill Way. All were issued with penalty charge notices and will be interviewed by fraud officers in the New Year about the misuse. One individual was arrested in possession of a stolen badge issued by another Council and also a badge issued by Harrow Council registered to his late grandfather. He was released on bail to return at a later date after questioning by officers.

Communications of Successful Prosecutions

- 2.41 The CAFT has historically publicised all successful prosecutions to fall into line with best practice issued by CIPFA and DWP guidelines in an attempt to illustrate to the community that fraud will be dealt with robustly and in serious cases, offenders can expect to be brought in front of the courts. This publicity work is undertaken in conjunction with the Communications Team.
- 2.42 The CAFT Sanction and Prosecution Policy sets out the criteria for instigating legal proceedings against offenders and central to this policy is Code for Crown Prosecutors which deals with the evidential test and public interest test. All cases are passed through both of the tests and only those cases that meet evidential requirements and where it is deemed in the public interest to prosecute, proceed to prosecution. The CAFT sees prosecution as a last resort, therefore only the most serious of cases or those with aggravating factors are approved for prosecution and this decision is not taken lightly.
- 2.43 There is therefore an inevitable tension between the Council's current communications strategy which is to play down these cases, and the message that the CAFT would wish to convey to the community as a deterrent.

Focus on Information Management

- 2.44 The Council's business is built on the data that we manage and the safe keeping of this data is a critical responsibility for the Council. Poor data security control is a serious, widespread, high-impact financial and reputational risk. The information Commissioners Office (ICO) now has powers to impose substantial fines on organisations that 'deliberately' or 'recklessly' commit serious breaches of the DPA. The maximum fine the ICO can impose has now been set at £500,000.
- 2.45 On Wednesday, 24 November 2010, the Information Commissioner issued his first monetary penalty (£100,000) to Hertfordshire County Council. These high profile and highly publicised incidents have prompted management and audit committees in many local authorities to increase their focus on the risk of data loss and theft and to ensure that the risk is adequately managed.
- 2.46 Risks include the possibility of IT systems being compromised, data being lost, damaged, unavailable or unlawfully disclosed to unauthorised persons and of course the adverse national publicity this could cause.
- 2.47 The Council has acknowledged that information management is an area of importance and as such has created an Information Management Team (IMT) to be responsible for the overall management of data security, as a fundamental business resource, to ensure that information needs of the Council are met, and complies with legislative requirements. IMT will manage and develop security policies to implement an Information security strategy across the Council and co-ordinate 'virtual' teams of FOI/DPA/EDRMS champions to be consistent with their approach.
- 2.48 The Service Manager, Information Management also has responsibility for data protection including:
- The provision of data protection awareness for staff within the Council (aided by the council's Legal department);
 - The provision of information security training (aided by e-learning tool);
 - The development of best practice guidelines;
 - Carrying out compliance checks to ensure adherence throughout the Council with the Act;
 - Provision of professional support, updates and advice to officers on data protection and related matters;
 - Notification to the Information Commissioner.
- 2.49 The London Government Association (LGA) has issued data security good practice guidelines for local authorities to follow, however they only provide a stable platform for data security, the Council will aim towards implementing an information management strategy to establish a comprehensive programme of work to achieve progress through clearly identifiable milestones towards the achievement of three main goals:
- Embedding Information Risk Management culture within the authority;
 - Implementing best practice Information Assurance measures;
 - Effective compliance.

- 2.50 As governments cast a wider net on their ability to share sensitive information among agencies, security requirements dictate that a sophisticated internal networking environment be developed (i.e. the Government Connect CoCo initiative).
- 2.51 Internally, IMT is trying to adopt the same approach to information sharing by implementing an ongoing programme of work (with the help of our Capita partners) using the Council's workflow platform, Civica. The principles underpinning this project are to modernise and standardise processes to help the council deliver more efficient services to customers and to build an IT platform which can be extended to other services areas for transformation and information sharing.
- 2.52 EDRMS (Electronic Documents and Records Management System) is the new technology being utilised to achieve this project. The Document & Records Management Systems Officer (within IMT) provides corporate first line application support for Civica W2 Document Management & Workflow system and the EDRMS.
- 2.53 The Document & Records Management Systems Officer also acts as systems consultant / project manager to Council staff in areas where the system is being rolled out to new areas, as well as responsibility for the coordination and implementation of new system releases & patches, ensuring all work is coordinated with relevant existing user departments and by the set deadlines to minimise disruption to users.
- 2.54 Information Architecture requires a hands-on functional specialist to manage the file structure in the EDRMS and develop it as new services are incorporated. This role (Information Architect) within IMT has taken the lead on Document and Records Management across the Council by providing professional expertise and experience in the areas of Information Architecture, Retention and Destruction Policy, and wider related areas of Information governance. She has worked closely with Capita to develop the EDRMS system as new service areas and directorates are incorporated into the architecture and is also part of the council's flexible working project to ensure that information governance/data security policies are adhere to.
- 2.55 On-going projects within IMT include:
- Assist all Directorates to develop their Information Asset Register and Information Risk Action Plan, which in turn will enable IMT to formulate a corporate information asset register and ensure Information Risk Action Plans are in place;
 - Implement a new DPA / FOI tracking system across Council;
 - Incorporating information classification across the Council;

- Policy acceptance software solution (dependant on funding and resources);
- Developing a council record and document retention schedule;
- Lead on the Local Government Transparency Agenda which requires local authorities to publish spend data over £500 and publish senior salaries information;
- Information Architecture – Work with the Council’s partner Capita to develop and implement a Corporate Information Architecture;
- Representing Harrow Council in the Pan-London Secure Data Software Procurement exercise.

2.56 Progress in quarter 3 was specifically around the following:

- Assisting all Directorates to develop their Information Asset Register and Information Risk Action Plans (Dec 2010);
- Development of Council records management policy and document retention schedules;
- Data gathering exercise to enable implementation of information classification across the Council;

2.57 Work for the final quarter of the year includes:

- Commencement of the corporate information asset register;
- Complete the implementation of DPA / FOI tracking system across Council – 31st March 2011.
- Finalising Members email arrangements.

Health and Safety

Asbestos Management

2.58 At its meeting in November, the Committee received a half-year health and safety report which included an overview of the issues identified around the management of asbestos and the comprehensive work programme underway to address these issues. This report addresses the matter in more detail and includes the investigation report as an appendix.

2.59 To recap, in June 2010 the Health and Safety Executive (HSE) served three improvement notices on Harrow Council relating to the management of asbestos in schools.

- 2.60 The management of asbestos within schools is coordinated across three directorates, namely Corporate Finance (Corporate Health and Safety Team), Community and Environment (Facilities Management Major & Minor Works team) and Children's Services.
- 2.61 An investigation was carried out to determine the root causes which lead to the improvement notices being served, and this is attached at appendix 4 (individuals names have been removed to preserve anonymity).
- 2.62 The report includes a comprehensive action plan to address the issues identified, which is also attached.
- 2.63 The joint action plan is a key work stream for each of the directorates involved and some of the failings identified are subject to individual conduct investigations.
- 2.64 In addition, as a result of the issues identified in relation to asbestos management a wider, independent, review of health and safety performance across the organisation has been commissioned.
- 2.65 The improvement notices have been complied with and therefore withdrawn by the HSE. The HSE have also stated their intention to re-visit the Council both in January and July 2011 to review training and auditing arrangements and to widen their scope to corporate properties, not just schools.
- 2.66 Further updates will be reported to the Committee as appropriate.

Quarter 3 key work streams – Corporate Health & Safety Team

- 2.67 During quarter 3 the corporate health and safety team concentrated on the following activities, many of which stem from the action plan to address asbestos management issues identified by the HSE:
- Delivery of health and safety training including premises managers' training to school duty holders.
 - Review and update of the following policies, fire safety policy, fire safety risk assessment, asbestos policy, asbestos code of practice, stress risk assessment, lone and remote working code of practice and display screen assessment code of practice.
 - Continued development of the health and safety management system including incident recording & management, extending access to the DSEASY system (display screen equipment risks) and exploring options relating to health and safety audit tools.
 - The provision of health and safety support across the directorates, including inspections of libraries and incident investigations.

- Continued contribution to the development of asbestos management within the Council in response to the Improvement Notices issued in Q1/Q2.

Section 3 – Further Information

3.1 None – supplementary information is included in the appendices.

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 – Corporate Priorities

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

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Chief Financial Officer

Date: 6 January 2011

Section 6 - Contact Details and Background Papers

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Background Papers: None