

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

Date of Meeting: 28 June 2011

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

Responsible Officer: Tom Whiting, Assistant Chief
Executive

Exempt: No

Enclosures: None

Section 1 – Summary and Recommendations

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

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 GARM Committee is responsible for monitoring as part of its terms of reference.
- 2.2 The focus of this monitoring is quarter 4 in 2010/11, January to March 2011.
- 2.3 This report does not set out the activity of the Internal Audit or Corporate Health and Safety teams, since both these services have provided 2010-11 full year reports separately on this Committee's agenda.

Emergency Planning and Business Continuity Planning

Key work achieved during Quarter 4 2010-11

- 2.4 The Emergency Planning team is a small, but effective unit of three staff. The team provide a corporate service delivering Emergency Planning, Business Continuity Planning, and Civil Protection as defined by the Civil Contingencies Act 2004, and is the Counter Terror Link with the Police Service and HM Government.
- 2.5 In January, the Emergency Planning (EP) team implemented a formalised training programme for the council's Emergency Response Officers (ERO). The council's EROs are middle managers who have 'volunteered' to take on extra duties in the event of a major incident or disaster occurring. The EP team conduct monthly training sessions covering the four core ERO subjects of:
 - Borough Emergency Control Centre (BECC) procedure
 - Local Authority Liaison Officer (LALO) role
 - Rest Centre (RC) operation
 - Airwave Radio and Voice Procedure

The training has been well received by the EROs with high attendance rates.

- 2.6 We participated in the Cabinet Office's Civil Contingencies Act Enhancement Programme Consultation. This included the Government's proposals on restructuring the UK Resilience Framework, with major changes to the regional, sub-regional and local arrangements. The final structural changes are due to be announced by Ministers.

- 2.7 We participated in the London Human Infectious Diseases Framework Validation. This involved working with health sector colleagues both locally and regionally, looking at the recent responses to swine flu and seasonal flu.
- 2.8 In February, the EP team delivered its annual senior management training event to CSB and CLG, on strategic management during a major incident. The session included refresher training on the Civil Contingencies Act 2004, major incident response, counter terror awareness with the police service, and a table top exercise dealing with a chemical incident.
- 2.9 We took part in the Pan London peer review of emergency planning across all 33 boroughs. This was organised by the London Fire Brigade Emergency Planning department. We reviewed the London Borough of Hounslow. We were reviewed by the London Borough of Hillingdon. We scored well, with an overall Green rating, with just a few Amber areas to be addressed.
- 2.10 The EP team continue to host and attend multi agency emergency planning liaison meetings with the Metropolitan Police Service, London Fire Brigade, London Ambulance Service, NHS Harrow, Environment Agency, Ministry of Defence, British Red Cross, St John Ambulance, and WRVS; as well as the neighbouring local authorities, including the West London boroughs and Hertfordshire County Council.
- 2.11 We have been working with other council departments, including highways, engineers, and planning; on the Drain London project, which is looking at dealing with the risk of flood across Greater London, following the Pitt Review.
- 2.12 The EP team and EROs have responded to a number of incidents and their aftermath, including the power outage in Somervell Road, South Harrow in December 2010, and the fire at Parris Garage, Hindes Road, Harrow in March 2011.

Main tasks for 2011/12

- 2.13 As the Olympics draws nearer, we are becoming more involved with the strategic planning for responding to an incident during games time. This includes meeting, training and exercising with other London Boroughs and the emergency services. This is an area where the workload is set to increase as 2012 approaches, with exercises already planned for October.
- 2.14 We hold an annual exercise to test our and our local multi agency partners' responses. Last year we 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. This year in July, we are holding Exercise Brisbane, to test our Rest Centre and Humanitarian Assistance procedures.

- 2.15 We continue to support Michael Lockwood as Chair of the London Regional Resilience Forum – Local Authorities Panel – Implementation Group (LRRF – LAP – IG), and also as Deputy Chair of the London Regional Resilience Forum – Local Authorities Panel (LRRF – LAP).
- 2.16 The EP team assists other council departments to discharge their duties. For example, we assist Community & Environment's Safety Advisory Group (SAG) that risk assesses and plans for large events, such as Pinner Fair, Under One Sky and the K Festival. This is ongoing work through the summer months.
- 2.17 Last year, we also assisted Community & Environment's Facilities Management (FM) in reviewing their evacuation procedures for both the Civic Centre site and the Depot. This included an exercise at each location with key emergency services. During this summer, we will assist FM in conducting a review of these procedures.
- 2.18 During the autumn, we will be assisting the police in delivering awareness training to the public and local businesses. This includes preparing for emergencies, business continuity, and counter terror awareness. During the summer, we assist on Project Argus, which is aimed at local businesses. We also help on Operation Fairway, which aims to raise counter terror awareness. We also work with schools and hospitals on their major incident planning.
- 2.19 In November, we will be holding the annual Business Continuity phone cascade test, and contacting all staff, through their management chains, during a simulated major incident. Like last year, this will include the Leader of the Council and the Group Leaders and their Deputies, so make sure Democratic Services have your up to date contact details.
- 2.20 In December, we will be delivering annual training to Elected Members on their role during a major incident, as part of the Member Development Programme. This will be held on the evening of Thursday 8th December 2011, starting at 7:00pm, in the Members Lounge. Please put this date in your diary. Members have an important role to play during a major incident, and it is important that you receive your annual refresher training.

Business Risk Management

- 2.21 The main activity during the period was progress towards the assurance mapping project.
- 2.22 This is a comprehensive exercise to identify and map out sources of assurance that the organisation received through various means, against the council's strategic risks.

- 2.23 The work is being undertaken to inform a review of assurance / governance to ensure an appropriate framework is in place which is both appropriate for the needs of the council and sufficiently streamlined to avoid duplication.
- 2.24 The project will also identify current duplication and gaps and will form a future report to the Committee once the work is finished.
- 2.25 In tandem with this, the Interim Risk Manager has supported the cyclical process of reviewing the various risk registers to ensure they are still relevant and up to date.
- 2.26 Once the assurance mapping project is finalised, the key task for the first half of 2011/12 is to comprehensively review the process and strategy for managing risks across the council, as the current process is now well embedded and there are perceived opportunities to streamline this.
- 2.27 This will be subject to a further report for the GARM Committee and Cabinet in September 2011.

Insurance

- 2.28 The recommendations arising from the evaluation of the Tenant's Home Contents Insurance tender were approved by the Strategic Procurement Board and authority was obtained from Councillor Henson to proceed. Accordingly, with effect from 1 April the contract was awarded to Aon UK Ltd, underwritten by Aviva, for a period of three years with an option to extend for a further year.
- 2.29 The re-tendering of the contract has brought significant benefits for Council tenants participating in the scheme. In addition to a 30% reduction in premium rates tenants benefit from enhanced policy cover. The new scheme also offers greater flexibility as tenants are offered the option to extend their policy to include Accidental Damage cover at favourable rates.
- 2.30 As part of the Insurance London Consortium (ILC) tender, with effect from 1 April Harrow entered into new contracts for Motor, Terrorism, and Crime insurance and engineering inspection.
- 2.31 The Council achieved savings of £110,000 per annum, equating to a 20% decrease in costs, together with wider cover in areas. With the exception of Terrorism insurance, which can only be purchased on an annual basis, all contracts are subject to two-year rate guarantees, providing financial stability to the Council.
- 2.32 Furthermore, the extension of standard Fidelity Guarantee insurance to full Crime cover represents an outstanding outcome for the Consortium. Crime cover is traditionally difficult to secure and is essentially a first in the public sector. At a time when the threat posed by third party fraud is

perceived to be increasing, the enhanced cover will provide assurance to the Council for such risks.

- 2.33 In conjunction with external solicitors, a mock trial was staged in the Council Chamber on 18th January to provide witness training for Highways Officers and other Council staff who may be involved in litigated insurance claims.
- 2.34 There were many attendees from various departments within Harrow, together with representatives from other boroughs and external claims handlers. The event was extremely successful and comments on the feedback form included 'absolutely excellent and extremely helpful' and 'the whole event was very well done'. A report of the event was subsequently published in the Chief Executive's newsletter.
- 2.35 In the long-running London Authorities Mutual Ltd (LAML) case, Harrow achieved a landmark victory at the Supreme Court against Risk Management Partners Ltd, with the Supreme Court finding unanimously in favour of Harrow.
- 2.36 Following the conclusion of the LEAN review of the Insurance Service, work commenced on drawing up proposals for restructuring the service in line with the recommendations arising out of the review.

Main tasks for the next period:

- 2.37 Commencement of the staff and union consultation on the recommendations arising out of the LEAN review. The timetable is as follows:
- Staff and union consultation meeting – 25 May 2011
 - End of consultation period – 10 June 2011
 - Staff feedback on consultation – 16 June 2011
- 2.38 Acting as 'lead member' by sharing best practice with other Consortium members in the category of Driver & Staff Management following the ILC Motor Risk Management Standards Review.
- 2.39 Working in conjunction with the seven high schools seeking Academy status to ensure that they will have in place adequate insurance arrangements in the event that the decision is made to convert.
- 2.40 Promotion of the Insurance Service and in particular, the new Tenant's Contents Insurance Scheme, to include publications in housing newsletters and attendance at housing open days.
- 2.41 Continuation of a programme of insurable risk management initiatives in conjunction with the other ILC members, commencing with a Highway Risk Management Standards Review.

Corporate Anti Fraud Team

2.42 During the 4th quarter of 2010/11 the Corporate Anti-Fraud Team achieved the following output:-

2.43 Benefit fraud

Referrals received = 186

Closed investigations (cases investigated by Investigation Officers, does not include anything risk assessed out) = 45

Cautions issued = 3

Administrative penalties = 11

Administrative penalties value = £13,664.82 (fines)

Summons issued = 3

Successful prosecutions = 4

Overpayments = £88,450.47 (in relation to the above cautions, administrative penalties & prosecution cases)

2.44 Corporate fraud

Referrals received = 57

Closed investigations = 25

Cautions = 9

Successful prosecutions = 2

Application for services refused/withdrawn = 1

Employee dismissals/conduct activity = 1

2.45 Successful prosecution case studies

(a) Mr Kandasamy Rajendran – St Andrews Drive, Stanmore, HA7

Matter was referred to the CAFT by Housing Benefit following a Housing Benefit Matching Service (HBMS) referral indicating that his partner was working for Tesco's undeclared.

His claim was based on low earnings. Enquiries made by officers revealed his partner was being employed and paid into an undeclared bank account.

Activity in the account led officers to believe that Rajendran maybe the owner of the property and had falsely represented his tenancy arrangements.

A land registry search revealed that he had purchased the property for £380,000 some 2 years earlier and continued to claim he was paying rent to the owners.

The property had been subsequently repossessed. He was interviewed and admitted guilt. He was summonsed to attend court and answer 2 charges of failing to report a change in his circumstances, to which he pleaded guilty.

He was sentenced to a 180 hour community punishment order and the authority was awarded full costs of £965. The overpayment in the case totalled £5084.77 housing benefit and £245.01 council tax benefit

(b) Jesse Gnanaratnam – Holyrood Avenue, South Harrow, HA2

Case referred by Ealing Council fraud team confirming that Gnanaratnam owned a property at Fulwood Avenue in Wembley. Ealing and Brent already had other family members under investigation that had live claims for similar suspicions in their own boroughs.

His claim was paid on the basis that he was seeking work and had no other income, capital or property. He was invited to attend an interview with fraud officers on three occasions but failed to attend or respond to visits and telephone calls.

A decision was taken by the three boroughs to jointly prosecute all offenders and Brent would take the lead. A summons was issued against all defendants to attend court and at a pre trial hearing they all pleaded guilty to a number of offences.

Jesse was sentenced to a nine month custodial term suspended for 2 years and 150 hours community punishment order. A costs order was made against all 3 defendants for £55,000 and confiscation timetable was set to recover the total losses against all three boroughs.

The loss in Harrow amounted to £20,421.18 housing benefit and £100.96 council tax benefit.

(c) Nurani Mohmand – Elmcroft, Merryfield Gardens, Stanmore, HA7

Case was referred to the CAFT by housing benefit following receipt of a HBMS match confirming that Mohmand was still in receipt of benefit into his bank account for an address in Harrow, but had moved months earlier to an address in Brent.

He was interviewed by officers and claimed that the computer systems should have known he had moved and thus was not his fault. He was offered an alternative sanction to prosecution but refused to accept it, so the case was reviewed and legal proceedings issued against him to attend court.

He pleaded guilty at court and was sentenced to a 4 month curfew order and £500 costs.

The total loss in the case was £3241.34 housing benefit & £246.15. At the hearing he was also order to repay the remaining overpayment of £937.40

(d) Nayna Lodhia – Bucknall House, Atherton Place, Harrow, HA2

Case was referred by the Metropolitan Police following the implementation of 'Operation Rize', where they had forced entry into a number of safety deposit boxes following allegations of money laundering. Lodhia had been receiving benefit on the basis of Income Support and had declared no savings or capital.

The box registered to her contained £16,500 plus jewellery and Indian Rupee Bonds. When interviewed, she claimed to have forgotten to declare the savings because it was made up of gifts from family members to put towards her planned wedding and it was not intentional.

As a result of the investigation an undeclared account was discovered that contained further capital. Her claim was reassessed taking into consideration the undeclared capital and she was overpaid housing benefit of £5818.8, council tax benefit of £1317.58 and income support of £5050.95.

Legal proceedings were issued against her for a number of offences and at court she pleaded guilty. She received a 2 year conditional discharge and ordered to pay court costs of £1000.

(e) Gillian Polding – Ridgewood Drive, Harpenden, AL5

Case was referred by a member of the public that had purchased some items from eBay that appeared to have Harrow Council property labels still inside the front covers.

The informant provided the user id of the seller and from there enquiries were made by fraud officers directly with eBay.

Information provided by eBay confirmed that the user was employed by the authority as a Principal Librarian and that she had sold thousands of items already on the site, such as books, cd's and DVDs sets.

Assistance was sought from the Metropolitan Police and the individual was arrested at her home where a search was undertaken and in excess of 60 items were seized that were up on the site for sale at the time.

She denied taking the items without permission and claimed that they had been discarded by the authority.

Following a lengthy investigation, after which the employee was summarily dismissed for gross misconduct, legal proceedings were issued and she was summonsed to attend court to answer fraud charges. She pleaded not guilty to the charges and after a 4 day trial she was found guilty of 3 charges of fraud.

She was sentenced to a 12 month community order and a 3 month curfew and court costs of £7,000 to be paid within 28 days.

- (f) Monique Jackson – Lantern Ground House, Nine Acres Close, Hayes, Middlesex, UB3

Case was identified as part of 'Operation Daffodil' which was a proactive fraud drive on Greenhill Way targeting blue badge misuse. Jackson was apprehended by officers displaying a badge belonging to her mother and initially claimed to be picking her up.

When challenged about this account, she admitted that her mother was not with her and she displayed the badge so that she did not have to pay for parking.

Following interview, she was offered an alternative sanction to prosecution but failed to attend the appointment or make any contact with officers.

Legal proceedings were issued and at court she pleaded guilty to an offence under the Road Traffic Regulation Act and fined £35 and ordered to pay court costs of £150.

- (g) A N Other employee – Blue badge misuse, Operation Elderflower

A female was apprehended by officers on Operation Elderflower, targeting blue badge misuse on Greenhill Way in December 2010. She was caught displaying a badge registered to her mother and admitted that she was not present on the journey.

She was interviewed and admitted guilt and was offered an alternative sanction to prosecution. When administering the sanction, the officer recognised the female as a Harrow employee and she was confirmed that this was the case.

The employee was issued with a caution for the blue badge misuse and management informed of the incident and admission of guilt. The employee was issued with guidance under the Council's disciplinary policy for her conduct

Fraud Plans for 2011/12

- 2.46 The CAFT will continue to focus on two work streams in 11/12, benefit fraud and corporate fraud. In terms of benefit fraud, the service will look to achieve 40 sanctions of which 15 will be successful prosecutions. In terms of corporate fraud, the service will look to achieve 60 sanctions.
- 2.47 Following guidance provided in both the Audit Commission's 'Protecting the Public Purse Report' and the National Fraud Authorities' Annual Fraud Indicator Report, the CAFT will focus on delivering proactive fraud drives on the areas of direct payments, housing

management, recruitment/employee and blue badges. These are areas deemed to be at high risk to fraud given evidence and results nationally.

- 2.48 In each of the above corporate areas, officers will be responsible for proactively sampling live cases and/or undertaking a fraud audit to ensure that those accessing services are entitled to do so in accordance with the respective regulations/schemes. All cases appropriate for investigation will be undertaken and civil and/or criminal action recommended where misuse has been identified to recover losses and to punish offenders.

Housing tenancy fraud/misuse

- 2.49 Following the appointment of a specialist Housing Investigation Officer in January 2011 to assist in dealing with subletting and tenancy misuse, the early results have been very encouraging. In the 1st quarter, 29 allegations of tenancy misuse have been received by the CAFT, with 20 cases still under investigation.
- 2.50 There are 6 cases that are at an advanced investigation stage where the tenant has either signed a form to surrender the tenancy which will expire shortly or a Notice of Seeking Possession (NOSP) has been served on the grounds of non occupation or subletting. A more detailed report and case studies will be provided in the next update of quarter 1 activity 2011/12.

Information Management

- 2.51 During the 4th quarter of 2010/11 the Information Management Team achieved the following output:
- On going project to implement a new Data Protection Act / Freedom of Information tracking system across Council;
 - Progression of new email protocols for Members
 - Lead on the Local Government Transparency Agenda which requires local authorities to publish spend data over £500 and publish senior salaries information; First set of data implemented on time in line with the requirements of central government.

Key Tasks for 2011/12

- Work with our Capita partners to ensure that the suite of corporate data security policies and the associated protocols are imbedded in Capita's data security plan as part of the new ITO contract.
- Assist all Directorates to undertake their yearly review of their Information Asset Register and Information Risk Action Plan, which in

turn will enable IMT to formulate a revised corporate information asset register and ensure Information Risk Action Plans are in place;

- Data gathering exercise to enable implementation of information classification across the Council;
- Incorporate information classification across the Council;
- Develop a council record and document retention schedule;
- Imbed a records management system to protect council records;
- Roll out on-line and classroom based training across the Council;
- Go live with the new FOI/DPA system;
- Protocols for information security with 3rd parties;
- Data Security Leavers Protocol i.e. return of USB fobs, RSA tokens etc;
- Providing Civica support to the business support project;
- Migration work on Civica due to ITO contract;
- Possible Civica version update.

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 – 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.

Name: Steve Tingle



On behalf of the
Chief Financial Officer

Date: 8th June 2011

Section 6 - Contact Details and Background Papers

Contact: David Ward Tel: 020 8424 1781
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Background Papers: None