

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

---

**Date of Meeting:** 26 January 2012

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

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

**Exempt:** No except for appendices 1 and 5 on the grounds that they contain information under paragraphs 1 and 7 of part 1 of Schedule 12A of the Local Government Act 1972 (as amended) relating to individuals and information relating to actions taken in connection with the prevention, investigation and prosecution of crime.

**Enclosures:** Appendix 1: Belmont Circle major incident response (Part II)  
Appendix 2: National Fraud Initiative Briefing October 2011  
Appendix 3: Audit Commission Report Protecting The Public Purse November 2011  
Appendix 4: 2012-13 Risk Appetite Statement  
Appendix 5: Fraud case studies (Part II)

## **Section 1 – Summary**

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

**FOR INFORMATION**

## **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 3 in 2011-12, September to December 2011.

### **Emergency Planning and Business Continuity Planning**

- 2.3 The team continues to be involved with multi-agency planning and exercises for the Olympics. Several exercises took place during the quarter and will continue.
- 2.4 The arrangements for dealing with emergencies surrounding the Olympics are being cascaded to the council's Emergency Response Officers (ERO's) through the core training modules which have all been delivered to date and well attended.
- 2.5 Member refresher training was also delivered in December on the role of Ward Councillors during a major incident.
- 2.6 The main issue during the quarter however, was the major incident response to the Belmont Circle fire which occurred on the evening of October 3<sup>rd</sup> 2011.
- 2.7 A comprehensive report on this is therefore attached at appendix 1 for the Committee to consider.

### **Insurance Service**

- 2.8 Key work achieved during the quarter was as follows:
  - Implemented the new team structure to conclude the final phase of the recommendations arising out of the Lean review of the service.
  - Worked with the high schools through their conversion to Academy status to procure insurance cover at competitive rates ensuring continuation of cover.
  - Arranged Professional Negligence insurance where required for those services trading with Academies.
  - Commenced re-tendering of the external Property and Liability insurance contracts as part of the Insurance London Consortium (ILC)
  - Commissioned an actuarial review of the Council's internal insurance provision

- Presented to the Leaseholder Support Group on the buildings insurance arranged by the Council on behalf of residential leaseholders
- Processed 496 new claims made by and against the Council since the start of the current financial year.

2.9 Main tasks for the next period are:

- The evaluation of the responses to the insurance tender for the Property and Liability insurance contracts; recommendations to Cabinet (February 2012); and award of contract(s) effective from 1 April 2012
- Renewal of other external contracts in accordance with existing long-term agreements effective from 1 April 2012
- Commence recruitment to the vacant Insurance & Risk Officer post

2.10 In response to a request for further information by the Committee at its meeting in September regarding the council's arrangement for terrorism insurance, the Council's terrorism insurance is currently arranged with Aon Ltd. All of the Council's general, housing and education properties are declared to the insurers and the limit of indemnity in respect of all claims in any one policy year is £35m.

2.11 Rates for terrorism insurance can be volatile and rates are expected to rise in this Olympic year as a result of the perceived increased risk of terrorism. In order to provide financial stability to the Council the contract has been extended with the current insurer until 31 March 2013 at existing rates.

Information Management Team

2.12 Progress in quarter 3 was specifically around the following:

- Continued the awareness programme to promote classroom based data security training.
- Rolled out on-line and classroom based training to ensure a consistent and secure approach to Information Security across the Council;
- Data Security Leavers Protocol i.e. Return of USB fobs, RSA tokens etc. This is to ensure that Council Information Assets are protected at all times. A new protocol has been implemented in the HR Civica process to email managers when a member of staff leaves the employment of the Council.
- Taken on responsibilities for the new Criminal Justice Administration function for the Council.
- Assisting 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;

- Leading in the implementation of information classification across the Council. The Council must also be able to share information (including personal data) confidently knowing it is reliable, accessible, and protected against agreed standards irrespective of format or transmission method.
- Working 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.
- Developed a council record and document retention schedule in order to protect council records from erroneous destruction;

#### 2.13 Work stream for the remainder of 2011/12:

- Protocols for information security with 3<sup>rd</sup> parties. Data protection and privacy issues to be imbedded in contracts, IT support and strategic partner agreements.
- Information Architecture – Work with Capita to develop and implement a Corporate Information Architecture to be used for the Mobile and Flex corporate project.
- To enable Civica to function as intended, a Civica development program will be put in place and will include providing support to the business support project, migration work due to ITO contract and possible Civica version updates.

### **Health and Safety Service**

#### 2.14 Following the half yearly report issued to the GARM Committee in December 2011, progress made in quarter 3 is as follows:

- The implementation of the two year improvement plan is continuing with progress monitored at the quarterly Corporate Health and Safety group meetings. Planned work in quarter 4 includes introducing risk mapping through the directorate health and safety groups for all significant risks in each directorate.
- The review of the health & safety policies and procedures continues. The following codes of practice are currently being consulted upon for approval at the next Corporate Health & Safety Group:
  - Expectant mothers
  - Educational visits
  - Potentially violent persons
  - Managing contractors
  - Construction safety
  - Work equipment
  - Control of substances hazardous to health
  - Manual handling

- The overarching health and safety policy and consultation and communication code of practice will also be reviewed in line with the senior management restructure.
- The health and safety groups continue to meet every quarter or every school term. Dates have now been synchronised between the Directorate and the Corporate Health and Safety groups to ensure effective escalation of health and safety risks.
- The trial of the e-audit health and safety audit tool in the Community and Environment Directorate has now been completed and the tool is being rolled out across the other directorates. A series of training sessions are currently being provided for managers to use the tool.
- The Service continues to provide support, advice and guidance across the directorate. Current projects include health and safety management on the civic amenity site, gas safety management and asbestos management.
- The service continues to deliver of health and safety training across the directorates. The procurement process of an e-health and safety training package has now been commenced.
- The service continues to review the assessments for school trips. The guidance note is being reviewed and will be consulted upon during quarter 4. The number of trips being assessed has reduced considerably following the seven High Schools becoming academies
- Santia remain the Occupational Health provider for the council. The Corporate Health and Safety Advisory Service are continuing to work with the provider to continuously improve the service. Current areas of development include providing workshops in February 2012 for sickness absence management referrals and for ill-health retirement.
- A health fair day was organised at the civic centre in October 2011 to coincide with world mental health day. Future health promotion is planned for 2012/13 focussing on vocational issues at different council sites.
- First Assist continues to provide the EAP service to the council, offering telephoning and face to face counselling, together with legal advice. Usage has remained relatively low and further promotion of the service is planned in quarter 4.
- Following the successful introduction of the Accident Database Reporting Form, there were substantial increases in the number of accidents reported, as Directorates became more aware of what must be reported to the Corporate Health and Safety Service and the Health and Safety Executive. The number of accidents is now starting to decrease as new Policy and Code of Practice documents are introduced and a heightened awareness of health and safety management is instilled across the Council.

- As discussed in the half yearly report the Health and Safety Executive are consulting on a number of changes in legislation, notably with respect to asbestos management, reporting of injuries, diseases and dangerous occurrences, charging fees and educational visits. As changes are made the service will assess the impact, make the necessary amendments to policies and procedures and report to the Corporate and Directorate Health and Safety Groups.
- The restructuring of the Corporate Health and Safety Advisory Service continues and is at the recruitment stage for the building of an in-house health and safety service.

### **Corporate Anti-Fraud Service**

2.15 During the 3<sup>rd</sup> quarter of 2011/12 the Corporate Anti-Fraud Team achieved the following output:-

#### Benefit Fraud

- Referrals received - 141
- Closed investigations (cases investigated by Investigation Officers, does not include anything risk assessed out) - 31
- Cautions issued - 2
- Administrative penalties - 9
- Administrative penalties value - £15605.66 (fines generated)
- Summons issued - 4
- Successful prosecutions - 10
- Overpayments - £255,019.35 (in relation to the above cautions, administrative penalties & prosecution cases)
- DWP overpayments related to joint cases - £113,100.39

#### Corporate fraud

- Referrals received - 29
- Closed investigations - 26
- Cautions - 10
- Successful prosecutions - 1
- Application for services refused/withdrawn - 2
- Employee dismissals/misconduct activity - 0

2.16 A sample of recent successful benefit fraud and corporate fraud case studies and successful prosecutions is attached at appendix 5.

2.17 In addition to the ongoing caseload, for the remainder of the year the team are working on developing potential income streams using the Proceeds of Crime Act and working with the LEAN team to identify any opportunities for streamlining the casework process.

## Risk Management

2.18 Progress during quarter 3 was primarily around the implementation of the new risk management strategy which was approved by Cabinet in October 2011, in particular:

- Streamlining and reduction of the corporate risk reporting process to focus only on reporting business-critical and mainly red-rated risks in the corporate risk register
- Creation of a new high level risk summary report for distribution to CSB
- Creation of a single corporate risk register (amalgamating/merging the former strategic and corporate operational risk registers)
- Capture and development of positive risk opportunities (as well as negative threat risks) in risk registers
- Production of the Council's annual 2012-13 Risk Appetite Statement (see Appendix 4) for inclusion in the Corporate Plan

2.19 Work for the remainder of the year

- Ensure that the risk management strategy continues to be embedded at the Council and its provisions reflected in all risk management policies, guidance and training, where appropriate
- Review/refresh the terms of reference and training needs of the CRSG to ensure they continue to meet the needs of members
- Establish and develop the roles of GARM Lead Member Risk Champion and Council Risk Champion
- Investigate and recommend a course of action relating to the potential purchase and use of a risk management software system

## Internal Audit

2.20 The following planned work has been undertaken in quarter 3 by Internal Audit:

- 20 final audit reports were issued during quarter 3: 6 were given a green assurance rating; 3 an amber/green assurance rating; 4 an amber assurance rating; 1 a red/amber assurance rating; 1 a red assurance rating and 5 were not traffic lighted (1 was a briefing note, 1 was an SFI and for 3 the number of controls reviewed were insufficient to provide a dependable traffic light.) All 153 recommendations made to improve control and mitigate the risks identified were agreed by management for implementation.
- 10 draft audit reports were issued in quarter 3: 4 were given a green assurance; 1 was given an amber/green assurance; 4 were given an amber assurance and 1 was given a red/amber assurance. 33 recommendations were made to improve control and mitigate the risks identified.
- 5 follow-ups were undertaken in quarter 3: 1 was a green report and was followed up as the system is a core financial system (green reports are not usually followed up) the recommendation made had been implemented; 1 was an amber report and was re-assessed as amber/green; 1 was a red report and was re-assessed as red/amber (this report will be followed up again until

it is given at least an amber assurance rating) and 2 were SFI reports which are not traffic-lighted however for 1 review, 7 of 8 recommendations had been implemented and for the other 2 of 3 recommendations had been fully implemented. In total 43 recommendations agreed by management for implementation were followed up: 26 had been fully implemented, 11 had been partially implemented; 2 were in progress; 2 were planned and 2 were no longer applicable.

- There was 1 new emerging risk and 4 new suspected financial irregularities identified in the period and internal audit continued to contribute to a number of corporate groups and to the assurance mapping exercise.
- During quarter 4 internal audit work will be concentrated on 3 significant areas: Capital Programme; Transformation Programme and Personalisation in addition to the preparation of the 2012/13 internal audit plan and the development of the 2011/12 management assurance exercise.

### **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.

Name: Steve Tingle

on behalf of the  
Chief Financial Officer

Date: 9 January 2012



## **Section 7 - Contact Details and Background Papers**

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

**Background Papers:** None.