

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

Date of Meeting: 26 June 2012

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

Responsible Officer: Tom Whiting, Assistant Chief Executive

Exempt: No

Enclosures: Appendix 1: Risk, Audit & Fraud Draft Service Plan 2012/13
Appendix 2: Olympics Daily reporting arrangements

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.

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 2011/12, 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 2011/12 full year reports separately on this Committee's agenda.
- 2.4 In terms of monitoring the activities for the current year, for transparency the (draft) Risk, Audit and Fraud divisional service plan is attached at appendix 1 and progress against the plan will be reported to the Committee throughout the year by way of activity reports.

Emergency Planning and Business Continuity Planning

- 2.5 The Civil Contingencies 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.
- 2.6 In Quarter 4 2011/12 the team was busy co-ordinating the council's planning and preparation for the Olympics, which is known as 'Olympic C3 Operations' amongst the emergency services and government agencies involved.
- 2.7 This has included participating in an increasing number of exercises both Pan London and National, including out of hours exercises, working nights and weekends. Members may have seen some of these exercises referred to on the news, including Exercise Fortius and Exercise Altius.
- 2.8 In January and February 2012, the Emergency Planning Team also took part in Exercise Argus and Exercise Griffin at the Police Training College, Hendon. These exercises were part of the Counter Terrorism training in preparation for the Olympics.
- 2.9 In February 2012, "Gold" level strategic management training was delivered to the council's corporate directors, directors and divisional directors, on dealing with a major incident during the Olympics.
- 2.10 In March 2012, a workshop was attended, hosted by CO3 at New Scotland Yard to plan for Survivor Reception Centres in the event of a major incident involving multiple casualties, e.g. 7/7. The team also attended a Pan London briefing at the GLA on the Counter Terrorism response during the Olympics.
- 2.11 Regular operational meetings take place with the Torch Relay Group to assist them in their planning and preparations for when the Olympic Torch comes to Harrow.
- 2.12 20 volunteer staff have been recruited 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 have been delivered for these staff. The BOCC and the BGSU are explained below.

Olympic C3 Operations

- 2.13 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.
- 2.14 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.
- 2.15 This Command, Control and Communication (C3) set up is explained in the CSB paper attached at appendix 2 for information.

Business Risk Management

- 2.16 The main activity during the period was progress towards the assurance mapping project.
- 2.17 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.
- 2.18 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.
- 2.19 One aspect of this is leading on a review of the corporate officer groups that currently exist to provide assurance and other business activities.
- 2.20 In tandem with this, the Interim Risk Manager has supported the quarterly process of reviewing the various risk registers to ensure they are still relevant and up to date.

Insurance

- 2.21 During the quarter the main activity was a tender exercise to secure the council's liability and property insurance which was due to expire on 31 March 2012.
- 2.22 The exercise, which was subject to EU procurement legislation, was conducted collectively by the Insurance London Consortium (ILC), which consists of 9 London Boroughs including Harrow.

- 2.23 The exercise was a success and achieved savings for Harrow of £70k per annum guaranteed for at least the next 2 years, with no reduction in the levels or quality of cover.
- 2.24 During the quarter a recruitment exercise also commenced to appoint to the vacant position in the team.
- 2.25 A comprehensive report relating to the council's insurance arrangements was provided to the previous GARMC meeting in March.

Corporate Anti Fraud Team

High level outcomes for quarter 4 in 2011/12

2.26 Benefit fraud

Referrals received - 496
Closed investigations (cases investigated by Investigation Officers, does not include anything risk assessed out) - 44
Cautions issued - 2
Administrative penalties - 6
Administrative penalties value - £7,826.22 (fines generated)
Summons issued - 2
Successful prosecutions - 1
Overpayments - £68,434.50 (in relation to the above cautions, administrative penalties & prosecution cases)
DWP overpayments related to joint cases - £26,492.60

2.27 Corporate fraud

Referrals received - 41
Closed investigations - 28
Cautions - 7
Successful prosecutions - 0
Application for services refused/withdrawn - 4
Employee dismissals/misconduct activity - 1

Annual summary against planned activity in 2011/12

Deliver 40 Housing/Council Tax Benefit sanctions

- 2.28 The team delivered 49 sanctions which broke down into 6 cautions, 27 administrative penalties, 16 prosecutions and 2 confiscation cases brought under Proceeds of Crime Act 2002 (POCA) action. Recovery of the proceeds of crime in the 2 cases will continue into 12/13 and be determined by the court timetables.

Identify and pursue 4 cases suitable for Proceeds of Crime Act 2002 action and recover 5K

- 2.29 In addition to the above 2 cases that have already been dealt with by the courts for which recovery is awaited, 5 other cases have been

referred for POCA action by the Department for Work & Pensions and Brent Council Financial Trading Standards Financial Investigation Unit and are at various stages of the legal process. It is envisaged that there will be recovery in 12/13 in excess of the 5K planned for 11/12.

Draft a revised protocol for managers to follow in cases where illegal working is identified

2.30 This was complete in early 11/12 and circulated as appropriate.

LEAN review of fraud investigation acceptance gateway

2.31 This piece of work struggled to gather any momentum to due to MI issues with the fraud management system. However, an alternative approach was adopted working with the LEAN team which has been able to focus on a number of key areas within the CAFT where efficiencies are achievable. The areas are:-

- Increased automation of CAFT processes (technology integration and scanning)
- Improved channel migration of customer contact to the web
- Reducing processing bottlenecks at fraud referral stage
- Improving the fraud referral risk assessment matrix
- Reducing management review times of potential sanctionable cases
- Reducing prosecution timescales working alongside Legal Services on a further LEAN review
- Reviewing case closure categories so as to achieve recognition not currently being identified.

2.32 It is envisaged that changes will be implemented early in 12/13 so that results will be evident in year to reduce the investigation lifecycle on cases and improve the success conversion rates.

Identify and investigate high risk cases from the National Fraud Initiative (NFI) in a timely manner

2.33 The initial data sift of the 3,752 Housing/Council Tax Benefit matches were complete and a number of cases identified for further more detailed investigation work. To date overpayments amounting to £175,864.73 have been raised and these are now with Investigation Officers for full investigation.

2.34 The Audit Commission and Deloitte met with the Corporate Anti-Fraud Service Manager in February 2012 and they were satisfied that overall progress on the exercise by the authority was of a good standard aside from a few areas. An action plan was agreed for these areas and this was cleared on 15 March 2012.

Identification of 10 housing tenancies subject to misuse

2.35 This was successfully delivered following the recruitment of an Investigation Officer in January 2011 recruited to focus 50% of his time on this area. In all, 9 Council properties were identified and

possession obtained by the tenant terminating the tenancy when faced with overwhelming evidence of subletting/non occupation. 1 of the cases also involved a prevention of a fraudulent Right to Buy which had it been approved and processed, would have meant a tenancy being lost to the council stock permanently. 1 further tenancy re-possession was obtained by a Registered Provider (RP's) following evidence being handed to them by work undertaken by the officer.

- 2.36 Further grant funding has been obtained for 12/13 to continue with this project although the officer will be working on housing fraud cases for 80% of his time, thus the target will be increased accordingly.
- 2.37 The Audit Commission estimate that the repossession of a social housing unit in England and Wales saves the affected authority in the region of £18,000 per tenancy as this is the cost of keeping a family in temporary accommodation (whilst the unit is being misused).

Blue badge proactive fraud drives in conjunction with Councils 'Weeks of Action' programme

- 2.38 Four blue badge fraud operations were undertaken in each quarter in 11/12 in partnership with the borough's Safer Neighbourhood Teams and Parking enforcement. Over the four operations, 48 badges were seized from individuals suspected of misusing them. All were interviewed and where there was evidence of misuse, either cautioned or prosecuted and the badges returned to the issuing authority.

Fraud risk sample of Direct Payment (DP) cases

- 2.39 A fraud audit of a sample of cash personal budget cases was commenced during the year but not complete mainly due to the difficulty in obtaining monitoring data. The objective of the sample was to identify fraud and irregularity in live cash personal budgets where the authority was allocating funds to an individual to purchase their own care.
- 2.40 An original sample of 15 cases was selected but of these, only 1 individual had ever returned a monitoring form to the Council illustrating what the funds were being spent on. Slowly but surely the monitoring forms were returned and in total 12 out of the original 15 were provided. The 3 individuals not providing the forms were visited by CAFT officers and these were returned a few weeks later. Checks were undertaken to provide assurance that the funds were being spent correctly and that bank statements reconciled with payslips/invoices produced.
- 2.41 There are at present 4 live investigations into suspected misappropriation of funds involving personal budgets which will continue into 12/13. One case alone involves the misuse of funds in the region of £10,500 and another involved an applicant that passed away sometime ago whilst the payments continued to a third party budget holder. The sample work has fostered a close working

relationship between Reablement and the CAFT and a number of recommendations have been made to improve the process.

Fraud risk sample of employment / recruitment fraud

- 2.42 A fraud audit of a sample of new employees to the authority was undertaken for the month of April 2011 with a view to identifying employees with no right to work or were linked in some way to other types of fraud affecting the public sector such as benefit fraud or single person discount fraud.
- 2.43 A list of 131 new starters was provided and checked to see if there was evidence of 'right to work' documentation held on file. All were found to have provided proof of their right to work documentation which provides a level of assurance that our recruitment processes are robust. For the employees declared as residing within the borough, 14 were found to be claiming housing benefit but had declared the commencement of their work so there were no issues of housing benefit fraud.

Review and shape corporate fraud e-learning tool with CAFT input

- 2.44 This piece of work was not undertaken due to resource issues on the team. It will be carried over to 12/13 to complete.

Full year summary of high level outcomes in 2011/12

2.45 Benefit fraud

Referrals received - 876
Closed investigations (cases investigated by Investigation Officers, does not include anything risk assessed out) - 120
Cautions issued - 6
Administrative penalties - 27
Administrative penalties value - £36,398.76 (fines generated)
Summons issued - 17
Successful prosecutions - 16
Overpayments - £552,381.3 (in relation to the above cautions, administrative penalties & prosecution cases)
DWP overpayments related to joint cases - £218,980.73

2.46 Corporate fraud

Referrals received - 132
Closed investigations - 102
Cautions - 29
Successful prosecutions - 2
Application for services refused/withdrawn - 16
Employee dismissals/misconduct activity - 1

Information Management

- 2.47 One of the proposals submitted to the Commissioning Panels during the Autumn of 2011 was an efficiency of 1 F.T.E as a result of merging the information management team from the Risk, Audit and Fraud Division with the IT Client Team in Customer services.
- 2.48 This was scheduled to take place for April 2012 and therefore a key work stream during Q4 was to progress this.
- 2.49 The merger took place on schedule and the saving has been delivered although the reduction of 1 member of staff was delayed until May in order to complete the required HR processes and manage the transition smoothly with stakeholders.
- 2.50 The displaced employee was successfully redeployed into another role within the Resources directorate.
- 2.51 During the quarter the corporate information asset register was updated and support was provided to a number of services in response to security breaches. This is a key area of focus for the Information Commissioners Office (ICO) who have issued significant monetary penalties to public bodies in the recent past.

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	<input checked="" type="checkbox"/>	On behalf of the Chief Financial Officer
Date: 11 June 2012		

Section 6 - Contact Details and Background Papers

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