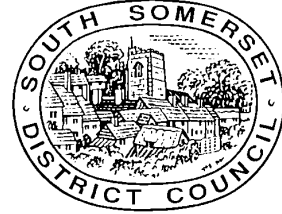


**South Somerset District Council**

*Notice of Meeting*



# Audit Committee

*Making a difference where it counts*

**Thursday 23rd November 2017**

**10.00 am**

**Main Committee Room, Council Offices,  
Brympton Way, Yeovil BA20 2HT**

(disabled access and a hearing loop are available at this meeting venue)



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The following members are requested to attend the meeting:

**Chairman:** Derek Yeomans  
**Vice-chairman:** Tony Lock

Jason Baker  
Mike Best  
Carol Goodall

Anna Groskop  
Val Keitch  
Graham Middleton

David Norris  
Colin Winder

If you would like any further information on the items to be discussed, please contact the Democratic Services Officer on 01935 462596 or [democracy@southsomerset.gov.uk](mailto:democracy@southsomerset.gov.uk)

This Agenda was issued on Wednesday 15 November 2017.

**Alex Parmley**, *Chief Executive Officer*

This information is also available on our website  
[www.southsomerset.gov.uk](http://www.southsomerset.gov.uk) and via the mod.gov app



INVESTORS IN PEOPLE

## **Information for the Public**

The purpose of the Audit Committee is to provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the authority's financial and non-financial performance, to the extent that it affects the authority's exposure to risk and weakens the control environment and to oversee the financial reporting process.

The Audit Committee should review the Code of Corporate Governance seeking assurance where appropriate from the Executive or referring matters to management on the scrutiny function.

The terms of reference of the Audit Committee are:

### **Internal Audit Activity**

1. To approve the Internal Audit Charter and annual Internal Audit Plan;
2. To receive quarterly summaries of Internal Audit reports and seek assurance from management that action has been taken;
3. To receive an annual summary report and opinion, and consider the level of assurance it provides on the council's governance arrangements;
4. To monitor the action plans for Internal Audit reports assessed as "partial" or "no assurance;"
5. To consider specific internal audit reports as requested by the Head of Internal Audit, and monitor the implementation of agreed management actions;
6. To receive an annual report to review the effectiveness of internal audit to ensure compliance with statutory requirements and the level of assurance it provides on the council's governance arrangements;

### **External Audit Activity**

7. To consider and note the annual external Audit Plan and Fees;
8. To consider the reports of external audit including the Annual Audit Letter and seek assurance from management that action has been taken;

### **Regulatory Framework**

9. To consider the effectiveness of SSDC's risk management arrangements, the control environment and associated anti-fraud and corruption arrangements and seek assurance from management that action is being taken;
10. To review the Annual Governance Statement (AGS) and monitor associated action plans;
11. To review the Local Code of Corporate Governance and ensure it reflects best governance practice. This will include regular reviews of part of the Council's Constitution and an overview of risk management;
12. To receive reports from management on the promotion of good corporate governance;

### **Financial Management and Accounts**

13. To review and approve the annual Statement of Accounts, external auditor's opinion and reports to members and monitor management action in response to issues raised;

14. To provide a scrutiny role in Treasury Management matters including regular monitoring of treasury activity and practices. The committee will also review and recommend the Annual Treasury Management Strategy Statement and Investment Strategy, MRP Strategy, and Prudential Indicators to Council;
15. To review and recommend to Council changes to Financial Procedure Rules and Procurement Procedure Rules;

### **Overall Governance**

16. The Audit Committee can request of the S151 Officer, the Assistant Director – Legal and Corporate Services (the Monitoring Officer), or the Chief Executive (Head of Paid Services) a report (including an independent review) on any matter covered within these Terms of Reference;
17. The Audit Committee will request action through District Executive if any issue remains unresolved;
18. The Audit Committee will report to each full Council a summary of its activities.

Meetings of the Audit Committee are usually held monthly including at least one meeting with the Council's external auditor, although in practice the external auditor attends more frequently.

Agendas and minutes of this committee are published on the Council's website at [www.southsomerset.gov.uk](http://www.southsomerset.gov.uk)

Agendas and minutes can also be viewed via the mod.gov app (free) available for iPads and Android devices. Search for 'mod.gov' in the app store for your device and select 'South Somerset' from the list of publishers and then select the committees of interest. A wi-fi signal will be required for a very short time to download an agenda but once downloaded, documents will be viewable offline.

### **Members questions on reports prior to the Meeting**

Members of the Committee are requested to contact report authors on points of clarification prior to the Committee meeting.

### **Recording and photography at council meetings**

Recording of council meetings is permitted, however anyone wishing to do so should let the Chairperson of the meeting know prior to the start of the meeting. The recording should be overt and clearly visible to anyone at the meeting, but non-disruptive. If someone is recording the meeting, the Chairman will make an announcement at the beginning of the meeting. If anyone making public representation does not wish to be recorded they must let the Chairperson know.

The full 'Policy on Audio/Visual Recording and Photography at Council Meetings' can be viewed online at:

<http://modgov.southsomerset.gov.uk/documents/s3327/Policy%20on%20the%20recording%20of%20council%20meetings.pdf>

# **Audit Committee**

**Thursday 23 November 2017**

## **Agenda**

### *Preliminary Items*

**1. Minutes**

To approve as a correct record the minutes of the previous meeting held on Thursday 26<sup>th</sup> October 2017.

**2. Apologies for absence**

**3. Declarations of Interest**

In accordance with the Council's current Code of Conduct (as amended 26 February 2015), which includes all the provisions relating to Disclosable Pecuniary Interests (DPI), personal and prejudicial interests, Members are asked to declare any DPI and also any personal interests (and whether or not such personal interests are also "prejudicial") in relation to any matter on the agenda for this meeting.

**4. Public question time**

**5. Date of next meeting**

Councillors are requested to note that the next Audit Committee meeting is scheduled to be held at 10.00am on Thursday 14<sup>th</sup> December date in Council Chamber B, Brympton Way, Yeovil.

### *Items for Discussion*

**6. Quarter 3 Internal Audit Plan 2017/18 Progress Report** (Pages 5 - 19)

**7. Treasury Management Performance to September 2017** (Pages 20 - 31)

**8. Annual Counter Fraud Action Plan Update** (Pages 32 - 49)

**9. Audit Committee Forward Plan** (Pages 50 - 51)

# Agenda Item 6

## **Quarter 3 Internal Audit Plan 2017/18 Progress Report**

*Head of Service:* Gerry Cox, Chief Executive - SWAP  
*Lead Officers:* Ian Baker, Director of Quality / Laura Wicks, Senior Auditor  
*Contact Details:* [ian.baker@southwestaudit.co.uk](mailto:ian.baker@southwestaudit.co.uk) /  
[laura.wicks@southwestaudit.co.uk](mailto:laura.wicks@southwestaudit.co.uk)

### **Purpose of the Report**

This report provides an update on the position of the 2016/17 Internal Audit Plan and review the progress made on the 2017/18 Internal Audit plan (Quarter 3 ending 31 October 2017).

### **Recommendation**

To note the progress made.

### **Background**

The Audit Committee agreed the 2017/18 Internal Audit Plan at its March 2017 meeting. This report is to inform the Audit Committee of progress against the Audit plans for 2016/17 and 2017/18.

### **Financial Implications**

There are no financial implications associated with these recommendations.

**Background Papers:** None

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# South Somerset District Council

## Report of Internal Audit Activity

Plan Progress 2017/18 Quarter 3 ending 31<sup>st</sup> October 2017

Page 6

# Contents

## The contacts at SWAP in connection with this report are:

### Gerry Cox

Chief Executive

Tel: 01935 385906

[gerry.cox@southwestaudit.co.uk](mailto:gerry.cox@southwestaudit.co.uk)

### Ian Baker

Director of Quality

Tel: 01935 385906

[ian.baker@southwestaudit.co.uk](mailto:ian.baker@southwestaudit.co.uk)

### Laura Wicks

Senior Auditor

Tel: 01935 385906

[laura.wicks@southwestaudit.co.uk](mailto:laura.wicks@southwestaudit.co.uk)

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	Appendix A – Internal Audit Definitions	Page 6
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## Internal Audit Plan Progress 2016/17 & 2017/18

### Our audit activity is split between:

- **Operational Audit**
- **School Themes**
- **Governance Audit**
- **Key Control Audit**
- **IT Audit**
- **Grants**
- **Other Reviews**



### Role of Internal Audit

The Internal Audit service for the South Somerset District Council is provided by South West Audit Partnership Limited (SWAP). SWAP is a Local Authority controlled Company. SWAP has adopted and works to the Standards of the Institute of Internal Auditors, further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS), and also follows the CIPFA Code of Practice for Internal Audit. The Partnership is also guided by the Internal Audit Charter which was approved by the Audit Committee at its meeting on 22 June 2017.

Internal Audit provides an independent and objective opinion on the Authority's control environment by evaluating its effectiveness. Primarily the work includes:

- Operational Audit Reviews
- Cross Cutting Governance Audits
- IT Audits
- Grants
- Other Special or Unplanned Reviews

Internal Audit work is largely driven by an Annual Audit Plan. This is approved by the Section 151 Officer, following consultation with the Senior Leadership Team and External Auditors. This year's Audit Plan was reported to this Committee and approved at its meeting in March 2017.

Audit assignments are undertaken in accordance with this Plan to assess current levels of governance, control and risk.



## Internal Audit Plan Progress 2016/17 & 2017/18

### Outturn to Date:

**We rank our recommendations on a scale of 1 to 5, with 1 being minor or administrative concerns to 5 being areas of major concern requiring immediate corrective action**



### Internal Audit Work Programme

The schedule provided at Appendix B contains a list of all audits as agreed in the Annual Audit Plan 2016/17 and 2017/18 Plan.

It is important that Members are aware of the status of all audits and that this information helps them place reliance on the work of Internal Audit and its ability to complete the plan as agreed.

Each completed assignment includes its respective “assurance opinion” rating together with the number and relative ranking of recommendations that have been raised with management. In such cases, the Committee can take assurance that improvement actions have been agreed with management to address these. The assurance opinion ratings have been determined in accordance with the Internal Audit “Audit Framework Definitions” as detailed in Appendix A.

In the period Quarter 2 and Quarter 3 the following audits have been completed from the 2017/18 Audit Plan:

- Treasury Management (part of the suite of Key Control audits)
- Licensing

The following Audits are in progress at the time of writing this report and a verbal update will be provided to the Committee on these:

#### 2016/17 Audit Plan

- Healthy Organisation – Draft Report Stage

#### 2017/18 Audit Plan

- Cyber Security – Draft Report Stage
- Grant Funding Fraud Audit – Draft Report Stage
- Organised Crime checklist – In progress
- Business Rates Fraud Audit – Draft Report Stage

## Internal Audit Plan Progress 2016/17 & 2017/18

**Outturn to Date: continued.....**

- Key Controls Provision – areas to be covered include: Creditors, Cash Receipting, Payroll - In progress

To assist the Committee in its important monitoring and scrutiny role, in those cases where weaknesses have been identified in service/function reviews that are considered to represent significant service risks, a summary of the key audit findings that have resulted in them receiving a 'Partial Assurance Opinion' are reported; there are no Partial Opinion reports this time. I am also pleased to report that no significant findings or risks have been identified in the work completed during this period.

## Internal Audit Plan Progress 2016/17 & 2017/18

### Added Value

**Extra feature(s) of an item of interest (product, service, person etc.) that go beyond the standard expectations and provide something more while adding little or nothing to its cost.**



### Added Value

Primarily Internal Audit is an assurance function and will remain as such. However, Members requested that we provide them with examples of where we have “added value” to a particular service or function under review. In response to this we have changed our approach and internal processes and will now formally capture at the end of each audit where we have “added value”.

The SWAP definition of “added value” is “it refers to extra feature(s) of an item of interest (product, service, person etc.) that go beyond the standard expectations and provide something "more" while adding little or nothing to its cost”.

During Quarter 2 and Quarter 3 to date, we have sought to add value as follows to the 2017/18 audit plan:

- We have agreed to revisit the 2017/18 audit plan to ensure that we add the most value through our work by providing support during the Transformation Project.
- We will be completing a number of fraud reviews to provide assurance on potential risk areas for fraud.
- We are in the process of completing the annual cycle of key financial control audits to provide assurance on risks related to the Treasury Management, Creditors, Payroll and Cash Receipting functions.

## Internal Audit Plan Progress 2016/17 & 2017/18

**We keep our audit plans under regular review so as to ensure that we auditing the right things at the right time.**



### Approved Changes to the Audit Plan

The following changes have been made to the audit plan in Quarter 2 and Quarter 3 to ensure internal audit resources are focused on the key risks faced by the Council. All changes are made in agreement with or at the request of the Section 151 Officer:

As stated above, it has been agreed to utilise the remaining annual plan days to provide support to the Transformation project. In order to facilitate this, we have kept some core audits in the plan for quarters 3 and 4 but removed others (See Appendix B). This will ensure that assurance is focused on the areas of greater risk to the organisation. A meeting has been scheduled for 9 November 2017 with Caron Starkey, Transformation Lead, to establish the areas to be considered. A verbal update will be provided at the meeting of the Audit Committee on 23 November 2017.

At the conclusion of audit assignment work each review is awarded a “Control Assurance Definition”;

- Substantial
- Reasonable
- Partial
- None



Audit Framework Definitions

Control Assurance Definitions

<b>Substantial</b>	▲ ★ ★ ★	I am able to offer substantial assurance as the areas reviewed were found to be adequately controlled. Internal controls are in place and operating effectively and risks against the achievement of objectives are well managed.
<b>Reasonable</b>	▲ ★ ★ ★	I am able to offer reasonable assurance as most of the areas reviewed were found to be adequately controlled. Generally risks are well managed but some systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
<b>Partial</b>	▲ ★ ★ ★	I am able to offer Partial assurance in relation to the areas reviewed and the controls found to be in place. Some key risks are not well managed and systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
<b>None</b>	▲ ★ ★ ★	I am not able to offer any assurance. The areas reviewed were found to be inadequately controlled. Risks are not well managed and systems require the introduction or improvement of internal controls to ensure the achievement of objectives.

**Categorisation of Recommendations**

When making recommendations to Management it is important that they know how important the recommendation is to their service. There should be a clear distinction between how we evaluate the risks identified for the service but scored at a corporate level and the priority assigned to the recommendation. No timeframes have been applied to each Priority as implementation will depend on several factors; however, the definitions imply the importance.

We keep our audit plans under regular review, so as to ensure we are auditing the right things at the right time.



Audit Framework Definitions

- Priority 5: Findings that are fundamental to the integrity of the unit’s business processes and require the immediate attention of management.
- Priority 4: Important findings that need to be resolved by management.
- Priority 3: The accuracy of records is at risk and requires attention.
- Priority 2: Minor control issues have been identified which nevertheless need to be addressed.
- Priority 1: Administrative errors identified that should be corrected. Simple, no-cost measures would serve to enhance an existing control.

Definitions of Risk

Risk	Reporting Implications
Low	Issues of a minor nature or best practice where some improvement can be made.
Medium	Issues which should be addressed by management in their areas of responsibility.
High	Issues that we consider need to be brought to the attention of senior management.
Very High	Issues that we consider need to be brought to the attention of both senior management and the Audit Committee.

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	5 = Major <span style="font-size: small;">↔</span> 1 = Minor				
						Recommendation				
						5	4	3	2	1
<b>2016/17</b>										
Follow Up	Property Services	3	Final	Non Opinion	0	0	0	0	0	0
ICT	IT Skills Audit	1	Final	Advisory	0	0	0	0	0	0
Operational	Culture	1	Removed	-	0	0	0	0	0	0
Operational	Yeovil Cemetery & Crematorium Annual Accounts	1	Final	Non Opinion	0	0	0	0	0	0
Grant Certification	Boden Mill & Chard Regeneration Scheme Statement of Accounts	1	Final	Non Opinion	0	0	0	0	0	0
Operational	Safeguarding	2	Final	Reasonable	0	0	0	1	3	0
Healthy Organisation	Corporate Governance	2	Draft							
Healthy Organisation	Financial Management									
Healthy Organisation	Risk Management									
Healthy Organisation	Performance Management									
Healthy Organisation	Commissioning & Procurement									
Healthy Organisation	Programme & Project Management									
Healthy Organisation	Information Management									
Healthy Organisation	People & Asset Management									

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Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	5 = Major		←→		1 = Minor	
						Recommendation					
						5	4	3	2	1	
Operational	Delivering Cost Savings & Increasing Income	2	Final	Reasonable	1	0	0	1	0	0	
Operational	Land Charges	2	Final	Reasonable	4	0	0	4	0	0	
Operational	Key Income Streams	3	Final	Reasonable	0	0	0	4	0	0	
Operational	Corporate Health & Safety	3	Final	Reasonable	8	0	1	7	0	0	
Key Control	Key Financial Control Audit	3	Final	Reasonable	0	0	0	6	0	0	
Operational	Local Council Tax Support Scheme	3	Final	Substantial	0	0	0	3	0	0	
Operational	Scheme of Delegation	3	Removed	-	0	0	0	0	0	0	
Operational	Leisure East Devon	4	Final	Reasonable	0	0	0	3	1	0	
Operational	Data Protection	4	Final	Partial	0	0	6	8	0	0	
Operational	Elections	4	Removed	-	0	0	0	0	0	0	
Operational	Lufton Vehicle Workshop	4	Final	Reasonable	0	0	0	5	0	0	
Grant Certification	Regeneration	4	Final	Substantial	0	0	0	0	0	0	



Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	5 = Major ← → 1 = Minor				
						Recommendation				
						5	4	3	2	1
<b>2017/18</b>										
Grant Certification	Boden Mill & Chard Regeneration Scheme Statement of Accounts	1	Final	Non Opinion	0	0	0	0	0	0
Operational	Yeovil Cemetery & Crematorium Annual Accounts	1	Final	Non Opinion	1	0	0	1	0	0
Operational	Licensing	1	Final	Reasonable	3	0	0	3	0	0
Key Control	Treasury Management	3	Final	Substantial	0	0	0	0	0	0
ICT	Cyber security	1	Draft		0	0	0	0	0	0
Follow Up	Risk Management Follow Up	2	Not Started		0	0	0	0	0	0
Governance, Fraud & Corruption	Grant Funding Fraud Audit	2	Draft		0	0	0	0	0	0
Governance, Fraud & Corruption	Organised Crime checklist	2	In Progress		0	0	0	0	0	0
Key Control	Creditors	3	In Progress		0	0	0	0	0	0
Key Control	Cash Receipting	3	In Progress		0	0	0	0	0	0
Key Control	Payroll	3	In Progress		0	0	0	0	0	0
Governance, Fraud & Corruption	Business Rates Fraud Audit	3	Draft		0	0	0	0	0	0
Operational	Transformational Support – focus TBC	3	In Progress		0	0	0	0	0	0
Operational	Housing Benefit Claims/Subsidy	4	In Progress		0	0	0	0	0	0
Operational	Elections	4	Not Started		0	0	0	0	0	0

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	5 = Major		↔		1 = Minor	
						Recommendation					
						5	4	3	2	1	
Operational	Transformational Support – focus TBC	4	Not Started		0	0	0	0	0	0	0
Operational	Records Management 1718 - SSDC	1	Removed	-	0	0	0	0	0	0	0
Operational	Risk Management Support 1718 - SSDC	1	Removed	-	0	0	0	0	0	0	0
Operational	LED contract compliance 1718 - SSDC	3	Removed	-	0	0	0	0	0	0	0
Operational	Programme and Project Management 1718 - SSDC	3	Removed	-	0	0	0	0	0	0	0
Operational	Procurement Review 1718 - SSDC	3	Removed	-	0	0	0	0	0	0	0
Operational	Key Income Streams 1718 - SSDC	4	Removed	-	0	0	0	0	0	0	0
Operational	S106/ CIL 1718 - SSDC	4	Removed	-	0	0	0	0	0	0	0
Operational	Accountability 1718 - SSDC	4	Removed	-	0	0	0	0	0	0	0
Operational	Business Continuity Key Service Test 1718 - SSDC	4	Removed	-	0	0	0	0	0	0	0



# Agenda Item 7

## Treasury Management Performance to September 2017

Service Manager: Catherine Hood - Finance  
Lead Officer: Karen Gubbins, Principal Accountant  
Contact Details: Karen.gubbins@southsomerset.gov.uk or (01935) 462456

### Purpose of Report

1. To review the treasury management activity and the performance against the Prudential Indicators for the six months ended 30th September 2017.

### Recommendations

2. The Audit Committee are asked to:
  - Note the Treasury Management Activity for the six-month period ended 30<sup>th</sup> September 2017.
  - Note the position of the individual prudential indicators for the six-month period ended 30<sup>th</sup> September 2017.

### The Investment Strategy for 2017/18

3. The Council's treasury management activity is underpinned by CIPFA's Code of Practice on Treasury Management ("the Code"), which requires local authorities to produce annually Prudential Indicators and a Treasury Management Strategy Statement on the likely financing and investment activity. The Code also recommends that members are informed of treasury management activities at least twice a year. The Council reports six monthly to Full Council against the strategy approved for the year. The scrutiny of treasury management policy, strategy and activity is delegated to the Audit Committee.
4. Treasury management in this context is defined as:  
*"The management of the local authority's cash flows, its borrowings and its investments, the management of the associated risks, and the pursuit of the optimum performance or return consistent with those risks".*
5. The Authority has invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the Authority's treasury management strategy.
6. Overall responsibility for treasury management remains with the Council. No treasury management activity is without risk; the effective identification and management of risk are integral to the Council's treasury management objectives.
7. The transposition of European Union directives into UK legislation places the burden of rescuing failing EU banks disproportionately onto unsecured local authority investors through potential bail-in of unsecured bank deposits.

### Interest Rates 2017/18

8. The UK economy faces a challenging outlook as the minority government continues to negotiate the country's exit from the European Union. Both consumer and business confidence remain subdued. Household consumption growth, the driver of UK GDP growth, has softened following a contraction in real wages. Savings rates are at an all-time low and real earnings growth (i.e

after inflation) struggles in the face of higher inflation.

	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20
<b>Official Bank Rate</b>													
<b>Upside risk</b>	0.25	0.25	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
<b>Arlingclose Central Case</b>	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
<b>Downside risk</b>	0.00	0.00	0.00	0.00	0.00	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25

9. Base rate began the financial year at 0.25% but this has been increased to 0.50% in November.

## Credit Background

10. There were a few credit rating changes during the last quarter. The significant change was the downgrade by Moody's to the UK sovereign rating in September from Aa1 to Aa2 which resulted in subsequent downgrades to sub-sovereign entities including local authorities. Moody's downgraded Standard Chartered Bank's long-term rating to A1 from Aa3 on the expectation that the bank's profitability will be lower following management's efforts to de-risk their balance sheet. The agency also affirmed Royal Bank of Scotland's and NatWest's long-term ratings at Baa1, placed Lloyds Bank's A1 rating on review for upgrade, revised the outlook of Santander UK plc, and Nationwide and Coventry building societies from negative to stable but downgraded the long-term rating of Leeds BS from A2 to A3. The agency downgraded long-term ratings of the major Canadian banks on the expectation of a more challenging operating environment and the ratings of the large Australian banks on its view of the rising risks from their exposure to the Australian housing market and the elevated proportion of lending to residential property investors.
11. S&P also revised Nordea Bank's outlook to stable from negative, whilst affirming their long-term rating at AA-. The agency also upgraded the long-term rating of ING Bank from A to A+.
12. Ring-fencing, which requires the larger UK banks to separate their core retail banking activity from the rest of their business, is expected to be implemented within the next year. In May, following Arlingclose's advice, the Authority reduced the maximum duration of unsecured investments with Bank of Scotland, HSBC Bank and Lloyds Bank from 13 months to 6 months as until banks' new structures are finally determined and published, the different credit risks of the 'retail' and 'investment' banks cannot be known for certain.
13. The new EU regulations for Money Market Funds were finally approved and published in July and existing funds will have to be compliant by no later than 21st January 2019. The key features include Low Volatility NAV (LVNAV) Money Market Funds which will be permitted to maintain a constant dealing NAV, providing they meet strict new criteria and minimum liquidity requirements. MMFs will not be prohibited from having an external fund rating (as had been suggested in draft regulations). Arlingclose expects most of the short-term MMFs it recommends to convert to the LVNAV structure and awaits confirmation from each fund.

## Investment Portfolio

14. The table below shows the Council's overall investments as at 30<sup>th</sup> September 2017:

	<b>Value of Investments at 01.04.17</b>	<b>Value of Investments at 30.09.17</b>	<b>Fixed/ Variable Rate</b>
	<b>£</b>	<b>£</b>	
<b>Investments advised by Arlingclose</b>			
Money Market Fund (Variable Net Asset Value)	1,004,326	1,004,326	Variable

Property Fund	5,349,196	5,465,659	Variable
Total	<b>6,353,522</b>	<b>6,469,985</b>	
<b>Internal Investments</b>			
Certificates of Deposit	4,020,207	2,500,284	Fixed
Corporate Bonds	8,693,672	10,519,414	Fixed
Floating Rate Notes (FRNs)	10,018,545	5,005,540	Variable
Treasury Bills	0	1,999,325	Variable
Long Term Deposits (Other LAs)	3,000,000	3,000,000	Fixed
Short Term Deposits (Banks/Building Societies)	6,000,000	12,000,000	Variable
Short Term Deposits (Other LAs)	14,000,000	8,000,000	Variable
Money Market Funds (Constant Net Asset Value) & Business Reserve Accounts	1,000,000	2,200,000	Variable
Total	<b>46,732,424</b>	<b>45,224,563</b>	
<b>TOTAL INVESTMENTS</b>	<b>53,085,946</b>	<b>51,694,548</b>	

#### Returns for 2017/18

15. The returns to 30th September 2017 are shown in the table below:

	<b>Actual Income £'000</b>	<b>% Rate of Return</b>
<b>Investments advised by Arlingclose</b>		
Payden Money Market Fund (VNAV)	3	
Property Fund (CCLA)	134	
Total	<b>137</b>	<b>4.56</b>
<b>Internal Investments</b>		
Certificates of Deposit (CD's)	7	
Corporate Bonds	45	
Floating Rate Notes (FRNs)	28	
Fixed Term Deposits	73	
Money Market Funds (CNAV) & Business Reserve Accounts	5	
Total	<b>158</b>	<b>0.69</b>
<b>Other Interest</b>		
Miscellaneous Loans	18	
Total	<b>18</b>	
<b>TOTAL INCOME TO 30<sup>TH</sup> SEPTEMBER 2017</b>	<b>313</b>	
<b>PROFILED BUDGETED INCOME</b>	<b>239</b>	

16. The table above shows investment income for the year to date compared to the profiled budget. The annual budget is set at £477,820. We currently estimate that we are on target to achieve the budget by year end. This is assuming SSSC receive a dividend of 3p per unit each quarter for its investment in the property fund. See also paragraph below – we are reviewing our range of

investments with a view to increasing the rate of return, which should have a positive impact on our investment income performance against budget.

17. We currently hold £5m nominal value in the CCLA fund, this converts to 1,884,515 units and £1m in Payden which converts to 98,990.299 shares.
18. The outturn position is affected by both the amount of cash we have available to invest and the interest base rate set by the Bank of England. Balances are affected by the timing of capital expenditure and the collection of council tax and business rates.

## **Investments**

19. Security of capital has remained the Council's main investment objective. This has been maintained by following the Council's counterparty policy as set out in its Treasury Management Strategy Statement for 2017/18.
20. The graph shown in Appendix A shows the performance of the in-house Treasury team in respect of all investments for the quarter ending 30th September 2017 in comparison to all other clients of Arlingclose.
21. The graph shows that SSDC is in a satisfactory position in terms of the risk taken against the return on investments.
22. As part of the Council's updated Financial Strategy approved by District Executive in September, the Treasury team is exploring opportunities – with advice from Arlingclose – to increase investment returns. As shown in this report our approach is 'low risk' in terms of preserving capital cash values, however this value is not keeping pace with inflation and as such is diminishing in value in real terms. It is therefore prudent to review the blend of investments and the risk/reward balance to seek a better return, whilst continuing to follow the principles of the Code and our own TMSS. It is anticipated we will start to see an uplift in investment returns during the second half of this financial year.

## **Borrowing**

23. As interest rates on borrowing exceed those on investments the Council has used its capital receipts to fund capital expenditure. As at 30<sup>th</sup> September 2017 the Council had no external borrowing.

**Breakdown of investments as at 30th September 2017**

<b>Date Lent</b>	<b>Counterparty</b>	<b>Principal Amount</b>	<b>Rate</b>	<b>Maturity Date</b>
9 Mar 16	United Overseas Bank Ltd	2,000,000	0.55	7 Mar 18
28 Feb 17	Bank of Scotland	1,000,000	0.90	28 Feb 18
13 Dec 16	North Tyneside Council	2,000,000	0.48	12 Dec 17
24 Mar 17	Bank of Scotland	1,000,000	0.80	23 Mar 18
11 Nov 16	Northumberland County Council	1,000,000	1.00	11 Nov 20
9 Feb 17	Liverpool City Council	2,000,000	0.92	11 Nov 19
28 Jul 17	IPA SCB TD Incoming (Santander)	1,000,000	0.45	26 Jan 18
28 Feb 17	Monmouthshire County Council	1,000,000	0.50	27 Feb 18
14 Jul 17	Goldman Sachs International Bank	2,000,000	0.34	20 Oct 17
19 Apr 17	Bank of Scotland	1,000,000	0.80	19 Apr 18
21 Apr 17	United Overseas Bank Ltd	1,000,000	0.38	23 Oct 17
23 May 17	Commonwealth Bank of Australia	1,000,000	0.32	23 Nov 17
1 Jun 17	Nationwide Building Society	1,000,000	0.35	24 Nov 17
4 Sep 17	Reading Borough Council	3,000,000	0.30	19 Mar 18
14 Sep 17	Nationwide Building Society	1,000,000	0.29	5 Mar 18
28 Sep 17	Police & Crime Commissioner for South Yorkshire	2,000,000	0.23	5 Oct 17
	<b>Corporate Bonds/Eurobonds</b>			
4 Aug 14	Leeds Building Society (Covered)	500,000	2.13	17 Dec 18
22 Oct 14	Yorkshire Building Society (Covered)	1,500,000	1.56	12 Apr 18
20 Oct 16	Santander UK Plc (Covered)	1,000,000	1.04	14 Apr 21
20 Oct 16	Coventry Building Society (Covered)	500,000	0.62	19 Apr 18
17 Nov 16	BMW Finance	1,000,000	0.63	2 Oct 17
25 Nov 16	Daimler AG	1,000,000	0.72	1 Dec 17
10 Nov 16	National Australia Bank (Covered)	1,000,000	1.10	10 Nov 21
27 Mar 17	Cooperative Rabobank UA	675,000	0.52	1 Nov 17
5 May 17	Prudential Plc	1,000,000	0.50	19 Jan 18
26 Sep 17	European Investment Bank	2,000,000	0.22	7 Dec 17
	<b>Certificates of Deposit (CDs)</b>			
11 Oct 16	Canadian Imperial Bank of Commerce	1,000,000	0.53	10 Oct 17
18 Oct 16	Canadian Imperial Bank of Commerce	500,000	0.61	18 Oct 17
5 Jul 17	Nordea AB	1,000,000	0.21	5 Oct 17
	<b>Floating Rate Notes (FRNs)</b>			
29 Apr 15	Toronto Dominion *Covered*	1,000,000	0.66	20 Nov 17
7 Mar 16	Commonwealth Bank of Australia *Covered*	1,000,000	0.87	24 Jan 18
16 May 16	Bank of Nova Scotia	1,000,000	0.82	2 Nov 17
16 Jan 17	Lloyds Bank Plc (Covered)	1,600,000	0.63	16 Jan 20
16 Jan 17	Lloyds Bank Plc (Covered)	400,000	0.62	16 Jan 20
	<b>Treasury Bills</b>			
18 Sep 17	UK Treasury Bill	2,000,000	0.16	4 Dec 17
	<b>Pooled Funds &amp; Money Market Funds</b>			
	Payden Fund VNAV	1,000,000	0.65	
	CCLA Property Fund	5,000,000	5.34	
	Federated	500,000	0.22	
	Invesco Aim	500,000	0.23	
	Ignis	1,200,000	0.19	
	<b>TOTAL</b>	<b>50,875,000</b>		

Note: Money Market Funds are instant access accounts so the rate displayed is a daily rate



## Prudential Indicators – Quarter 2 monitoring

### Background:

24. In February 2017, Full Council approved the indicators for 2017/18, as required by the Prudential Code for Capital Finance in Local Authorities. These were then revised within the Mid-year review of the strategy by Full Council in November 2017. The Local Government Act 2003 allowed local authorities to determine their own borrowing limits provided they are affordable and that every local authority complies with the code.

### Prudential Indicator 1 - Capital Expenditure:

25. The capital expenditure to be incurred for the current year compared to the revised estimates are:

	<b>2017/18 Revised Estimate £'000</b>	<b>Expected Outturn £'000</b>	<b>2017/18 Variance £'000</b>	<b>Reason for Variance</b>
Approved capital schemes	19,589	14,825	(4,764)	Allocation of money to the reserve instead of the main programme.
Reserves	4,023	7,508	3,485	Reprofiling of reserves into future years and an allocation to the Investment in Land, Property & Renewables reserve of £7,351k
<b>Total Expenditure</b>	<b>23,612</b>	<b>22,333</b>	<b>(1,279)</b>	

26. The above table shows that the overall estimate for capital expenditure.

### Prudential Indicator 2 - Ratio of Financing Costs to Net Revenue Stream:

27. A comparison needs to be made of financing capital costs compared to the revenue income stream to support these costs. This shows how much of the revenue budget is committed to the servicing of finance.

<b>Portfolio</b>	<b>2017/18 Revised Estimate £'000</b>	<b>Expected Outturn £'000</b>	<b>2017/18 Variance £'000</b>	<b>Reason for Variance</b>
Financing Costs*	(52)	(254)	(202)	MRP is smaller due to the use of internal loans reserve fund
Net Revenue Stream	17,793	17,656	(137)	
<b>%*</b>	<b>(0.3)</b>	<b>(1.4)</b>		

\*figures in brackets denote income through receipts and reserves

28. The financing costs include interest payable, notional amounts set aside to repay debt, less, interest on investment income. The figure in brackets is due to investment income outweighing financing costs significantly for SSDC but is nevertheless relevant since it shows the extent to which the Council is dependent on investment income.

**Prudential Indicator 3 - Capital Financing Requirement:**

29. The Capital Financing Requirement (CFR) measures the Council's underlying need to borrow for a capital purpose. Estimates of the year-end capital financing requirement for the authority are:

	<b>2017/18 Revised Estimate £'000</b>	<b>Expected Outturn £'000</b>	<b>2017/18 Variance £'000</b>	<b>Reason for Variance</b>
Opening CFR	9,249	9,339	90	2016/17 closing position not known when writing the original Treasury Management Strategy Statement
Capital Expenditure	19,903	17,922	(1,981)	See explanation for Prudential Indicator 1 above
Capital Receipts*	(4,589)	(14,825)	(10,236)	The S151 Officer has delegated authority to determine most effective financing of approved commercial property investment, which may result in less use of capital receipts and an increase in the CFR
Grants/Contributions*	(314)	(3,097)	(2,783)	
Minimum Revenue Position (MRP)	(224)	(224)	0	
<b>Closing CFR</b>	<b>24,025</b>	<b>9,115</b>	<b>(14,910)</b>	Internal borrowing is being used to finance the capital expenditure with the option of externalising the borrowing in the future

\*Figures in brackets denote income through receipts or reserves.

**Prudential Indicator 4 – Gross Debt and the Capital Financing Requirement:**

30. The Council is also required to ensure that any medium term borrowing is only used to finance capital and therefore it has to demonstrate that the gross external borrowing does not, except in the short term exceed the total of capital financing requirements over a three year period. This is a key indicator of prudence.

	<b>2017/18 Revised Estimate £'000</b>	<b>2017/18 Qtr 2 Actual £'000</b>	<b>2017/18 Variance £'000</b>	<b>Reason for Variance</b>
Borrowing	15,000	0	0	Used internal borrowing
Finance Leases	136	227	91	Additional finance

				leases taken out on vehicles
<b>Total Debt</b>	<b>15,136</b>	<b>227</b>	<b>91</b>	

31. Total debt is expected to remain below the CFR.

**Prudential Indicator 5 - Upper Limits for Fixed Interest Rate Exposure and Variable Interest Rate Exposure:**

32. The Council must set three years of upper limits to its exposure to the effects of changes in interest rates. As a safeguard, it must ensure that its limit would allow it to have up to 100% invested in variable rate investments to cover against market fluctuations. For this purpose, term deposits of less than 365 days are deemed to be variable rate deposits. Fixed rate deposits are investments in Eurobonds, Corporate Bonds and term deposits exceeding 365 days.

	2017/18 % Limit	2017/18 Qtr 2 Actual %	2017/18 Variance %	Reason for Variance
Fixed	80	11	(69)	Within limit
Variable	100	89	(11)	Within limit

33. The Council must also set limits to reflect any borrowing we may undertake.

	2017/18 % Limit	2017/18 Qtr 2 Actual %	2017/18 Variance %	Reason for Variance
Fixed	100	0	100	SSDC currently has no borrowing
Variable	100	0	100	SSDC currently has no borrowing

34. The indicator has been set at 100% to maximise opportunities for future debt as they arise.

**Prudential Indicator 6 - Upper Limit for total principal sums invested over 364 days:**

35. SSDC must also set upper limits for any investments of longer than 364 days. The purpose of this indicator is to ensure that SSDC, at any time, has sufficient liquidity to meet all of its financial commitments.

Upper Limit for total principal sums invested over 364 days	2017/18 Maximum Limit £'000	2017/18 Qtr 2 Actual (Principal amount) £'000	Reason for Variance
Between 1-2 years	25,000	500	Within limit
Between 2-3 years	20,000	4,000	Within limit
Between 3-4 years	10,000	2,000	Within limit
Between 4-5 years	10,000	1,000	Within limit
Over 5 years	5,000	0	Within limit

36. The table above shows that the Council adopts a policy of safeguarding its investments by minimising investments that are redeemable more than five years ahead.

### Prudential Indicator 7 – Credit Risk:

37. The Council considers security, liquidity and yield, in that order, when making investment decisions.
38. Credit ratings remain an important element of assessing credit risk, but they are not a sole feature in the Council's assessment of counterparty credit risk.
39. The Council also considers alternative assessments of credit strength, and information on corporate developments of and market sentiment towards counterparties. The following key tools are used to assess credit risk:
- Published credit ratings of the financial institution and its sovereign
  - Sovereign support mechanisms
  - Credit default swaps (where quoted)
  - Share prices (where available)
  - Economic Fundamentals, such as a country's net debt as a percentage of its GDP
  - Corporate developments, news articles, markets sentiment and momentum
  - Subjective overlay
40. The only indicators with prescriptive values remain to be credit ratings. Other indicators of creditworthiness are considered in relative rather than absolute terms.

### Prudential Indicator 8 - Actual External Debt:

41. This indicator is obtained directly from the Council's balance sheet. It is the closing balance for actual gross borrowing plus other long-term liabilities (this represents our finance leases). This Indicator is measured in a manner consistent for comparison with the Operational Boundary and Authorised Limit.

<b>Actual External Debt as at 31/03/2017</b>	<b>£'000</b>
Borrowing	0
Liabilities arising from finance leases	227
<b>Total</b>	<b>227</b>

### Prudential Indicator 9 - Authorised Limit for External Debt:

42. The Council has an integrated treasury management strategy and manages its treasury position in accordance with its approved strategy. Borrowing will arise as a consequence of all the financial transactions of the Council not just arising from capital spending.
43. This limit represents the maximum amount that SSDC may borrow at any point in time during the year. If this limit is exceeded the Council will have acted ultra vires. It also gives the Council the responsibility for limiting spend over and above the agreed capital programme. A ceiling of £27 million was set to allow flexibility to support new capital projects over and above the identified borrowing requirement.

	<b>2017/18 Revised Estimate £'000</b>	<b>2017/18 Qtr 2 Actual £'000</b>	<b>2017/18 Variance £'000</b>	<b>Reason for Variance</b>
Borrowing	26,000	0	(26,000)	SSDC currently has no

				external borrowing
Other Long-term Liabilities (Finance Leases)	1,000	153	(847)	Within limit
<b>Total</b>	<b>27,000</b>	<b>153</b>	<b>(26,847)</b>	

**Prudential Indicator 10 – Operational Boundary for External Debt:**

44. The operational boundary sets the limit for short term borrowing requirements for cash flow and has to be lower than the previous indicator, the authorised limit for external debt.

	2017/18 Revised Estimate £'000	2017/18 Qtr 2 Actual £'000	2017/18 Variance £'000	Reason for Variance
Borrowing	24,200	0	(24,200)	SSDC currently has no external borrowing
Other Long-term Liabilities (Finance Leases)	800	153	(647)	Within limit
<b>Total</b>	<b>25,000</b>	<b>153</b>	<b>(24,847)</b>	

**Prudential Indicator 11 - Maturity Structure of Fixed Rate borrowing:**

45. This indicator is relevant to highlight the existence of any large concentrations of fixed rated debt needing to be replaced at times of uncertainty over interest rates and is designed to protect against excessive exposures to interest changes in any one period. When we borrow we can take a portfolio approach to borrowing in order to reduce interest rate risk. This indicator is shown as the Council has set limits in anticipation of future borrowing.

Maturity structure of fixed rate borrowing	2016/17 Actual %	2017/18 Qtr 2 Actual %	Lower Limit %	Upper Limit %
Under 12 months	0	0	0	100
12 months and within 24 months	0	0	0	100
24 months and within 5 years	0	0	0	100
5 years and within 10 years	0	0	0	100
10 years and within 20 years	0	0	0	100
20 years and within 30 years	0	0	0	100
30 years and within 40 years	0	0	0	100
40 years and within 50 years	0	0	0	100
50 years and above	0	0	0	100

As the council doesn't have any fixed rate external borrowing at present the above upper and lower limits have been set to allow flexibility.

**Prudential Indicator 12 - Incremental Impact of Capital Investment Decisions:**

46. SSDC must show the effect of its annual capital decisions for new capital schemes on the council taxpayer. Capital spend at SSDC is financed from additional receipts so the figure below actually shows the possible decreases in council tax if all capital receipts were invested rather than used for capital expenditure.

<b>Incremental Impact of Capital Investment Decisions</b>	<b>2017/18 Estimate £</b>	<b>2018/19 Estimate £</b>	<b>2019/20 Estimate £</b>
Decrease in Band D Council Tax	0.15	0.17	0.01

**Prudential Indicator 13 - Adoption of the CIPFA Treasury Management Code:**

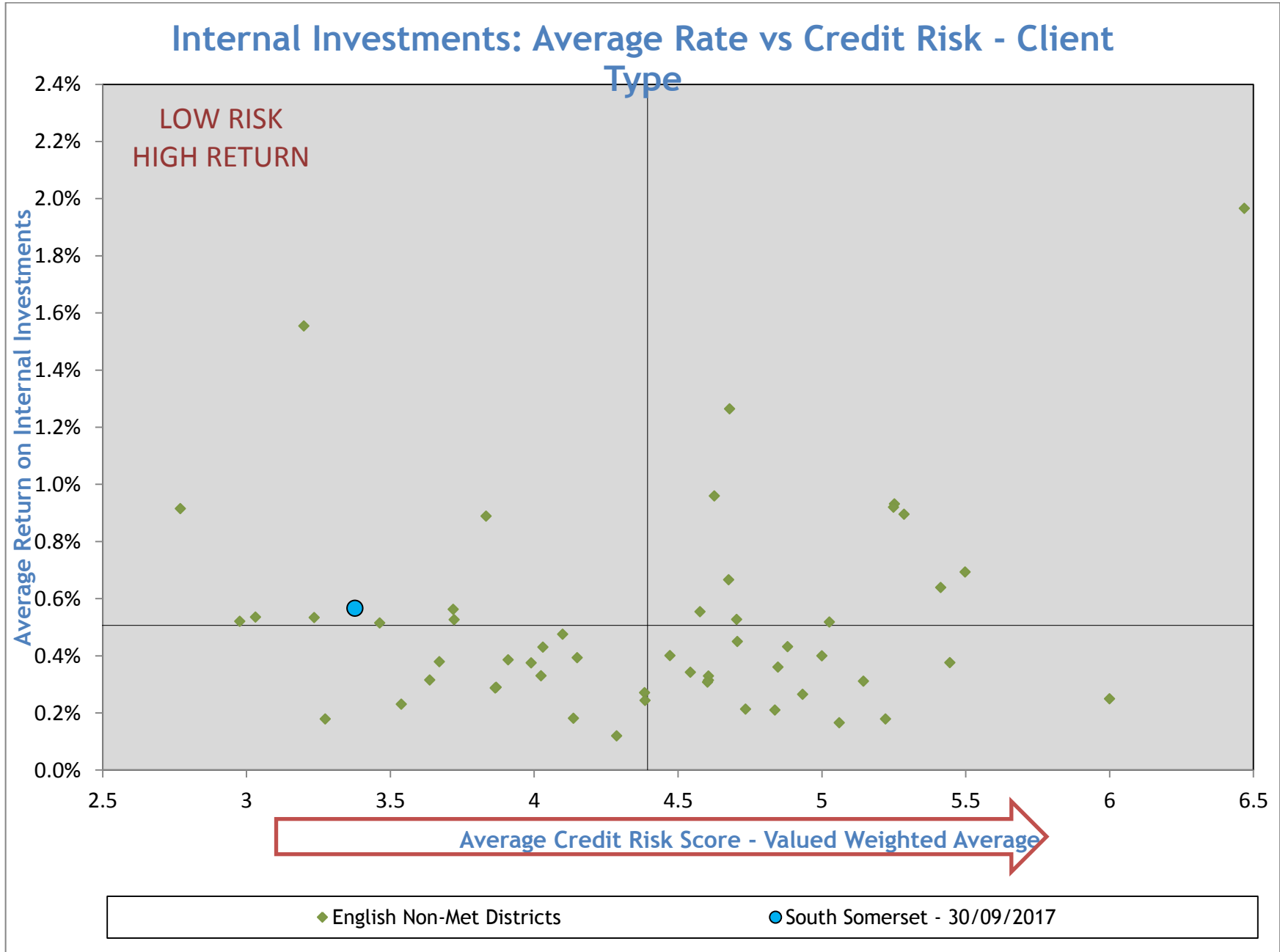
47. This indicator demonstrates that the Council has adopted the principles of best practice.

Adoption of the CIPFA Code of Practice in Treasury Management
The Council approved the adoption of the CIPFA Treasury Management Code at its Council meeting on 18 <sup>th</sup> April 2002.

**Conclusion**

48. The council is currently within all of the Prudential Indicators and is not forecast to exceed them.

Background Papers: Prudential Indicators Working Paper, Treasury Management Strategy Statement 2017/18, Quarter 2 2017/18 Capital Programme.



# Agenda Item 8

## **Annual Counter Fraud Action Plan Update**

*Executive Portfolio Holder:* Peter Seib, Finance and Legal Services  
*Service Manager:* Lynda Creek - Fraud and Data Manager – Fraud and Data Service  
*Lead Officer:* Lynda Creek - Fraud and Data Manager – Fraud and Data Service  
Zoe Rodgers – Fraud and Data Officer - Fraud and Data Service  
*Contact Details:* [lynda.creek@southsomerset.gov.uk](mailto:lynda.creek@southsomerset.gov.uk) or 01935 462204  
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### **Purpose of the Report**

1. To update the Audit Committee on counter fraud work generally – and the resources applied to such work – and the Annual Counter Fraud Action Plan in particular

To stress the importance of the actions that the Council, in association with others, can take in raising awareness of, and assisting individuals in meeting the, often complex, requirements of the welfare benefits system (Council tax reduction/exemptions/discounts as well as Housing Benefit) e.g. what sort of changes needs notification and how and when to do so. Part of this work being to simplify our systems and documents and ensure timely advice is on hand so as to reduce and alleviate potential debt issues which may arise.

### **Public Interest**

2. The prevention and detection of fraud and corruption is a vital part of protecting the public's investment in local authority goods and services to ensure its value is maximised.

In addition, steps to help prevent debt arising will contribute also to lessening the trigger for fraud activity as well as enhancing individuals' self-esteem and wellbeing. Once people have help with their debts it often leads to them getting help to address other issues they face

### **Recommendations**

3. That the Audit Committee note the contents of the report and the updated Action Plan.

### **Background**

4. To set the scene, the recent developments and current arrangements are set out for members so that they can capture a fuller picture of counter fraud work within SSDC

It is useful to mention up front, that counter fraud work not only involves detection of fraud but also prevention. A key part of preventions includes identifying the underlying triggers which may contribute towards fraud activity or which hinder compliance requirements: it is not just about prosecuting individuals in fact such action is appropriate in only the most blatant cases.

Counter fraud work recognises that debt is a significant issue for many people and much debt stems from overpayments made for housing benefit or council tax support etc; the repayment of such sums simply worsening still further the viability of the household. Often the individuals concerned are vulnerable and a significant number have mental health or learning issues and in these areas the council is exploring ways in which it can assist by

- Giving greater clarity and demystifying the requirements for claiming and on-going reporting of changes in the household;



- Offering more targeted support to vulnerable people in meeting the often complex requirements;
- Use of social media to raise awareness

This work is not being undertaken by the Fraud and Data team but is nevertheless essential and contributes, greatly, to the wider fight against fraud and community wellbeing.

As members are aware in June 2015 the Council's Fraud Investigation Team transferred to the Department of Work and Pensions (DWP) as part of their Single Fraud Investigation Service (SFIS). This change meant that, from June 2015, Housing Benefit Fraud (HBF) was no longer investigated at the Council and any allegations received are passed direct to the SFIS team to action. Housing Benefit Administration still remains with SSDC and SFIS liaise direct with the Council's Housing Benefits' staff as part of their fraud investigations.

The investigation of potential Council Tax fraud and other types of corporate fraud e.g. procurement fraud, remained at SSDC and members may remember that SSDC joined with Taunton Deane Borough (TDBC) and West Somerset Council (WSC) to work in partnership with the South West Audit Partnership (SWAP) to fund a Counter Fraud Team to be run as an arm of SWAP. Department of Communities and Local Government (DCLG) funding for the team was secured and the partnership started in Autumn 2015 but did not develop as hoped and ended in March 2017 when the funding came to an end. The use of SWAP auditors to undertake fraud audits, on corporate matters, continues and issues highlighted need to be pursued.

SSDC have explored using other councils' investigation services to meet such requirements and it was decided to trial working with Oxford City Council (OCC). OCC have expanded their investigation team to take on such work and have a good record of success and it is hoped that something can be secured before the end of the year.

SSDC staff continue to administer the fraud reporting website and phone line for the whole of Somerset as part of the Somerset Fraud Forum. Any HBF allegations are passed to SFIS. Council Tax Staff will make some initial enquiries, where a council tax fraud allegation is received, but for other allegations and to progress matters further where a 'case to answer' is found, the absence of an effective investigative resource does hamper progress; hence the importance of the Oxford City Council initiative. It should be mentioned that the Revenues and Benefits' Manager has secure funding for various compliance and counter fraud activities which have helped in detecting early stages of fraud in some areas e.g. single person council tax discount claims.

The Fraud and Data Officer currently acts as the key contact for the National Fraud Initiative (NFI) which is run out of the Cabinet Office and is, essentially, a nationwide public sector data matching exercise. The main match happens bi-annually although there are targeted smaller matches each year. The process involves considerable internal liaison and results in the council being provided with a list of 'matches' which should then be followed up. Experience has shown that these matches are not always as valuable as it at first appears (often because 'real time' matching facilities is available and discrepancies have already been picked up) and limited resources are applied by SSDC to check out the results. The value of the matches diminishes over time and so the quicker a match can be assessed the more likely it will have some value.

The Fraud and Data Officer is also the key user of the National Anti-fraud Network (NAFN). NAFN hold 'authorised Officer' powers under various statutes and is the route used by Councils and other public sector bodies to make some initial fraud checks and enquiries e.g. to check on financial links between people.

In the past, the Fraud and Data Team were able to recruit an Intern to assist in progressing work however although one was appointed in 2016 they were called upon to assist in the Transformation Project shortly after starting on fraud work and hence little progress has been made on addressing the issues identified in the Action Plan.

## **Report**

5. The Action Plan attached highlights work completed and also the plan for the coming year. Some progress has been made since the last report but without additional resources it is unlikely that all tasks listed will be completed. It is important that the future plans are realistic but also that sufficient resource is deployed. As mentioned above some fraud prevention work takes place in other teams and such work will not, necessarily, be included in the Action Plan.

It is difficult to plan in detail at the moment as where the responsibility for such work should sit and how it will be delivered is still to be finalized as part of the work being undertaken for support services functions redesign overall as part of Transformation . The Fraud and Data Manager will become a Legal Specialist and the Fraud and Data Officer will become a Case Work Team Leader so the work programme for both staff will change although it is intended that fraud and data will still form part of their work areas.

The main aim now is to secure an investigative resource (external) for the coming year within the budget allocated and, after looking at various options, it is hoped that a trial with Oxford City Council can be secured so that where an allegation has substance it can be followed up until concluded. An update report on this trial will be presented to this Committee once it has been up and running for 6 months.

Finally, the Fraud and Data Strategy is due for review and it is intended this be picked up in 2018/19.

## **Financial Implications**

6. N/A

## **Council Plan Implications**

7. Counter Fraud work is implicit in ensuring value for money in providing high quality services to the public.

## **Carbon Emissions and Climate Change Implications**

8. N/A

## **Equality and Diversity Implications**

9. *There are equality issues around the selection of cases for investigation and the monitoring of the protected characteristics to ensure processes are not discriminatory which is recognised in the Action Plan. The report is, however, largely about resource matters and that aspect does not have any particular Equality and Diversity implications.*

## **Privacy Impact Assessment**

10. N/A

## Background Papers

12. *N/A*

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# SSDC COUNTER FRAUD STRATEGY ACTION PLAN

*April 2017 – March 2018*

In conjunction with the content of SSDC's 'Counter Fraud, Theft and Bribery Strategy', this Action Plan has been written to detail the tasks, subject to resources, which we aim to complete in the period 01<sup>st</sup> April 2017 – 31<sup>st</sup> March 2018 and to give an update on progress over the last year. The Action Plan comprises four distinct sections, and within each, the tasks are listed in a descending order in terms of their priority.

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**Lynda Creek:** Fraud and Data Manager  
**Zoe Rodger:** Fraud and Data Officer

*November, 2017*

**1) RAISING AWARENESS OF FRAUD:**

Ref	Key task	Status	Additional Comments
1.1	<b>A periodic fraud risk assessment to be commissioned.</b> This will enable SSDC to gain a more detailed awareness of the severity of corporate fraud risks, and those most in need of prompt counteraction. The need for such an assessment was endorsed by SWAP in a recent fraud audit. Completing the task is contingent upon securing the necessary counter fraud resources to undertake whatever mitigation work is identified.	An overall risk assessment is still to be undertaken, however most key areas have had a recent audit by SWAP	Subject to data protection issues being resolved, we hope to have a new trial partnership arrangement with Oxford City Council (OCC) to provide a Fraud Investigation Service. The lack of investigative resource hampers progress on counter fraud work. The first step will be meeting with them to discuss a work plan including an overall risk assessment.
Page 37	<b>Section in Fraud Strategy</b>	1.2, 1.19, 2.16, 3.8, 5.1	SWAP Audit: 1.1a
	<b>Priority</b>	High	
	<b>Resources</b>	OCC to carry out assessment to be agreed with Fraud and Data Manager.	
	<b>Outcome</b>	Awareness of the scope and degree of corporate fraud risks, as well as the means to alleviate them	
	<b>Performance Measures</b>	When a regular occurrence, comparing risk assessments will show the extent of any progress achieved	

Ref	Key task	Status	Additional Comments
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1.2	<b>The content relating to fraud on both 'InSite' and the external webpage to be updated.</b> Both websites have been brought into line with the Strategy, and clearly state the Council's zero tolerance approach to fraud. Links will be provided to the range of counter fraud policies and procedures, including safe reporting routes, as and when they are finalised. A single fraud hotline and a dedicated website for Somerset have been established, and steps are being taken to ensure that reporting routes are as efficient as possible.	InSite and the external website are both up to date. A new internal fraud referral form has been introduced to 'streamline' the process of reporting fraud internally..	Further work could be done with the Transformation Team to help improve the efficiency of the reporting routes.
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	<b>Section in Fraud Strategy</b>	2.1	
	<b>Priority</b>	Medium-High	

<b>Resources</b>	Fraud and Data team in conjunction with the Transformation team.
<b>Outcome</b>	A user-friendly website, which in addition to listing SSDC Policy, clearly and concisely promotes zero tolerance culture, the duty to report suspicions, and the expedient reporting routes available to do so
<b>Performance Measure</b>	Analysis of website content in comparison with best practice, and an increase in successful referrals

Ref	Key task	Status	Additional Comments
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1.3	<b>Employee/Member training and awareness sessions to be provided.</b> As all SSDC staff and members play a role in the delivery of the Counter-Fraud, Theft and Bribery Strategy, the training provided by SWCFP signposts information relating to fraud, the Council's zero tolerance culture, and the duty to report any reasonable suspicions in accordance with procedures outlined in the Council's Whistleblowing Policy. The counter fraud training will be promoted throughout the organisation.	Most staff received Fraud Awareness Session from SWCFP but no progress has been made in devising a similar session for Members. Again this is due to a lack of resources within the Fraud & Data Team.	It may be possible that OCC will be able to deliver training but the priority will be for them to undertake some investigations on some outstanding cases.
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Page 38	<b>Section in Fraud Strategy</b>	2.1, 2.12, 3.25, 3.36	SWAP Audit: 1.4b
	<b>Priority</b>	Medium	
	<b>Resources</b>	Fraud and Data Manager in conjunction with Officer responsible for Member Development.	
	<b>Outcome</b>	Staff and Member awareness of fraud risks, key aspects of policy, and the appropriate procedures to follow	
<b>Performance Measure</b>	Comprehension of the fraud 'red tag' signs and knowledge of reporting routes and actions if fraud is suspected etc		

Ref	Key task	Status	Additional Comments
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1.4	<b>A fraud awareness induction for all new employees and all recently elected members to be provided.</b> Fraud awareness will be provided during the Induction session for new employees, and the Member's Development for new members. Using the Strategy as a focal point, the content will raise awareness of the standards of conduct expected, the need to make an appropriate disclosure of interests, gifts, and hospitality, the appropriate means to report suspicion of misconduct, and where to seek further advice.	Yet to be included in inductions for staff.	The Fraud & Data Team will work with the Scrutiny Manager to ensure that counter fraud remains in the induction of all Members and will work with HR on including it as an induction topic for new employees
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<b>Section in Fraud Strategy</b>	2.1, 2.12, 3.12, 3.17, 3.25
<b>Priority</b>	Medium
<b>Resources</b>	Fraud and Data Manager, in conjunction with HR and Democratic Services Manager

	<b>Outcome</b>	All new staff and Members will be aware of the zero tolerance approach to Fraud, as well as how to report suspicions		
	<b>Performance Measure</b>	Comprehension of the fraud 'red tag' signs and knowledge of reporting routes and actions if fraud is suspected etc plus review of questionnaires at the end of each counter fraud induction session		
Ref	Key task	Status	Additional Comments	
1.5	<b>Appropriate guidance on publicising Counter Fraud incidents to be developed.</b> In order to improve the methods through which the Council raise awareness of what constitutes fraud and the means to report fraudulent acts, the way that counter fraud guidance is delivered will be examined. As part of this process, the issues surrounding the publication of internal and external frauds will be brought before both senior management and members for consideration, and once agreed, the guidance will be disseminated as widely as appropriate as part of the Counter Fraud, Theft and Bribery Policy.	Although included in the updated draft Policy, the loss of the Intern post last November, meant a lack of resource within the Fraud & Data Team to progress finalising the Policy	Traditionally there has been a reluctance to publish any incidences of internal fraud due to possible damage to SSDC's reputation, but this mind set is changing. Acknowledging any weaknesses leads to the formation of better safeguards.	
Page 39	<b>Section in Fraud Strategy</b>	4.2	SWAP Audit: 2.1a	
	<b>Priority</b>	Medium-Low		
	<b>Resources</b>	Fraud and Data Team (when time permits), in partnership with the Communications Team		
	<b>Outcome</b>	A clear programme of Counter Fraud publications, endorsed by the Communications Team		
	<b>Performance Measure</b>	Assessing the use of publications by comparing current and previous tip-offs, detection rates etc. will give an indication as to how effective such campaigns are in reducing the extent of fraud		
<b>2) ESTABLISHING A POLICY FRAMEWORK:</b>				
Ref	Key task	Status	Additional Comments	
2.1	<b>The SSDC Counter Fraud, Theft and Bribery Policy to be fundamentally revised.</b> The Policy will assist decision making by concisely describing SSDC's approach to fraud, theft, bribery, acts of dishonesty and the abuse of a position of trust. The Policy will be available to all employees, members, contractors and third parties, and will provide them with links to other documents in the counter fraud governance framework.	An updated draft Policy, the loss of the Intern post last November, meant a lack of resource within the Fraud & Data Team to progress finalising the Policy	An accessible Counter Fraud Policy is in place, but it has not been updated since 2007, and therefore needs to be brought in line with the Strategy.	
	<b>Section in Fraud Strategy</b>	1.5, 2.1, 2.8, 4.8	SWAP Audit: 1.1b	
	<b>Priority</b>	High		

<b>Resources</b> <b>Outcome</b> <b>Performance Measure</b>	Fraud and Data Team in conjunction with the Fraud and Data Manager A relevant and up to date Fraud Policy, which corresponds closely with the approved Strategy Staff and members understand the correct procedure to implement upon receiving allegations of fraud, and find the content of the Policy assists with their decision making		
Ref	Key task	Status	Additional Comments
2.2	<b>A Fraud Response Plan to be drafted for approval by both senior management and members.</b> The Plan will first detail the appropriate measures to undertake should corporate fraud be discovered, and then, as corporate fraud is perpetrated in a variety of ways, the Plan will provide specialised investigative guidance which corresponds to the particular type of fraud, and ensures that the correct operating protocols and appropriate resources/skill sets are deployed.	Large sections of the Fraud Response Plan have been included into the Counter Fraud Policy so a separate Response Plan may not be needed.. No progress has been made on the Policy in the last year due to a lack of resource in the Fraud & Data Team.	A first draft of the Plan has been completed. Before completion, the appropriate investigative resources must be determined for inclusion into the Plan.
<b>Section in Fraud Strategy</b> <b>Priority</b> <b>Resources</b> <b>Outcome</b> <b>Performance Measures</b>	1.5, 1.9, 4.24 <b>High</b> Fraud and Data Team A comprehensive reference point which provides a specific recourse following any incidence of fraud Evaluation as to the effectiveness of the Fraud Response Plan following any incident of fraud.		

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Ref	Key task	Status	Additional Comments
2.3	<p><b>As part of the overall Counter Fraud Policy (see 2.2) a Formal Sanctions Policy to be drafted for approval by Senior Management and Members.</b> The Sanctions Policy, which has now been incorporated into the Counter Fraud Policy, will detail generally how specific sanctions are to be applied in relation to a list of criteria to be taken into consideration in each case. The Policy will also ensure that the action taken corresponds to the particular type and scale of the fraud, and that any necessary financial compensation or other forms of redress are achieved.</p>	Although included in the updated draft Policy, due to a lack of resource in the Fraud & Data Team, no further progress has been made in the last year.	Though the application of the appropriate sanctions is relatively consistent in relation to the type of fraud discovered, there is no formal Sanctions Policy to demonstrate the procedures currently in place.
	<p><b>Section in Fraud Strategy</b> 1.5, 2.1, 4.21</p> <p><b>Priority</b> <b>Medium-High</b></p> <p><b>Resources</b> Fraud and Data Team in association with Legal Services</p> <p><b>Outcome</b> A clear and consistent policy on the application of sanctions where fraud is proven</p> <p><b>Performance Measure</b> Review of the policy so as to ensure sanctions are applied evenly, and to further safeguard the Council</p>	SWAP Audit: 1.4a	

Ref	Key task	Status	Additional Comments
2.4	<p><b>The SSDC independent Whistleblowing Policy to be revised.</b> The Whistleblowing Policy has now been revised and approved and has been disseminated to all employees, members, contractors and third parties so that the procedures within become as widely adopted as possible. There will be continued effort to promote the Policy, including references to it in the Counter Fraud Policy</p>	The current Whistleblowing Policy is available on InSite and the public website.	The Policy was revised and is due to be reviewed in July 2018.
	<p><b>Section in Fraud Strategy</b> 1.15, 2.1, 2.8, 3.15, 3.20, 4.3, 4.8</p> <p><b>Priority</b> <b>Medium-High</b></p> <p><b>Resources</b> Fraud and Data Team, in correspondence with the Fraud and Data Manager</p> <p><b>Outcome</b> A concise and relevant Whistleblowing Policy which corresponds with the content in the Strategy</p> <p><b>Performance Measure</b> The effectiveness in encouraging staff to bring matters forward (not just fraud allegations) of concern. Feedback from the appropriate officers to design out, in particular, any vulnerability to the risk of fraud, and the number of fraud referrals received through this route</p>	SWAP Audit: 2.2a	

Ref	Key task	Status	Additional Comments
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2.5 **An Annual Fraud Programme to be presented to Audit Committee to keep them informed of counter fraud work.** The Audit Committee are obligated to make certain that counter fraud and corruption arrangements are in place, and accordingly, an annual Fraud Programme should be delivered to them. The Plan will assess the effectiveness of corporate fraud initiatives in the previous six months, and any areas in need of revision. The Plan will also detail initiatives for the next six months, including how the resources available are to be focused towards the most severe fraud risks.

The report and this revised Action Plan constitute the Fraud Programme.

A lack of resource added to by the demands of Transformation and other work streams delayed the preparation of Annual Fraud Programme.

<b>Section in Fraud Strategy</b>	1.5, 1.21, 2.12, 5.2	SWAP Audit: 1.1b
<b>Priority</b>	Medium	
<b>Resources</b>	Report to be prepared and presented by the Fraud and Data Team each year.	
<b>Outcome</b>	An Annual Programme which details the successes in countering fraud, and the areas to be revised	
<b>Performance Measure</b>	Once an initial report is drafted, future success will be determined by comparison with the previous year	

Ref	Key task	Status	Additional Comments
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2.6 **An Overview Spreadsheet of Fraud Occurrences to be established to list past incidences of corporate fraud.** This would provide a complete picture of fraud incidents and risks across the Council, detailing what type of fraud took place, the method(s) through which it came to light, and the safeguards needed to stop a reoccurrence. By sharing the lessons learnt, and by critically examining the procedures followed when fraud has been discovered, a clear indication of risks will become apparent, as will the processes which remain effective, and the practices requiring amendment.

Although this would be useful information it has proved difficult to secure the information about previous frauds, and so the decision was made to focus on following up on previous audit recommendations where these are known.

An overview of fraud occurrences can be maintained in the future. This task will be removed from the next Action Plan and consideration given to how future incidents of corporate fraud can feed into changes in work practices

<b>Section in Fraud Strategy</b>	1.7, 1.20, 2.2
<b>Priority</b>	Medium-Low
<b>Resources</b>	Case files to be provided by Service Managers, Investigations Team, and SWAP.
<b>Outcome</b>	A Spreadsheet detailing historic instances of fraud for the use of the Fraud and Data Manager
<b>Performance Measure</b>	A more comprehensive picture of fraud risks, minimising the risk of similar fraud reoccurring

3) **PROCEDURAL CHANGES:**

Ref	Key task	Status	Additional Comments
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3.1	<p><b>The remit of the Corporate Governance Group (CGG) to be extended to include specific reference to counter fraud work.</b> At such time, membership of the CGG should be granted to the Fraud and Data Manager, so that she is in the communication loop on fraud related issues. This will enable direct awareness as to the extent of fraud risks both within and across different departments, as well as how such matters fit with other governance issues. The CGG will also have a chance to be briefed by the Fraud and Data Manager on relevant fraud risks.</p>	<p>The Monitoring Officer and S151 Officer felt that it was not necessary for the Fraud and Data Manager to be a formal member of this Group. There would be two-way communication between the CGG and the Fraud and Data Manager on issues relevant to fraud (and data) matters.</p> <p><b>SWAP Audit: 1.2a</b></p>	<p>Any issues can be sent to the CGG, and as and when this is necessary will provide a platform to raise the general issue surrounding the CGG. This task will be removed from the next Action Plan No doubt as part of Transformation the role of CGG will be reviewed so it is 'fit for purpose'.</p>
	<p><b>Section in Fraud Strategy</b> 2.11</p> <p><b>Priority</b> High</p> <p><b>Resources</b> Assistant Director – Legal and Corporate Services, Fraud and Data Manager</p> <p><b>Outcome</b> Fraud is specifically addressed by Senior Management. Fraud and Data Manager included in CGG</p> <p><b>Performance Measure</b> CGG has a wider remit and membership, demonstrating the corporate adoption of counter-fraud</p>		

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Ref	Key task	Status	Additional Comments
3.2	<p><b>The Risk Management System (TEN) to be revised so that all corporate fraud risks are integrated.</b> Rather than being listed amongst other operational risks by each service, corporate fraud risks should be located under one section on the system. The current system hinders a true picture of corporate fraud being developed, but if all risks associated with corporate fraud can be brought together, then a clearer and more accurate assessment of such risks can be made.</p>	<p>There remains an inherent weakness in the TEN system in only allowing each risk to be in one category.</p>	<p>It is hoped that through the Transformation Programme TEN will be replaced and that the 'flagging' of fraud risks will be considered by the 'Build Team'.</p>
	<p><b>Section in Fraud Strategy</b> 3.3, 4.4, 4.5</p> <p><b>Priority</b> Medium-High</p> <p><b>Resources</b> Fraud and Data Manager, with services managers to complete the procedural change necessary</p> <p><b>Outcome</b> Fraud &amp; Data Manager has a detailed awareness of the preparedness of other services concerning the potential risks they face from fraud, and what each department is doing to mitigate these risks</p> <p><b>Performance Measure</b> A greater understanding of all risks that the Council face in relation to fraud</p>	<p><b>SWAP Audit: 1.2a</b></p>	
Ref	Key Task	Status	Additional Comments

3.3 **The Fraud and Data Manager to be able to access SWAP Reports commissioned by SSDC on issues related to fraud.** Linking with task 2.6, this would enable the Fraud and Data Manager to gain awareness of all audit recommendations concerning counter fraud issues. As things stand, the Assistant Director – Finance receives a copy of every audit report produced by SWAP as a result of their analysis into the Council’s procedures, policies and safeguards. Inclusion would provide detailed insight into departmental measures to prevent fraud, as well as the cross-departmental ability of SSDC as an organisation to mitigate losses.

Although a list of some recommendations re fraud issues made in recent audit reports was obtained a lack of resource has meant only very limited progress has been made on checking on their implementation.

A view into whether and how they have been implemented is needed however this task is subject to resources being secured. Some councils have procured an electronic checking system to ensure audit recommendations are implemented. Perhaps the Transformation ‘Build Team’ can consider if this option is feasible.

<b>Section in Fraud Strategy</b>	2.1, 2.9, 2.11 3.2, 3.4, 4.5
<b>Priority</b>	Medium
<b>Resources</b>	Fraud and Data Team
<b>Outcome</b>	Thorough understanding of measures taken to prevent fraud through access to SWAP recommendations
<b>Performance Measure</b>	recommendations from SWAP are implemented or valid reasons given why they are not being followed and the risks of not doing so properly assessed

Ref	Key task	Status	Additional Comments
3.4	<b>A monitoring system to be devised so that delivery of the Action Plan does not have an adverse impact upon protected characteristics.</b> Such an assessment will give due consideration to the varying requirements of the residents of South Somerset. This will include measures to ensure accessible external documents, inclusive in-house training, and policies/procedures which have no adverse impact upon protected characteristics.	Housing Benefit referrals are now out of our hands, but we will review other referrals and investigations with a view to equalities where such details are provided or identified.	There will be ongoing communication with the officer handling equalities issues to ensure that any adverse effects resulting from the completion of tasks are made apparent and then removed, mitigated or managed

<b>Section in Fraud Strategy</b>	1.20
<b>Priority</b>	Medium-Low
<b>Resources</b>	Fraud and Data Team in conjunction with officers responsible for equalities
<b>Outcome</b>	The successful undertaking of the Action Plan, without disadvantaging protected characteristics

**Performance Measure** Assessment of the monitoring system by the Equalities Officer and the Equalities Steering Group

**4) PROACTIVE COUNTER FRAUD INITIATIVES:**

Ref	Key task	Status	Additional Comments
4.1	<p><b>The county-wide fraud hotline and dedicated website for the reporting of all types of corporate fraud to be reviewed.</b> It was recognised that enabling people across the county to report fraud in one place could lead to a substantial reduction in corporate fraud losses, and so a variety of mediums have been put in place for those wishing to register their suspicions of malpractice. To ensure effectiveness, the hotline and website need to be reviewed, in terms of the number of users, the accessibility of the services, and the quality of the data generated through fraud referrals.</p>	<p>Continues to work well for the public. A new internal fraud referral form has been introduced which has helped 'streamline' the process of reporting fraud internally. The form is available on InSite and is being used.</p>	<p>The hotline and the website 'somesetfraud.org.uk' have been established, with the legal team receiving referrals and forwarding them on as appropriate. The Fraud Forum has not met since the Chair changed jobs 9 months ago and a replacement is yet to be found. The key issue is lack of investigative resource for non-housing benefit cases. This gap we hope to plug using Oxford City Council's Team.</p>
	<b>Section in Fraud Strategy</b>	1.15, 2.1, 4.3, 4.7	
	<b>Priority</b>	High	
	<b>Resources</b>	These need to be established –(hopefully Oxford City Council's Investigative Team can help to some degree). Resources to administer Hotline and website need to be addressed post Transformation	
	<b>Outcome</b>	Fraud hotline and website working well	
	<b>Performance Measure</b>	Number of referrals and quality of data received	

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Ref	Key task	Status	Additional Comments
4.2	<p><b>Future resources to receive referrals through the fraud hotline and website to be considered.</b> Prompted by the Prevention of Social Housing Fraud Act (2013), which gives councils sole power in the prosecution of tenancy offences, a campaign known as 'Know a Cheat in Your Street' was run by the Somerset Tenancy Fraud Forum. In order to ensure the success of this campaign, consideration needs to be given to the resources in place to handle fraud referrals, as although the Investigations team at SSDC currently receive them, they are due to transfer to DWP in the near future.</p> <p><b>Section in Fraud Strategy</b> 1.5, 1.18, 1.19, 3.10, 5.2  <b>Priority</b> Medium-High  <b>Resources</b> See 4.1 -  <b>Outcome</b> Arrangements to ensure that the data generated through fraud referrals continues to be investigated  <b>Performance Measure</b> Successful investigation of hotline and website referrals, and recovery of any fraud losses</p>	Current referrals are being handled efficiently but resources may need review if the number of referrals increases markedly.	For the time being, SSDC staff are handling all Somerset referrals, and passing them to the appropriate local authority or housing association.
4.3	<p><b>More probing and directed investigative reviewed to be conducted in key areas of fraud risk.</b> In addition to the regular audits undertaken by SWAP into reducing fraud, the SWCFP have been contracted to conduct investigative reviews into several specific at risk areas.</p> <p>I) <b>Social Housing Tenancy Fraud:</b> The common need register has been recognised as an area at risk from fraud,                      II) <b>Procurement fraud:</b> Procurement fraud is a significant area of loss,                      III) <b>Council tax discounts and exemptions:</b> to evaluate the extent of fraud around council tax administration                      IV) <b>Grant Fraud:</b> before and after the awarding of a grant and to assess the quality of the preventative measures in place at both of these stages.                      V) <b>Insurance Fraud:</b> It has been seen nationally that significant sums of public money are lost to insurance fraud.</p>	<p>Successful audit of the Needs Register was completed.</p> <p>SWCFP presented an Interim Report on findings from their Contract Management and ICT Investigative Review. The reports has been reviewed by the Fraud and Data Manager but lack of resource has meant there has been no further progress on addressing</p>	<p>Grant Fraud and Insurance Fraud have been the subject of recent audits.</p> <p>The need for a further procurement audit has been identified from the Investigative review into contract matters. This work will be progressed when resources are secured.</p>

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issues identified (other than bringing them to the attention of the relevant Assistant Director). Further work is needed on these issues.

The Revenues and Benefits Manager has carried out some compliance work on council tax with funding secured by the Somerset Councils

<b>Section in Fraud Strategy</b>	2.1, 3.7, 3.19 , 4.1, 4.6
<b>Priority</b>	Medium
<b>Resources</b>	Need to establish resources for this work. SWAP audit capability depends on the number of days available in the audit plan
<b>Outcome</b>	Evaluation as to the effectiveness of safeguards in place to prevent grant fraud from occurring
<b>Performance Measure</b>	Identification of the areas and safeguards relating to corporate fraud which are in need of revision

Ref	Key task	Status	Additional Comments
4.4	<p><b>Somerset Councils to be engaged in the fraud referral process on the website 'somersetfraud.org.uk'.</b> Though capable of receiving referrals in all Somerset authorities, all information will initially be directed to the SSDC Fraud Investigation Team. This cannot continue indefinitely due to resource issues, so discussions with other councils in Somerset must take place to delegate the workload appropriately, and to ensure resources for the future.</p>	<p>No progress as yet, although not a high priority as in reality virtually all the referrals that have come through are relating to South Somerset.</p>	<p>The loss of the Chair of the Fraud Forum has meant there have been no meetings in the last 9 months at least. No replacement Chair has emerged so currently there is no impetus from the other Somerset Councils to increase the usage of the website and phone line so there are no issues re capacity in receiving and logging the referrals. The prime gap for SSDC is the lack of an internal Investigative resource to which we can refer cases when detailed investigation is needed. The Revenues and Benefits Team have been doing some initial checks into council tax allegations but further investigative work cannot be progressed. It is planned to help bridge the gap by using Oxford City Council's investigative team once all contractual and data protection issues have been resolved.</p>
	<p><b>Section in Fraud Strategy</b> 1.15, 2.1, 4.3, 4.7</p>		
	<p><b>Priority</b> Medium</p>		
	<p><b>Resources</b> Senior Management of each of the Somerset Councils to establish the available resources in their authority</p>		
	<p><b>Outcome</b> Resources for handling county wide referrals established at other Somerset Councils</p>		
	<p><b>Performance Measure</b> Further promotion of the website, and the ease with which the data reaches the appropriate authority</p>		



Ref	Key task	Status	Additional Comments
4.5	<p><b>Discussions with Somerset County Council to be held over the financing of further resources to investigate council tax fraud.</b> Considering that the principal sum (just over 70%) of council tax levied goes to the County Council, SSDC will discuss the financing of resources to investigate the fraudulent receipt of council tax discounts or exemptions with SCC, as it is they who principally benefit from any sums recovered. Council tax fraud has not traditionally been treated as such by the Council, with prosecutions rarely occurring. However, the shift from centralised to localised administration of council tax has meant that financial losses are felt more directly by the Council, so SSDC should reassess its response.</p>	The Somerset Benefit Managers have sought financial contribution from the major precepting authorities for additional resources to aid in identifying errors in Council Tax Discounts and Exemptions.	The Revenues and Benefits Managers in the Somerset Districts/Borough have secured some funds from Somerset County Council to do some compliance and data matching work e.g. Single Person Discount reviews
	<p><b>Section in Fraud Strategy</b> 3.7</p> <p><b>Priority</b> <a href="#">Medium-Low</a></p> <p><b>Resources</b> Senior Management to establish the resources available</p> <p><b>Outcome</b> A schedule of meetings, undertaken with the aim of securing further investigative resources from SCC</p> <p><b>Performance Measure</b> A clear decision as to the provision of further resources, as well as the attitude SSDC are to adopt</p>		

# Agenda Item 9

## **Audit Committee Forward Plan**

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### **Purpose of the Report**

This report informs Members of the agreed Audit Committee Forward Plan.

### **Recommendation**

Members are asked to comment upon and note the proposed Audit Committee Forward Plan as attached.

### **Audit Committee Forward Plan**

The forward plan sets out items and issues to be discussed over the coming few months and is reviewed annually.

Items marked in italics are not yet confirmed.

***Background Papers:***      *None*

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### Audit Committee – Forward Plan

<b>Committee Date</b>	<b>Item</b>	<b>Responsible Officer</b>
25 Jan 18	<ul style="list-style-type: none"><li>• Appointment of External Auditor</li></ul>	Paul Fitzgerald
22 Feb 18	<ul style="list-style-type: none"><li>• Internal Audit – Third quarter update</li><li>• Treasury Management – Third quarter monitoring report</li></ul>	Laura Wicks (SWAP) Karen Gubbins
22 March 18	<ul style="list-style-type: none"><li>• Internal Audit Plan – approve 17/18 plan</li><li>• Internal Audit – Charter</li></ul>	Laura Wicks (SWAP) Laura Wicks (SWAP)