

South Somerset District Council

Notice of Meeting



Audit Committee

Making a difference where it counts

Thursday 27th March 2014

10.00 a.m.

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

The public and press are welcome to attend.

Disabled Access is available at this meeting venue.



If you would like any further information on the items to be discussed, please ring the Agenda Co-ordinator, **Anne Herridge** on Yeovil (01935) 462570
Email: anne.herridge@southsomerset.gov.uk

This Agenda was issued on Wednesday 19th March 2014

Ian Clarke, Assistant Director (Legal & Corporate Services)

**This information is also available on our
website: www.southsomerset.gov.uk**



INVESTOR IN PEOPLE

Audit Committee Membership

Chairman Derek Yeomans
Vice-Chairman Ian Martin

John Calvert Roy Mills
John Dyke Terry Mounter
David Norris John Richardson
Tony Lock Colin Winder

South Somerset District Council – Corporate Aims

Our key aims are: (all equal)

- Jobs – We want a strong economy which has low unemployment and thriving businesses
- Environment – We want an attractive environment to live in with increased recycling and lower energy use
- Homes – We want decent housing for our residents that matches their income
- Health and Communities – We want communities that are healthy, self-reliant and have individuals who are willing to help each other

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.

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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 Assistant Director – Finance and Corporate Services (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 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

The Council's Constitution is also on the web site and available for inspection in council offices.

Further information can be obtained by contacting the agenda co-ordinator named on the front page.

Audit Committee

Thursday 27 March 2014

Agenda

Preliminary Items

1. To approve as a correct record the Minutes of the previous meeting held on 27th February 2014
2. Apologies for Absence
3. Declarations of Interest

In accordance with the Council's current Code of Conduct (adopted July 2012), 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. A DPI is defined in The Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012 (SI 2012 No. 1464) and Appendix 3 of the Council's Code of Conduct. A personal interest is defined in paragraph 2.8 of the Code and a prejudicial interest is defined in paragraph 2.9.

4. Public Question Time

Items for Discussion

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Audit Committee – 27th March 2014

5. 2014/15 SWAP Internal Audit Plan

Head of Service: Gerry Cox, Chief Executive – SWAP

Lead Officer: Andrew Ellins, Audit Manager

Contact Details: andrew.ellins@southwestaudit.co.uk

Purpose of the Report

This report has been prepared for the Audit Committee to provide them with details of the audits planned for the next financial year.

Recommendation

To agree the Internal Audit Plan for April 2014 to March 2015.

Background

The Total number of audit days planned for 2014-15 is 368 days, a reduction of 51 days (12%) as part of the Council's efficiency savings.

As last year, this plan has been pulled together with a view to providing assurance to both officers and members of the current and imminent risks faced by the Authority in an ever changing risk environment. The plan is only indicative to facilitate the planning of audit resources. We anticipate that the plan will have to remain flexible to address new and emerging risks faced by the Council.

SWAP also have recommended 'Themed' audits where common emerging risks have been identified in order to seek to compare and contrast best practice.

Key Control Audits - This process focuses primarily on key risks relating to the Council's major financial systems. It is essential that all key controls identified by the External Auditors are operating effectively to provide management with the necessary assurance. To this end we have liaised with them and included any requirements they have in providing them necessary assurance, in line with the International Auditing Standards, that they are required to audit against. There are 8 recognised key financial systems, 6 will be audited, totalling 58 planned audit days.

Capital Accounting	Main Accounting
Creditors	NNDR
Debtors	Payroll
Housing and Council Tax Benefits	Treasury Management

The Audit Committee will be aware from the quarterly update reports that in recent years the key control audits have continued to receive high levels of assurance and several received substantive assurance. As a result, using a risk based methodology all of the key controls do not need an annual review. For 2014-15, Capital Accounting won't be audited and Treasury Management will have a reduced audit. Debtors will be replaced by a more specific audit on Cash Receipting and Bank Reconciliation including the Cash Collection Contract. Payroll will have a different audit covering fraud and reviewing the new payroll I.T system.

Governance, Fraud and Corruption Audits – This process focuses primarily on key risks relating to cross cutting areas that are controlled and/or impact at a corporate rather than service specific level. It also provides an annual assurance review of areas of the Council that are inherently higher risk or could be subject to fraud. This work will, in some cases, enable SWAP to provide management with added assurance that they are operating best practice as we will be conducting these reviews at all our Client Sites. There are 12 reviews planned, totalling 113 days.

Cash Receipting and Bank Reconciliation (including Cash Collection Contract)
Payroll Starters and Leavers (Theme)
Legal Shared Service (Theme)
Choice Based Lettings (Theme)
Community Safety Partnership (Theme)
Unofficial Voluntary Funds
Contract Fraud (Bribery)
Fraud – Contingency x2
Key Income Streams
Boden Mill and Chard Regeneration Scheme Statement of Accounts
Yeovil Crematorium and Cemetery Annual Return

IT Audits – IT Reviews are completed to provide the Authority with assurance with regards to their compliance with industry best practice. SWAP has a specialist Computer Audit Manager who will liaise with the I.T. Manager to identify specific I.T. related risks. There will be 3 specialist reviews, totalling 30 audit days.

Disaster Recovery
PSN Code of Connection
Threat Management

Operational Audits - Operational audits are a detailed evaluation of a service or functions control environment. A risk evaluation matrix is devised and controls are tested. Where weaknesses or areas for improvement are identified, actions are agreed with management and target dated. There are 8 audits planned, totalling 110 days.

Printing and Design Service
Economic Development Service
Payroll Service – New System
Licence Fee Setting
Landfill Site Management
Leisure Centres – Contract Compliance
Streetscene Enforcement
Car Parks Enforcement

Follow Up Audits – Internal Audit follow up on all Audits being given a 'Partial or No Assurance' level to ensure that agreed actions to mitigate risks have been implemented. We have provisionally planned 12 days to do follow-up reviews.

Advice and Meetings - Internal Audit are risk experts and as well as undertaking planned audits are always glad to assist officers where they seek advice on managing their risks. Similarly, to enable effective governance Internal Audit work closely with the Audit Commission and with the Section 151 Officer and the Audit Committee through regular liaison meetings and progress reporting.

Appendix A – List of the Audits Planned for 2014-15.

Financial Implications

There are no financial implications associated with these recommendations.

Background Papers: *None*

SSDC Internal Audit Plan 2014-15

Follow-Up Audits	
2013-14 Audits receiving Partial Assurance	12.00
Total	12.00
Governance, Fraud and Corruption Audits	
Fraud Audit: Contracts (Bribery)	15.00
Fraud Audit - Contingency	15.00
Fraud Audit - Contingency	10.00
Key Income Streams	20.00
Boden Mill and Chard Regeneration Scheme Statement of Accounts	3.00
Yeovil Crematorium and Cemetery Annual Return	5.00
Council Tax and CTRS	10.00
Housing Benefits	10.00
Main Accounting	10.00
NNDR	10.00
Creditors	12.00
Payroll Starters and Leavers Theme	10.00
Treasury Management	6.00
Cash Receipting & Bank Reconciliation	20.00
Choice Based Lettings - Somerset Theme	5.00
Community Safety Partnership - Somerset Theme	5.00
Legal Shared Services - Somerset Theme	5.00
Total	171.00
IT Audits	
Disaster Recovery	8.00
PSN Code of Connection	12.00
Threat Management	10.00
Total	30.00
Operational Audits	
Printing and Design Service	15.00
Economic Development Service	15.00
Payroll Service New System	10.00
License Fee Setting	15.00
Landfill Site Management	15.00
Leisure Centres (contract compliance)	10.00
Streetscene Enforcement	15.00
Car Parks Enforcement	15.00
Total	110.00
	Follow-Up Audits 12.00
	Governance, Fraud and Corruption Audits 171.00
	IT Audits 30.00
	Operational 110.00
	TOTAL AUDIT TIME 323.00
Corporate Meetings	12.00
Corporate Advice	12.00
External Audit (Grant Thornton)	4.00
General Advice	12.00
Waste and Recycling (County Wide)	5.00
Total Plan Days	368.00

Audit Committee – 27 March 2014

6. External Audit Plan for 2013/14

Portfolio Holder *Cllr Tim Carroll*
Director: *Donna Parham, Assistant Director – Finance and Corporate Services*
Lead Officer: *Donna Parham*
Contact Details: *donna.parham@southsomerset.gov.uk or (01935) 462225*

Purpose of the Report

This report introduces the Audit Plan for 2013/14.

Recommendation

The Audit Committee is asked to:

(1) Note the Audit Plan for the 2013/14.

Introduction

The Audit Plan is included within the remit of the Audit Committee under its terms of reference as follows:

“To consider and note the annual external Audit Plan and fees”.

The Audit Plan

The Plan shows the challenges and opportunities the Council faces and the response to those from our external auditors. It shows that the audit will focus on risks and the assessment of those risks and testing that will be carried out by the auditors. It also updates the committee on work carried out to date.

Financial Implications

A budget of £81,650 is allocated in 2014/15 to fund this work. The budget will not be sufficient if there is further work required for instance additional testing on benefit claims.

Background Papers: *None*

The Audit Plan for South Somerset District Council

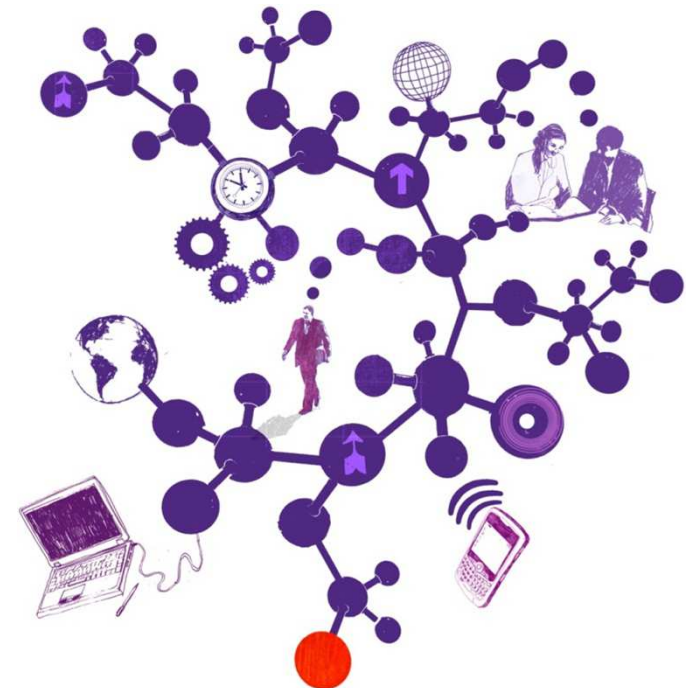
Year ended 31 March 2014

27 March 2014

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Understanding your business

In planning our audit we need to understand the challenges and opportunities the Council is facing. We set out a summary of our understanding below.

Challenges/opportunities

1. Delivering the medium term financial plan

- The Council faces further significant reductions in Government revenue support grant (£1.2m in 2014/15 and 2015/16).
- The Council reviewed its risks in January 2014 and determined that general balances should be retained within the range of £3.2m to £3.6m.
- At the end of February the Council estimated an underspend of £0.77m in 2013/14 to maintain balances at £3.9m.
- There is a budget shortfall in 2014/15 of £0.96m and a further £1.5m in 2015/16.

2. Local Government Finance Act

The Local Government Resource Review made three areas of reform to Local Government Finance:-

- The local retention of Business Rates
- The replacement of Council Tax Benefit by provision for Local Council Tax support from 1 April 2013.
- Discretion on the level and period of discount to be applied to certain classes of empty property.

3. Funding infrastructure

The District Executive has been considering the benefits of investing in infrastructure. South Somerset will be responding to schemes outside the normal capital bidding process.

The Council has increased its capital programme for 2014/15 to £6.8m, of which £2.5m will be financed through external grants.

4. Accounts

There were recommendations arising from the audit of 2012/13 accounts including:

- including the investment in Lufton 2000 to be recognised in the balance sheet
- lease disclosures
- IT controls

Our response

- We will continue to monitor progress against the Medium Term Financial Plan and review progress in achieving the savings plans.
- We will continue to review the arrangements for securing future economies to inform our Value for Money conclusion and ensure that a balanced budget will be achieved in future years.
- We will follow up recommendations from our Financial Resilience report and Annual Audit Letter from last year.

- As part of our Value for Money work we will consider the financial planning arrangements in place to address the risks surrounding these financing changes.
- We will discuss and review the accounting impact of these changes with the finance team.

- We will take this issue into account in reaching our VFM conclusion but we are not expecting to carry out any specific work on this issue.

- We will review the progress made by the Council in response to our audit recommendations.
- We will continue to discuss key issues in advance of the audit with the finance team.

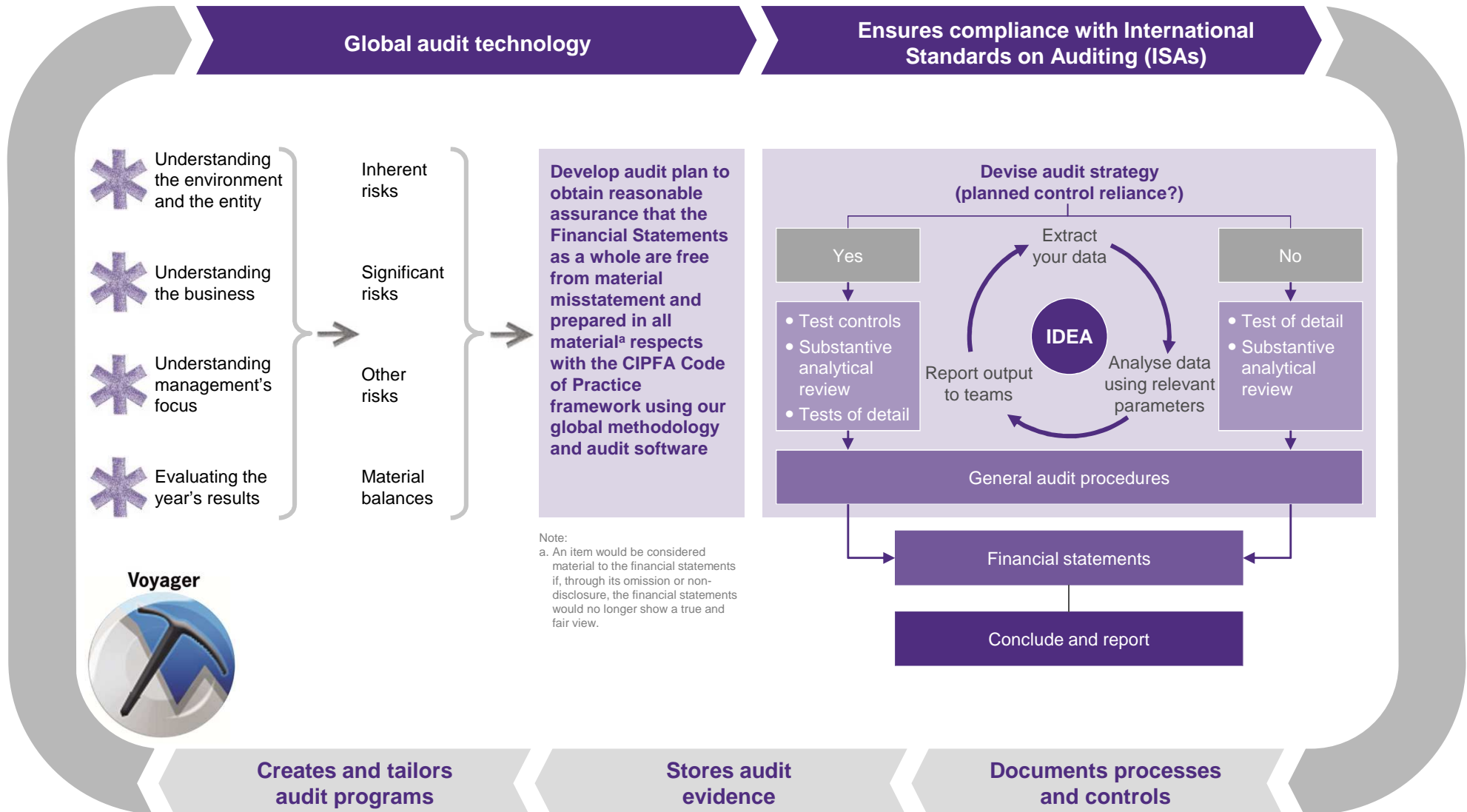
Developments relevant to your business and the audit

In planning our audit we also consider the impact of key developments in the sector and take account of national audit requirements as set out in the Code of Audit Practice ('the code') and associated guidance.

Developments and other requirements					
<p>1. Financial reporting</p> <ul style="list-style-type: none"> • Changes to the CIPFA Code of Practice • Clarification of Code requirements around property valuations • Changes to NDR accounting and provisions for business rate appeals 	<p>2. Legislation</p> <ul style="list-style-type: none"> • Local Government Finance settlement • Welfare reform Act 2012 	<p>3. Corporate governance</p> <ul style="list-style-type: none"> • Annual Governance Statement (AGS) • Explanatory foreword 	<p>4. Pensions</p> <ul style="list-style-type: none"> • The impact of 2013/14 changes to the Local Government pension Scheme (LGPS) 	<p>5. Financial Pressures</p> <ul style="list-style-type: none"> • Managing service provision with less resource • Progress against savings plans 	<p>6. Other requirements</p> <ul style="list-style-type: none"> • The Council is required to submit a Whole of Government accounts pack which we review • The Council completes grant claims and returns on which audit certification is required

Our response					
<p>We will review</p> <ul style="list-style-type: none"> • how the Council ensures that it complies with the requirements of the CIPFA Code of Practice • the basis of the Council's estimates for business rate appeals 	<p>We will discuss the impact of the legislative changes with the Council through our regular meetings with senior management and those charged with governance, providing a view where appropriate</p>	<ul style="list-style-type: none"> • We will review the arrangements the Council has in place for the production of the AGS • We will review the AGS and the explanatory foreword to consider whether they are consistent with our knowledge 	<p>We will review how the Council dealt with the impact of the 2013/14 changes through our meetings with senior management and a review of the entries in your draft 2013/14 financial statements.</p>	<ul style="list-style-type: none"> • We will review the Council's performance against the 2013/14 budget, including consideration of performance against the savings plan • We will undertake a review of Financial Resilience as part of our VFM conclusion 	<ul style="list-style-type: none"> • We will carry out work on the WGA pack in accordance with requirements • We will certify grant claims and returns in accordance with Audit Commission requirements

Our audit approach



Significant risks identified

'Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty' (ISA 315).

In this section we outline the significant risks of material misstatement which we have identified. There are two presumed significant risks which are applicable to all audits under auditing standards (International Standards on Auditing – ISAs) which are listed below:

Significant risk	Description	Substantive audit procedures
The revenue cycle includes fraudulent transactions	Under ISA 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.	<p>Work planned:</p> <ul style="list-style-type: none"> • Review and testing of revenue recognition policies • Testing of material revenue streams
Management over-ride of controls	Under ISA 240 there is a presumed risk that the risk of management over-ride of controls is present in all entities.	<p>Work completed to date:</p> <ul style="list-style-type: none"> • Review of journal entries periods 1-10 (April 2013 to January 2014) <p>Further work planned:</p> <ul style="list-style-type: none"> • Review of accounting estimates, judgments and decisions made by management • Testing of journal entries for remaining periods and year end adjustments / reconciliations • Review of unusual significant transactions

Other risks identified

The auditor should evaluate the design and determine the implementation of the entity's controls, including relevant control activities, over those risks for which, in the auditor's judgment, it is not possible or practicable to reduce the risks of material misstatement at the assertion level to an acceptably low level with audit evidence obtained only from substantive procedures (ISA 315).

In this section we outline the other risks of material misstatement which we have identified as a result of our planning.

Other reasonably possible risks	Description	Work completed to date	Further work planned
Operating expenses	Creditors understated or not recorded in the correct period	<ul style="list-style-type: none"> Walkthrough tests of design and operation of controls Initial substantive testing of Operating Expenses for periods 1 to 10 (April 2013 to January 2014) to underlying supporting documentation 	<ul style="list-style-type: none"> Substantive testing of operating expenditure for remaining periods 11 to 12 (February to March) and year end adjustments / reconciliations Review and testing of creditors/liability balances of unusual and large amounts Review of unrecorded liabilities and after date payments to ensure all liabilities identified
Employee remuneration	Employee remuneration accrual understated (expenses not correct)	<ul style="list-style-type: none"> Walkthrough tests of design and operation of controls 	<ul style="list-style-type: none"> Substantive testing of a sample of payroll payments throughout the year to underlying evidence Agreement of payroll accruals to schedules and underlying evidence Review of senior officers pay disclosures and agreement to underlying data Analytical procedures over the payroll figures throughout the year to ensure that it is reasonable and complete Reconciliation of the payroll system figures to the general ledger figures
Welfare Expenditure	Welfare benefit expenditure improperly computed	<ul style="list-style-type: none"> Walkthrough tests of design and operation of controls 	<ul style="list-style-type: none"> Substantive testing of welfare expenditure will occur for the whole year to gain assurance over the welfare expenditure figures
Property, Plant and Equipment	Property, plant and equipment activity not valid	<ul style="list-style-type: none"> Walkthrough tests of design and operation of controls 	<ul style="list-style-type: none"> Substantive testing of capital expenditure during the year
Property, Plant & Equipment	Revaluation measurement not correct	<ul style="list-style-type: none"> Walkthrough tests of design and operation of controls 	<ul style="list-style-type: none"> Substantive testing of revaluation adjustments

Results of interim audit work

The findings of our interim audit work, and the impact of our findings on the accounts audit approach, are summarised in the table below:

	Work performed and findings	Conclusion
Internal audit	<p>We have reviewed internal audit's overall arrangements in accordance with auditing standards. Our work has not identified any issues which we wish to bring to your attention.</p> <p>We also reviewed internal audit's work on the Council's key financial systems to date. We have not identified any significant weaknesses impacting on our responsibilities.</p>	<p>Overall, we have concluded that the internal audit service continues to provide an independent and satisfactory service to the Council and that internal audit work contributes to an effective internal control environment at the Council.</p> <p>Our review of internal audit work has not identified any weaknesses which impact on our audit approach.</p>
Walkthrough testing	<p>We have completed walkthrough tests of controls operating in areas where we consider that there is a risk of material misstatement to the financial statements.</p>	<p>We have not identified any material weaknesses which are likely to adversely impact on the Council's control environment or financial statements.</p> <p>We are discussing the operation of payroll suspense account reconciliations and documentation supporting bank account reconciliations.</p>

Results of interim audit work (continued)

The findings of our interim audit work, and the impact of our findings on the accounts audit approach, are summarised in the table below:

	Work performed and findings	Conclusion
Journal entry controls	<p>We have reviewed the Council's journal entry policies and procedures as part of determining our journal entry testing strategy and have not identified any material weaknesses which are likely to adversely impact on the Council's control environment or financial statements.</p> <p>To date we have undertaken some detailed testing on journal transactions recorded for periods 1 to 10 (April 2013 to January 2014) of the financial year, by extracting large and 'unusual' entries for further review.</p>	<p>We are in the process of reviewing journals and associated controls for senior staff and timing of reviews.</p> <p>Further testing will need to be undertaken to cover the remainder of the year.</p>
Review of information technology controls	<p>Our information systems specialist will be performing a high level review of the general IT control environment, as part of the overall review of the internal controls system. We will also follow up the issues that were raised last year.</p>	<p>We will report the results of our findings and any recommendations in our Audit Findings Report.</p>
Early substantive testing	<p>Some early substantive work has been undertaken on the Operating Expenses for periods 1 to 10 of the financial year.</p>	<p>Our detailed testing on Operating Expenses is on-going. Further testing will need to be undertaken to cover the remainder of the year.</p>

Value for money

Value for money

The Code requires us to issue a conclusion on whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VfM) conclusion.

Our VfM conclusion is based on the following criteria specified by the Audit Commission:

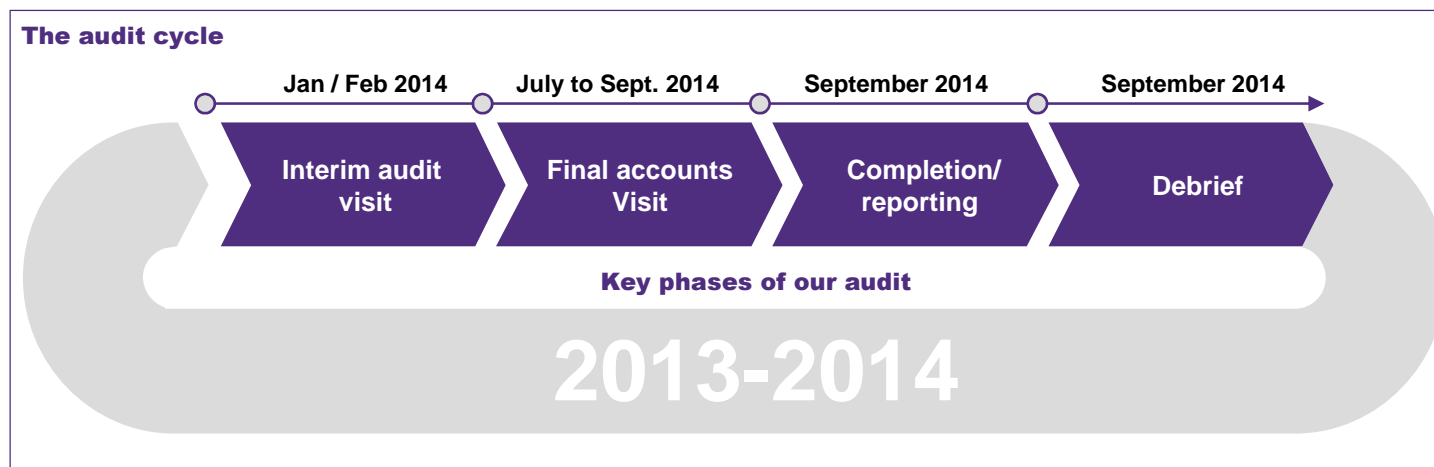
VfM criteria	Focus of the criteria
The organisation has proper arrangements in place for securing financial resilience	The organisation has robust systems and processes to manage financial risks and opportunities effectively, and to secure a stable financial position that enables it to continue to operate for the foreseeable future
The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness	The organisation is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity

We have undertaken a risk assessment to identify areas of risk to our VfM conclusion. Our work will include a review of:

- key indicators of financial performance
- strategic financial planning
- financial governance
- financial control
- delivery of savings against the 2013/14 budget
- the medium term financial plan (MTFP) and capital programme.

The results of our VfM audit work and the key messages arising will be reported in our Audit Findings report and in the Annual Audit Letter.

Key dates



Date	Activity
January	Planning
January to March	Interim site visit
March	Presentation of audit plan to Audit Committee
July and August	Audit of financial statements
September	Meeting to clear final audit findings
September	Report audit findings to the Audit Committee
September	Issue opinion on financial statements

Fees and independence

Fees

	£
Council audit	64,801
Grant certification	12,200
Total fees (excluding VAT)	77,001

Our fee assumptions include:

- Supporting schedules to all figures in the accounts are supplied by the agreed dates and in accordance with the agreed upon information request list
- The scope of the audit, and the Council and its activities, have not changed significantly
- The Council will make available management and accounting staff to help us locate information and to provide explanations

Fees for other services

Service	Fees £
None	Nil

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

Full details of all fees charged for audit and non-audit services will be included in our Audit Findings report at the conclusion of the audit.

We confirm that we have implemented policies and procedures to meet the requirement of the Auditing Practices Board's Ethical Standards.

Communication of audit matters with those charged with governance

International Standards on Auditing (ISA) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

This document, The Audit Plan, outlines our audit strategy and plan to deliver the audit, while The Audit Findings will be issued prior to approval of the financial statements and will present key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via a report to the Council.

Respective responsibilities

This plan has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission (www.audit-commission.gov.uk).

We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the Audit Commission and includes nationally prescribed and locally determined work. Our work considers the Council's key risks when reaching our conclusions under the Code.

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our communication plan	Audit plan	Audit findings
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issue arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence.	✓	✓
Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged.		
Details of safeguards applied to threats to independence		
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Non compliance with laws and regulations		✓
Expected modifications to the auditor's report, or emphasis of matter		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓



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Audit Committee – 27 March 2014

7. External Audit Update for SSDC Audit Committee

Portfolio Holder *Cllr Tim Carroll*
Director: Donna Parham, Assistant Director – Finance and Corporate
 Services
Lead Officer: *Donna Parham*
Contact Details: *donna.parham@southsomerset.gov.uk or (01935) 462225*

Purpose of the report

This report introduces the Update for the Audit Committee from SSDC's external auditors – Grant Thornton.

Recommendation

The Audit Committee is asked to:

(1) Note the update from SSDC's external auditors.

Introduction

The update provides the Audit Committee with a progress report on the work of SSDC's external auditors Grant Thornton. This is included within the remit of the Audit Committee under its terms of reference as follows:

“To consider and note the annual external Audit Plan and fees”.

“To consider the reports of external audit including the Annual Audit Letter and seek assurances from management that action has been taken.”

The Update

The update highlights the progress of SSDC's external auditors on the current audit plan and interim accounts audit, 2013/14 final accounts audit, 2013/14 VFM conclusion and other activities. It also outlines emerging issues and developments affecting local authorities.

Financial Implications

There are no direct financial implications of noting this report.

Background Papers: *None*

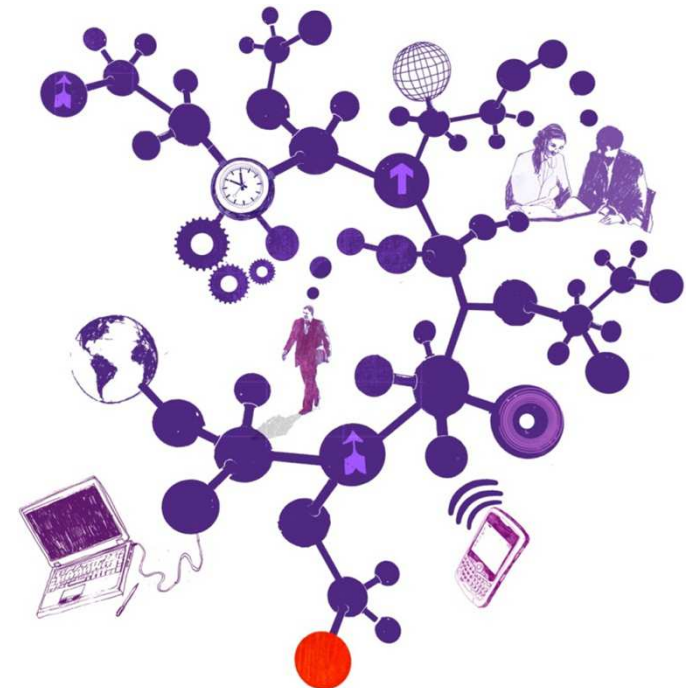
Audit Committee Update for South Somerset District Council

Year ended 31 March 2014

27 March 2014

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect your business or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Introduction

This paper provides the Audit Committee with a report on progress in delivering our responsibilities as your external auditors. The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you as a district council in respect of these emerging issues which the Committee may wish to consider.

Members of the Audit Committee can find further useful material on our website www.grant-thornton.co.uk, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications – 'Local Government Governance Review 2013', 'Towards a tipping point?', 'The migration of public services', 'The developing internal audit agenda', 'Preparing for the future', 'Surviving the storm: how resilient are local authorities?'

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Audit Manager.

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Progress at 11 March 2014

Work	Planned date	Complete?	Comments
<p>2013-14 Accounts Audit Plan We are required to issue a detailed accounts audit plan to the Council setting out our proposed approach in order to give an opinion on the Council's 2013-14 financial statements.</p>	<p>March 2014</p>	<p>Yes</p>	<p>Our audit plan sets out our approach for the final accounts visit in the summer of 2014. The plan is informed by our interim accounts audit and is included in the agenda papers for this Committee.</p>
<p>Interim accounts audit Our interim fieldwork visit includes:</p> <ul style="list-style-type: none"> • updating our review of the Council's control environment • updating our understanding of financial systems • review of Internal Audit reports on core financial systems • early work on emerging accounting issues • early substantive testing • proposed Value for Money conclusion. 	<p>January to March 2014</p>	<p>In progress</p>	<p>We have updated our understanding of the Council's financial systems and we are undertaking walk-through tests.</p>

Progress at 11 March 2014

Work	Planned date	Complete?	Comments
<p>2013-14 final accounts audit</p> <p>Including:</p> <ul style="list-style-type: none"> • audit of the 2013-14 financial statements • proposed opinion on the Council's accounts • proposed Value for Money conclusion. 	July to September 2014	Not yet due	None
<p>2013-14 Value for Money (VfM) conclusion</p> <p>The scope of our work to inform the 2013/14 VfM conclusion comprises:</p> <ul style="list-style-type: none"> • a detailed review of financial resilience • a review of arrangements for securing economy and efficiency • a follow up of recommendations made last year. 	March to August 2014	Not yet due	None
<p>Other activities</p> <ul style="list-style-type: none"> • Accounts workshop in the South West to help local authorities in the preparation of the financial statements for 2013/14. 	February and March 2014	Yes	The Council's finance team has been invited to a choice of workshops in Exeter and Bristol.

Councils must continue to adapt to meet the needs of local people

Local government guidance

Audit Commission research - Tough Times 2013

The Audit Commission's latest research, <http://www.audit-commission.gov.uk/wp-content/uploads/2013/11/Tough-Times-2013-Councils-Responses-to-Financial-Challenges-w1.pdf> shows that England's councils have demonstrated a high degree of financial resilience over the last three years, despite a 20 per cent reduction in funding from government and a number of other financial challenges. However, with uncertainty ahead, the Commission says that councils must carry on adapting in order to fulfil their statutory duties and meet the needs of local people.

The Audit Commission Chairman, Jeremy Newman said that with continuing financial challenges 'Councils must share what they have learnt from making savings and keep looking for new ways to deliver public services that rely less on funding from central government'.

Key findings:

The Audit Commission's research found that:

- the three strategies most widely adopted by councils have been reducing staff numbers, securing service delivery efficiencies and reducing or restructuring the senior management team;
- three in ten councils exhibited some form of financial stress in 2012/13 – exhibited by a mix of difficulties in delivering budgets and taking unplanned actions to keep finances on track;
- auditors expressed concerns about the medium term prospects of one third of councils (36 per cent)

Councils choosing their auditors one step closer

Local government guidance

Local Audit and Accountability Act

The Local Audit and Accountability Act received Royal Assent on 30 January 2014.

Key points

Amongst other things:

- the Act makes provision for the closure of the Audit Commission on 31 March 2015;
- arrangements are being worked through to transfer residual Audit Commission responsibilities to new organisations;
- there will be a new framework for local public audit due to start when the Commission's current contracts with audit suppliers end in 2016/17, or potentially 2019/20 if all the contracts are extended;
- the National Audit Office will be responsible for the codes of audit practice and guidance, which set out the way in which auditors are to carry out their functions;
- Local Authority's will take responsibilities for choosing their own external auditors;
- recognised supervisory bodies (accountancy professional bodies) will register audit firms and auditors and will be required to have rules and practices in place that cover the eligibility of firms to be appointed as local auditors;
- Local Authority's will be required to establish an auditor panel which must advise the authority on the maintenance of an independent relationship with the local auditor appointed to audit its accounts;
- existing rights around inspection of documents, the right to make an objection at audit and for declaring an item of account unlawful are in line with current arrangements;
- transparency measures give citizens the right to film and tweet from any local government body meeting.

79% of Councils anticipate Tipping Point soon

Grant Thornton

2016 tipping point? Challenging the current

This report http://www.grant-thornton.co.uk/Global/Publication_pdf/LG-Financial-Resilience-2016-tipping-point.pdf is the third in an annual series which assesses whether English local authorities have the arrangements in place to ensure their sustainable financial future.

Local authorities have so far met the challenges of public sector budget reductions. However, some authorities are predicting reaching tipping point, when the pressure becomes acute and financial failure is a real risk. Based on our review of forty per cent of the sector, this report shows that seventy nine per cent of local authorities anticipate some form of tipping point in 2015/16 or 2016/17.

Our report rates local authorities in four areas - key indicators of financial performance, strategic financial planning, financial governance and financial control. It also identifies a series of potential 'tipping point scenarios' such as local authorities no longer being able to meet statutory responsibilities to deliver a range of services.

Our report also suggest some of the key priorities for local authorities in responding to the challenge of remaining financially sustainable. This includes a relentless focus on generating additional sources of revenue income, and improving efficiency through shared services, strategic partnerships and wider re-organisation.

Alternative Delivery Models – are you making the most of them?

Grant Thornton

Alternative delivery models in local government

This report: <http://www.grant-thornton.co.uk/en/Publications/2014/Responding-to-the-challenge-alternative-delivery-models-in-local-government/> discusses the main alternative delivery models available to local government. These are based on our recent client survey and work with local government clients. It aims to assist others as they develop their options and implement innovation strategies.

Local government has increased the variety and number of alternative delivery models it uses in recent years including contracts and partnerships with other public bodies and private sector organisations, as well as developing new public sector and non-public sector entities. With financial austerity set to continue, it is important that local authorities continue innovating, if they are to remain financially resilient and commission better quality services at reduced cost.

This report is based on a brief client survey and work with local authority clients and:

- Outlines the main alternative delivery models available to local authorities
- Aims to assist other authorities as they develop their options and implement innovation strategies
- Considers aspects of risk.

Your Director of Operations has asked for a number of copies to provide background information to support a joint working group looking at transforming services.

Welfare reforms – what you think of it so far?

Grant Thornton

Reaping the benefits: first impressions of the impact of welfare reform.

The potential scope of this topic is broad, so our report, [Reaping the benefits](#) focuses on the financial and managerial aspects of welfare reform. This involves:

- Understanding the challenges currently facing local government and housing associations in regard to welfare reform and what organisations have been doing to meet this challenge in terms of strategy, projects and new processes.
- Reporting on the early indications of effectiveness following the implementation of these measures and the impact of reform.
- Providing early insight into challenges facing these organisations in the near future.

We have pulled together information from a variety of sources, including our regular conversations across the local government and housing sectors and surveying local authorities and housing associations in England.

We found that:

- In general, organisations have been very active in engaging with stakeholders and putting in place appropriate governance arrangements and systems to implement specific reforms. A minority of organisations did not fully exploit all the options open to them in preparing for reform.
- So far, the indication is that the impact of reform experienced by local authorities and partners has been managed effectively. This may be because the full impact has not yet been felt. Some worrying signs are emerging, including rising rental arrears, homelessness and reliance on food banks, which may be linked to the reforms.
- Looking ahead, further reforms, such as the implementation of universal credit and the move to direct payments present significant uncertainties and challenges over the next few years.

Estimating the impact of business rate appeals

Accounting and audit issues

Business rate appeals provisions

Local authorities are liable for successful appeals against business rates. They should, therefore, recognise a provision for their best estimate of the amount that businesses have been overcharged up to 31 March 2014.

However, there are practical difficulties which mean that making a reliable estimate for the total amount that has been overcharged is challenging:

- the appeals process is managed by the Valuation Office Agency (VOA) and so local authorities are reliant on the information provided to them by the VOA
- some businesses may have been overcharged but not yet made an appeal.

We would expect local authorities:

- to work with the VOA to make sure that they have access to the information they need
- where appeals have been made, to determine a methodology for estimating a provision and to apply this methodology consistently
- where appeals have not been made:
 - to consider the extent to which a reliable estimate can be made (for example, in relation to major businesses)
 - to recognise a provision where a reliable estimate can be made
 - to disclose a contingent liability where a reliable estimate cannot be made
 - to provide a rationale to support their judgement that a reliable estimate cannot be made
- to revisit the estimate with the latest information available immediately before the audit opinion is issued.



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Audit Committee – 27 March 2014

8. Counter Fraud, Theft and Bribery Strategy & Counter Fraud Action Plan

Portfolio Holder: Councillor Tim Carroll (Finance and Spatial Planning)
Assistant Director: Ian Clarke, Assistant Director – Legal and Corporate Services
Service Manager: Lynda Creek, Fraud and Data Manager
Lead Officer: Tom Chown, Fraud and Data Intern
Contact Details: tom.chown@southsomerset.gov.uk or (01935) 462182

Purpose of the Report

To introduce the Counter Fraud, Theft and Bribery Strategy, and the related Action Plan, so that Audit Committee is made aware of the content and proposals. The Action Plan sets out the counter fraud tasks to be completed in the financial year beginning April 2014.

Recommendations

The Audit Committee is asked to:

- 1) Consider the Counter Fraud, Theft and Bribery Strategy, as well as the related Action Plan, and to endorse the adoption of the documents by Full Council;
- 2) Note the key matters which will impact on the ability to deliver the Action Plan, particularly the resources available for counter fraud work.

Background

Corporate fraud refers to any fraud with direct financial losses for the organisation concerned, and it has grown in importance in recent years as more evidence of its existence and the financial losses it causes has been found in Local Government and the wider public sector. The high risk areas for corporate fraud include procurement, housing tenancy, housing application, council tax discounts/exemptions, employee and payroll, insurance and grants; areas previously not considered to be fraud risks.

The annual fraud loss to local government was estimated to be £2.2 billion in 2012, and it was also revealed that 75% of the corporate fraud identified nationwide was found only by 25% of the councils (Audit Commission, 2013). From these figures, the government conclude that many local authorities underestimate the extent of corporate fraud, and assume that because they have not found any, it does not exist at their council. The Audit Commission argue that if all councils were to adopt similar 'best practice' counter fraud techniques, then comparable detection results would be achieved at the other 75% of councils, as well as substantial sums being recovered for the public purse.

Alongside these developments, the National Fraud Authority has created a fraud loss profile tool, which uses returns on detected corporate fraud to estimate the extent of fraud loss a council with a similar profile would be expected to find in high fraud risk areas such as council tax discount/exemptions, procurement, housing tenancy fraud, and payroll.

Such statistics can be overplayed of course, but our results do indicate that a significant amount of fraud may be lying undetected at SSDC, and notably, no corporate fraud has been found. It might be thought that low detection rates show our current control and

audit framework is working, but instead, low detection highlights that we need to rethink our counter fraud activities, and to try other approaches which have been successful elsewhere.

1) Corporate Fraud, Theft and Bribery Strategy & Counter Fraud Action Plan

In order to address corporate fraud, as well as to promote a zero-tolerance environment, councils were urged to adopt a corporate counter-fraud strategy which would identify their framework for deterring, preventing, detecting and punishing such fraud. They were also advised to undertake an overall assessment of fraud risks within their local authority.

There has been widespread consultation on the Counter Fraud Strategy and its related Action Plan, with Management Board approving both documents on the 3rd March 2014. After consultation with Audit Committee, the Strategy and Action Plan will progress to District Executive and then on to Full Council in May 2014 for adoption.

It has become clear during the preparation of the Strategy that service managers need to have a greater awareness of corporate fraud risks. There were no risks categorised as 'Fraud' on the TEN risk management system and, in examining all the risks entered on TEN, it was found that only 2 had any specific reference to fraud matters. It is clear that identifying and addressing corporate fraud risks should be a priority training issue for managers.

2) Key matters impacting on ability to deliver the Action Plan

In the Action Plan, some of the tasks identified involve relatively simple procedural changes which will not have significant resource implications, whilst others have resources already identified, such as the time allocated to SSDC for counter fraud work by the South West Audit Partnership (SWAP). The Fraud and Data Intern has been tasked with achieving several targets around the formulation of a corporate fraud framework, such as revising the Counter Fraud Policy and drafting a Sanctions Policy, with some support from the Fraud and Data Manager. There are, however, still some resourcing gaps and some other key factors and challenges which impact upon our ability to deliver the Action Plan. These factors are:

1. The Department of Work and Pensions (DWP) decision to remove the investigation of benefit fraud from the remit of local government, meaning our fraud investigation staff (2.6 FTE) will transfer to the DWP's Single Fraud Investigation Service (SFIS) at some point between October 2014 and March 2016;
2. Although this change means we will lose responsibility for investigating benefit fraud, we retain responsibility for the Council Tax Support Scheme (CTSS) which replaced Council Tax Benefit. If we transfer all of our investigative expertise and capacity to DWP, we will face difficulties in investigating the fraud arising from CTSS in particular;
3. Although SWAP carry out fraud audits, it is unlikely that they have the full skill set necessary to undertake criminal investigations, and to ensure procedural matters are followed when dealing with criminal offences;
4. The workload of the Fraud and Data Manager inhibits significant involvement in the delivery of the Action Plan, other than in guiding and directing the Fraud and Data

Intern, and in actively participating in the Somerset Tenancy Fraud Forum campaigns;

5. The Fraud and Data Intern has been invaluable in bringing this work forward, but is scheduled to leave by the 6th October 2014. Due to the substantial workload, all the tasks allocated to him will not be achieved by that date, and so it is proposed that his contract is extended until the 6th April 2015. Funding is available from the District Executive Contingency Fund, and this matter will be covered in detail in a report to the District Executive which takes place on the 1st May 2014;
6. Lastly, in recognition of the loss of in-house investigative resources when council staff transfer to SFIS, the Department of Communities and Local Government (DCLG) have announced that £16.6 million will be divided between councils to target corporate fraud. Although it remains unclear what our share of this allocation will be, if the funding is substantial enough, it could be used to allow some investigative capacity to be retained.

Financial Implications

There are no direct financial implications in endorsing the adoption of the Counter Fraud Strategy and Action Plan, although if the Intern's post is extended for 6 months, additional salary costs of around £7,000 will be incurred.

Background Papers

Counter Fraud, Theft and Bribery Strategy
Counter Fraud Action Plan



SSDC COUNTER FRAUD STRATEGY ACTION PLAN

April 2014 – March 2015

In conjunction with the content of SSDC's 'Counter Fraud, Theft and Bribery Strategy', this Action Plan has been written to detail the tasks, which, subject to resources, we aim to complete in the period 01st April 2014 – 31st March 2015. The Action Plan comprises four distinct sections, and within each, the tasks are listed in a descending order in terms of their priority.

Lynda Creek: Fraud and Data Manager
Tom Chown: Fraud and Data Intern

February, 2014

1) RAISING AWARENESS OF FRAUD:			
Ref	Key task	Target date	Additional Comments
1.1	<p>A periodic fraud risk assessment to be commissioned. 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.</p>	July, 2014	Software from CIPFA has been used to estimate fraud losses within South Somerset, though these figures need to be quantified through undertaking a more detailed assessment.
	<p>Section in Fraud Strategy 1.2, 1.19, 2.16, 3.8, 5.1</p> <p>Priority High</p> <p>Resources SWAP to carry out assessment, as agreed with Fraud and Data Manager & S151 Officer</p> <p>Outcome Awareness of the scope and degree of corporate fraud risks, as well as the means to alleviate them</p> <p>Performance Measures When a regular occurrence, comparing risk assessments will show the extent of any progress achieved</p>	SWAP Audit: 1.1a	
Ref	Key task	Target date	Additional Comments
1.2	<p>The content relating to fraud on both 'InSite' and the external webpage to be updated. Both websites will be brought into line with the Strategy, and will clearly state the Council's zero tolerance approach to fraud, as well as providing links to the range of counter fraud policies and procedures that are available, including safe reporting routes. A single fraud hotline and a dedicated website for Somerset are being established, with steps taken to ensure that reporting routes are as efficient as possible.</p>	August, 2014	The Fraud and Data intern is now trained to edit both websites, enabling revisions to take place. The website 'somersetfraud.gov.uk' has been purchased, and will be developed this summer.
	<p>Section in Fraud Strategy 2.1</p> <p>Priority Medium-High</p> <p>Resources Fraud and Data Intern, in correspondence with the Fraud and Data Manager</p> <p>Outcome 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</p> <p>Performance Measure Analysis of website content in comparison with best practice, and an increase in successful referrals</p>		

1) RAISING AWARENESS OF FRAUD:			
Ref	Key task	Target date	Additional Comments
1.3	<p>Employee/Member training and awareness sessions to be provided. As all SSDC staff and members play a role in the delivery of the Counter-Fraud, Theft and Bribery Strategy, the training provided will signpost 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.</p>	October, 2014	The content to be covered has yet to be drafted, though an e-learning package has been received from Deloitte on the topic of Fraud Awareness in Local Government, and this is to be considered for inclusion.
	<p>Section in Fraud Strategy 2.1, 2.12, 3.25, 3.36 Priority Medium Resources Fraud and Data Manager, in conjunction with HR Outcome Staff awareness of fraud risks, key aspects of policy, and the appropriate procedures to follow Performance Measure Comprehension of policy, assisted by the mandatory undertaking of the fraud awareness module</p>	SWAP Audit: 1.4b	
Ref	Key task	Target date	Additional Comments
1.4	<p>A fraud awareness induction for all new employees and all recently elected members to be provided. Linking with the module devised for counter fraud training (see 1.2), 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.</p>	December, 2014	As a reference point for the induction of new personnel, the Strategy must be approved, and then programmes can be designed around its content. Counter fraud is to be included in the member's induction programme from May 2015.
	<p>Section in Fraud Strategy 2.1, 2.12, 3.12, 3.17, 3.25 Priority Medium Resources Fraud and Data Manager, in conjunction with HR and Democratic Services Manager Outcome All new staff will be aware of the zero tolerance approach to Fraud, as well as how to report suspicions Performance Measure Feedback sessions and questionnaires at the end of each counter fraud induction session</p>		

1) RAISING AWARENESS OF FRAUD:			
Ref	Key task	Target date	Additional Comments
1.5	<p>Appropriate guidance on publicising Counter Fraud incidents to be developed. 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.</p>	January, 2015	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.
	<p>Section in Fraud Strategy 4.2</p> <p>Priority Medium-Low</p> <p>Resources Fraud and Data Intern, in partnership with the Communications Team</p> <p>Outcome A clear programme of Counter Fraud publications, endorsed by the Communications Team</p> <p>Performance Measure 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</p>	SWAP Audit: 2.1a	

2) ESTABLISHING A POLICY FRAMEWORK:			
Ref	Key task	Target date	Additional Comments
2.1	<p>The SSDC Counter Fraud, Bribery and Corruption Policy to be fundamentally revised. The Policy will provide aid decision making by concisely describing SSDC's approach to fraud, 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.</p>	June, 2014	An accessible Counter Fraud Policy is in place, but it has not been updated since 2007, and therefore needs to be re-drafted to bring it in line with the content of the Strategy.
	<p>Section in Fraud Strategy 1.5, 2.1, 2.8, 4.8</p> <p>Priority High</p> <p>Resources Fraud and Data Intern, in conjunction with the Fraud and Data Manager</p> <p>Outcome A relevant and up to date Fraud Policy, which corresponds closely with the newly approved Strategy</p> <p>Performance Measure 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</p>	SWAP Audit: 1.1b	
Ref	Key task	Target date	Additional Comments
2.2	<p>A Fraud Response Plan to be drafted for approval by both senior management and members. 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.</p>	July, 2014	A first draft of the Plan has been completed, and additional content is being discussed. Before completion, the appropriate investigative resources must be determined for inclusion into the Plan.
	<p>Section in Fraud Strategy 1.5, 1.9, 4.24</p> <p>Priority High</p> <p>Resources Fraud and Data Intern, in conjunction with the Fraud and Data Manager</p> <p>Outcome A comprehensive reference point which provides a specific recourse following any incidence of fraud</p> <p>Performance Measures Evaluation as to the effectiveness of the Fraud Response Plan following any facet of fraud perpetrated</p>	SWAP Audit: 1.1b	

2) ESTABLISHING A POLICY FRAMEWORK:			
Ref	Key task	Target date	Additional Comments
2.3	<p>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. The Policy will detail 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>	August, 2014	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>Section in Fraud Strategy 1.5, 2.1, 4.21</p> <p>Priority Medium-High</p> <p>Resources Fraud and Data Intern, in association with the Investigation Team and Legal Services</p> <p>Outcome A clear and consistent policy on the application of sanctions where fraud is proven</p> <p>Performance Measure 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	Target date	Additional Comments
2.4	<p>The SSDC independent Whistleblowing Policy to be revised. The arrangements in place should align with the Strategy, and with best practice from the Whistleblowing Charity 'Public Concern at Work'. Once the Policy has been revised, it will be disseminated to all employees, members, contractors and third parties so that the procedures within become as widely adopted as possible.</p>	September, 2014	The SSDC 'Whistleblowing Policy and Procedure' has not been updated since 2007, and whilst it provides a good basic grounding, it needs revision to accord with new guidelines.
	<p>Section in Fraud Strategy 1.15, 2.1, 2.8, 3.15, 3.20, 4.3, 4.8</p> <p>Priority Medium-High</p> <p>Resources Fraud and Data Intern, in correspondence with the Fraud and Data Manager</p> <p>Outcome A concise and relevant Whistleblowing Policy which corresponds with the content in the Strategy</p> <p>Performance Measure Feedback from the appropriate officers to design out any vulnerability to the risk of fraud, and the number of fraud referrals received through this route</p>	SWAP Audit: 2.2a	

2) ESTABLISHING A POLICY FRAMEWORK:			
Ref	Key task	Target date	Additional Comments
2.5	<p>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, assessing the effectiveness of corporate fraud initiatives every six months, as well as 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.</p>	December, 2014	No progress towards Biannual Plan specifically, but supporting prerequisite documents are currently going through the revision process. Drafting an appropriate format for the Plan will commence this summer upon the Strategy's approval.
	<p>Section in Fraud Strategy 1.5, 1.21, 2.12, 5.2</p> <p>Priority Medium</p> <p>Resources Fraud and Data Intern to draft the format, and Fraud and Data Manager to present report each year</p> <p>Outcome An Annual Programme which details the successes in countering fraud, and the areas to be revised</p> <p>Performance Measure Once an initial report is drafted, future success will be determined by comparison with the previous year</p>	SWAP Audit: 1.1b	
Ref	Key task	Target date	Additional Comments
2.6	<p>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.</p>	February, 2015	No progress as yet, but the need for the document has been informally discussed with Service Managers, who should retain a historic record of any fraud incidents within their department, albeit on a confidential basis currently.
	<p>Section in Fraud Strategy 1.7, 1.20, 2.2</p> <p>Priority Medium-Low</p> <p>Resources Case files to be provided by Service Managers, Investigations Team, and SWAP.</p> <p>Outcome A Spreadsheet detailing historic instances of fraud for the use of the Fraud and Data Manager</p> <p>Performance Measure A more comprehensive picture of fraud risks, minimising the risk of similar fraud reoccurring</p>		

3) PROCEDURAL CHANGES:			
Ref	Key task	Target date	Additional Comments
3.1	<p>The remit of the Corporate Governance Group (CGG) to be extended to include specific reference to counter fraud work. 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>	June 2014	Consultation with the CGT regarding how this change might be implemented has not yet begun, but discussions with the CGT over the corporate adoption of the Strategy will provide a platform for this issue to be raised and amended.
	<p>Section in Fraud Strategy 2.11</p> <p>Priority High</p> <p>Resources Assistant Director – Legal and Corporate Services, Fraud and Data Manager</p> <p>Outcome Fraud is specifically addressed by Senior Management. Fraud and Data Manager included in CGT</p> <p>Performance Measure CGT has a wider remit and membership, demonstrating the corporate adoption of counter-fraud</p>	SWAP Audit: 1.2a	
Ref	Key task	Target date	Additional Comments
3.2	<p>The Risk Management System (TEN) to be revised so that all corporate fraud risks are integrated. 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>	August, 2014	Amendments that can be made to the TENs system will be discussed with Management Board whilst the Strategy enters the approval process. Hopefully, a centralised means exists to achieve this task.
	<p>Section in Fraud Strategy 3.3, 4.4, 4.5</p> <p>Priority Medium-High</p> <p>Resources Fraud and Data Manager, with services managers to complete the procedural change necessary</p> <p>Outcome Fraud & Data Manager has a detailed awareness of the preparedness of other departments concerning the potential risks they face from fraud, and what each department is doing to mitigate these risks</p> <p>Performance Measure A greater understanding of all risks that the Council face in relation to fraud</p>	SWAP Audit: 1.2a	

3) PROCEDURAL CHANGES:			
Ref	Key Task	Target date	Additional Comments
3.3	<p>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.</p> <p>Section in Fraud Strategy 2.1, 2.9, 2.11 3.2, 3.4, 4.5 Priority Medium Resources Assistant Director – Finance and Corporate Services, Fraud and Data Manager Outcome Thorough understanding of measures taken to prevent fraud through access to all SWAP documents Performance Measure Once access is granted, comparison of annual performance through SWAP reports can be achieved</p>	November, 2014	No progress as yet, though consultation has begun with the Assistant Director – Finance as to how more probing audits could be conducted in the future, and this provides a platform to begin any procedural changes necessary.
Ref	Key task	Target date	Additional Comments
3.4	<p>A monitoring system to be devised so that delivery of the Action Plan does not have an adverse impact upon protected characteristics. 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.</p> <p>Section in Fraud Strategy 1.20 Priority Medium-Low Resources Fraud and Data Intern, Equalities Officer Outcome 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</p>	February, 2015	The Plan is to be assessed by the Equalities Steering Group to make sure that any adverse effects resulting from the completion of tasks are made apparent and then mitigated.

4) PROACTIVE COUNTER FRAUD INITIATIVES:			
Ref	Key task	Target date	Additional Comments
4.1	<p>The county-wide fraud hotline and dedicated website for the reporting of all types of corporate fraud to be reviewed. 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>Section in Fraud Strategy 1.15, 2.1, 4.3, 4.7 Priority High Resources Senior Management to establish the resources available. Hotline and website need to be administered Outcome Fraud hotline and website to be reviewed, ensuring simple means of reporting misconduct are in place Performance Measure Success of campaign monitored through number of referrals and quality of data received</p>	June, 2014	The hotline and the website 'somersetfraud.org.uk' have been established, with the Investigation team at SSDC receiving referrals. To a certain extent, the volume of referrals will influence the type and amount of future resources.
Ref	Key task	Target date	Additional Comments
4.2	<p>Future resources to receive referrals through the fraud hotline and website to be considered. 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>Section in Fraud Strategy 1.5, 1.18, 1.19, 3.10, 5.2 Priority Medium-High Resources Senior Management to establish the resources available. In-house staff could be retained in some way Outcome Arrangements to ensure that the data generated through fraud referrals continues to be investigated Performance Measure Successful investigation of hotline and website referrals, and recovery of any fraud losses</p>	September, 2014	For the time being, SSDC staff are handling all Somerset referrals, and passing them to the appropriate local authority or housing association. Yet due to impending transfer to DWP, resource arrangements for the future must be determined.

4) PROACTIVE COUNTER FRAUD INITIATIVES:			
Ref	Key task	Target date	Additional Comments
4.3	<p>More probing and directed audits to be conducted in key areas of fraud risk. Fraud profiling tools provided by CIPFA have indicated that the principal losses to corporate fraud which affect the Council relate to the areas of procurement, social housing, council tax discounts, and grants.</p> <p>I) Procurement fraud: An assessment of procurement procedures in comparison with 'Procurement - Themes and Controls' by the London Public Sector Counter Fraud Partnership is to be commissioned. Procurement fraud is a significant area of loss, and it has been identified that a more probing type of audit is needed to test the effectiveness of the current procedures in place at SSDC.</p> <p>II) Social Housing Fraud: The common need register has been recognised as an area at risk from fraud, and so a thorough audit is seen as means to analyse the resilience of current arrangements.</p> <p>III) Council tax discounts and exemptions: Measures will be taken to evaluate the extent of fraud around council tax administration under the new support scheme, the single person's discount etc. The governmental decision to devolve the administration of council tax to local authorities has meant that financial losses are felt more directly than ever, meaning a departure from the traditional reluctance to prosecute for offences related to the council tax may be required.</p> <p>IV) Grant Fraud: The potential for fraud to occur at the stages before and after the awarding of a grant has been recognised, and therefore, a more focused audit is need to assess the quality of the preventative measures in place at both of these stages.</p>	October, 2014	<p>The Assistant Director - Finance has agreed to allocate up to 30 days of SWAP time to complete more probing and focused audits in the key areas listed in this task, and these will be taking place from October.</p> <p>The need for a procurement audit, undertaken in specific comparison to the document produced by the LPSCFP has been approved by the Assistant Director – Finance.</p> <p>Work to tackle social housing fraud is centred on involvement with the Tenancy Fraud Forum (see 4.2), though audits into specific areas such as the common need register must be undertaken in recognition of the high level of financial loss occurring nationally.</p>
	Section in Fraud Strategy	2.1, 3.7, 3.19 , 4.1, 4.6	
	Priority	Medium	
	Resources	Senior Management to establish resources. SWAP usage depends on the number of days available	
	Outcome	Evaluation as to the effectiveness of safeguards in place to prevent grant fraud from occurring	
	Performance Measure	Identification of the areas and safeguards relating to corporate fraud which are in need of revision	

4) PROACTIVE COUNTER FRAUD INITIATIVES:			
Ref	Key task	Target date	Additional Comments
4.4	<p>Somerset Councils to be engaged in the fraud referral process on the website 'somersetfraud.org.uk'. 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>Section in Fraud Strategy 1.15, 2.1, 4.3, 4.7 Priority Medium Resources Senior Management of other Somerset Councils to establish the available resources in their authority Outcome Resources for handling county wide referrals established at other Somerset Councils Performance Measure Further promotion of the website, and the ease with which the data reaches the appropriate authority</p>	November, 2014	Because Investigation staff are to transfer to SFIS under DWP, consideration needs to be given as to how referrals are to be processed and acted upon in the long-term by each council.
Ref	Key task	Target date	Additional Comments
4.5	<p>Discussions with Somerset County Council to be held over the financing of further resources to investigate council tax fraud. 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> <p>Section in Fraud Strategy 3.7 Priority Medium-Low Resources Senior Management to establish the resources available Outcome A schedule of meetings, undertaken with the aim of securing further investigative resources from SCC Performance Measure A clear decision as to the provision of further resources, as well as the attitude SSDC are to adopt</p>	January, 2015	It may be that in the future, operations and investigations against the perpetration of council tax discount fraud are taken over by the SFIS under DWP, but for now, this is a notable concern, and SSDC need further resources to effectively combat this form of corporate fraud.



Draft for Consultation

SSDC COUNTER FRAUD, THEFT AND BRIBERY STRATEGY

**Deterring, Preventing, Detecting, Investigating, and Imposing
Sanctions upon all forms of Fraud in South Somerset**

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February, 2014

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South Somerset District Council

FORWARD BY THE CHIEF EXECUTIVE:

(To be completed)

South Somerset District Council

FORWARD BY THE LEADER OF THE COUNCIL:

(To be completed)

South Somerset District Council

1. INTRODUCTION

- 1.1 South Somerset District Council (SSDC) recognise the high expectations of the public concerning the honesty and integrity of its elected members and employees, and therefore, it is committed to the robust protection of public funds against fraud, theft, and bribery¹, as well as to taking appropriate action against the perpetrators.
- 1.2 Under Section 151 of the Local Government Act (1972), the Council must ensure that the appropriate attention is given to the administration of financial affairs; necessarily this must include the mitigation of financial losses to fraud.
- 1.3 The Local Government Fraud Strategy 'Fighting Fraud Locally' (2012) directs Local Authorities to adopt radical action concerning the prevention, deterrence, detection, and investigation of fraud, undertaken in part through the greater use of electronic data matching to expose anomalies and to share intelligence. This is supported by SSDC.
- 1.4 The SSDC 'Counter Fraud, Theft and Bribery Strategy' ('the Strategy'), outlines how the Council currently manage the risks posed by fraud, and then details how an effective counter-fraud culture is to be developed and promoted. The ultimate aim of the Strategy is to reduce losses from fraud to an absolute minimum in all areas of the Council.
The key objectives of this Strategy are to:
- Express and promote the Council's zero tolerance stance to fraud
 - Raise awareness of fraud prevention and deterrence measures, as well as 'safe' reporting routes where fraud is suspected
 - Build a robust control framework to prevent, deter, detect, and punish fraud
 - Maximise financial redress and the recovery of losses for the Council
- 1.5 In an attempt to build a comprehensive framework to minimise the losses from fraudulent activity, this Strategy aims to integrate a previously disparate range of policies relating to fraud. Whilst acknowledging that limitations exist concerning both resources and budgeting, the Council recognises that to undertake a truly unified approach towards combating fraud, success largely depends upon an effective and integrated framework of initiatives and policies enacted in conjunction with the Strategy. At the core of the framework will be the *Counter Fraud and Corruption Policy*, the *Action Plan*, the *Fraud Response Plan*, the *Biannual Programme*, and the *Sanctions Policy*.
- 1.6 The Council will explore the potential benefits of increased partnership working with other local authorities, which may offer a means to increase efficiency and to generate cost savings through schemes such as pooling skills, resources and data sets. Furthermore, collaborative schemes with external agencies, such as those specialising in data profiling and the creation of counter fraud tools, are also recognised as important initiatives for SSDC to explore in the attempt to more efficiently combat fraud.
- 1.7 The Council's standards of transparency and fair conduct underpin this Strategy, and reinforce the current procedures in place to prevent, detect and investigate fraud

¹ For ease of reference throughout this Strategy, unless otherwise stated, wherever 'fraud' is mentioned, theft and bribery are also intended to be included. The Bribery Act (2010) repealed the legislation defining corruption, yet this Strategy covers all types of wrong doing or impropriety including that commonly termed as 'corruption'.

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effectively. Those at a senior level are required to champion counter fraud, and this is led by elected members, the Chief Executive and the Assistant Director – Finance and Corporate Services, who receive regular updates concerning the highest risks of fraud.

- 1.8 All Council members, staff and partners are required to set a high ethical standard, and therefore must act with integrity and lead by example, so as to create and maintain an environment which is intolerant rather than indifferent to fraudulent activity.
- 1.9 The Local Government Strategy (2012) identifies three key elements to be utilised as the foundations of an effective counter-fraud framework:
- **Acknowledge:**
 - Assessing and understanding fraud risks
 - Committing support and resources to tackling fraud
 - Maintaining a robust anti-fraud response
 - **Prevent:**
 - Making better use of information and technology
 - Enhancing fraud controls and processes
 - Developing a more effective anti-fraud culture
 - **Pursue:**
 - Prioritising fraud recovery and the use of civil sanctions
 - Developing capability and capacity to punish fraudsters
 - Collaborating with local authorities and law enforcement

Definitions:

- 1.10 The Fraud Act (2006) considers fraud to denote an intention to make gain, cause loss, or expose another to the risk of loss by:
- i) **false representation**
 - ii) **wrongfully failing to disclose information**
 - iii) **abuse of position**
- 1.11 A large part of the focus of this Strategy is to outline the framework in place at SSDC to combat 'corporate fraud', meaning all forms of fraud which have financial implications for the organisation concerned. The principal types of corporate fraud affecting the Council relate to council tax discounts, social housing, procurement, payroll and grants.
- 1.12 The Bribery Act (2010) created two general offences covering the offering, promising or giving of an advantage, and the requesting, agreeing to receive or accepting of an advantage. It also created a new offence concerning failure, by a commercial organisation, to prevent a bribe being paid on its behalf. Bribery is defined as an attempt to influence the improper performance of significant functions or activities, and it is clear that all aspects of the Council's work are bound by this definition, as are all other bodies with which the local authority does business.

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- 1.13 Although the above definitions are useful in setting out the legal position, this Strategy is also concerned with wider definitions of wrongdoing. All types of financial malpractice, including but not limited to conspiracy, false accounting, obtaining by deception, forgery, collusion, and the concealment of material fact are therefore covered by this Strategy.
- 1.14 This Strategy targets all forms of fraud, and thus all types of perpetrator(s), including:
- member(s) of the public
 - another organisation, firm or body
 - officer(s) or member(s) of the Council in the case of internal fraud
 - officer(s) or member(s) of the Council colluding with an external organisation
- 1.15 It is recognised that internal frauds, where an officer(s) or member(s) could be involved in corrupt activity, will be harder to detect unless staff are alert to fraud risks and clear on the confidential route for reporting suspicions. The culture of SSDC is to promote suspicions being raised, even if mistaken, providing it is done so in good faith in accordance with the *Whistleblowing Policy* and the associated procedures.

Zero Tolerance Culture:

- 1.16 One of the strongest methods to safeguard against the threat of fraud is to undertake proactive, rather than simply reactive work. The creation of a robust zero tolerance culture which emphasises that fraud is not acceptable in any form is an important proactive step in mitigating fraud risks, and SSDC is committed to doing just that. This Strategy is the mechanism for fostering widespread commitment to zero tolerance, in order to reduce losses from fraud in all areas of the Council to an absolute minimum.
- 1.17 The following principles summarise the Council's commitment to the mitigation of fraud, centering on:
- Culture: creating a zero tolerance culture by:
 - Setting high standards
 - Being open and honest
 - Leading by example
 - Showing good stewardship of public resources
 - Deterrence: working closely with others to combat fraud, and publicising convictions
 - Prevention: reducing the possibility of fraud through robust policies and systems
 - Detection: empowering employees and others to voice their concerns, and protecting those who do so
 - Investigation: adopting formal, fair procedures to investigate fraud
 - Sanctions: dealing with the perpetrators of fraud robustly
 - Redress: seeking redress, mainly in respect of money defrauded
 - Analysis: learning the lessons from previously identified fraud activities to build resilience against fraud in the future.

Identifying Risk:

- 1.18 The risk of fraudulent or corrupt activity needs to be included in the Council's Risk Management System (TEN) so that its occurrence can be measured, and that the effectiveness of measures to reduce or mitigate the risk can be assessed. If potential

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incidences of fraud can be identified and measured, then resources to address specific risks can be allocated proportionately, according to the scale of the problem.

- 1.19 In conjunction with this Strategy, Fraud and Data will seek to commission a periodic fraud risk assessment to gain a detailed and comparative understanding of the losses within South Somerset in relation to specific types of corporate fraud. Such analysis will enable SSDC to gauge the most serious fraud risks in terms of financial losses, and to determine whether adequate resources are being allocated to effectively target them.

Equalities:

- 1.20 This Strategy, along with the accompanying framework of policies and procedures, gives due regard to the requirements and rights of different residents in the District. This will be achieved by evaluating the range of potential impacts that fraud initiatives may have, and undertaking an equality analysis for any substantial action we need to commence. This approach will ensure appropriate, fair and transparent policies.

Review:

- 1.21 Rather than solely being concerned with operational issues in investigating and detecting fraud, this Strategy also sets out to deter and prevent it. The effectiveness of the Strategy will be assessed when concluding fraud investigations, in order to ensure that best practice is implemented, and that the resources available are being used efficiently and proportionately in accordance with the most serious risks posed by fraud.
- 1.22 This Strategy will be reviewed triennially, along with the framework of supporting counter fraud policies, to ensure continued relevance and alignment with best practice.

2. REDUCING THE RISK FROM FRAUD

Policies, procedures and codes that support internal controls:

- 2.1 The Council's Constitution and Corporate Policies provide a number of elements which contribute to its current counter-fraud framework, including:
- A *Counter Fraud and Corruption Policy*, as well as a *Bribery Policy* emphasising the importance of probity, which both apply to everyone affiliated with the Council.
 - The Codes of Conduct in place for officers and members
 - The Officer/Member Protocol
 - The *Whistleblowing Policy* and Corporate Complaints Procedures
 - Sound internal control systems and procedures as set out in the Council's Standing Orders, the Financial Procedure and Procurement Rules
 - Appropriate terms within contractual, and other relationship agreements to counter the threat posed by fraud
 - Effective auditing via the South West Audit Partnership (SWAP) and District Auditors
 - The Staff Register of Interests
 - The Members' Register of Interests
 - Effective investigation and sanction procedures, including professionally trained staff to undertake these tasks

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- Effective recruitment procedures, and suitable terms in both contracts of employment and job descriptions to deter and detect fraud
 - Appropriate and timely induction for staff and members, with training which covers fraud awareness and governance procedures
 - The Council's Disciplinary Procedures
 - Clear responsibilities, accountabilities and standards for tasks and outcomes
 - Statutory Officers' responsibilities i.e. the Monitoring Officer and Section 151 Officer
 - Participation in data matching schemes such as the National Fraud Initiative (NFI) and the Housing Benefit Matching Service (HBMS) to assist in identifying frauds
 - Use of NAFN, including their fraud alert bulletins
 - Joint working with other bodies involved in the fight against fraud, e.g. Department of Work and Pensions (DWP), Housing Tenancy Fraud Forum and the Police
 - The Council's Money Laundering Policy
 - Regulation of Investigatory Powers Act (RIPA) procedure
 - A suite of policies around IT usage meeting Governmental Codes of Compliance
 - The availability of fraud reporting facilities and all fraud related policies online
- 2.2 Together these elements reinforce the Council's zero tolerance culture towards fraudulent activities. The dissemination of these policies and procedures helps ensure that individuals are clear about their responsibilities and the appropriate action to take in any given circumstance. It also enhances the Council's accountability to the public in the management of public funds, and makes counter fraud activities more transparent.
- 2.3 Currently, some of these policies are 'stand alone', having developed individually over time. This Strategy will serve as the catalyst for reviewing and integrating these elements into a cohesive, robust and above all, effective counter-fraud framework.
- 2.4 The framework shown above supports a fair and consistent approach to investigating any incident of suspected fraud, as well as the sharing of any lessons learned as a result, so that future fraud risks can be mitigated or removed.
- 2.5 The Council requires its members and officers, at all levels, to act with integrity and set an example by ensuring that rules, procedures and regulations are followed in spirit as well as to the letter.
- 2.6 Any individual or organisation that deals with the Council must behave with integrity and without any intention or action that supports, encourages or involves fraud or corruption.

Internal Control Systems:

- 2.7 The Council recognises that it is impossible to prevent all forms of fraud entirely, yet it is committed to operating in ways that make fraud more difficult to commit, more likely to be detected and more certain to be punished.
- 2.8 Each member and officer of the Council is responsible for countering fraud to safeguard corporate standards, meaning that everyone affiliated with SSDC has a duty to ensure:
- their own behaviour is beyond reproach and in accordance with best practice

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- they follow all policies, procedures and controls laid down to prevent, detect, investigate and punish fraud, according to the Council's Constitution
- they report to the appropriate officer, as set out in the *Counter Fraud and Corruption* or *Whistleblowing Policy*, any instance where they suspect, or are aware of any person(s) behaving improperly, as well as communicating reasonable suspicions that the Council's systems may be open to fraud or abuse of another kind.

2.9 The Council's Financial Procedure Rules and Scheme of Delegation sets out the responsibilities for ensuring adequate controls are in place, and the financial limits relating to transactions that can be authorised. The existence, appropriateness and effectiveness of internal controls are monitored and reported upon by the SWAP team.

2.10 The review of the Council's internal control systems and the investigation of fraud have historically centred on SWAP, apart from the investigation of allegedly fraudulent Benefit claims undertaken by the Fraud and Data Investigation Team. SSDC will ensure that all counter fraud staff are appropriately trained, ideally holding a professional accreditation, and that practice corresponds with new developments and legislation.

Corporate Governance:

2.11 The Council has a Corporate Governance Group (CGG) comprising the Council's three statutory officers – the Head of Paid Service, the Monitoring Officer and the S151 Officer. The Chief Executive Officer of SWAP also attends quarterly to discuss audit issues and any other SWAP matters. The Fraud and Data Manager attends when necessary to discuss any issues that need to be addressed.

2.12 The CGG will consider all governance issues to include:

- Fraudulent Acts or Omissions
- Internal and External Audit Reports, including an Annual Fraud Report
- Annual Governance Statement (once all the evidence required is reviewed)
- Local Code of Corporate Governance
- Constitutional changes or other Governance issues
- The Annual Review of Internal Audit
- Risk Management
- Any special investigation or 'due diligence' work

The Group will encourage the corporate adoption of governmental best practice, which will ensure that staff and members are trained in governance issues through articles on InSite, Keep it Simple leaflets, the Induction and other training.

2.13 A member of the CGG will report to the Audit Committee, District Executive, or Full Council on any matters arising that require members' attention. In addition, the Fraud and Data Manager will report counter fraud work to the Audit Committee biannually.

2.14 Officers such as the S151 Officer and the Monitoring Officer have key responsibilities for matters relating to fraud, and are to be consulted in the drafting and revision of all documents aimed at designing out vulnerability to fraud. Other officers will be consulted on an ad hoc basis, if the policy or procedure covered relates to their area of expertise.

The Head of Paid Service

The Chief Executive maintains overall responsibility for ensuring that substantial preventative and investigative measures are in place at SSDC so that fraud does not significantly impact upon the finances available, or upon the ability to deliver services.

The Section 151 Officer

The Assistant Director – Finance and Corporate Services has statutory responsibility, under Section 151 of the Local Government Act (1972), for ensuring the proper administration of the Council's financial affairs.

The Section 151 officer is responsible under Financial Regulations for effective systems of internal control, which will ensure that public funds are properly safeguarded.

In addition, under the Accounts & Audit Regulations (England, 2011) as the 'responsible financial officer', the Section 151 Officer is required to determine the accounting control systems, which include:

- *"measures to enable the prevention and detection of inaccuracies and fraud"*
- *"identification of the duties of officers dealing with financial transactions and division of responsibilities of those officers in relation to significant transactions"*

The Monitoring Officer

The Council's Monitoring Officer is the Assistant Director - Legal and Corporate Services. The Monitoring Officer is responsible, under Section 5 of the Local Government and Housing Act (1989), for guarding the Council against illegality, impropriety and maladministration in the operation of its affairs. This role encompasses overall responsibility for the prevention of fraud, including overseeing the actions taken to investigate and deal with any potential incidence of fraud.

Fraud and Data Manager

The Fraud and Data Manager has responsibility for the Benefit Investigation Team, and maintains a wider role in the development of counter fraud strategies, policies and procedures, as well as overseeing matters concerning data protection.

- 2.15 The Council has a number of committees that evaluate and operate within the Council's counter fraud framework. These are:

The Audit Committee whose role is independent of the executive and scrutiny functions, overseeing matters of corporate governance such as risk management.

The Scrutiny Committee whose role is to monitor and scrutinise the Council's overall performance, operating as a 'virtual' backbench to hold the executive to account.

The Standards Committee whose role includes ensuring the promotion of good conduct and dealing with issues of inappropriate behaviour by members.

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- 2.16 As part of the Council's published Annual Accounts, a Governance Statement is produced describing the Council's internal controls and assessing their effectiveness. This formal statement is designed to notify external parties as to the robustness of the Council's governance arrangements, and its effective stewardship of the public funds entrusted to it.
- 2.17 Although this network of control has been established for some time and appears to work effectively, SSDC is determined to regularly review this system to ensure it keeps pace with any developments in order to remain effective as a counter fraud framework.

3. DEVELOPING A STRONGER ANTI-FRAUD CULTURE

- 3.1 As an integral part of good corporate governance, high ethical standards foster public confidence in local democracy. By its zero tolerance approach, the Council aims to create a counter fraud environment that deters those who act fraudulently or corruptly, and to encourage those who suspect embezzlement or dishonesty to report it promptly.

Resources:

- 3.2 The Council maintains a robust system of internal auditing, undertaken in partnership with SWAP, to ensure that its systems and procedures prevent and detect fraud as capably as possible. These resources need to be developed to specifically target high risk areas, which are to be identified through periodic fraud auditing.
- 3.3 The purpose of the audit role is to provide independent and objective assurance to the Council concerning risk management, control and governance, and to evaluate success in achieving counter fraud objectives as outlined in the Action Plan.
- 3.4 SWAP carries out system-based reviews of Council activity, as agreed in an annual programme by the S151 Officer, and in conjunction with Fraud and Data regarding counter-fraud audits. They also provide advice and assistance to management on procedures and controls, as well as specialist skills when required.
- 3.5 In instances of theft where fraud is suspected, professionally trained investigators will examine the circumstances, in conjunction with the Assistant Director - Finance and Corporate Services and /or the Assistant Director - Legal and Corporate Services.
- 3.6 To check the accuracy of benefit claims, guidance has been designed to:
- Detect and prevent fraudulent benefit claims
 - Set a minimum standard of evidence needed for a benefit claim to be assessed
 - Encourage accuracy in calculating benefit claims from the start of a claim
- 3.7 Recent governmental changes have replaced Council Tax benefit with a new locally set and administered system of Council Tax Discounts. In addition, DWP have announced that beginning at an as yet unspecified date in 2014, it will undertake all investigations into social security benefit fraud. These changes must be taken into account in assessing both the level and type of resources needed in delivering this Strategy.
- 3.8 The Council will, where appropriate, use analytical tools to assess levels of exposure to the risks posed by fraud in order to target resources more effectively. Such

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resources will be regularly reviewed to ensure that key fraud risks receive the necessary attention.

- 3.9 Many authorities have found the use of 'peer reviews', undertaken by the Local Government Association (LGA), effective in testing the resilience of their counter-fraud approach. This will be considered as one of the tools available for assessing the robustness of detection, investigation, and preventative strategies.

Members:

- 3.10 Counter fraud culture is a joint responsibility for all of those involved in giving political direction, determining policy and management. The elected members of the Council have a duty to the residents of South Somerset to protect the Council's assets from all forms of abuse. This is reflected through:

- Adoption of this Counter Fraud, Theft and Bribery Strategy and associated policies
- Provision of adequate resources to mitigate the risks of fraud, and to deal with detection, investigation and punishment
- Compliance with the Code of Conduct for members, the Council's Financial Regulations and Standing Orders, and other relevant governance provisions.

- 3.11 The Council has a Standards Committee which promotes and maintains high standards of member conduct and assists members to observe the Code of Conduct. In particular, members are required to operate within:

- Codes of Conduct
- Sections 94-96 of the Local Government Act (1972)
- Local Authorities Members' Interest Regulations (1992 - SI 618)
- Council Rules of Procedure set out in the Constitution
- The officer/ member protocol.

- 3.12 These matters and other guidance, such as the rules on the declaration and registration of interests, are specifically brought to the attention of members upon induction.

- 3.13 The Audit Committee has a key role in reviewing current counter fraud arrangements, and sponsoring initiatives, such as this counter fraud Strategy. Audit are to be kept regularly informed of fraud prevention activities through a regular reporting schedule.

Managers:

- 3.14 The prevention and detection of fraud and corruption is a daily undertaking, and rests with line managers who are responsible for:

- Identifying the risks to which systems, operations and procedures are exposed
- Developing and maintaining effective controls to prevent and detect fraud
- Ensuring that controls are being fully complied with

This may include ensuring that there is:

- An adequate separation of duties (more than one officer involved in key tasks)
- Proper authorisation procedures (transactions must be approved)
- Independent monitoring and checking of data and documentation (checks and balances)

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- 3.15 Managers must ensure that all staff are regularly informed about the Council's counter-fraud arrangements, with particular emphasis placed upon this Strategy, the *Counter Fraud and Corruption Policy*, and the *Whistleblowing Policy*. To further this, managers must be approachable so staff can easily inform them upon suspicion of any irregularity.

Officers of the Council:

- 3.16 A successful counter-fraud culture is one where acts of fraud are widely recognised as unacceptable behaviour, and whistleblowing is perceived as public-spirited action. The Council has put in place a number of policies, procedures and other actions to strengthen and uphold the counter-fraud culture of its officers.
- 3.17 All officers must abide by the Code of Conduct for Employees, which sets out the Council's requirements on personal conduct. They must also ensure that the Staff Register of Interests is kept up to date. This forms part of the Employee Handbook and is referred to in all Contracts of Employment. Officers of the Council are expected to follow any code of conduct related to their profession. These requirements will be emphasised within the Corporate Induction programme, run for all new employees.
- 3.18 Any breach of conduct will be dealt with under the Council's Disciplinary Procedures and may result in dismissal for the individual(s) concerned.
- 3.19 Officers must comply with the Council's Procurement Procedure Rules, which require that they operate within Section 117 of the Local Government Act (1972) regarding the disclosure of pecuniary interests in contracts relating to the Council, and the non-acceptance of any fees or rewards, whatsoever, other than their proper remuneration. These requirements are set out in the Council's Code of Conduct for Employees.
- 3.20 The Assistant Director - Legal and Corporate Services is the appointed Monitoring Officer under the Local Government and Housing Act (1989), and has overall responsibility for the maintenance and operation of the Council's *Whistleblowing Policy*.

Safe Recruitment:

- 3.21 A key preventative measure against fraud is to take investigatory steps at the recruitment stage to establish the previous record of potential officers. Temporary, casual and agency staff will be treated in the same manner as permanent officers.
- 3.22 Officer recruitment should be in accordance with procedures laid down by the HR Manager. Whenever possible, written references should be obtained with specific assurances regarding the known honesty and integrity of potential officers, before formal employment offers are made.
- 3.23 Where necessary, appropriate and proportional checks should be made to establish the right of the employee to work in the UK. Similarly, for relevant posts a background check from the Disclosure and Barring service should be obtained before employment.

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- 3.24 It is a corporate requirement to follow the Council's Fair Recruitment process such as revealing any pre-existing relationships between applicants and those involved in the recruitment process to declare any conflicts which may arise.

Training and Communications:

- 3.25 The Council recognises that the application and general success of this Strategy will largely depend upon the effectiveness of programmed training and communication. To facilitate this, the Council supports the concept of full induction, training and follow-up training, and is an accredited Investor in People. In particular, officers involved in investigative work are appropriately trained, and officers involved in operating internal control systems and finance-related systems receive sufficient training to ensure that their responsibilities for fraud deterrence and detection are highlighted and reinforced.
- 3.26 The development of appropriate knowledge and skills in respect of fraud awareness, prevention, detection and investigation applies more widely across the Council than those directly engaged in investigative work. A key priority is to promote fraud awareness to all officers and members throughout the Council. Where appropriate, training materials from the Local Government Strategy will be applied as necessary.
- 3.27 The public, partners and contractors will be encouraged to report incidences of suspected fraud, and where appropriate, fraud awareness campaigns will increase consciousness of the risk of fraud and knowledge of how to report it correctly.

Combining with others to Prevent and Fight Fraud:

- 3.28 The Council is committed to exchanging information with other agencies and organisations, at both a local and a national level, in order to identify and prevent fraud using data matching techniques. Such activity complies with the Data Protection Act (1998) and with the Audit Commission's Code of Data Matching Practice (2008).
- 3.29 Any employee found to be perpetrating fraud on another local or national agency is liable to face disciplinary action, most notably where this has implications for the Council's trust and confidence in the employee. In certain cases, most notably where gross misconduct has occurred, disciplinary action is highly likely to lead to dismissal and prosecution.

4. TAKING ACTION TO COMBAT FRAUD

Deterrence:

- 4.1 It is important that all managers within the Council are alert to potential problems in their work area, and that adequate, effective safeguards are in place to prevent financial irregularities. Managers should satisfy themselves that checks are in place at the appropriate levels, so that any irregularity is picked up promptly to minimise loss.
- 4.2 There are numerous ways to deter fraudsters from committing or attempting fraudulent or corrupt acts, whether they are inside and/or outside of the Council, including:

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- Publicising that the Council is firmly against fraud and stating this fact at every appropriate opportunity, such as whistleblowing arrangements, clause in contracts, statements on claim forms, and publications
- Acting robustly and decisively when fraud is suspected and then proven, including the termination of contracts, dismissal, and prosecution.
- Taking action to achieve the maximum recoveries for the Council, such as through agreements, court action, penalties, and insurance
- The Council's Communications Team will publish items associated with counter-fraud activity within the Council and more widely across the District
- The operation and advertising of a fraud hotline
- Making better use of information received, and the technology available to detect fraud, including publicising its usage when suitable

4.3 Employees play a vital role in detecting fraud, and are the first line of defence against it. All employees have a responsibility to discuss any concerns relating to potential fraud with their manager, or to use the confidential reporting procedures and the protections available under the Council's *Whistleblowing Policy*.

Prevention:

4.4 Managers across the Council have an important role to play in the prevention of fraud, and therefore, need to understand the importance of specifically designed systems which meet key control objectives, and thus minimise opportunities for fraud. They are responsible for assessing the potential for fraudulent activity within their own service, entering these risks on the Corporate Risk Assessment System (TEN), and for implementing appropriate strategies to reduce this risk. Managers will be made fully aware of the need to give significant attention to the prevention and detection of fraud, and appropriate advice will be available to assist them in doing so.

4.5 The SWAP Audit Plan includes a programme of work, based on key risk areas identified under the Council's risk management arrangements. This programme includes counter-fraud assurance work to deter and prevent fraud, as well as proactive measures to detect fraud. Operating in conjunction, these aspects will be an area of on-going development and therefore, SSSDC regards close working with SWAP, such as being involved in the drafting of their annual action plan, to be a key priority for this Strategy.

Detection:

4.6 It is the responsibility of the Management Board and the Service Managers to take all reasonable steps to prevent and detect fraud, and to assist this, the SWAP team and other External Auditors liaise closely to implement a cyclical programme of audits to safeguard against fraud. Additionally, SSSDC participates in the National Fraud Initiative and other data matching exercises in order to detect specific perpetrations of fraud.

4.7 Despite the efforts of managers and auditors, many frauds are discovered by chance, by a "tip-off", or indeed, after the event. It is therefore crucial to publicise the reporting routes and protections available to whistle-blowers so that such activities are supported.

4.8 When revised to correspond with this Strategy, the Council's *Counter-Fraud and Corruption Policy* will detail a clear path for raising concerns and facilitating "tip-offs".

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The Council's *Whistleblowing Policy* also gives advice on how to raise a concern appropriately, and the protections available to those who do so.

- 4.9 SSDC whistleblowing arrangements will be regularly reviewed in comparison with best practice from 'Public Concern at Work', the whistleblowing charity. This will include testing staff confidence in whistleblowing arrangements, and ensuring that the policy is accessible to all employees. Contractors and other third parties will also have access to the policy, and evidence of them signing up to its principles will be obtained. The arrangements for members of the public to raise concerns will also be reviewed.

Investigation:

- 4.10 Senior management are responsible for following up any allegation of fraud that they receive, and for ensuring investigation by professionally trained personnel. If bribery, acts, or omissions amounting to corruption are involved, the Monitoring Officer must be told of all suspected irregularities. The person(s) responsible for the investigation will:
- deal promptly and confidentially with the matter
 - record all evidence that has been received
 - ensure that evidence is sound and adequately supported
 - secure all of the collected evidence, including electronic evidence
 - where appropriate, contact other agencies, e.g. the Police
 - when appropriate, arrange for the notification of the Council's insurers
 - report to senior management, recommending that where appropriate, sanctions are imposed in accordance with Disciplinary Procedures and the *Sanctions Policy*
 - make any necessary revisions to systems and procedures to avoid recurrent risks
- 4.11 Crucial to this Strategy is the swift reporting of suspected irregularities. This ensures:
- the consistent treatment of information regarding fraud
 - comprehensive investigation by an independent and experienced audit team
 - the proper implementation of fraud investigation and prosecution plans
 - robust and optimum protection of the Council's interests
- 4.12 Dependent upon the nature and extent of the allegations, professional investigators will liaise with the Fraud and Data Manager, management, HR, legal, and other agencies, such as the Police, to investigate and conclude the allegation as necessary. Where possible, the maximum recovery of the sum defrauded will be sought by the Council.
- 4.13 The Council's disciplinary procedures will be used where the outcome of the audit investigation indicates improper behaviour. The Council's External Auditor also has powers to investigate fraud independently, and the Council can use this service too.
- 4.14 Where an instance of fraud has occurred, management will take action to ensure that any control weaknesses identified in the investigation are addressed. Any lessons learnt will be disseminated to all relevant sections. Whilst generally this may be the current practice, a key action will be to make this a formal conclusion to any investigation.

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Sanctions and Redress:

- 4.15 If financial impropriety is discovered, whether perpetrated by officers, members or organisations (e.g. suppliers, contractors, and service providers) the presumption is that the Police will be informed, though the decision will be made by the Chief Executive, Monitoring Officer and the relevant Service Manager. The Crown Prosecution Service (CPS) determines whether or not a criminal prosecution is to be pursued. Relevant officers will be consulted during investigations, and referrals to Police will be communicated to the Assistant Director – Finance and Corporate Services.
- 4.16 Any possible criminal investigation need not prevent or even hinder action under the Council's Disciplinary Procedures. Serious cases of fraud would represent gross misconduct, and therefore, any officer concerned is likely to be dismissed.
- 4.17 The Chief Executive and Assistant Director - Legal and Corporate Services, acting as Monitoring Officer, will advise on the appropriate action should a member be involved.
- 4.18 Suspected financial impropriety by any organisation with whom the Council deals will be the subject of an investigation. If proven, this could result, in the termination of an individual contract, and prosecution, dependent upon the severity of the case.
- 4.19 In proven cases of financial loss, the Council will seek to recover all such losses. The Local Government Fraud Strategy (2012) encourages the use of civil recovery methods to recuperate losses and seek compensation. These routes will be explored in all suitable cases, as well as considering possible criminal proceedings.
- 4.20 If the fraudster is an employee, the loss may be recovered from any monies due to the individual on termination of employment. If the fraudster is a member of the Council's Pension Fund, the Council may recover the loss from the employee's accrued benefits.
- 4.21 A formal *Sanctions Policy* will support the implementation of the above procedures, and will ensure that both asset and civil recovery are considered in all cases.

Summary Reporting and Follow Up:

- 4.22 The Council will ensure that all investigations carried out into suspected fraud comply with legislative requirements, and in accordance with procedure, should Managers be informed of serious misconduct, they will contact professionally trained investigators.
- 4.23 Many instances of fraud will highlight a lack of adequate internal control, and therefore, the Council expects all Managers to respond to, and promptly act upon reports issued following any investigation. Recommendations made in any investigation reports must be implemented to reduce the risk of the event recurring.
- 4.24 Although not currently in place, in order to respond to fraud allegations promptly, SSDC will develop a *Fraud Response Plan* which will give guidance to employees and managers as to the action necessary, and the appropriate staff to contact. It will also outline the methods through which fraud and investigations into irregularity will be conducted. Further advice is always available from the Fraud and Data Manager.

5. MEASURING THE OUTCOMES

5.1 Success will be measured by focusing on the real outcomes achieved from key actions outlined in this Strategy, and in the Action Plan. The outcomes to be measured include:

- awareness levels; through induction, questionnaires, undertaking fraud module
- the number of whistleblowing reports to raise suspicions
- the number of successful investigations compared with previous years
- the number and range of sanctions applied
- financial losses avoided or recovered, and financial savings where appropriate
- improved management controls, evaluated by the external auditors SWAP
- comprehension and compliance with the framework of policies and procedures

5.2 An annual fraud programme to the Audit Committee will outline the action taken towards implementing this Strategy and any barriers encountered. It will also detail performance targets, and evaluate the extent to which these objectives have been achieved. In this way, the Council's exposure to fraud will be continually reassessed, ensuring that the actions taken and the resources used to target fraud remain both efficient and effective, thereby reducing losses to the public purse in South Somerset to an absolute minimum.

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9. Health, Safety & Welfare – Annual Report

Strategic Director: Vega Sturgess, Operations & Customer Focus
Assistant Director: Laurence Willis, Assistant Director Environment
Service Manager: Pam Harvey, Civil Contingencies Manager
Lead Officer: Pam Harvey, Civil Contingencies Manager
Contact Details: pam.harvey@southsomerset.gov.uk or (01935) 462303

Purpose of the Report

In order to keep Members informed of health, safety and welfare issues relevant to South Somerset District Council activities and undertakings, an annual report is presented to the Audit Committee.

This report covers the period from February 2013 – February 2014.

The report contains an overview of health and safety matters and /or concerns, details of any new or impending Health & Safety legislation and comments on other health, safety or welfare matters that may have some impact on Council activities.

Recommendation

That member's note and comment on the report.

Report

Health & Safety Management

Following the last report to Member's I am pleased to be able to report that there has been significant progress in a number of areas of health & safety management.

Health & Safety Management System

The Health & Safety Management System is now regularly used by all services to enter and update risk assessments and to enter incident reports. There are over 500 operational risk assessments spread across the Councils services. All COSHH assessments have also been entered onto the system. The Civil Contingencies Manager has a rolling programme of evaluation to ensure that the operational risk assessments are suitable for each activity.

Fire Risk Assessments

In order to properly conform to the Regulatory Reform (Fire Safety) 2005, all the Councils offices have been assessed as High, Medium or Low priority and a programme of inspections was completed during 2013. With the exception of one office all Fire Risk Assessments have been completed and an action plan for each building has been agreed with property services.

Annual Health & Safety Inspection's

In order to avoid duplication of work the annual health & safety inspection was included in the Fire Risk Assessment visits, and an action plan of remedial works drawn up for each building in conjunction with Property Services.

Lone Worker Monitoring Systems

During 2013 some services have tested lone worker monitoring systems for staff working alone or undertaking high risk visits to resident's homes. This has proven to be successful and whilst evaluating Lone Worker risk assessments on the Ten system the Civil Contingencies Manager will be advising service managers on the best system to mitigate the risk to their staff.

Accidents Statistics

Period covered Feb 2013 – Feb 2014

Service	No of Reported Accidents	Days Lost	Comments
Community Heritage Access Centre (CHAC)	1	0	Small Injury
Community Health & Leisure	4	0	Small injuries, simple first aid required.
Countryside	1	0	Small Injury
Customer Support	3	0	Small injuries
Revenues	2	0	Small Injuries
Legal	1	0	Slipped & sprained ankle
Streetscene	18	24	All incidents investigated by the Streetscene H&S Advisor
Total	30	24	

Incident Statistics

Period covered Feb 2013 - Feb 2014

The Civil Contingencies Manager will give a verbal update on the incident statistics at the meeting.

New Legislation relevant to SSDC

During 2013 there were various small changes to the First Aid at work regulations and the Riddor reporting deadlines that made very little difference to the arrangements at SSDC.

Health & Safety Training

Funds are made available for Health & Safety training. The Safety Advisor administers the budget and bids for training are put to the Safety Panel for approval. There have been no applications for Health & Safety training in 2013.

Priorities for 2014

Publish the revised Health & Safety Policy

Implement the Fire Risk Assessment Action Plans

Advise on Health & Safety matters in regard to the Shared Office arrangements

Update the Fire Evacuation Plans for offices following the Shared office changes

Review all Health & Safety policies

Manage the Health & Safety system

Annual Health & Safety Inspection of all Council Offices

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10. Audit Committee Forward Plan

Assistant Director: Donna Parham, Finance and Corporate Services
Lead Officer: Anne Herridge, Committee Administrator
Contact Details: anne.herridge@southsomerset.gov.uk or (01935) 462570

Purpose of the Report

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

Recommendation

Members are asked to:-

1. Comment upon and note the proposed Audit Committee Forward Plan as attached at Appendix A.

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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Appendix A**Audit Committee Forward Plan**

Meeting Date	Agenda Item	Lead Officer
24 April 14	Financial Procedure Rules	Donna Parham
24 April 14	Accounting policies for 2013/14 Accounts	Amanda Card
24 April 14	Register of staff interests – Annual review	Ian Clarke
24 April 14	Audit on the process of the discharge of S106 obligations	Andrew Ellins
22 May 14	2013/14 Annual Governance Statement	Donna Parham
22 May 14	Review of Internal Audit	Donna Parham
22 May 14	Internal Audit Plan – review 2013/14	Andrew Ellins

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11. Date of Next Meeting

The next scheduled meeting of the Audit Committee will be held on Thursday, 24 April 2014 at 10.00 a.m. in the Main Committee Room, Council Offices, Brympton Way, Yeovil.
