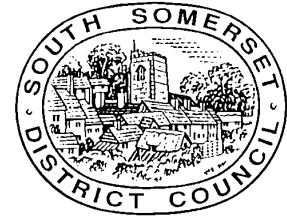


South Somerset District Council

Notice of Meeting



Audit Committee

Making a difference where it counts

Thursday 26th February 2015

10.00 am

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

(disabled access is available at this meeting venue)



The public and press are welcome to attend.

If you would like any further information on the items to be discussed, please ring the Agenda Co-ordinator, **Anne Herridge 01935 462570**, website: www.southsomerset.gov.uk

This Agenda was issued on Tuesday 17th February 2015.

A handwritten signature in black ink that reads 'Ian Clarke'.

Ian Clarke, Assistant Director (Legal & Corporate Services)

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



INVESTORS IN PEOPLE

Audit Committee Membership

The following members are requested to attend the meeting:

Chairman: Derek Yeomans
Vice-chairman: Ian Martin

John Calvert
John Dyke
Tony Lock

Roy Mills
Terry Mounter
David Norris

John Richardson
Colin Winder

South Somerset District Council – Council Plan

Our focuses 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 26 February 2015

Agenda

Preliminary Items

1. Minutes

To approve as a correct record the minutes of the previous meeting held on 22nd January 2015.

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

5. Date of the Next Audit Committee

The next scheduled meeting of the Audit Committee should be held on **Wednesday 25th** March at 10.00am in the Main Committee Room, Brympton Way, Yeovil.

Items for Discussion

6. 2014-15 SWAP Internal Audit Quarter 3 Update Report (Pages 1 - 11)

7. Treasury Management Performance Qtr 3 Update (Pages 12 - 23)

8. Certification of Claims Report (Pages 24 - 34)

9. Update on the Counter Fraud work (Pages 35 - 48)

10. Audit Committee Forward Plan 2014-15 (Pages 49 - 50)

Agenda Item 6

2014/15 SWAP Internal Audit Quarter 3 Update Report

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 review the progress made on the 2014/15 Annual Internal Audit Plan.

Recommendation

To note the progress made.

Background

The Audit Committee agreed the 2014/15 Internal Audit Plan at its March 2014 meeting. This is the third quarter update report to inform the Audit Committee of progress against the plan for April to December 2014.

Appendix A - Detailed Report
Appendix B - Annual Audit Plan Progress Table
Appendix C - Audit Assurance Definitions

Financial Implications

There are no financial implications associated with these recommendations.

Background Papers

None

APPENDIX A



South Somerset District Council

Report of Internal Audit activity
Quarter 3 update, 2014-15

Contents

The contacts at SWAP in connection with this report are:

Gerry Cox
Chief Executive
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Audit Manager
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Our audit activity is split between:

- **Operational Audit**
- **Key Controls, Finance**
- **Key Controls, Income**
- **Governance, Fraud & Corruption Audit**
- **IT Audit**
- **Special Reviews**

Role of Internal Audit

The Internal Audit service for South Somerset District Council is provided by the South West Audit Partnership (SWAP). SWAP has adopted and works to the Standards of the Institute of Internal Auditors, but also follows the CIPFA Code of Practice for internal audit. The Partnership is also guided by the Internal Audit Charter last approved in February 2014.

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

- Operational Audit Reviews
- Annual Review of Key Financial System Controls
- Annual Review of Main Income Stream System Controls
- Cross Cutting Fraud and Governance Reviews
- IT Audit Reviews
- Other Special or Unplanned Reviews

Overview of Internal Audit Activity

Internal Audit work is largely driven by an Annual Audit Plan. This is approved by the Section 151 Officer following consultation with Directors, Assistant Directors, Service Managers and External Audit. This year's Audit Plan was approved by the Audit Committee at its meeting in March 2014. Since March, a number of minor scheduling changes have been made to the audit plan. An updated list of all audits planned for 2014/15 and their status at the end of Quarter 3 is detailed in [Appendix B](#).

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

Quarter 3 Outturn:

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

Quarter 3 Outturn:

Audit Assignments undertaken in the Quarter

- Operational Audits

Internal Audit Work Programme

The schedule provided at [Appendix B](#) contains a list of all audits as agreed in the Annual Audit Plan 2014/15. It is important that Members are aware of the status of all audits and that this information helps them place reliance on the work of Internal Audit and its ability to complete the plan as agreed.

Each completed assignment includes its respective “control assurance” opinions together with the number and relative ranking of recommendations that have been raised with management. The assurance opinion ratings have been determined in accordance with the Internal Audit “Audit Framework Definitions” as shown in [Appendix C](#).

Where assignments record that recommendations have been made to reflect that some control weaknesses have been identified as a result of audit work, these are considered to represent a less than significant risk to the Council’s operations. However, in such cases, the Committee can take assurance that improvement actions have been agreed with management to address these.

Operational Audits

Operational Audits are a detailed evaluation of a Service’s 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. In Quarter 3 there were five Operational audits undertaken. A review of the new Payroll system was deferred to 2015/16 as it is not, as yet, fully operational. Out of the three services areas audited to date all were found to be well controlled.

Audit Area	Opinion	Audit Area	Opinion
Economic Development	Substantial	Payroll Service New System	Deferred
Landfill Site Management	Reasonable	Leisure Centres	In progress
Cash receipting	Reasonable		

Quarter 3 Outturn:

Audit Assignments undertaken in the Quarter

- **Key Controls; Finance**

Quarter 3 Outturn:

Audit Assignments undertaken in the Quarter

- **Key Controls; Main Income Stream Audits**

Key Controls, Finance Audits

Key Control audits are usually performed in Quarter3. Out of the five audits scheduled for this year, three to date have been completed and all have received substantial assurance:

Audit Area	Opinion	Audit Area	Opinion
Main Accounting	Substantial	Creditors	In progress
Treasury Management	Substantial	CTAX and NDR	In progress
Housing Benefit & CTR	Substantial	-	-

Key Controls, Main Income Stream Audits

In previous years a significant number of audit days were allocated to undertake a separate audit of each of the Councils main income streams. Separate audits were carried out on income from the Plant Nursery, Homelessness Prevention, Licensing, Car Parks, The Octagon and Careline. This is because shortfalls in income have a significant impact on the budget and are considered higher risk areas.

For 2014/15 it was felt that as Substantial and Reasonable assurance had previously been provided for most of the income areas, that a combined audit called Key Income Streams requiring less days was possible. This audit is scheduled for Quarter 4.

Quarter 3 Outturn:

Audit Assignments undertaken in the Quarter

- Governance, Fraud and Corruption Audits

Governance, Fraud and Corruption Audits

Governance, Fraud and Corruption Audits focus 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.

There were two Governance audits scheduled for Quarter 3:

Audit Area	Opinion	Audit Area	Opinion
Starters and Leavers	In progress	Fraud Audit - 1	Removed

Due to the SWAP Restructure, Management Board have agreed to a reduction in the number of days to be delivered during this financial year, therefore the audit called Fraud Audit -1 was removed from the 2014/15 plan.

Quarter 3 Outturn:

Audit Assignments undertaken in the Quarter

- Information Systems
- Special Reviews

Information Systems

Information Systems – IT audits provide the Authority with assurance with regards to their compliance with industry best practice. As with Operational Audits, an audit opinion is given.

One IT Audit was scheduled for Quarter 3:

Audit Area	Opinion
Back-up and recovery	In progress

Another IT Audit ‘PSN Code of Connection’ is scheduled for Quarter 4.

Special Reviews

I am pleased to report that since April 2014 there have been no irregularities reported to SWAP that have required investigation on behalf of SSDC.

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

Future Planned Work

This is detailed in [Appendix B](#) and is subject to any changes in agreement with the S151 officer.

Conclusions

For the audits completed to report stage, each report contains an action plan with a number of recommendations which are given service priorities. Definitions of these priorities can be found in the Categorisation of Recommendations section of [Appendix C](#).

The Committee will be aware that in May 2014, SWAP were pleased to provide an Audit Opinion for the Annual Governance Statement for 2013/14 that gave Reasonable Assurance. Work carried out to date in Quarters 1 to 3 largely supports this level of assurance for 2014/15 to date.

There have been no significant Corporate Risks identified from the work completed in Quarter 3.

Our approach to the audits for 2014/15 reflects this positive assurance and we are seeking to undertake more challenging and cross-cutting reviews rather than traditional service reviews that we have done over recent years, given that these areas have now proven themselves to have adequate and often good internal controls.

A list of all audits planned for 2014/15 and their status at the end of Quarter 3 are detailed in [Appendix B](#).

South Somerset District Council Audit Plan Progress 2014/15 - Qtr 3 Update

APPENDIX B

Audit Type	Audit Title	Quarter	Status	Opinion	No. of recs	Major - Recommendations - Minor				
						5	4	3	2	1
Governance	Boden Mill and Chard Regeneration Scheme Statement of Accounts	Qtr 1	Final	Non Opinion	0	0	0	0	0	0
Governance	Yeovil Crematorium and Cemetery Annual Return	Qtr 1	Final	Non Opinion	0	0	0	0	0	0
Operational	Streetscene Enforcement	Qtr 1	Final	Partial	14	0	1	13	0	0
Operational	Printing and Design	Qtr 1	Final	Partial	14	0	1	12	1	0
IT Audits	Threat Management	Qtr 2	Final	Substantial	7	0	0	3	4	0
Follow Up	Fighting Fraud Locally	Qtr 2	Final	Non Opinion	0	0	0	0	0	0
Operational	Cash Receipting and Bank Reconciliation	Qtr 2	Final	Reasonable	12	0	0	10	2	0
Governance	Contract Management - Bribery	Qtr 2	Final	Reasonable	7	0	0	3	4	0
Operational	Economic Development	Qtr 2	Final	Substantial	1	0	0	1	0	0
Key Control	Main Accounting	Qtr 3	Final	Substantial	0	0	0	0	0	0
Operational	Landfill Site Management	Qtr 3	Final	Reasonable	12	0	0	9	3	0
Key Control	Housing Benefit & Council Tax Reduction	Qtr 3	Draft	Substantial	1	0	0	1	0	0
Key Control	Treasury Management	Qtr 3	Final	Substantial	0	0	0	0	0	0
Governance	Starters and Leavers Theme	Qtr 3	In progress		0	0	0	0	0	0
IT Audits	Back-Up and Recovery	Qtr 3	In progress		0	0	0	0	0	0
Key Control	Council Tax and NDR	Qtr 3	In progress		0	0	0	0	0	0
Key Control	Creditors	Qtr 3	In progress		0	0	0	0	0	0
Operational	Leisure Centres Contract Compliance	Qtr 3	In progress		0	0	0	0	0	0
Governance	Fraud Audit - Contingency 1	Qtr 3	Removed		0	0	0	0	0	0
Operational	Payroll Service New System	Qtr 3	Deferred		0	0	0	0	0	0
Operational	License Fee Setting	Qtr 4	In progress		0	0	0	0	0	0
Operational	Car Parks Enforcement	Qtr 4	In progress		0	0	0	0	0	0
Governance	Key Income Streams	Qtr 4			0	0	0	0	0	0
Governance	Somerset Theme - Choice Based Lettings	Qtr 4			0	0	0	0	0	0
Governance	Somerset Theme - Community Safety Partnership	Qtr 4			0	0	0	0	0	0
Operational	Somerset Theme - Shared Legal Services	Qtr 4			0	0	0	0	0	0
IT Audits	PSN Code of Connection	Qtr 4			0	0	0	0	0	0
Governance	Fraud Audit - Contingency 2	Qtr 4			0	0	0	0	0	0

Audit Framework Definitions

Control Assurance Definitions

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

Categorisation Of Recommendations

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

Priority 5: Findings that are fundamental to the integrity of the unit's business processes and require the immediate attention of management.

Priority 4: Important findings that need to be resolved by management.

Priority 3: The accuracy of records is at risk and requires attention.

Priority 2: Minor control issues have been identified which nevertheless need to be addressed.

Priority 1: Administrative errors identified that should be corrected. Simple, no-cost measures would serve to enhance an existing control.

Definitions of Risk

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

Agenda Item 7

Treasury Management Performance to December 2014

Chief Executive: Mark Williams
Assistant Director: Donna Parham – Finance and Corporate Services
Service Manager: Amanda Card - Finance
Lead Officer: Karen Gubbins, Principal Accountant - Exchequer
Contact Details: Karen.gubbins@southsomerset.gov.uk or (01935) 462456

Purpose of Report

1. To review the treasury management activity and the performance against the Prudential Indicators for the nine months ended 31st December 2014.

Recommendations

2. The Audit Committee are asked to:
 - Note the Treasury Management Activity for the nine-month period ended 31st December 2014.
 - Note the position of the individual prudential indicators for the nine-month period ended 31st December 2014.

The Investment Strategy for 2014/15

3. The Council's treasury management activity is underpinned by CIPFA's Code of Practice on Treasury Management ("the Code"), which requires local authorities to produce annually Prudential Indicators and a Treasury Management Strategy Statement on the likely financing and investment activity. The Code also recommends that members are informed of treasury management activities at least twice a year. The Council reports six monthly to Full Council against the strategy approved for the year. The scrutiny of treasury management policy, strategy and activity is delegated to the Audit Committee.
4. Treasury management in this context is defined as:

"The management of the local authority's cash flows, its borrowings and its investments, the management of the associated risks, and the pursuit of the optimum performance or return consistent with those risks".
5. The Authority has invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the Authority's treasury management strategy.
6. Overall responsibility for treasury management remains with the Council. No treasury management activity is without risk; the effective identification and management of risk are integral to the Council's treasury management objectives.
7. In order to diversify the authority's investment portfolio which is largely invested in cash, investments will be placed with a range of approved investment counterparties in order to achieve a diversified portfolio of prudent counterparties, investment periods and rates of return. Maximum investment levels with each counterparty will be set to ensure prudent diversification is achieved
8. Money Market Funds (MMFs) will be utilised but good treasury management practice prevails and whilst MMFs provide good diversification the Authority will also seek to

diversify any exposure by utilising more than one MMF. The Authority will also restrict its exposure to MMFs with lower levels of funds under management and it will not exceed 0.5% of the net asset value of the MMF. In the case of Government MMFs, the Council will ensure exposure to each Fund does not exceed 2% of the net asset value of the Fund.

9. The Authority has evaluated the use of pooled funds and determined the appropriateness of their use within the investment portfolio. Pooled funds enable the Authority to diversify the assets and the underlying risk in the investment portfolio and provide the potential for enhanced returns. Investments in pooled funds will be undertaken based on advice received from Arlingclose Ltd.
10. In any period of significant stress in the markets, the default position is for investments to be made with the Debt Management Office or UK Treasury Bills (The rates of interest from the DMADF are below equivalent money market rates, but the returns are an acceptable trade-off for the guarantee that the Council's capital is secure).

Interest Rates 2014/15

11. Base rate began the financial year and remains at 0.5%.
12. Our advisors are forecasting that the outlook is for official interest rates to remain at 0.5% until September 2015, as shown below. They are also predicting the rise in the bank rate to be slow and gradual with the Bank Rate post-crisis to range between 2.5% and 3.5%.

	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Average
Official Bank Rate				0.25	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	
Upside risk														
Arlingclose Central Case	0.50	0.50	0.75	0.75	1.00	1.00	1.25	1.25	1.50	1.50	1.75	1.75	1.75	1.17
Downside risk			0.25	0.25	0.50	0.50	0.75	0.75	1.00	1.00	1.00	1.00	1.00	

Investment Portfolio

13. The table below shows the Council's overall investments as at 31st December 2014:

	Value of Investments at 01.04.14 £	Value of Investments at 31.12.14 £	Fixed/ Variable Rate
Externally Managed Investments			
Money Market Fund(Variable Net Asset Value)	997,565	997,565	Variable
Property Fund	3,052,479	3,052,479	Variable
Total	4,050,044	4,050,044	
Internal Investments			
Certificates of Deposit	6,519,416	7,501,806	Fixed
Corporate Bonds	8,127,004	9,903,906	Fixed
Floating Rate Notes (FRNs)	3,006,315	4,069,676	Variable
Term Deposits (Banks/Building Societies)	9,000,000	14,200,000	Variable
Term Deposits (Other LA's)	5,000,000	14,000,000	Variable
Money Market Funds (Constant Net	7,690,000	420,000	Variable

Asset Value) & Business Reserve Accounts		
Total	<u>39,342,735</u>	<u>50,095,388</u>
TOTAL INVESTMENTS	<u>43,392,779</u>	<u>54,145,432</u>

Returns for 2014/15

14. The returns to 31st December 2014 are shown in the table below:

	Actual Income £'000	Rate of Return
Externally Managed Investments/Pooled Funds		
Payden Money Market Fund (VNAV)	7	
Property Fund	124	
Total	<u>131</u>	4.18%
Internal Investments		
Certificates of Deposit	54	
Corporate Bonds	90	
Floating Rate Notes (FRNs)	18	
Term Deposits	117	
Money Market Funds (CNAV) & Business Reserve Accounts	23	
Total	<u>302</u>	0.76%
Other Interest		
Miscellaneous Loans	5	
Total	<u>5</u>	
TOTAL INCOME TO 31ST DECEMBER 2014	<u>438</u>	1.02%
PROFILED BUDGETED INCOME	<u>255</u>	

FORECAST SURPLUS FOR YEAR END

BENCHMARK RATE OF RETURN

15. The table above shows investment income for the year to date compared to the profiled budget. The annual budget is set at £340,340. We currently estimate that the position at the end of the financial year will be an overall favourable variance in the order of £215,300. This is due to extending the average length of investments to achieve higher returns and good performance from the property fund which we are assuming will continue however if there is a dip in the economy this could affect the forecasted return.

16. The outturn position is affected by both the amount of cash we have available to invest and the interest base rate set by the Bank of England. Balances are affected by the timing of capital expenditure and the collection of council tax and business rates.

Investments

17. Security of capital has remained the Council's main investment objective. This has been maintained by following the Council's counterparty policy as set out in its Treasury Management Strategy Statement for 2014/15. New investments can be made with the following institutions:
- Other Local Authorities;
 - AAA-rated Money Market Funds;
 - Certificates of Deposit (CDs) and Term Deposits with UK Banks and Building Societies systemically important to the UK banking system and deposits with select non-UK Banks (Australian, Canadian and American);
 - T-Bills and DMADF (Debt Management Office);
 - Bonds issued by Multilateral Development Banks, such as the European Investment Bank;
 - Commercial Paper
 - Other Money Market Funds and Collective Investment Schemes meeting the criteria in SI 2004 No 534, SI 2007 No 573 and subsequent amendments.
18. The graph shown in Appendix A shows the performance of the in-house Treasury team in respect of all investments for the quarter ending 31st December 2014 in comparison to all other clients of Arlingclose.
19. The graph shows that SSDC is in a satisfactory position in terms of the risk taken against the return on investments.

Borrowing

20. An actual overall borrowing requirement (CFR) of £9.7 million was identified at the beginning of 2014/15. As interest rates on borrowing exceed those on investments the Council has used its capital receipts to fund capital expenditure. As at 31st December 2014 the Council had no external borrowing.

Bail in update

21. As at 31st January 2015 SSDC has £3,801,000 made up of 5 investments that fall out of Arlingclose's current advice although they were within when they were taken out. The recent bail in update from Arlingclose states that with preference being given to large numbers of depositors other than local authorities, the risks of making unsecured deposits have risen relative to other investment options. Arlingclose is advising that a prudent response to this would be for clients to rein in maturity limits for new unsecured investments however they do not advise clients to exit any existing investments at this stage.

Breakdown of investments as at 31st December 2014

Date Lent	Counterparty	Principal Amount	Rate	Maturity Date
17-Feb-14	Barclays Bank Plc	1,000,000	0.85	17-Feb-15
29-Sep-14	Bank of Scotland	1,000,000	0.57	20-Jan-15
3-Jun-14	Nationwide Building Society	1,000,000	0.75	18-Mar-15
2-Jul-14	Bank of Scotland	1,000,000	0.76	20-Mar-15
4-Sep-14	Santander	1,000,000	0.63	9-Feb-15
5-Nov-14	Lancashire County Council	1,000,000	0.52	5-May-15
6-Jan-14	Greater London Authority	2,000,000	1.03	6-Oct-15
31-Mar-14	Bank of Scotland	1,000,000	0.95	27-Mar-15
14-Apr-14	Nationwide Building Society	1,000,000	0.77	19-Mar-15
23-May-14	Rabobank International	1,000,000	0.78	22-May-15
1-Jul-14	Rabobank International	1,000,000	0.70	18-Mar-15
15-Jul-14	Rabobank International	1,200,000	0.63	9-Mar-15
24-Jul-14	Barclays Bank Plc	1,000,000	0.70	27-Feb-15
4-Sep-14	Furness Building Society	1,000,000	0.65	4-Mar-15
16-Sep-14	Nationwide Building Society	1,000,000	0.56	19-Jan-15
18-Sep-14	National Counties Building Society	1,000,000	0.65	20-Feb-15
24-Nov-14	Herefordshire Council	1,000,000	0.50	10-Apr-15
3-Nov-14	Birmingham City Council	2,000,000	0.50	5-May-15
28-Nov-14	Lancashire County Council	1,000,000	0.60	28-Aug-15
19-Dec-14	Herefordshire Council	2,000,000	0.50	17-Apr-15
14-Nov-14	Salford City Council	2,000,000	0.45	17-Mar-15
1-Dec-14	Barnsley Metropolitan Borough Council	2,000,000	0.45	6-Mar-15
19-Dec-14	Blackpool Council	1,000,000	0.45	4-Mar-15
	Corporate Bonds			
10-Dec-13	GE Capital UK Funding	1,000,000	1.42	18-Jan-16
17-Jan-14	Places for People Capital Markets PLC	568,000	2.67	27-Dec-16
17-Jan-14	Places for People Capital Markets PLC	432,000	2.67	27-Dec-16
10-Feb-14	Thames Water Utilities Finance Ltd	450,000	1.02	30-Jun-15
10-Feb-14	Heathrow Funding Ltd	1,000,000	1.16	08-Jun-15
07-Apr-14	Commonwealth Bank of Australia	501,000	0.99	14-Dec-15
08-Apr-14	Nordea Bank AB	500,000	0.98	15-Dec-15
02-Jun-14	Volkswagen International Finance NV	500,000	0.98	20-Aug-15
21-Jul-14	GE Capital UK Funding	661,000	0.72	3-Mar-15
04-Aug-14	Leeds Building Society *Covered by Mortgage*	500,000	2.13	17-Dec-18
08-Sep-14	Rabobank Nederland NV	800,000	1.05	10-Sep-15
08-Sep-14	Volkswagen International Finance NV	500,000	0.98	20-Aug-15
30-Sep-14	European Investment Bank	500,000	0.64	8-Jul-15
22-Oct-14	Yorkshire Building Society *Covered*	1,500,000	1.56	12-Apr-18
	Certificates of Deposit (CDs)			
14-Feb-14	Deutsche Bank LDN 0.73 16/02/15	1,000,000	0.70	16-Feb-15
16-Apr-14	Deutsche Bank LDN 0.68% 16/1/15	1,000,000	0.65	16-Jan-15
05-Jun-14	Deutsche Bank 0.85% 4/6/15	1,000,000	0.82	04-Jun-15
09-Jul-14	Nordea Bank Finland 0.62% 9/1/15	1,000,000	0.59	09-Jan-15

15-Jul-14	Standard Chartered 0.65% 15/1/15	2,000,000	0.62	15-Jan-15
29-Oct-14	Standard Chartered 0.67% 29/4/15	1,000,000	0.64	29-Apr-15
4-Nov-14	Nordea Bank Finland 0.62% 4/5/15	500,000	0.59	5-May-15
	Floating Rate Notes (FRNs)			
25-Nov-13	HSBC Bank PLC	1,000,000	0.82	16-May-16
03-Apr-14	Yorkshire Building Society *Covered by Mortgage*	1,000,000	0.94	23-Mar-16
22-Oct-14	Abbey National Treasury Services *Covered*	1,000,000	0.71	5-Apr-17
21-Nov-14	Barclays Bank Plc *Covered*	1,000,000	0.68	15-Sep-17
	Business Reserve Accounts			
	Handelsbanken	420,000	0.50	
	Externally Managed Funds			
	CCLA Property Fund	3,000,000		
	Payden Fund VNAV	1,000,000		

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

Prudential Indicators – Quarter 3 monitoring

Background:

22. In March 2014, Full Council approved the indicators for 2014/15, as required by the Prudential Code for Capital Finance in Local Authorities. The Local Government Act 2003 allowed local authorities to determine their own borrowing limits provided they are affordable and that every local authority complies with the code.

Prudential Indicator 1 - Capital Expenditure:

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

	2014/15 Original Estimate £'000	Expected Outturn £'000	2014/15 Variance £'000	Reason for Variance
Approved capital schemes	4,561	2,898	(1,663)	The variance is made up from moving approved schemes from the main programme back into reserves relating to affordable housing and also slippage of current projects into the next financial year
Reserves	1,847	3,081	1,954	The variance is due to slippage from last financial year into this financial year and an increase in the affordable housing reserve from

				the main programme
Total Expenditure	6,408	5,979	291	

24. The above table shows that the overall estimate for capital expenditure has increased.

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

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

Portfolio	2014/15 Original Estimate £'000	Expected Outturn £'000	2014/15 Variance £'000	Reason for Variance
Financing Costs*	(226)	(378)	(152)	Although MRP has increased due to taking out more leases in 13/14, investment income is higher due to higher returns and good performance from the property fund
Net Revenue Stream	17,541	17,859	318	Underspends from 13/14 being carried forward increasing the net revenue budget for 14/15
%*	(1.3)	(2.1)		

*figures in brackets denote income through receipts and reserves

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

Prudential Indicator 3 - Capital Financing Requirement:

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

	2014/15 Original Estimate £'000	Expected Outturn £'000	2014/15 Variance £'000	Reason for Variance
Opening CFR	9,374	9,622	248	
Capital Expenditure	5,410	3,995	(1,415)	See explanation for Prudential Indicator 1 above
Capital Receipts*	(4,461)	(2,968)	1,493	Slippage of schemes approved in previous years

Grants/Contributions*	(949)	(1,027)	(78)	
Minimum Revenue Position (MRP)	(114)	(178)	(64)	More leases taken out for vehicles at the end of 13/14. This is negative as it reduces the need for debt thus reducing the CFR
Closing CFR	9,260	9,444	184	

*Figures in brackets denote income through receipts or reserves.

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

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

	2014/15 Original Estimate £'000	2014/15 Qtr 3 Actual £'000	2014/15 Variance £'000	Reason for Variance
Borrowing	0	0	0	
Finance Leases	147	348	201	More leases taken out for vehicles at the end of 13/14
Total Debt	147	348	201	

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

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

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

	2014/15 % Limit	2014/15 Qtr 3 Actual %	2014/15 Variance %	Reason for Variance
Fixed	80	7	(73)	Within limit
Variable	100	93	(7)	Within limit

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

	2014/15 % Limit	2014/15 Qtr 3 Actual %	2014/15 Variance %	Reason for Variance
Fixed	100	0	100	SSDC currently has no borrowing
Variable	100	0	100	SSDC currently has no borrowing

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

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

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

Upper Limit for total principal sums invested over 364 days	2014/15 Maximum Limit £'000	2014/15 Qtr 3 Actual £'000	Reason for Variance
Between 1-2 years	25,000	4,143	Within limit
Between 2-3 years	20,000	2,040	Within limit
Between 3-4 years	10,000	2,203	Within limit
Between 4-5 years	10,000	0	Within limit
Over 5 years	5,000	0	Within limit

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

Prudential Indicator 7 – Credit Risk:

35. The Council considers security, liquidity and yield, in that order, when making investment decisions.

Credit ratings remain an important element of assessing credit risk, but they are not a sole feature in the Council's assessment of counterparty credit risk.

The Council also considers alternative assessments of credit strength, and information on corporate developments of and market sentiment towards counterparties. The following key tools are used to assess credit risk:

- Published credit ratings of the financial institution and its sovereign
- Sovereign support mechanisms
- Credit default swaps (where quoted)
- Share prices (where available)
- Economic Fundamentals, such as a country's net debt as a percentage of its GDP
- Corporate developments, news articles, markets sentiment and momentum
- Subjective overlay

The only indicators with prescriptive values remain to be credit ratings. Other indicators of creditworthiness are considered in relative rather than absolute terms.

Prudential Indicator 8 - Actual External Debt:

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

Actual External Debt as at 31/03/2014	£'000
--	--------------

Borrowing	0
Other Long-term Liabilities (Finance Leases)	511
Total	511

Prudential Indicator 9 - Authorised Limit for External Debt:

37. The Council has an integrated treasury management strategy and manages its treasury position in accordance with its approved strategy. Borrowing will arise as a consequence of all the financial transactions of the Council not just arising from capital spending.

38. This limit represents the maximum amount that SSDC may borrow at any point in time during the year. If this limit is exceeded the Council will have acted ultra vires. It also gives the Council the responsibility for limiting spend over and above the agreed capital programme. A ceiling of £12 million was set to allow flexibility to support new capital projects over and above the identified borrowing requirement.

	2014/15 Estimate £'000	2014/15 Qtr 3 Actual £'000	2014/15 Variance £'000	Reason for Variance
Borrowing	11,000	0	(11,000)	SSDC currently has no external borrowing
Other Long-term Liabilities (Finance Leases)	1,000	349	(651)	Within limit
Total	12,000	349	(11,651)	

Prudential Indicator 10 – Operational Boundary for External Debt:

39. The operational boundary sets the limit for short term borrowing requirements for cash flow and has to be lower than the previous indicator, the authorised limit for external debt. A ceiling of £10 million was set.

	2014/15 Estimate £'000	2014/15 Qtr 3 Actual £'000	2014/15 Variance £'000	Reason for Variance
Borrowing	9,200	0	(9,200)	SSDC currently has no external borrowing
Other Long-term Liabilities (Finance Leases)	800	349	(451)	Within limit
Total	10,000	349	(9,651)	

Prudential Indicator 11 - Maturity Structure of Fixed Rate borrowing:

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

Maturity structure of fixed rate borrowing	2011/12 Actual	2012/13 Actual	2013/14 Qtr 3 Actual	Lower Limit	Upper Limit
	%	%	%	%	%
Under 12 months	0	0	0	0	100
12 months and within 24 months	0	0	0	0	100
24 months and within 5 years	0	0	0	0	100
5 years and within 10 years	0	0	0	0	100
10 years and within 20 years	0	0	0	0	100
20 years and within 30 years	0	0	0	0	100
30 years and within 40 years	0	0	0	0	100
40 years and within 50 years	0	0	0	0	100
50 years and above	0	0	0	0	100

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

Prudential Indicator 12 - Incremental Impact of Capital Investment Decisions:

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

Incremental Impact of Capital Investment Decisions	2013/14 Actual	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate
	£	£	£	£
Decrease in Band D Council Tax	0.29	0.04	0.15	0.17

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

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

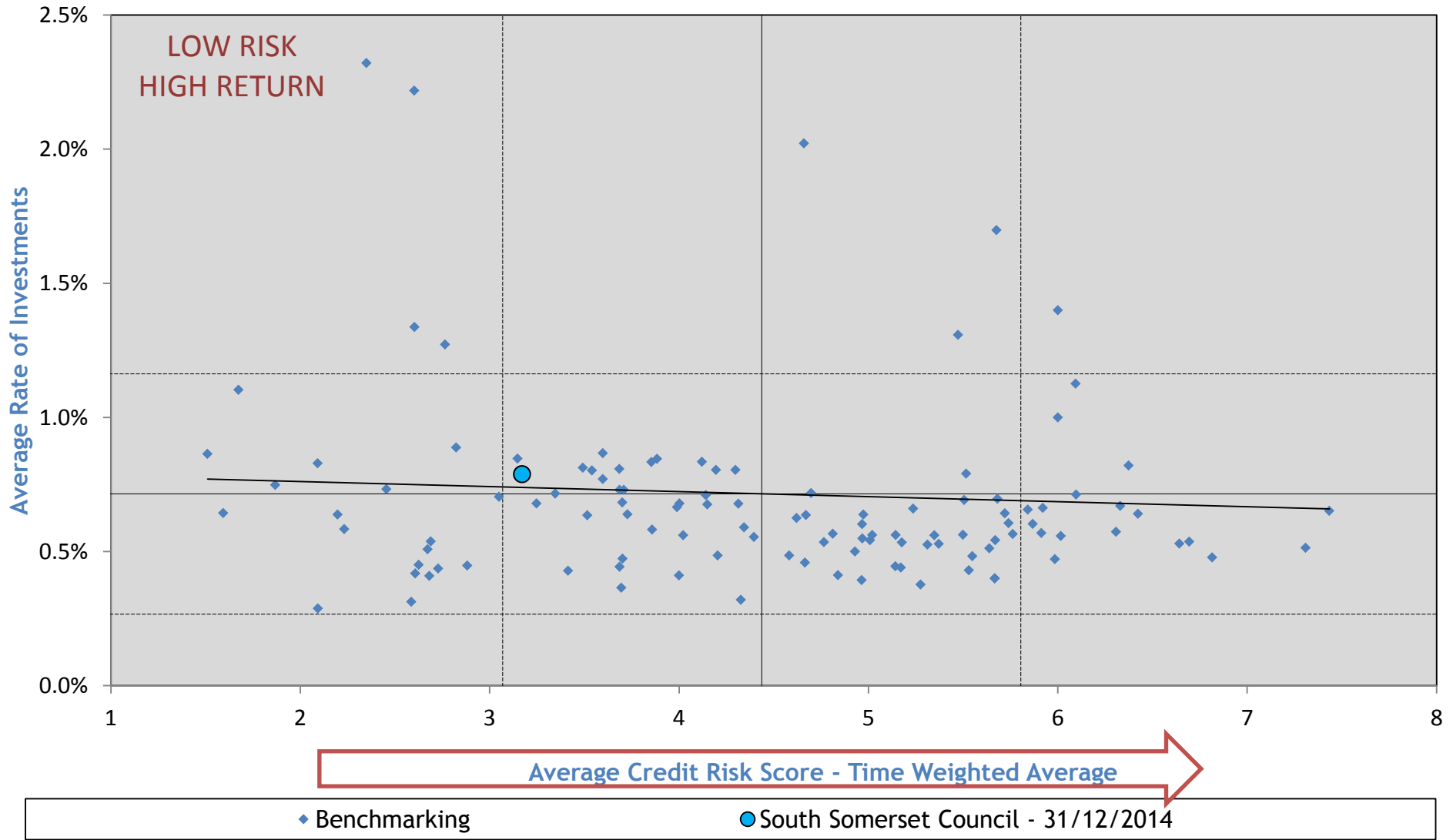
Adoption of the CIPFA Code of Practice in Treasury Management
The Council approved the adoption of the CIPFA Treasury Management Code at its Council meeting on 18 th April 2002.

Conclusion

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

Background Papers: Prudential Indicators Working Paper, Treasury Management Strategy Statement 2014/15, Quarter 3 2014/15 Capital Programme.

Average Rate vs Credit Risk (time-weighted)



Agenda Item 8

Certification of Claims Report

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 updated annual report from our external auditors Grant Thornton on their findings from the signing off of the Housing Benefit Subsidy Claim for 2013/14.

Recommendations

The Audit Committee is asked to:

- (1) Note the contents of the Certification of Claim Report for 2013/14.
- (2) Note the positive outcome from the appeal to the Department for Work and Pensions (DWP).

Introduction

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

“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 has been taken”

“To consider the reports of external audit and inspection agencies and seek assurance from management that action has been taken”

Grant Claim

The report to Members in January outlined that £231,021 was required as an amendment to the claim because of the extrapolation over high value cells within the Housing Benefit claim. At the time of the original audit the Council was not able to produce a report to sub-total earned/self-employed income cases.

Since then we have been able to provide analysis so that a fairer method of calculation could be provided to the DWP through the appeal process. This has significantly changed the outcome to the extent that rather than SSDC paying the DWP £231,021 the DWP now owe SSDC £23,477.

This outcome has now been certified by Grant Thornton and also accepted as a final decision through the grant process by the DWP.

Financial Implications

The repayment will be made into the Housing Benefit Reserve.

Background Papers

Housing Benefit Subsidy Claim.

Certification report for South Somerset District Council

Year ended 31 March 2014

February 2015

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Simon Garlick

Director

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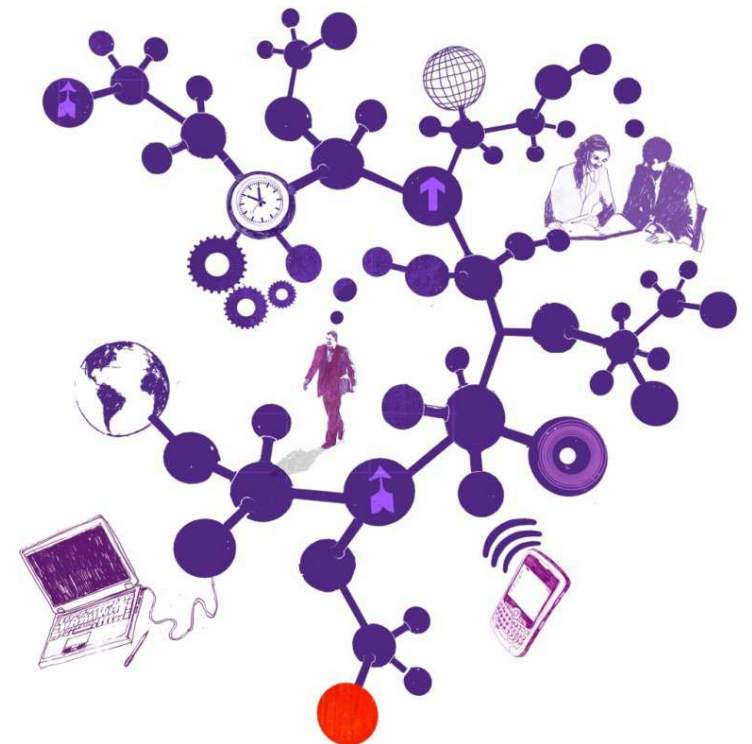
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Section 1: Summary of findings

01. Summary of findings

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Summary of findings

Introduction

We are required to certify certain claims and returns submitted by South Somerset District Council ('the Council'). This certification typically takes place six to nine months after the claim period and represents a final but important part of the process to confirm the Council's entitlement to funding.

We certified one claim (the housing benefit subsidy claim) to the Department for Work and Pensions (DWP) for the financial year 2013/14 relating to expenditure of £46 million.

This report summarises our overall assessment of the Council's management arrangements in respect of the certification process.

Approach and context to certification

Arrangements for certification of some claims and returns are prescribed by the Audit Commission, which agrees the scope of the work with each relevant government department or agency, and issues auditors with a Certification Instruction (CI) for each specific claim or return.

Our approach to certification work, the roles and responsibilities of the various parties involved and the scope of the work we perform remain unchanged from previous years.

Key messages

A summary of all claims and returns subject to certification under the Audit Commission regime is provided at Appendix A. The key messages from our certification work are summarised in the table below and set out in detail in the next section of the report.

Aspect of certification arrangements	Key Messages	RAG rating
Submission & certification	Submitted by the Council and certified by Grant Thornton by the due deadline.	GREEN
Accuracy of claim forms submitted to the auditor (including amendments & qualifications)	There were errors in the calculations regarding earned income and the misclassification of overpayments. We issued a qualification letter to the DWP setting out the details of the errors.	RED
Supporting working papers	There were no issues noted with the Council's working papers.	GREEN

Certification fees

The indicative certification fee set by the Audit Commission for 2013/14 for South Somerset District Council is based on final 2011/12 certification fees, reflecting the amount of work required by the auditor to certify the claims and returns in that year. Fees for schemes no longer requiring certification (such as the national non-domestic rates return) have been removed. The fees for certification of housing benefit subsidy claims were reduced by 12 per cent, to reflect the removal of council tax benefit from the scheme. This is set out in more detail in Appendix B.

The indicative fee for certification work for 2013/14 was £10,736. We have not requested a fee variation for any additional work.

The way forward

We set out one recommendation to address the findings arising from our certification work at Appendix B.

In view of the number of data entry errors that our audit identified this year we recommend that the Council should arrange for more internal checks to be undertaken to safeguard against inaccurate awards and overpayments.

Implementation of the agreed recommendation will assist the Council in compiling accurate and timely claims for certification. This will reduce the risk of penalties for late submission, potential repayment of grant and additional fees.

Acknowledgements

We would like to take this opportunity to thank the Council officers for their assistance and co-operation during the course of the certification process.

Grant Thornton UK LLP
December 2014

Appendices

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Appendix A: Details of claims and returns certified for 2013/14

Claim	Subsidy claimed (£)	Claim amended?	Claim qualified?	Comments
<p>Housing benefit subsidy claim</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 31</p>	45,936,089	N	Y	<p>The claim was qualified because of two issues noted in our sample testing of rent allowances. Our initial sampling identified:</p> <ul style="list-style-type: none"> • Two incorrect calculations of weekly earnings • One misclassification of an overpayment. <p>As a result the Council carried out additional 40+ testing on these areas and found further errors:</p> <ul style="list-style-type: none"> • Further 8 misclassifications of overpayments (from a sample of 40) • Further 11 incorrect calculations of weekly earnings (from a sample of 80) of which 6 were overpayments and 5 were underpayments) Only overpayments impact on the Council's subsidy claim: the Council cannot receive subsidy on payments it should have made but did not. Adjustments can be made in the following year for underpayments to award the claimants what should have been paid and can be then claimed as subsidy. <p>We re-performed an element of this additional testing and confirmed the Council's findings. We reported the results in our qualification letter.</p> <p>We are required to report all errors to the DWP in a prescribed report format which extrapolates the error over the relevant population. Most notable was the percentage of overpayments which had been classified as eligible but were actually caused by local authority error or delay (6.71% by value in the sample). Combined with the extrapolated errors in earned income, the Council estimated that the potential loss of subsidy to the Council could have been £231,021.</p> <p>However, the Council was able to provide more information to reduce the scope of the potential loss for earned and self employed income. We undertook further work and revised our qualification letter in light of the additional analysis provided by the Council. Should the DWP accept these revised figures, then the Council estimates a potential increase in subsidy of £23,477.</p>

Appendix B: Action plan

Priority

High - Significant effect on arrangements

Medium – Some effect on arrangements

Low - Best practice

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1 Page 32	<p>The Council should arrange for more internal checks regarding:</p> <ul style="list-style-type: none"> - Earned income - Classification of overpayments <p>These checks should be undertaken to safeguard against inaccurate awards and classification of overpayments.</p>	High	<p>The Council will address the recommendation through:</p> <ul style="list-style-type: none"> • Improvements to the forms filled out by the Housing Benefits Team to calculate earned income (already completed). • Further training on the areas outlined (partially completed). • An information sheet to give the team more guidance (to be completed by the end of January). • Further testing on the areas where errors were found (to be completed by the 31 March 2015). 	Benefits and Control Officer (all actions will be completed by 31 March 2015)

Appendix C: Fees

Claim or return	2012/13 fee (£)	2013/14 indicative fee (£)	2013/14 actual fee (£)	Variance year on year (£)	Explanation for significant variances
Housing benefits subsidy claim	15,900	10,736	10,736	-5,164	<p>The fees for certification of housing benefit subsidy claims were reduced from those set in 2011/12 of £20,382 by 40 per cent (saving from Audit Commission contracts with new audit suppliers from 2012/13) and then a further 12 per cent, to reflect the removal of council tax benefit from the scheme.</p> <p>These savings are in addition to the removal of the requirement for audit certification of the NNDR3 return.</p>
National Non Domestic Rates	950	NIL	NIL	-950	There was no requirement to certify this return in 2013/14.
TOTAL	16,850	10,736	10,736	-6,114	



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Agenda Item 9

Update on the Counter Fraud work

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
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Purpose of the Report

To update the Audit Committee on key issues in counter fraud work at SSDC.

Recommendation:

That Audit Committee is asked to:

- 1) Note the key issues around the resourcing of counter fraud work in the future
- 2) Note the update on the delivery of the Counter Fraud Action Plan

Background

Since attending the Audit Committee last year, it has been confirmed that from 1st June 2015, the investigation of benefit fraud will transfer over to the Single Fraud Investigation Service (SFIS) run by the Department of Work and Pensions (DWP).

From then on, all current and future fraud investigations involving housing benefit (HB) and historical council tax benefit (CTB) will be run by SFIS. At this time, the existing fraud investigation staff (2.6 FTE) will also be transferred to the DWP. Discussions to prepare for the move have started, yet after the transfer, there will be considerable residual counter fraud work remaining at SSDC which will need to be resourced.

The residual counter fraud work includes:

- The investigation of Council Tax support/reduction fraud and error, which will remain under the remit of LA's;
- Managing the National Fraud Initiative (NFI) data matching exercises to sift the results and then take follow up action to identify potential fraud. As well as HB & CTB fraud, NFI covers the whole of the council's business e.g. creditors, payroll etc;
- Evaluating referrals to the Somerset Fraud website and hotline. Set up through the Somerset Fraud Forum, these services provide the means to report any form of fraud throughout Somerset for investigation. Referrals affecting other Local Authorities and Housing Associations are passed to the appropriate organisation.

Importantly, the administration of housing benefit will remain at SSDC until the DWP complete the roll-out of Universal Credit (UC), which will be dealt with by DWP. The date for UC implementation has been delayed, but will be starting from April 2015, albeit for single people only at SSDC. Although DWP will take on fraud investigation this summer, they will still need access to the information provided from our housing benefits' system. This information is currently provided by the Investigation Team, but alternative arrangements will need to be in place once the team transfer over in June.

On another note, the current Fraud Intern is due to leave in April 2015. He has mainly been tasked with drafting a new Counter Fraud Policy, and revising SSDC's Whistleblowing Policy to take account of recent changes in legislation. Both policies are nearing completion, but key decisions need to be taken on the resourcing of fraud work before they

can be finalised and progress to the consultation stage. It is hoped that a further Fraud Intern placement might be approved, but no decision has yet been taken.

Finally, the wider counter fraud work relating to procurement, social housing, grants, and the wrongful claiming of Council Tax discounts and exemptions needs to be resourced; they were identified in the Counter Fraud Strategy as key areas where attention should be focused. The various changes will mean that SSDC needs to reconfigure its own resources to successfully continue counter fraud work, which will now be discussed.

Resourcing Counter Fraud Work:

Last year, the Department of Communities and Local Government (DCLG) pledged to award £80K of 'match' funding to a partnership 'bid' led by Taunton Deane Borough Council, which also included SSDC and West Somerset District Council. The funding will be awarded over the next two years, and SSDC are committed to provide £30K of the £80K required from the partnership. The DCLG will only provide matched funding if certain targets are met, and there will be a considerable 'drag time' before any funds are actually received.

The content of the 'bid' was to explore if a combined counter-fraud investigation service was feasible under the auspices of the South West Audit Partnership (SWAP). It is hoped that if the initiative is successful, other councils may seek to join in the longer term. Admittedly, such a team would need to be recruited from scratch as the skill set of the existing audit staff, although complementary, does not feature the knowledge of criminal law procedure which is necessary for an investigation service.

This initial skills gap, together with the two year limit to the DCLG funding, means that recruiting the adequate skills may not be achievable before the current Investigations Team transfer. The scope and governance arrangements still need to be mapped out, as do the costings. SWAP expect that the partners will meet the costs associated with setting up, governance arrangements and exiting arrangements e.g. redundancies. For this reason, it will be important for the staffing structure to be sustainable when the government funding ends. On the 24th February 2015, the Partners are meeting to discuss the next steps in the process, and a verbal update will be given to Audit Committee as to how this progressed.

Lastly, not all counter fraud work will be transferred to SFIS or to any SWAP led initiative. A provision of £35,000 has been made to recruit in-house expertise to carry out the residual work referred to above, such as dealing with the NFI and fraud reporting routes, updating policy and procedures, training and raising awareness, and carrying on the workload specified within the Counter Fraud Action Plan. An updated Action Plan is attached as Appendix A

Financial Implications

A £50,000 provision per annum has been made to support counter fraud work post transfer.

Background Papers

Counter Fraud, Theft and Bribery Strategy
Counter Fraud Action Plan



SSDC COUNTER FRAUD STRATEGY

ACTION PLAN - *Update*

The Action Plan has progressed well in the last nine months, and headway has been made in a number of key areas, despite a large proportion of time being taken up with establishing future resource arrangements for counter fraud work. Besides this, the tasks prioritised were the completion of the Counter Fraud and Whistleblowing policies, which in addition to providing much needed updates, form the corner stone of many other tasks in the Plan.

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

February, 2015

1) RAISING AWARENESS OF FRAUD:			
Ref	Key task	Status	Update on Progress
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>	<i>Not Yet Underway</i>	Provision needs to be made for a more detailed assessment to be made as part of the Audit Plan delivered by SWAP.
	<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	Status	Update on Progress
38.2	<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>	<i>Underway</i>	The fraud content on our websites has been updated, and will be further reviewed. Once the draft policies have been approved, simplified 'easy read' versions will also be provided online.
	<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>		

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1) RAISING AWARENESS OF FRAUD:			
Ref	Key task	Status	Update on Progress
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>	<i>Underway</i>	An e-learning module has been provided by East Devon DC, yet before we can customise it, we need to finalise the Counter Fraud Policy, which will form the backbone of the training content.
	<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	Status	Update on Progress
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>	<i>Underway</i>	The methods outlined above are also going to be used to provide new employees with fraud awareness training, though the content will be a condensed version to ensure that the important messages come across.
	<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>		

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1) RAISING AWARENESS OF FRAUD:																		
Ref	Key task	Status	Update on Progress															
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>	Completed	Rather than a stand-alone page, a section on publications relating to fraud has been incorporated directly into the draft Counter Fraud Policy.															
	<table border="1"> <tr> <td>Section in Fraud Strategy</td> <td>4.2</td> <td>SWAP Audit: 2.1a</td> </tr> <tr> <td>Priority</td> <td>Medium-Low</td> <td></td> </tr> <tr> <td>Resources</td> <td colspan="2">Fraud and Data Intern, in partnership with the Communications Team</td> </tr> <tr> <td>Outcome</td> <td colspan="2">A clear programme of Counter Fraud publications, endorsed by the Communications Team</td> </tr> <tr> <td>Performance Measure</td> <td colspan="2">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</td> </tr> </table>	Section in Fraud Strategy	4.2	SWAP Audit: 2.1a	Priority	Medium-Low		Resources	Fraud and Data Intern, in partnership with the Communications Team		Outcome	A clear programme of Counter Fraud publications, endorsed by the Communications Team		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			
Section in Fraud Strategy	4.2	SWAP Audit: 2.1a																
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2) ESTABLISHING A POLICY FRAMEWORK:			
Ref	Key task	Status	Update on Progress
2.1	<p>The SSDC Counter Fraud, Bribery and Corruption Policy to be fundamentally revised. The Policy will assist 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>	<i>Nearing Completion</i>	The Policy has been fully drafted, and is now undergoing minor revision before going out for consultation with managers, equalities, unions, SWAP etc.
	<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	Status	Update on Progress
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>	<i>Completed</i>	The Response Plan has been incorporated within the Fraud Policy, rather than as a separate document. The Appendix sets out flow charts which vary depending on the persons alleged to be involved.
	<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	

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2) ESTABLISHING A POLICY FRAMEWORK:			
Ref	Key task	Status	Update on Progress
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>	<i>Completed</i>	The separate Sanctions Policy has been amalgamated with the Fraud Policy, so that all information can be accessed under one heading.
	<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	Status	Update on Progress
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>	<i>Nearing Completion</i>	The Whistleblowing Policy is currently in the final stages of revision, and will then be subject to consultation in tandem with the Fraud Policy.
	<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	

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2) ESTABLISHING A POLICY FRAMEWORK:			
Ref	Key task	Status	Update on Progress
2.5	<p>An Annual Fraud Report to be presented to Audit Committee to keep them informed of counter fraud work. The Audit Committee are obligated to make certain that counter fraud and corruption arrangements are in place, and accordingly, an annual Fraud Programme should be delivered to them. The Plan will assess the effectiveness of corporate fraud initiatives in the previous six months, and any areas in need of revision. The Plan will also detail initiatives for the next six months, including how the resources available are to be focused towards fraud risks.</p>	<i>Completed</i>	The Audit Committee will receive an annual report setting out the resource arrangements in place, and providing an overview of the past and previous audits on areas related to fraud.
	<p>Section in Fraud Strategy 1.5, 1.21, 2.12, 5.2</p> <p>Priority <i>Medium</i></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	Status	Update on Progress
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>	<i>Underway</i>	A meeting has taken place to discuss the content and format of the document, however we need access to all the audits undertaken by SWAP so that recommendations on fraud can be extracted into the document.
	<p>Section in Fraud Strategy 1.7, 1.20, 2.2</p> <p>Priority <i>Medium-Low</i></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>		

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3) PROCEDURAL CHANGES:																		
Ref	Key task	Status	Update on Progress															
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>	<i>Not Yet Underway</i>	This has been informally discussed with some of the Assistant Directors, but it has not yet been formally raised during the CGG. A closer relationship with the Fraud and Data Manager is essential to corporate fraud performance.															
	<table border="1"> <tr> <td>Section in Fraud Strategy</td> <td>2.11</td> <td>SWAP Audit: 1.2a</td> </tr> <tr> <td>Priority</td> <td>High</td> <td></td> </tr> <tr> <td>Resources</td> <td colspan="2">Assistant Director – Legal and Corporate Services, Fraud and Data Manager</td> </tr> <tr> <td>Outcome</td> <td colspan="2">Fraud is specifically addressed by Senior Management. Fraud and Data Manager included in CGG</td> </tr> <tr> <td>Performance Measure</td> <td colspan="2">CGG has a wider remit and membership, demonstrating the corporate adoption of counter-fraud</td> </tr> </table>	Section in Fraud Strategy	2.11	SWAP Audit: 1.2a	Priority	High		Resources	Assistant Director – Legal and Corporate Services, Fraud and Data Manager		Outcome	Fraud is specifically addressed by Senior Management. Fraud and Data Manager included in CGG		Performance Measure	CGG has a wider remit and membership, demonstrating the corporate adoption of counter-fraud			
Section in Fraud Strategy	2.11	SWAP Audit: 1.2a																
Priority	High																	
Resources	Assistant Director – Legal and Corporate Services, Fraud and Data Manager																	
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Performance Measure	CGG has a wider remit and membership, demonstrating the corporate adoption of counter-fraud																	
Ref	Key task	Status	Update on Progress															
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>	<i>Underway</i>	Although attempts were made to engage Managers after the implementation of the Fraud Strategy, further progress is needed to ensure managers classify potential fraud risks appropriately.															
	<table border="1"> <tr> <td>Section in Fraud Strategy</td> <td>3.3, 4.4, 4.5</td> <td>SWAP Audit: 1.2a</td> </tr> <tr> <td>Priority</td> <td>Medium-High</td> <td></td> </tr> <tr> <td>Resources</td> <td colspan="2">Fraud and Data Manager, with services managers to complete the procedural change necessary</td> </tr> <tr> <td>Outcome</td> <td colspan="2">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</td> </tr> <tr> <td>Performance Measure</td> <td colspan="2">A greater understanding of all risks that the Council face in relation to fraud</td> </tr> </table>	Section in Fraud Strategy	3.3, 4.4, 4.5	SWAP Audit: 1.2a	Priority	Medium-High		Resources	Fraud and Data Manager, with services managers to complete the procedural change necessary		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		Performance Measure	A greater understanding of all risks that the Council face in relation to fraud			
Section in Fraud Strategy	3.3, 4.4, 4.5	SWAP Audit: 1.2a																
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Resources	Fraud and Data Manager, with services managers to complete the procedural change necessary																	
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Performance Measure	A greater understanding of all risks that the Council face in relation to fraud																	

3) PROCEDURAL CHANGES:			
Ref	Key Task	Status	Update on Progress
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>	<i>Underway</i>	See reference 2.6.
	<p>Section in Fraud Strategy 2.1, 2.9, 2.11 3.2, 3.4, 4.5</p> <p>Priority Medium</p> <p>Resources Assistant Director – Finance and Corporate Services, Fraud and Data Manager</p> <p>Outcome Thorough understanding of measures taken to prevent fraud through access to all SWAP documents</p> <p>Performance Measure Once access is granted, comparison of annual performance through SWAP reports can be achieved</p>		
Ref	Key task	Status	Update on Progress
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>	<i>Underway</i>	Three easy-read versions of the Fraud Policy are being prepared, and it is hoped that this will enable a variety of people to absorb our counter fraud messages.
	<p>Section in Fraud Strategy 1.20</p> <p>Priority Medium-Low</p> <p>Resources Fraud and Data Intern, Equalities Officer</p> <p>Outcome The successful undertaking of the Action Plan, without disadvantaging protected characteristics</p> <p>Performance Measure Assessment of the monitoring system by the Equalities Officer and the Equalities Steering Group</p>		

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4) PROACTIVE COUNTER FRAUD INITIATIVES:			
Ref	Key task	Status	Update on Progress
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>	<i>Underway</i>	Since being published last Spring, we now have the ability to log in and edit the website ourselves. A full review of the website is planned in the forthcoming year (subject to resources), in tandem with task 4.2.
	<p>Section in Fraud Strategy 1.15, 2.1, 4.3, 4.7</p> <p>Priority High</p> <p>Resources Senior Management to establish the resources available. Hotline and website need to be administered</p> <p>Outcome Fraud hotline and website to be reviewed, ensuring simple means of reporting misconduct are in place</p> <p>Performance Measure Success of campaign monitored through number of referrals and quality of data received</p>		
Ref	Key task	Status	Update on Progress
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>	<i>Underway</i>	Currently the Investigations Team deal with online referrals, in conjunction with Customer First who handle the phone calls. Alternative arrangements will need to be in place by 1 st June when the Investigations Team transfer over to DWP.
	<p>Section in Fraud Strategy 1.5, 1.18, 1.19, 3.10, 5.2</p> <p>Priority Medium-High</p> <p>Resources Senior Management to establish the resources available. In-house staff could be retained in some way</p> <p>Outcome Arrangements to ensure that the data generated through fraud referrals continues to be investigated</p> <p>Performance Measure Successful investigation of hotline and website referrals, and recovery of any fraud losses</p>		

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4) PROACTIVE COUNTER FRAUD INITIATIVES:			
Ref	Key task	Status	Update on Progress
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>	<i>Underway</i>	An audit into bribery and contract management took place in late 2014, and as a result of the findings further audits into contract management will be included in the 2015/16 audit plan. Conducting audits on areas such as grants and housing tenancy have been informally discussed with SWAP, but not yet arranged within the actual Audit Plan.
	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	

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4) PROACTIVE COUNTER FRAUD INITIATIVES:			
Ref	Key task	Status	Update on Progress
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>	<i>Underway</i>	See reference 4.2.
	<p>Section in Fraud Strategy 1.15, 2.1, 4.3, 4.7</p> <p>Priority Medium</p> <p>Resources Senior Management of other Somerset Councils to establish the available resources in their authority</p> <p>Outcome Resources for handling county wide referrals established at other Somerset Councils</p> <p>Performance Measure Further promotion of the website, and the ease with which the data reaches the appropriate authority</p>		
Ref	Key task	Status	Update on Progress
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>	<i>Not Yet Underway</i>	There has not been any specific progress on this as yet, though conversations with other Councils in the run up to submitting the DCLG bid for funding have indicated that attitudes towards SPD fraud are shifting, and that levying a fine may soon become more common practice.
	<p>Section in Fraud Strategy 3.7</p> <p>Priority Medium-Low</p> <p>Resources Senior Management to establish the resources available</p> <p>Outcome A schedule of meetings, undertaken with the aim of securing further investigative resources from SCC</p> <p>Performance Measure A clear decision as to the provision of further resources, as well as the attitude SSDC are to adopt</p>		

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Agenda Item 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

AUDIT COMMITTEE - FORWARD PLAN 2015

Committee Date	Responsible Officer
March 2015 <ul style="list-style-type: none"> • Health, Safety, and Welfare (Annual Report) • Risk Management Update • Internal Audit - Charter • Annual Governance Statement Action Plan • <i>Internal Audit Plan – approve 14/15 plan</i> • <i>External Audit – Audit Plan 2014/15</i> 	Pam Harvey Gary Russ Andrew Ellins Donna Parham <i>Andrew Ellins</i> <i>Donna Parham</i>
April 2015 <ul style="list-style-type: none"> • Accounting Policies for 2014/15 Accounts 	Amanda Card
May 2015 <ul style="list-style-type: none"> • 2014/15 Annual Governance Statement • Review of Internal Audit • Internal Audit Plan – Review 2014/15 	Donna Parham Donna Parham Andrew Ellins