

Agenda

REGULATORY AND AUDIT COMMITTEE

Date: Wednesday 21 September 2016
Time: 9.00 am
Venue: Mezzanine Room 2, County Hall, Aylesbury

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Agenda Item	Time	Page No
1 APOLOGIES FOR ABSENCE / CHANGES IN MEMBERSHIP	09:00	
2 DECLARATIONS OF INTEREST To disclose any Personal or Disclosable Pecuniary Interests		
3 MINUTES of the meeting held on 28 th July 2016 to be confirmed as a correct record		5 - 14
4 EXTERNAL AUDIT ACTION UPDATE To be presented by Richard Schmidt, Head of Strategic Finance.	09:05	15 - 26

5	REPORT ON MANDATORY TRAINING ACROSS THE ORGANISATION To be presented by Caroline High, Corporate Training Advisor	09:15	27 - 34
6	BUSINESS ASSURANCE TEAM UPDATE To be presented by Maggie Gibb, Chief Internal Auditor.	09:35	To Follow
7	ANTI-FRAUD & CORRUPTION POLICY AND MONEY LAUNDERING POLICY To be presented by Maggie Gibb, Chief Internal Auditor.	09:55	35 - 102
8	FORWARD PLAN Standing item. To be presented by Maggie Gibb, Chief Internal Auditor.	10:05	
9	DATE AND TIME OF NEXT MEETING 09 November 2016, 09:00, Mezzanine Room 2, New County Offices, Aylesbury	10:10	
10	EXCLUSION OF THE PRESS AND PUBLIC To resolve to exclude the press and public as the following item is exempt by virtue of Paragraph 3 of Part 1 of Schedule 12a of the Local Government Act 1972 because it contains information relating to the financial or business affairs of any particular person (including the authority holding that information)		
11	SPECIAL EDUCATIONAL NEEDS AUDIT An update from the Service Director	10:10	103 - 110
12	BUCKS LEARNING TRUST (BLT) AND SCHOOLS AUDITS An update from the Service Director	10:40	111 - 112
13	TRANSPORT FOR BUCKS STREET LANTERN REPLACEMENT AUDIT. To be presented by Mark Averill, Head of Highways.	11:10	113 - 118
14	CONFIDENTIAL MINUTES For Committee Members to agree the confidential minutes of the closed session with Grant Thornton Auditors at the 28 th July 2016 meeting	11:40	

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For further information please contact: Kevin Wright on 01296 387832, email: kwright@buckscc.gov.uk

Members

Mr T Butcher
Mr W Chapple OBE
Mrs A Davies
Mr T Egleton

Mr P Hardy
Mr D Martin
Mr R Scott
Mr A Stevens

Minutes

REGULATORY AND AUDIT COMMITTEE

MINUTES OF THE MEETING OF THE REGULATORY AND AUDIT COMMITTEE HELD ON THURSDAY 28 JULY 2016 IN MEZZANINE ROOM 2, COUNTY HALL, AYLESBURY, COMMENCING AT 9.03 AM AND CONCLUDING AT 11.39 AM.

MEMBERS PRESENT

Mr T Butcher
Mr W Chapple OBE
Mr P Hardy
Mr D Martin

OTHERS IN ATTENDANCE

Mr R Ambrose, Director of Assurance and Chief Finance Officer
Ms J Edwards, Pensions and Investments Manager
Mr A Fyfe, Head of Resilience and Community Safety
Ms M Gibb, Head of Business Assurance
Mr P Grady, Engagement Lead, Grant Thornton Auditors
Ms R Martinig, Financial Accountant
Mr P McGovern, Senior Finance Officer
Ms E O'Neill, Projects and Financial Accountancy Lead
Ms A Robinson, Auditor, Grant Thornton Auditors
Mr T Slaughter, Executive, Grant Thornton Auditors
Mr M Strevens, Corporate Finance Business Partner, HQ
Mr M Ward, Manager, Grant Thornton Auditors
Mr K Wright, Committee and Governance Adviser

1 ELECTION OF CHAIRMAN

Mr W Chapple OBE proposed that Mr D Martin be the Committee Chairman for the coming year. This was seconded by Mr T Butcher.

RESOLVED

That Mr D Martin be elected as Chairman of the Regulatory and Audit Committee for the ensuing year.



2 APPOINTMENT OF VICE CHAIRMAN

Mr D Martin appointed Mr T Butcher as Vice-Chairman of the Regulatory and Audit Committee.

3 APOLOGIES FOR ABSENCE / CHANGES IN MEMBERSHIP

Apologies were received from Mrs A Davies and Mr A Stevens.

4 DECLARATIONS OF INTEREST

There were no declarations of interest.

5 MINUTES

The minutes of the last meeting held on 25th May 2016 were agreed as an accurate record and signed by the Chairman.

6 EFFECTIVENESS OF DEBT MANAGEMENT STRATEGY - UPDATE

The Chairman welcomed Mr M Strevens who presented the update report and informed Members of the following:

- There had been a continued focus on improving the effectiveness of the Debt Management Strategy since the last report to the Committee on 3rd February 2016.
- Finance officers had been working closely with individual Business Units to understand their specific debt management issues given the different types of services being delivered.
- Work had been going on to create better metrics to be able to report outstanding debt in a more clear and concise way and increase visibility of the current debt position.
- There was still a need to improve debt reporting from the invoicing and debt management system SAP and a number of improvements were being undertaken including changing the age profile of debt to clearly identify that which was over one year old.
- There was a challenge in classifying debt that had been raised and therefore showed as outstanding but which was not yet due for payment, for example Section 106 money.
- An ongoing review of historic aged debt and unallocated income was being undertaken. It was thought that once this work was completed, outstanding debt could reduce by £1m from the amount currently being reported.
- From September, mandatory debt management training for cost centre managers would be rolled out and improved help and information for officers would be available on the intranet.
- Whilst early action in recovering debt was the responsibility of the Business Unit, after 90 days the Finance Operations Team would offer help to Business Units in recovering debt.

Mr Strevens went onto explain some of the revised reporting metrics that had been developed to gain a better understanding and visibility of debt. These included:

- Data on the amount of invoices raised to help put into context the increasing amount of debt outstanding. This included information split by individual Business Units to identify peaks and troughs in amounts being raised at particular times of the year to gain an understanding of the reasons for these.
- Profiling debt into high, medium and low risk of recovery.
- Revised data for One Council Board shown in a single table including the value of debt outstanding categorised by risk of non-recovery, age of the debt and amount written off shown against bad debt provision.
- Over time, data would be available to show the direction of travel against these metrics to help understand whether actions taken on debt recovery were having an impact.
- Improved understanding of risk of non-recovery to help ensure the correct amount of bad debt provision.
- Data to help manage debt more commercially which showed debt as a percentage of total sales raised.

There was further discussion about raising Section 106 invoices which were not due for payment until sometimes a number of years ahead and whether it was possible to either classify these differently to stop them appearing as debt or delay raising the invoice. Mr R Ambrose acknowledged that, over time, this issue would become more significant and that currently these debts were not identified separately in the outstanding debt reports. Mr Ambrose noted that it would be useful to revisit the process around this in future to see whether invoicing could be delayed.

Mr Strevens acknowledged that there was no real understanding yet of how much it cost to chase and write off outstanding debt, although work was being undertaken in this area.

Members asked that the following information be brought to a future Committee meeting:

- The current and proposed future position regarding the cost of chasing and writing off outstanding debt in the next debt management report.
- A more detailed report on the amount and management of very old debt for which currently there was no transparency.
- Data on “Overdue Unsecured Debt as a Percentage of Annual Invoicing” to include previous year information to be able to monitor trends.
- Further information about the updating of the finance intranet pages.

ACTION: Mr M Strevens to provide this information in the next report to the Committee

RESOLVED

The Committee AGREED:

1. **That the changes and improvements within the report are endorsed and given time to ‘bed-in’.**

2. **That Business Units are invited to present their local debt management approaches and performance to the Committee once this 'bedding-in' period has been completed.**
3. **That the aged debt report is brought to the Committee on a six monthly basis.**

7 BUSINESS CONTINUITY MANAGEMENT UPDATE

The Chairman welcomed Mr A Fyfe to the meeting to present the report.

Mr Fyfe explained that the report was a snapshot at a particular time of current Business Continuity Management (BCM) arrangements.

Mr Fyfe went through the red, amber and green status report which showed the level of assurance that each Business Unit had BCM arrangements in place. Mr Fyfe explained that if a Business Unit was coded as red, it may not necessarily mean there were no plans in place but that they had not communicated the plans to required timescales.

Mr Fyfe confirmed that there was still some work to do in fully assuring BCM arrangements within Children's Social Care and Learning, Adult Social Care and Transport, Economy and Environment, however Mr Fyfe explained that Business Continuity Plans had been invoked on Wednesday 21st July 2016 and that there had been a good corporate response. Mr Fyfe informed Members that a meeting was taking place on 29th July 2016 to understand what lessons could be learned from the invocation.

Mr Fyfe was asked to provide information about the previous year's and previous quarter's red, amber and green status in future reports to provide the Committee with a view of direction of travel.

ACTION: Mr Fyfe to provide the information requested in the next report.

A change to the recommendation was agreed by the Committee.

RESOLVED

The Committee NOTED:

The conclusions of the report and that One Council Board considers action needed to ensure all Services and Business Units comply with the BCM Policy and Financial Regulation.

8 AUDITED STATEMENT OF ACCOUNTS AND AUDIT FINDINGS REPORT FOR BUCKINGHAMSHIRE COUNTY COUNCIL AND PENSION FUND

The Chairman welcomed

- Mr R Ambrose – Director of Assurance
- Mrs E O'Neill – Projects and Financial Accountancy Lead
- Ms J Edwards – Pensions and Investment Manager
- Mr P McGovern – Senior Finance Officer
- Mrs R Martinig – Accountant
- Mr P Grady – Grant Thornton – External Auditor
- Mr M Ward – Grant Thornton
- Mr T Slaughter – Grant Thornton
- Ms A Robinson – Grant Thornton

Mr R Ambrose introduced the report and explained that this was the final set of audited accounts following the presentation of the un-audited accounts to the Committee at the last meeting. Mr Ambrose explained that the accounts included the main accounts, the pension fund accounts and the value for money conclusion.

Mr Ambrose informed the Committee that the timetable for closing the accounts had been brought forward by two months compared to last year when the accounts were approved during September. Mr Ambrose acknowledged the good working relationship between Council officers and the Auditors, Grant Thornton, in achieving the smooth transition.

Mrs E O'Neill explained some of the adjustments that had needed to be made to the accounts following the audit, none of which affected the bottom line position or the level of general fund reserves.

Mrs O'Neill explained that three main adjustments to the accounts had been agreed:

- Fully depreciated assets had been left incorrectly within the fixed assets register. Therefore an adjustment had been made to write out around £2.5m of intangible assets and £13m of plant and equipment from the gross book value and the accumulated depreciation.
- There had been around £4m of depreciation overcharged to the Comprehensive Income and Expenditure Statement (CIES) because of an issue related to useful economic lives of assets and how these had been updated in the asset register. An adjustment had now been made to reduce the charge.
- There had been a presentation error of around £2m in the upward and downward revaluation movements in the revaluation reserve. This had now been corrected.

Mrs O'Neil explained that a number of other items of disclosure had also been amended including some written disclosure; in particular the post balance sheet events note had been updated in relation to the Energy From Waste Plant.

Mrs O'Neill informed Members that full details were in the Audit Findings Report and that none of the adjustments had affected the general fund balance.

In response to a question about the level of general fund reserves, Mr Ambrose explained that the level of £16m or around 5% set at the February budget was about right and the final level had been £17m or about 6%. Mr Ambrose informed Members that this level was at the advisable minimum and that robust monitoring of budgets within year was essential so that action could be taken quickly to deal with forecast overspends. Mr Ambrose considered that the budget scrutiny process undertaken by the Finance, Performance and Resources Select Committee each year was important in setting the level of reserves taking into account the risks that the Council had identified.

The Committee was told that there were contingencies agreed in the budget setting to deal with budget overspends and that these were in addition to reserves. Mr Ambrose advised Members that contingencies could only be released to portfolios through a formal process involving himself, the Chief Executive and the Leader.

The Chairman asked Mr P Grady from Grant Thornton Auditors to discuss the Audit Findings Report.

Mr Grady thanked everyone for their hard work and acknowledged the good working relationship with the finance team which had meant that the accounts could be closed early. Mr Grady explained that none of the issues they had found in the un-audited accounts were as a result of speeding up the process and went on to highlight the following:

- All outstanding actions had now been completed except one related to schools bank balance confirmations but that as these were not material they would not affect the signing off of the accounts subject to Committee approval.
- There had been no risk of fraud found as a result of testing of revenue transactions with the Council.
- There were no material concerns around the sufficiency of bad debt provision and size of unmatched income, however there could be potential to write off more older debt than was being done currently.
- There was no evidence of the overriding of management controls.
- There were no material issues related to operating expenses or payroll.
- There was a difference of view between the Council and the Auditors in relation to the fair value of the loans from the Public Works Loan Board (PWLB). Grant Thornton had estimated a value £8.6m higher than the Council estimate, however this was not material and not considered to be a misstatement.

The Chairman welcomed Ms J Edwards and thanked her and the team for their hard work in preparing the Pension Fund Accounts.

Ms Edwards informed Members that some minor changes had been made to the wording in the Pension Fund Accounts after they had been to the Pension Fund Committee on 27th July 2016.

Mr T Slaughter provided Members with an update on the Audit Findings Report for The Pension Fund and explained that the accounts had been closed earlier than usual in line with the main accounts.

Mr Slaughter explained that the accounts had been produced to a fairly high standard and that nothing had been found that would result in changes to the net asset statement or the fund account. Mr Slaughter informed Members that a minor change had been made to the disclosure notes and that the letter to new starters had not been sent out although this had now been resolved.

Mr R Ambrose brought the Committee's attention to the value for money conclusion and asked Mr P Grady to update the Committee.

Mr Grady explained that the value for money conclusion was an assessment of the Council's arrangements to be able to achieve value for money and explained that there were no concerns around the arrangements in respect of financial planning, contract management or the Future Shape programme. Mr Grady acknowledged that there had been a qualified opinion by the Head of Internal Audit in respect of historic legacy issues regarding internal controls but although important, they had not resulted in the auditors qualifying the value for money opinion.

Mr Grady acknowledged the positive direction of travel in respect of addressing issues from the Children's Services Ofsted Inspection, however as there was still work on-going the auditors had qualified the value for money opinion in this area.

In response to a question about whether 5% reserves were still appropriate, Mr Grady explained that this was reasonable given the level of risk. Mr Ambrose noted that 5% should be the minimum held in reserves and that the level of reserves should be linked to the level of risks.

RESOLVED

The Committee AGREED its response to the matters raised by Grant Thornton in their Audit Findings Report 2015-16 and that the Statement of Accounts for Buckinghamshire County Council and Pension Fund for the financial year ended 31 March 2016 be signed by the Chairman of the Committee.

The Committee APPROVED the Letters of Representation on behalf of the Council and Pension Fund and AGREED that it be signed by the Chairman of the Committee.

The Committee AGREED the response to the proposed action plan within the Audit Findings Reports for the Council and Pension Fund.

9 FINAL ANNUAL GOVERNANCE STATEMENT

The Chairman welcomed Ms M Gibb – Head of Business Assurance and Chief Internal Auditor.

Ms Gibb informed Members that this was the final version of the Annual Governance statement. Ms. Gibb explained that there had been some very minor changes to the draft version that had been brought to the previous Committee meeting and that the final version would be signed and published alongside the final accounts.

In response to a question about limited assurance reports, Ms Gibb informed Members that limited assurance reports were brought to the Committee as they were issued and that Managing Directors or Heads of Service involved would attend the Committee to provide updates to Members if requested.

RESOLVED

The Committee APPROVED the Annual Governance Statement 2015/16.

10 BUSINESS ASSURANCE UPDATE

Ms Gibb gave an update to Members on Business Assurance and the 16/17 work programmes for Risk Management, Internal Audit and Counter Fraud which included the following:

- There was continued work on counter fraud and the National Fraud Initiative (NFI) data matching.
- The Business Assurance team was now fully resourced.
- There was a new corporate risk management system being implemented including a detailed review of data being held.
- The Assurance and Risk Strategy was being reviewed and would be brought to the Committee for approval in September.
- Internal audit work had included some grant verification work from which no issues had been raised.

Ms Gibb informed Members that an in depth analysis had been done on audit report actions and 105 were still open and classified as high or medium priority. Ms Gibb went on to give a brief overview of some of these and suggested that the older actions go to One Council Board to progress.

There was a discussion around whether the older outstanding actions were still relevant. It was suggested that a discussion be held with Business Units to identify those that could be closed with any remaining to be reported to One Council Board to progress and resolve.

ACTION:

Ms M Gibb to arrange review with Business Units before presenting to One Council Board.

Ms Gibb informed Members of the limited assurance internal audit reports and explained that a lot of progress had been made in respect of the Accounts Receivable Report. Ms Gibb advised that seven high priority actions had been identified in the Special Educational Needs Report and that there would be an update at the next Committee meeting.

There was a debate around confidentiality issues when discussing some audit work at the Committee.

RESOLVED

The Committee NOTED the report

11 RISK MANAGEMENT GROUP UPDATE

Ms Gibb updated the Committee on the meeting of the Risk Management Group held on 5th July 2016, in particular the following:

- There had been a discussion of the One Council Board risk register and the Group had noted that the impact of some significant recent events such as Brexit still had to be included in the register.
- Some new strategic risks needed to be included in the register around the future of local government in Buckinghamshire, the growth agenda and terrorism.
- The new corporate risk management system would allow a better view of the movement of risk scores and direction of travel from one reporting period to the next.
- There had been a discussion about high level business unit risks and key financial risk and how these were escalated within each Business Unit.

Ms Gibb informed Members that Risk Champions had now been nominated within each Business Unit and that they would work with Managing Directors and Finance Directors to improve visibility, consistency and quality of risk management across the Council. The Risk Champions would be supported by the Business Assurance Team.

RESOLVED

The Committee noted the report.

12 FORWARD PLAN

Ms Gibb informed Members that the September meeting would include:

- An update on the Special Educational Needs audit
- An update from Bucks Learning Trust (BLT) which would cover any schools issues.
- A report on compliance with mandatory training.
- An update on the audit action tracker.

Ms Gibb explained that from November onwards there were a number of annual reports that needed to come to the Committee and a forward plan would be circulated to Members

ACTION:

Ms M Gibb to circulate forward plan to Members.

13 DATE AND TIME OF NEXT MEETING

Wednesday 21st September 2016 at 9am. Mezzanine Room 2, New County Offices, Aylesbury.

14 EXCLUSION OF THE PRESS AND PUBLIC

RESOLVED

That the press and public be excluded for the following item which is exempt by virtue of Paragraph 3 of Part 1 of Schedule 12a of the Local Government Act 1972 because it contains information relating to the financial or business affairs of any particular person (including the authority holding that information)

15 CLOSED SESSION WITH GRANT THORNTON AUDITORS

There was a discussion between Members and Grant Thornton Auditors.

16 CLOSED SESSION WITH BCC CHIEF INTERNAL AUDITOR

There were no questions from Members for the Chief Internal Auditor.

CHAIRMAN

Regulatory and Audit Committee

Title: External Audit Action Update

Date: Wednesday 21 September 2016

Author: Richard Schmidt Head of Strategic Finance

Contact officer: Richard Schmidt, 01908 387554

Local members affected:

For press enquiries concerning this report, please contact the media office on 01296 382444

Summary

This short report provides an update to the Committee in respect of the establishment of a Sector Led Body for the appointment of external auditors for local government bodies.

Recommendation

The Committee are asked to note the contents of the report and to agree the next steps to be taken.

Supporting information to include the following if a decision is being requested:

1. At its meeting on 27 April 2016 the Regulatory & Audit Committee received a report on the Local Government Association's (LGA) moves to establish a Sector Led Body (SLB) to co-ordinate external audit arrangements on behalf of local authorities. This report aims to update the Committee on the latest position.
2. The Committee were informed that Buckinghamshire County Council had expressed an interest in the SLB without giving any firm commitment. It is worth noting that similar expressions of interest were made by 270 local authorities demonstrating widespread support across the sector.
3. In the light of this significant support the LGA has proposed that Public Sector Audit Appointments (PSAA) be established as the SLB. Subsequently the Department for Communities and Local Government (DCLG) have made PSAA the "appointing person", i.e. they have formally been given the capacity to appoint external auditors on behalf of local authorities. This does not prevent local authorities appointing their own external auditors subject to meeting the requirements of the Local Government

Audit & Accountability Act, 2014. The prospectus of PSAA is appended to this report and sets out the benefits that PSAA feel they can bring to the external auditor appointment process.

4. It is likely that PSAA will formally invite individual councils to sign up to its arrangements in October 2016, with a deadline around December 2016/January 2017. At this point Buckinghamshire County Council will need to decide whether it wishes to go down this route or make its own arrangements. This will need to be a decision of Full Council following recommendation from the Regulatory and Audit Committee. Therefore if the Committee remain interested in pursuing this option it will need to ensure that the appropriate administrative arrangements are put in place.

Resource implications

5. There are no resource implications arising directly from this report. Clearly in the longer run the actions taken on this issue will determine the cost of the fee paid to the external auditor and less tangibly the quality of those audit arrangements.

Legal implications

6. This report is aimed at allowing Buckinghamshire County Council to comply with the requirements of the Local Government Audit and Accountability Act, 2014.

Background Papers

Previous Report to Regulatory & Audit Committee on 27th April 2016.



Developing the option of a national scheme for local auditor appointments

www.psa.co.uk

Public Sector
Audit Appointments

“The LGA has worked hard to secure the option for local government to appoint auditors through a dedicated sector-led national procurement body. I am sure that this will deliver significant financial benefits to those who opt in.”

– Lord Porter CBE, Chairman,
Local Government Association

Over the next few months all principal authorities will need to decide how their auditors will be appointed in the future. They may make the appointment themselves, or in conjunction with other bodies. Or they can take advantage of a national collective scheme which is designed to offer them a further choice. Choosing the national scheme should pay dividends in quality, in cost, in responsiveness and in convenience.

Public Sector Audit Appointments Ltd (PSAA) is leading the development of this national option. PSAA is a not-for-profit company which already administers the current audit contracts. It aims to be designated by the Department for Communities & Local Government (DCLG) to operate a collective scheme for auditor appointments for principal authorities (other than NHS bodies) in England. It is currently designing the scheme to reflect the sector's needs and views.

The Local Government Association (LGA) is strongly supportive of this ambition, and 200+ authorities have already signalled their positive interest. This is an opportunity for local government, fire, police and other bodies to act in their own and their communities' best interests.

We hope you will be interested in the national scheme and its development. We would be happy to engage with you to hear your views – please contact us at generalenquiries@psaa.co.uk

You will also find some questions at the end of this booklet which cover areas in which we would particularly welcome your feedback.

Audit does matter

High quality independent audit is one of the cornerstones of public accountability. It gives assurance that taxpayers' money has been well managed and properly expended. It helps to inspire trust and confidence in the organisations and people responsible for managing public money.

Imminent changes to the arrangements for appointing the auditors of local public bodies are therefore very important. Following the abolition of the Audit Commission, local bodies will soon begin to make their own decisions about how and by whom their auditors are appointed. A list of the local government bodies affected can be found at the end of this booklet.

The Local Government Association (LGA) has played a leadership role in anticipating these changes and influencing the range of options available to local bodies. In particular, it has lobbied to ensure that, irrespective of size, scale, responsibilities or location, principal local government bodies can, if they wish, subscribe to a specially authorised national scheme which will take full responsibility for local auditor appointments which offer a high quality professional service and value for money.

The LGA is supporting PSAA in its application to the Department for Communities & Local Government (DCLG) to be appointed to deliver and manage this scheme.

PSAA is well placed to award and manage audit contracts, and appoint local auditors under a national scheme

PSAA is an independent, not-for-profit company limited by guarantee and established by the LGA. It already carries out a number of functions in relation to auditor appointments under powers delegated by the Secretary of State for Communities & Local Government. However, those powers are time-limited and will cease when current contracts with audit firms expire with the completion of the 2017/18 audits for local government bodies, and the completion of the 2016/17 audits for NHS bodies and smaller bodies.

The expiry of contracts will also mark the end of the current mandatory regime for auditor appointments. Thereafter, local bodies will exercise choice about whether they opt in to the authorised national scheme, or whether they make other arrangements to appoint their own auditors.

PSAA wishes to be selected to be the trusted operator of the national scheme, formally specified to undertake this important role by the Secretary of State. The company is staffed by a team with significant experience in appointing auditors, managing contracts with audit firms and setting and determining audit fees. We intend to put in place an advisory group, drawn from the sector, to give us ready access to your views on the design and operation of the scheme. We are confident that we can create a scheme which delivers quality-assured audit services to every participating local body at a price which represents outstanding value for money.

“Many district councils will be very aware of the resource implications of making their own appointment. Joining a well-designed national scheme has significant attractions.”

– Norma Atlay, President,
Society of District Council Treasurers

“Police bodies have expressed very strong interest in a national scheme led by PSAA. Appointing the same auditor to both the PCC and the Chief Constable in any area must be the best way to maximise efficiency.”

– Sean Nolan, President,
Police and Crime Commissioners
Treasurers’ Society (PACCTS)

The national scheme can work for you

We believe that the national scheme can be an excellent option for all local bodies. Early indications are that many bodies agree - in a recent LGA survey more than 200 have expressed an interest in joining the scheme.

We plan to run the scheme in a way that will save time and resources for local bodies - time and resources which can be deployed to address other pressing priorities. Bodies can avoid the necessity to establish an auditor panel (required by the Local Audit & Accountability Act, 2014) and the need to manage their own auditor procurement. The scheme will take away those headaches and, assuming a high level of participation, be able to attract the best audit suppliers and command highly competitive prices.

The scope of public audit is wider than for private sector organisations. For example, it involves forming a conclusion on the body’s arrangements for securing value for money, dealing with electors’ enquiries and objections, and in some circumstances issuing public interest reports. PSAA will ensure that the auditors which it appoints are the most competent to carry out these functions.

Auditors must be independent of the bodies they audit, to enable them to them to carry out their work with objectivity and credibility, and in a way that commands public confidence. PSAA plans to take great care to ensure that every auditor appointment passes this test. It will also monitor any significant proposals, above an agreed threshold, for auditors to carry out consultancy or other non-audit work to ensure that these do not undermine independence and public confidence.

The scheme will also endeavour to appoint the same auditors to bodies which are involved in formal collaboration/joint working initiatives or within combined authority areas, if the parties consider that a common auditor will enhance efficiency and value for money.

PSAA will ensure high quality audits

We will only contract with firms which have a proven track record in undertaking public audit work. In accordance with the 2014 Act, firms must be registered with one of the chartered accountancy institutes acting in the capacity of a Recognised Supervisory Body (RSB). The quality of their work will be subject to scrutiny by both the RSB and the Financial Reporting Council (FRC). Current indications are that fewer than ten large firms will register meaning that small local firms will not be eligible to be appointed to local public audit roles.

PSAA will ensure that firms maintain the appropriate registration and will liaise closely with RSBs and the FRC to ensure that any concerns are detected at an early stage and addressed effectively in the new regime. The company will take a close interest in feedback from audited bodies and in the rigour and effectiveness of firms' own quality assurance arrangements, recognising that these represent some of the earliest and most important safety nets for identifying and remedying any problems arising. We will liaise with the National Audit Office (NAO) to help ensure that guidance to auditors is updated when necessary.

We will include obligations in relation to maintaining and continuously improving quality in our contract terms and quality criteria in our tender evaluation method.

PSAA will secure highly competitive prices

A top priority must be to seek to obtain the best possible prices for local audit services. PSAA's objective will be to make independent auditor appointments at the most competitive aggregate rate achievable.

Our current thinking is that the best prices will be obtained by letting three year contracts, with an option to extend to five years, to a relatively small number of appropriately registered firms in two or three large contract areas nationally. The value of each contract will depend on the prices bid, with the firms offering the best prices being awarded larger amounts of work. By having contracts with a number of firms we will be able to ensure independence and avoid dominance of the market by one or two firms.

Correspondingly, at this stage our thinking is to invite bodies to opt into the scheme for an initial term of three to five years, subject, of course, to the terms of specification by DCLG.

The procurement strategy will need to prioritise the importance of demonstrably independent appointments, in terms of both the audit firm appointed to each audited body and the procurement and appointment processes used. This will require specific safeguards in the design of the procurement and appointment arrangements.

“Early audit planning is a vital element of a timely audit. We need the auditors to be available and ready to go right away at the critical points in the final accounts process.”

– Steven Mair, City Treasurer,
Westminster City Council

“In forming a view on VFM arrangements it is essential that auditors have an awareness of the significant challenges and changes which the service is grappling with.”

– Charles Kerr, Chair,
Fire Finance Network

PSAA will establish a fair scale of fees

Audit fees must ultimately be met by individual audited bodies. PSAA will ensure that fee levels are carefully managed by securing competitive prices from firms and by minimising PSAA's own costs. The changes to our role and functions will enable us to run the new scheme with a smaller team of staff. PSAA is a not-for-profit company and any surplus funds will be returned to scheme members.

PSAA will pool scheme costs and charge fees to audited bodies in accordance with a fair scale of fees which has regard to size, complexity and audit risk. Pooling means that everyone within the scheme will benefit from the most competitive prices. Current scale fees are set on this basis. Responses from audited bodies to recent fee consultations have been positive.

PSAA will continue to consult bodies in connection with any proposals to establish or vary the scale of fees. However, we will not be able to consult on our proposed scale of fees until the initial major procurement has been completed and contracts with audit firms have been let. Fees will also reflect the number of scheme participants - the greater the level of participation, the better the value represented by our scale of fees. We will be looking for principal bodies to give firm commitments to join the scheme during Autumn 2016.

The scheme offers multiple benefits for participating bodies

We believe that PSAA can deliver a national scheme which offers multiple benefits to the bodies which take up the opportunity to collaborate across the sector by opting into scheme membership.

Benefits include:

- assured appointment of a qualified, registered, independent auditor
- appointment, if possible, of the same auditors to bodies involved in significant collaboration/joint working initiatives or combined authorities, if the parties believe that it will enhance efficiency and value for money
- on-going management of independence issues
- securing highly competitive prices from audit firms
- minimising scheme overhead costs
- savings from one major procurement as opposed to a multiplicity of small procurements
- distribution of surpluses to participating bodies
- a scale of fees which reflects size, complexity and audit risk
- a strong focus on audit quality to help develop and maintain the market for the sector
- avoiding the necessity for individual bodies to establish an auditor panel and to undertake an auditor procurement
- enabling time and resources to be deployed on other pressing priorities
- setting the benchmark standard for audit arrangements for the whole of the sector

We understand the balance required between ensuring independence and being responsive, and will continually engage with stakeholders to ensure we achieve it.

How can you help?

We are keen to receive feedback from local bodies concerning our plans for the future. Please let us have your views and let us know if a national scheme operated by PSAA would be right for your organisation.

In particular we would welcome your views on the following questions:

1. Is PSAA right to place emphasis on both quality and price as the essential pre-requisites for successful auditor appointments?
2. Is three to five years an appropriate term for initial contracts and for bodies to sign up to scheme membership?
3. Are PSAA's plans for a scale of fees which pools scheme costs and reflects size, complexity and audit risk appropriate? Are there any alternative approaches which would be likely to command the support of the sector?
4. Are the benefits of joining the national scheme, as outlined here, sufficiently attractive? Which specific benefits are most valuable to local bodies? Are there others you would like included?
5. What are the key issues which will influence your decisions about scheme membership?
6. What is the best way of us continuing our engagement with you on these issues?

Please reply to: generalenquiries@psaa.co.uk

The following bodies will be eligible to join the proposed national scheme for appointment of auditors to local bodies:

- county councils in England
- district councils
- London borough councils
- combined authorities
- passenger transport executives
- police and crime commissioners for a police area in England
- chief constables for an area in England
- national park authorities for a national park in England
- conservation boards
- fire and rescue authorities in England
- waste authorities
- the Greater London Authority and its functional bodies.

BOARD MEMBERS

Steve Freer (Chairman), former Chief Executive CIPFA

Caroline Gardner, Auditor General Scotland

Clive Grace, former Deputy Auditor General Wales

Stephen Sellers, Solicitor, Gowling WLG (UK) LLP

CHIEF OFFICER

Jon Hayes, former Audit Commission Associate Controller

“Maintaining audit quality is critically important. We need experienced audit teams who really understand our issues.”

– Andrew Burns, Director of Finance and Resources,
Staffordshire County Council

PSAA Ltd
3rd Floor, Local Government House
Smith Square
London SW1P 3HZ

www.psaa.co.uk



Public Sector
Audit Appointments

Regulatory and Audit Committee

Title: Report on Mandatory Training Across the Organisation

Date: Wednesday 21 September 2016

Author: Frances Mills, Head of OD

Contact officer: Caroline High, Corporate Training Advisor, ext 2799

Local members affected:

For press enquiries concerning this report, please contact the media office on 01296 382444

Summary

Earlier this year, OCB reviewed the elements of online induction training that should be confirmed as **mandatory** for all Bucks CC staff to ensure a basic level of compliance across the whole organisation.

This resulted in the instruction for all existing BCC staff to complete the core 'Mandatory Refresher' e-Learning Programme by end of June 2016. Staff and Managers were advised of this new requirement in March 2016 and this report shows the level of compliance achieved across the organisation by the extended deadline of 26th August 2016.

Compliance levels are highest amongst the mandatory training that has previously been monitored and reported at regular intervals. It is pleasing to see that increased numbers of staff are engaging with e-Learning with a much higher level of participation following the introduction of assigned learning as an automated process.

This represents the first step in driving up staff compliance with mandatory e-Learning requirements and the report sets out the next steps to achieve consistently acceptable levels across all areas by end of December 2016.

Recommendation

Members are asked to note the current compliance levels for mandatory e-Learning across the organisation and to approve the actions set out in the report to raise the staff participation

Background

Earlier this year, OCB reviewed the elements of online induction training that should be confirmed as **mandatory** for all Bucks CC staff to ensure a basic level of compliance across the whole organisation. This was in response to variations in practice across the Business Units and to bring induction training in line with new working practices, hence the inclusion of the new course module 'Agile Working'.

Previously, reporting on mandatory training has focused on separate elements e.g. annual reporting on 'Data Protection' compliance. In some service areas there have been specific requirements for staff to complete more advanced levels of training; and it has been acceptable for staff to evidence compliance either by completing online learning or by attending a classroom based course. This has led to some confusion about what constitutes core mandatory learning across the organisation.

The move last year to a new e-Learning platform, has delivered improved reporting capabilities and the facility to assign packages of training to groups of users according to their position within the organisational structure. This has made it possible to use automated email messaging to alert staff to 'required learning' that they must complete within a set time period.

Mandatory Refresher Programme Spring 2016

OCB approved a refresher e-Learning programme to be assigned to all staff for completion by the end of June 2016. The programme packaged together the four mandatory e-Learning modules contained with induction training (and which will be assigned to all new starters from September 2016):

'Data Protection Awareness'; 'Equality & Diversity Essentials'; 'Introduction to Health and Safety'; and 'Agile Working'.

'Required Learning' notifications to staff and Managers

The purpose of the refresher programme has been to ensure that all existing staff across the organisation have achieved the same basic level of compliance training. The new e-Learning platform / Learning Management System (LMS) enables individuals to view their progress in the personalised 'required learning' tab and managers can view the progress of their direct reports via the managers' dashboard. Reminder messages were sent via auto messaging to those staff with one or more outstanding modules four weeks before the due date

The programme was introduced to staff via Managers Brief and ONE newsletter. Detailed reports have been run off for each of the Business Units listing staff yet to complete the full programme; and the deadline was extended to 26th August to include a further push on course completions to be included in this report.

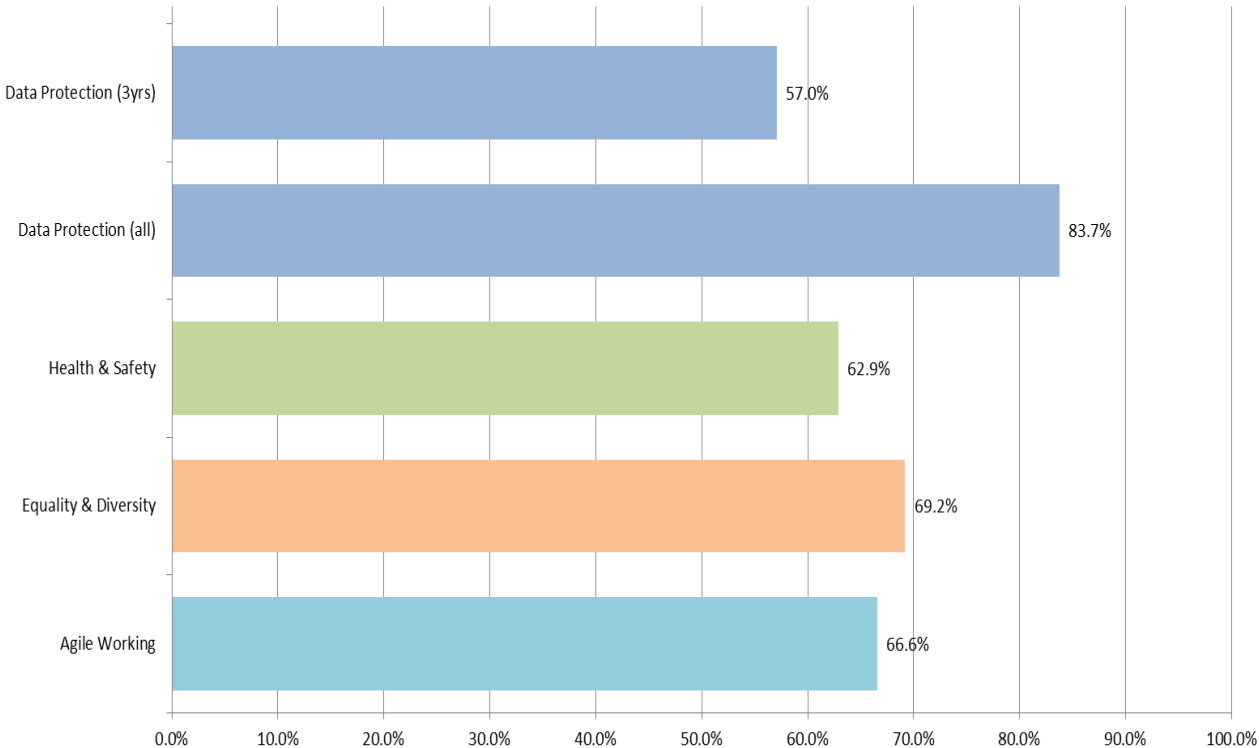
Impact of Mandatory Programme

We have seen a steep rise in the rates of course completions throughout the duration of the programme, spiking in the last week of June 16. We have had a large number of enquiries from staff logging in to the e-Learning site for the first time – a good indicator that the programme is reaching a wider audience.

	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul
Completions	321	237	497	457	391	268	422	561	2059	1057	1936	703

BCC Mandatory Training Completions - 31/08/2016

Overall Compliance Levels



Data Protection training is showing the highest level of compliance amongst BCC staff with 83.7% of all BCC staff having completed e-Learning. However, it is recommended that staff retake the module within 3 years, and if we exclude course completions outside of this period then the overall compliance falls to 57% of all staff. To ensure best practice, we now need to set an expiry date and alert staff to the need to complete refresher training.

Agile Working training has seen the lowest level of compliance – possibly because this was not part of induction training for many existing staff and going forwards we should see this increase.

Compliance by Business Unit

Appendix 1 shows a breakdown of percentages of staff having completed each of the modules by Business Unit, and is based on numbers of active learners within the reporting period.

It can be seen that the highest level of compliance has been achieved within BESS Business Unit and HQ. TEE Business Unit ranks lowest which may be related to the fact that TEE staff had already embarked on another service specific e-Learning programme assigned to all staff within the Business Unit just prior to the release of the corporate programme, which may have diluted the impact.

Corrective action / follow-up/ Next steps to increase uptake

The focus of this first refresher programme has been to push increased levels of compliance amongst existing staff and to provide better reporting to support monitoring & checking.

The following actions are proposed to further increase compliance:

1. A follow-up report to OCB to show compliance levels in each of the Business Units following the extended deadline of end September.
2. Detailed reports to Service Managers highlighting staff who have not yet completed the programme and to seek feedback from the Business Units on the reasons for non-compliance.
3. We will continue to use automatic reminder and overdue messages and propose a further overview report in the next quarter to end of December 2016. Thereafter, we will report to OCB on a 6-monthly basis.
4. From September we are able to automate mandatory learning for all new starters who will receive a message in Outlook alerting them to the requirement to complete the

modules as 'part one' of their corporate induction training, to be completed within their first four weeks.

5. A further development will be to set expiry periods for data protection and equalities training. Current advice is that refresher training is completed every 3 years.

Recommendations

Members are asked to note the data on current percentages of staff completing the mandatory e-Learning modules and to support the stepped approach outlined in the actions above to increase compliance for the whole staff group.

Appendix 1

BCC Mandatory Training Completions - 31/08/2016

BCC Area	No. of Staff	Data Protection Awareness (Last 3 years)	Data Protection Awareness (Any time)	Introduction to Health & Safety	Equality & Diversity Essentials	Agile Working
Business Enterprise & Business Services	659	433 65.7%	612 92.9%	505 76.6%	560 85.0%	572 86.8%
Childrens Social Care & Learning	792	410 51.8%	613 77.4%	440 55.6%	433 54.7%	397 50.1%
Communities Health & Adult Social Care	642	406 63.2%	565 88.0%	400 62.3%	492 76.6%	441 68.7%
Headquarters	123	50 40.7%	121 98.4%	89 72.4%	106 86.2%	104 84.6%
Transport Economy Environment	245	105 42.9%	150 61.2%	114 46.5%	112 45.7%	124 50.6%
Total	2461	1404 57.0%	2061 83.7%	1548 62.9%	1703 69.2%	1638 66.6%

Regulatory and Audit Committee

Title: Anti-Fraud & Corruption Policy and Money Laundering Policy
Date: Wednesday 21 September 2016
Author: Maggie Gibb, Head of Business Assurance (& Chief Auditor)
Contact officer: Maggie Gibb, 01296 387327

Local members affected:

For press enquiries concerning this report, please contact the media office on 01296 382444

Summary

The Anti-Fraud and Corruption Strategy has been updated with minor cosmetic changes to reflect current structures/job titles. See Appendix A for the updated Strategy and Appendix B for a version with tracked changes.

The Anti-Money Laundering Policy has been updated to reflect changes in structures/job titles, and other minor cosmetic changes to the content. See Appendix C for the updated Policy and Appendix D for a version with tracked changes.

There have been no changes in legislation since these documents were last updated.

Recommendation

The Committee is recommended to approve the Anti-Fraud and Corruption Strategy and the Money Laundering Policy.

Supporting information to include the following if a decision is being requested:

Resource implications

None

Legal implications

None



Other implications/issues

None

Feedback from consultation, Local Area Forums and Local Member views (if relevant)

Not relevant

Background Papers

None

Buckinghamshire County Council

Anti-Fraud and Corruption Strategy

Prepared by: Maggie Gibb, Head of Business Assurance (& Chief Internal Auditor)

Version 2 – 1st September 2016



Anti-Fraud and Corruption Strategy

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1. Introduction

- 1.1 The County Council is one of the largest business organisations in Buckinghamshire. In administering its responsibilities; the Council has a duty to prevent fraud and corruption, whether it is attempted by someone outside or within the Council such as another organisation, a resident, an employee or Councillor. The Council is committed to an effective Anti-Fraud and Corruption culture, by promoting high ethical standards and encouraging the prevention and detection of fraudulent activities.
- 1.2 The Director, HQ Assurance as the “Section 151 Officer” has a statutory responsibility under section 151 of the Local Government Act 1972 to ensure the proper arrangements for the Council’s financial affairs and has developed financial codes of practice and accounting instructions. The Chief Finance Officer exercises a quality control on financial administration through delegation of responsibilities to the Head of Strategic Finance and the Business Unit Finance Directors.
- 1.3 The Director, HQ Strategy and Policy as the “Monitoring Officer” has a statutory responsibility to advise the Council on the legality of its decisions and to ensure that the Council’s actions do not give rise to illegality or maladministration. It is therefore essential for employees to follow the Council’s policies and procedures to demonstrate that the Council is acting in an open and transparent manner.
- 1.4 Buckinghamshire County Council will thoroughly investigate all suggestions of fraud, corruption or theft, both from within the Council and from external sources, which it recognises can:
 - Undermine the standards of public service that the Council is attempting to achieve.
 - Reduce the level of resources and services available for the residents of Buckinghamshire.
 - Result in consequences which reduce public confidence in the Council.
- 1.5 Any proven fraud will be dealt with in a consistent and proportionate manner. Appropriate sanctions and redress will be pursued against anyone perpetrating, or seeking to perpetrate fraud, corruption or theft against the Council.
- 1.6 The Council is committed to the highest possible standards of openness, probity, honesty, integrity and accountability. The Council expects all staff, Councillors and partners to observe these standards which are defined within the Code of Conduct.

2. Definitions

2.1 **FRAUD:** Is defined by The Fraud Act 2006 as follows:

A person is guilty of fraud if he is in breach of any of the following:

Fraud by false representation; that is if a person:

- (a) dishonestly makes a false representation, and
- (b) intends, by making the representation:
 - (i) to make a gain for himself or another, or
 - (ii) to cause loss to another or to expose another to a risk of loss.

Fraud by failing to disclose information; that is if a person:

- (a) dishonestly fails to disclose to another person information which he is under a legal duty to disclose, and
- (b) intends, by failing to disclose the information:
 - (i) to make a gain for himself or another, or
 - (ii) to cause loss to another or to expose another to a risk of loss.

Fraud by abuse of position; that is if a person:

- (a) occupies a position in which he is expected to safeguard, or not to act against, the financial interests of another person,
- (b) dishonestly abuses that position, and
- (c) intends, by means of the abuse of that position:
 - (i) to make a gain for himself or another, or
 - (ii) to cause loss to another or to expose another to a risk of loss.

The Fraud Act 2006 repeals certain offences that are detailed in the Theft Acts of 1968 and 1978. The term “fraud” is usually used to describe depriving someone of something by deceit, which might either be misuse of funds or other resources, or more complicated crimes like false accounting or the supply of false information. In legal terms, all of these activities are the same crime, theft, examples of which include deception, bribery, forgery, extortion, corruption, theft, conspiracy, embezzlement, misappropriation, false representation, concealment of material facts and collusion.

2.2 **CORRUPTION:** Is the deliberate use of one’s position for direct or indirect personal gain. “Corruption” covers the offering, giving, soliciting or acceptance of an inducement or reward, which may influence the action of any person to act inappropriately.

2.3 **THEFT:** Is the physical misappropriation of cash or other tangible assets. A person is guilty of “theft” if he or she dishonestly appropriates property belonging to another with the intention of permanently depriving the other of it.

2.4 **MONEY LAUNDERING:** Money laundering is the process by which criminals attempt to 'recycle' the proceeds of their criminal activities in order to conceal its origins and ownership and which leaves them with money that cannot be traced back.

All employees are instructed to be aware of the increasing possibility of receiving requests that could be used for money laundering and illicit requests for money through e-mails. Detailed guidance is set out in the Council’s Anti-Money Laundering Policy.

2.5 Any Service that receives money from an external person or body is potentially vulnerable to a money laundering operation. The need for vigilance is vital and if there is any suspicion concerning the appropriateness of the transaction then advice must be sought. The Council’s Money Laundering Reporting Officer (MLRO) is the Director, HQ Assurance. To report any incidents, please see the guidance notes detailed on the Council’s intranet page.

2.6 Legal Services (HB Public Law from 1 July 2016) also have their own professional guidance in relation to money laundering which places a duty on solicitors to report any suspicions and these may override their legal professional privilege and confidentiality. All such suspicions must be reported to the Monitoring Officer (Director, HQ Strategy and Policy) and the Money Laundering Reporting Officer.

2.7 **BRIBERY:** The Bribery Act 2010 received Royal Assent on 8th April 2010. Previously, bribery has been viewed within the definition of corruption, as defined within the Council’s Anti-Fraud and Corruption Strategy. The Bribery Act 2010 introduces four main offences, simplified as the following:

- Bribing another person: a person is guilty of an offence if he/she offers, promises or gives a financial or other advantage to another person.
- Offences relating to being bribed: a person is guilty of an offence if he/she requests, agrees to receive, or accepts a financial or other advantage. It does not matter whether the recipient of the bribe receives it directly or through a third party, or whether it is for the recipient's ultimate advantage or not.
- Bribery of a foreign public official: a person who bribes a foreign public official is guilty of an offence if the person’s intention is to influence the foreign public official in their capacity, duty or role as a foreign public official.

- Failure of commercial organisations to prevent bribery: organisations, which include the County Council, must have adequate procedures in place to prevent bribery in relation to the obtaining or retaining of business.

Note: A 'financial' or 'other advantage' may include money, assets, gifts or services.

- 2.8 Prior to entering into any business arrangements, all Council officers and/or business units should ensure that they have taken all reasonable steps to identify any potential areas of risk relating to bribery or corruption.

3. Scope

- 3.1 This document applies to:

- All County Council Employees (including Agents and Agency Staff) and Councillors;
- Staff and Committee Members of Council funded voluntary organisations;
- Partner organisations;
- Schools;
- Council Suppliers, Contractors and Consultants; and
- General Public.

4. Aims and Objectives

- 4.1 The aims and objectives of the Anti-Fraud and Corruption Strategy are to:

- Ensure that the Council is protected against fraud and loss;
- Protect the Council's valuable resources by ensuring they are not lost through fraud but are used for improved services to Buckinghamshire residents and visitors;
- Create an "anti-fraud" culture which highlights the Council's zero tolerance of fraud, corruption and theft, which defines roles and responsibilities and actively engages everyone (the public, Councillors, staff, managers and policy makers); and
- To provide a best practice "counter-fraud" service which:
 - Proactively deters, prevents and detects fraud, corruption and theft;
 - Investigates suspected or detected fraud, corruption and theft;
 - Enables the Council to apply appropriate sanctions and recovery of losses;
 - Provides recommendations to inform policy, system and control improvements, thereby reducing the Council's exposure to fraudulent activity.

5. Principles

- 5.1 The Council will not tolerate abuse of its services or resources and has high expectations of propriety, integrity and accountability from all parties identified within this strategy. The Council will ensure that the resources dedicated to “counter-fraud” activity are sufficient and all those involved are trained to deliver a professional “counter-fraud” service to the highest standards.
- 5.2 All fraudulent activity is unacceptable, and will result in consideration of legal action being taken against the individual(s) concerned. The Council will also pursue the repayment of any financial gain from individuals involved in malpractice and wrongdoing. The Council will ensure consistency, fairness and objectivity in all its “counter-fraud” work and that everyone is treated equally.
- 5.3 This strategy encourages those detailed in section 3.1 to report any genuine suspicions of fraudulent activity. However, malicious allegations or those motivated by personal gain will not be tolerated and, if proven, disciplinary or legal action may be taken. Sections 8.3 and 8.4 detail the reporting arrangements in relation to incidents of fraud or irregularity.
- 5.4 The Council will work with its partners (such as the Police, District Councils and other investigative bodies) to strengthen and continuously improve its arrangements to prevent fraud and corruption.

6. Responsibilities

Stakeholder	Specific Responsibilities
Chief Executive	Ultimately accountable for the effectiveness of the Council’s arrangements for countering fraud and corruption.
Director, HQ Assurance (Section 151 Officer)	To ensure the Council has adopted an appropriate anti-fraud strategy, there is an effective internal control environment in place and there is an adequately resourced and effective Internal Audit service to deliver “counter-fraud” work.
Director, HQ Strategy and Policy (Monitoring Officer)	To advise Councillors and Officers on ethical issues, standards and powers to ensure that the Council operates within the law and statutory Codes of Practice.

Stakeholder	Specific Responsibilities
Regulatory and Audit Committee	To monitor the Council's strategies and policies and consider the effectiveness of the arrangements for Raising Concerns at Work, Whistle-blowing Procedures, Anti-Fraud and Corruption and the Complaints Process.
Councillors	To comply with the Code of Conduct and related Council policies and procedures, to be aware of the possibility of fraud, corruption and theft, and to report any genuine concerns accordingly.
External Audit	Statutory duty to ensure that the County Council has adequate arrangements in place for the prevention and detection of fraud, corruption and theft.
Stakeholder	Specific Responsibilities
Internal Audit	Responsible for developing and implementing the Anti-Fraud and Corruption Strategy and monitoring the investigation of any reported issues. To ensure that all suspected or reported irregularities are dealt with promptly and in accordance with this strategy and that action is identified to improve controls and reduce the risk of recurrence.
Managing Directors, Finance Directors and Service Directors/Managers	To promote staff awareness and ensure that all suspected or reported irregularities are immediately referred to Internal Audit. To ensure that there are mechanisms in place within their service areas to assess the risk of fraud, corruption and theft and to reduce these risks by implementing strong internal controls.
Staff	To comply with Council policies and procedures, to be aware of the possibility of fraud, corruption and theft, and to report any genuine concerns to management, Internal Audit or via the Whistleblowing Policy and Procedure.
Public, Partners, Suppliers, Contractors and Consultants	To be aware of the possibility of fraud and corruption against the Council and report any genuine concerns / suspicions.

7. Approach to Countering Fraud

- 7.1 Buckinghamshire County Council will fulfil its responsibility to reduce fraud and protect its resources by completing work in each of the following key areas:
- 7.2 **DETERRENCE:** The Council will promote and develop a strong “counter-fraud” culture, raise awareness and provide information on all aspects of its “counter-fraud” work. This includes dedicated fraud web pages, guidance, publicising the results of proactive work, investigating fraud referrals and seeking the recovery of any losses due to fraud.
- 7.3 **PREVENTION:** The Council will strengthen measures to prevent fraud. Internal Audit will work with managers and policy makers to ensure new and existing systems, procedures and policy initiatives consider any fraud risks. Audit activity will also consider fraud risks as part of each review.
- 7.4 **DETECTION:** Internal Audit maintains a log of all fraud referrals. The log helps to establish those areas within the Council most vulnerable to the risk of fraud. This also enables a Council wide fraud profile to be created which then informs any detailed work in areas throughout the Council aimed at detecting existing and new types of fraudulent activity.

Internal controls are established for financial and other systems within the Council. They are designed to discourage fraud and provide indicators of any fraudulent activity. The Council also relies on employees, Councillors and the public to be alert and to report suspicion of fraud and corruption.

Managers should pay particular attention to circumstances which may require additional and sensitive monitoring or supervision. Examples of Fraud Indicators are detailed in Appendix C.

- 7.5 **INVESTIGATION:** The Council will investigate all reported incidents of fraud or irregularity. Please see Appendix A for the Protocol for Investigating Irregularities.
- 7.6 **SANCTIONS:** The Council will apply realistic and effective sanctions for individuals or organisations where an investigation reveals fraudulent activity. This will include legal action in addition to criminal and disciplinary action, where appropriate.
- 7.7 **REDRESS:** A crucial element of the Council’s response to tackling fraud is seeking financial redress. The recovery of defrauded monies is an important part of the Council’s strategy and will be pursued, where appropriate.

7.8 In addition to the above, Internal Audit also prepares an annual Counter-Fraud Work Plan that details the key objectives and areas of work for the year and when actions are due to be completed. The work plan is agreed and monitored by the Regulatory and Audit Committee and Section 151 Officer.

8. Reporting, Advice and Support

8.1 The Council's expectation is that Councillors and managers will lead by example and that employees at all levels will comply with the Constitution, Council Policies, Financial Regulations, Financial and Contract Procedure Rules, The Operating Framework and Business Unit Procedures.

8.2 The Council recognises that the primary responsibility for the prevention and detection of fraud rests with management. It is essential that employees of the Council report any irregularities, or suspected irregularities to their line manager and if this is not appropriate then to the Managing Director or Service Director/Manager. The Council will provide all reasonable protection for those who raise genuine concerns in good faith, in accordance with the Whistleblowing Policy and Procedure.

8.3 The line manager, Service Manager, Director or Managing Director who receives the allegation (whether from a Councillor or a Council employee) must refer the matter to the following people, to determine how the potential irregularity will be investigated:

- Director, HQ Assurance (Section 151 Officer);
- Director, HQ Strategy and Policy (Monitoring Officer);
- Managing Director;
- Head of Business Assurance (& Chief Internal Auditor);and
- Head of HR Operations.

8.4 Where appropriate, the Monitoring Officer should inform the Leader, Deputy Leader and relevant portfolio holder where the irregularity is material and/or could affect the reputation of the Council. The Section 151 Officer will liaise with the Cabinet Member for Resources, as appropriate. The Media Team should also be informed if the matter is likely to be communicated externally.

8.5 The investigating officer will follow the 'Guidelines for Managers on Investigating Allegations' as well as the 'Protocol for Investigating Irregularities' (Appendix A), which includes the need to:

- Deal promptly with the matter.
- Record all evidence received.

- Ensure that evidence is sound and adequately supported.
- Ensure security of all evidence collected.
- Contact other agencies if necessary e.g. Police.
- Notify the Council's insurers.
- Implement Council disciplinary procedures where appropriate.

8.6 The Council will also work in co-operation with the following bodies that will assist in scrutinising our systems and defences against fraud and corruption:

- Local Government Ombudsman.
- External Audit – Relationship Manager.
- National Fraud Initiative and related Audit Networks.
- Central Government Departments.
- HM Revenue and Customs.
- UK Border Agency.
- Department for Work and Pensions.
- Police.

8.7 Any concerns or suspicions reported will be treated with discretion and in confidence. Key contacts include:

- Head of Business Assurance (& Chief Internal Auditor) – Tel: 01296 387327.
- Senior Auditor (Fraud Lead) – Tel: 01296 382557.
- Confidential Reporting Facility - Tel: 01296 382237.
- Confidential e-mail - audit@buckscc.gov.uk

8.8 Other Council means for raising concerns:

<ul style="list-style-type: none"> ▪ Chief Executive 	<p>Write to: Buckinghamshire County Council, County Hall, Walton Street, Aylesbury, HP20 1UA</p>
<ul style="list-style-type: none"> ▪ Director, HQ Assurance(Section 151 Officer) 	
<ul style="list-style-type: none"> ▪ Director, HQ Strategy and Policy (Monitoring Officer) 	
<ul style="list-style-type: none"> ▪ Managing Director 	
<ul style="list-style-type: none"> ▪ Service Director/Manager 	
<ul style="list-style-type: none"> ▪ Head of Business Assurance (& Chief Internal Auditor) 	
<ul style="list-style-type: none"> ▪ Regulatory and Audit Committee Chairman 	

8.9 External means of raising concerns:

▪ External Audit (Grant Thornton)	020 7728 3328
▪ Citizens Advice Bureau	Website: www.citizensadvice.org.uk
▪ Police	Website: www.thamesvalley.police.uk
▪ Your Local Councillor	Website: www.buckscc.gov.uk Click on: Councillors and Meetings>Councillors

8.10 Attached are the following Appendices:

- Appendix A: The Protocol for Investigating Irregularities.
- Appendix B: The Council's Fraud Response Plan.
- Appendix C: Examples of Fraud Indicators.

9. Further Information

9.1 Further information on Council policy can be found in the following documents:

- The Constitution.
- Codes of Conduct (Councillors and Officers).
- Whistleblowing Policy and Procedure.
- Commercial Practices, Gifts and Hospitality.
- Financial Regulations and Instructions.
- Operating Framework
- Contract Standing Orders and Exemptions.
- Anti-Money Laundering Policy.
- Regulation of Investigatory Powers Act (RIPA).

10. Strategy Review

10.1 The Regulatory and Audit Committee will continue to review and amend this strategy as necessary to ensure that it continues to remain compliant and meets the requirements of the Council.

Responsible Officer: Head of Business Assurance (& Chief Internal Auditor)
Date: September 2016
Review Date: September 2017

APPENDIX A

Protocol for Investigating Irregularities

a) Fraud Referral / Allegation

The primary responsibility for the prevention and detection of fraud, corruption and theft rests with Managing Directors, Directors and Service Managers. Internal controls have been established for financial and other systems within the Council. They are designed to discourage fraud and provide indicators of any fraudulent activity. Employees, Councillors and other groups are encouraged to report suspected irregularities in accordance with the Council's Whistleblowing Policy and Procedure.

When a referral or allegation is received, the Managing Director, Director or Service Manager will report the incident to the key contacts and officers detailed in section 8.3 above, as well as any other relevant contacts, to determine the course of action.

In some cases, an allegation may be of a routine or minor nature that can be dealt with by service management without the need for a formal investigation. If this is the outcome, a record of the decision and who made it must be kept to enable the course of action to be justified. Alternatively, if the matter is of a nature that requires immediate Police involvement, please refer to section f) below on reporting issues to the Police.

If it is agreed that an internal investigation is required, this protocol details the stages that should be followed. It is the Managing Director, Director and Service Managers' responsibility to initiate and manage the investigation in potential cases of fraud, corruption or theft.

All investigations should be reported to Internal Audit, who will monitor the investigation, ensuring action is initiated, effectively managed and it is brought to a proper conclusion.

b) The Investigation

The Managing Director, Director or Service Manager should appoint a senior manager, independent of the activity, to head the investigation. The investigation team will take specialist professional advice and investigation skills from Internal Audit, Human Resources and a legal adviser from HB Public Law. The team will also have open access to service management to ensure all appropriate enquiries can be undertaken. The Managing Director or Director should arrange for regular briefing meetings from the investigation team.

The team will agree a plan for the investigation having regard to the initial evidence and/or allegation. The investigation plan should be kept under regular review. Investigation progress will be reported to the Managing Director, Director, Service Manager and other relevant officers on a regular basis, especially when any key decisions need to be taken.

c) Evidence

All evidence gathered will be regarded as strictly confidential and will be the property of the investigation team. It will only be made more widely available on agreement with the necessary officers. The team will be responsible for gathering all evidence, whether it is verbal, written or electronic, which may include the need to interview employees.

If it is necessary to interview employees, the Managing Director, Director or Service Manager should be informed. HR should also be contacted to ensure the interview is arranged, conducted and managed correctly to ensure the employee is supported and the investigation is not compromised. Interviews with employees must be conducted in accordance with the relevant Council standards and procedures, with allowances for proper representation. Advice should also be obtained from Internal Audit as to the overall approach in undertaking the interview.

When obtaining written evidence, the source copy of any documentation should be obtained. Electronic evidence will be stored on a PC, laptop, blackberry, mobile phone, etc. When obtaining electronic evidence, the main issue is how to capture the evidence before it is changed. To do this, the equipment should be secured at the earliest opportunity to ensure evidence is not altered. This is a specialist activity and should be undertaken under the supervision of an IT specialist on which Internal Audit can advise.

Some investigations may require either covert surveillance or a covert operation to obtain information. If this is required, formal authorisation will need to be obtained under the Regulation of Investigatory Powers Act 2000 (RIPA). Authorising any action under RIPA regulation needs to be obtained from the Monitoring Officer.

The conduct of interviews and gathering of evidence which may subsequently be used as criminal evidence is governed by specific rules and acts. In this respect, the following statutes are relevant:

- Police and Criminal Evidence Act 1984 (PACE).
- Regulation of Investigatory Powers Act 2000 (RIPA).
- Human Rights Act 1998.
- Data Protection Act 1998.

Specialists trained in investigation and interviewing could be made available to the investigation team. HB Public Law and Trading Standards Officers might be able to assist if this is required. The need for specialist advice would be a part of the discussion when an investigation is initiated.

The investigation team should ensure that a fully referenced investigation file is maintained, which includes all documentation, records and notes collated during the investigation. Advice on the best approach to referencing investigation files can be obtained from Internal Audit.

d) Reporting

Once the investigation work has been concluded, the team will need to prepare a written report detailing the initial referral or allegation, the work completed (including documents obtained and interviews conducted) and an opinion or conclusion on the outcome of the investigation. Depending on the severity of the investigation outcome, the report may lead to a disciplinary hearing or Police referral.

The report should also detail any breakdown in management, operational or financial controls to the Managing Director, Director or Service Manager, who will have to agree the necessary actions to address the issues.

The investigation team, in consultation with the Managing Director or Service Director/Manager, should make arrangements for the Director, HQ Assurance, Monitoring Officer, Chief Internal Auditor and Head of HR Operations to be informed of the investigation outcome. Other officers should be notified on a strictly confidential, need to know basis.

e) Disciplinary and Criminal Proceedings

Managing Directors and Service Directors/Managers will be expected to take action in accordance with the Council's Conduct and Discipline Policy, where the outcome of the investigation indicates improper behaviour. School Governors are also required to take similar action where the outcome of the investigation indicates improper behaviour.

If an investigation requires that an employee is suspended, this must be done in accordance with the Conduct and Discipline Policy and Procedure. The procedure states that the suspension period should be as short as is reasonably practical. Senior employees should record in writing a decision to suspend and any subsequent review of that decision, setting out the reasons for the decision and whether alternative options have been considered.

The Managing Director or Service Director/Manager should ensure, normally through the investigation team, that the relevant written reports are available timely, for disciplinary and criminal proceedings. Necessary members of the investigation team may be required to give written evidence and attend at hearings to give verbal evidence and answer questions.

Normally the line manager will make the complaint at the disciplinary hearing, but in exceptional circumstances and with the Managing Director and HR's agreement, it may be made by a member of the investigation team.

Where there is a possibility of criminal proceedings, the investigation team should ensure that any relevant evidence is gathered and reported in such a way that it could be admissible in court. Legal Services will advise on a case by case basis as appropriate.

f) Police Involvement

Reporting incidents to the Police must be considered on an individual basis. If criminal activity is suspected, the matter should be promptly reported to the Police by the Managing Director or Service Director/ Manager. Approval to report the matter to the Police must be obtained from the Director of Assurance, and the Monitoring Officer Advice should be sought from Internal Audit on how the matter should be reported and who would be best placed to meet with the Police and discuss the details of the investigation. In the unlikely event that none of the above officers are immediately available, the Managing Director, Director and Service Manager must judge how quickly the matter should be reported to ensure any Police investigation is not affected.

Continuous liaison with the Police is vital as there may be parallel enquiries undertaken by the Police in addition to those by the in-house team. Also, the Police have specialist skills to interview under caution that will be needed if evidence is to be used in court. Normally, any internal disciplinary process can take place at the same time as the Police investigation. However, this should be agreed in advance by both the Police and the Council to ensure both investigations are not compromised.

g) Investigation Costs

Internal Audit plans a small contingency for anti-fraud work. The Head of Business Assurance (& Chief Internal Auditor), will determine whether the contingency should be used for undertaking work on a specific investigation. Where resources are not directly available through Internal Audit, any contribution may disrupt planned work so there may be an additional direct charge to the service concerned. If external specialist advice is required, this will only be after agreement both in terms of scope and cost, with the Managing Director or Director/Service Manager. Charges for HB Public Law advice will be in accordance with the Inter Authority Agreement dated 30 June 2016..

h) Post Investigation

The Council wishes to see that following an investigation, action is taken to minimise future occurrence. This may involve improvements in control, changes to systems and procedures, employee training or promoting “lessons learnt” advice

Any publicity arising from an investigation will be co-ordinated by the Council’s Media Team. It is the responsibility of the Managing Director or Director/Service Manager to ensure that the Media Team is informed of developments following completion of an investigation.

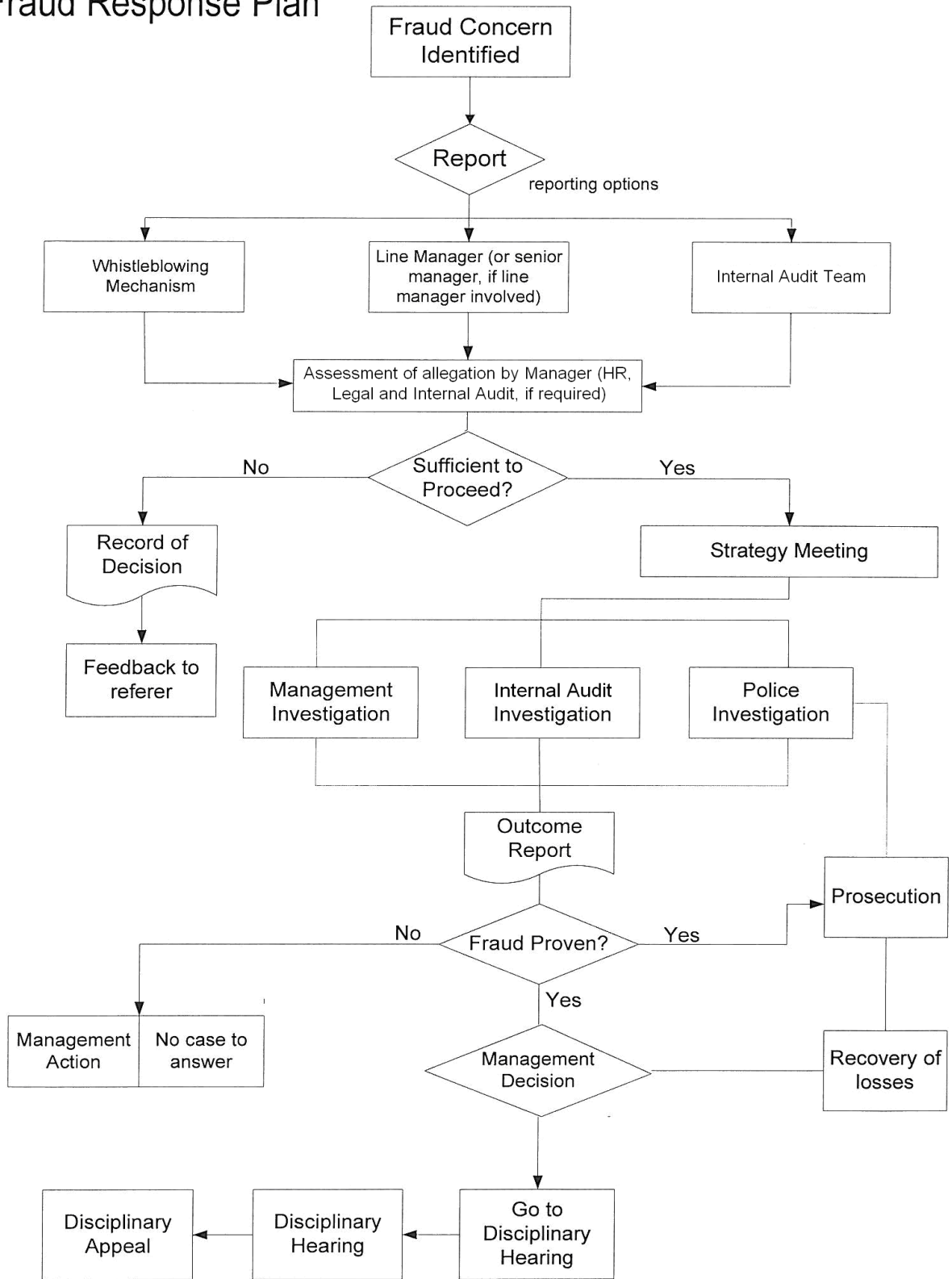
i) Training

The Council acknowledges that the continuing success of its Anti-Fraud and Corruption Strategy and its general credibility will depend largely on the effectiveness of programmed training and responsiveness of employees and Councillors throughout the organisation.

Investigation of fraud and corruption may require specialist training, not only for the Council’s Internal Audit Service, but also employees within Business Units and Headquarters. Business Unit, Headquarters and Internal Audit staff training plans will reflect this requirement.

APPENDIX B

Fraud Response Plan



APPENDIX C

Fraud Indicators

A number of frauds can come to light because of suspicions aroused by, for instance, the behaviour of certain individuals. It is impossible to give a definitive list of fraud indicators or warning signs. The following are types of risk factors that may, either alone or cumulatively with other factors, suggest the possibility of fraud and may therefore warrant further investigation or enquiry.

- **Unusual employee behaviour:** Refusal to comply with normal rules and practices, fails to take leave, refusing promotion, managers by-passing subordinates, subordinates by-passing managers, living beyond means, regularly working long-hours, job dissatisfaction/unhappy employee, secretiveness or undue defensiveness.
- **Financial irregularities:** Key documents missing (e.g. invoices, contracts); absence of controls and audit trails; missing expenditure vouchers and official records; general ledger out of balance; bank and ledger reconciliations are not maintained or cannot be balanced; excessive movements of cash or transactions between accounts; numerous adjustments or exceptions; constant overdue pay or expense advances; duplicate payments; ghost employees on the payroll; large payments to individuals; excessive variations to budgets or contracts.
- **Bad procurement practice:** Too close a relationship with suppliers/contractors; suppliers/contractors who insist on dealing with only one particular member of staff; unjustified disqualification of any bidder; lowest tenders or quotes passed over with minimal explanation recorded; defining needs in ways that can be met only by specific contractors; single vendors; vague specifications; splitting up requirements to get under small purchase requirements or to avoid prescribed levels of review or approval.
- **Disorganisation:** Understaffing in key control areas; consistent failures to correct major weaknesses in internal control; inadequate or no segregation of duties.
- **Inadequate supervision:** Policies not being followed; lack of senior management oversight; inadequate monitoring to ensure that controls work as intended (periodic testing and evaluation); low staff morale, weak or inconsistent management.

- **Lax corporate culture:** Management frequently override internal control; climate of fear or a corporate culture; employees under stress without excessive workloads; new employees resigning quickly; crisis management coupled with a pressured business environment; high employee turnover rates in key controlling functions.
- **Poor work practices:** Lack of common sense controls; work is left until the employee returns from leave; post office boxes as shipping addresses; documentation that is a photocopy or lacking essential information; lack of rotation of duties; unauthorised changes to systems or work practices.

Buckinghamshire County Council

Anti-Fraud and Corruption Strategy

| Prepared by: ~~Maggie Gibb~~[Maggie Gibb](#)~~an Dyson~~, [Head of Business Assurance](#) (& Chief Internal Auditor)

| Version ~~24~~ – 1st~~5~~th September 201~~6~~⁵



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1. Introduction

- 1.1 The County Council is one of the largest business organisations in Buckinghamshire. In administering its responsibilities; the Council has a duty to prevent fraud and corruption, whether it is attempted by someone outside or within the Council such as another organisation, a resident, an employee or Councillor. The Council is committed to an effective Anti-Fraud and Corruption culture, by promoting high ethical standards and encouraging the prevention and detection of fraudulent activities.
- 1.2 The Director, HQ Assurance as the “Section 151 Officer” has a statutory responsibility under section 151 of the Local Government Act 1972 to ensure the proper arrangements for the Council’s financial affairs and has developed financial codes of practice and accounting instructions. The Chief Finance Officer exercises a quality control on financial administration through delegation of responsibilities to the Head of Strategic Finance ~~and~~ ~~and~~ the Business Unit Finance Directors.
- 1.3 The Director, HQ Strategy and Policy as the “Monitoring Officer” has a statutory responsibility to advise the Council on the legality of its decisions and to ensure that the Council’s actions do not give rise to illegality or maladministration. It is therefore essential for employees to follow the Council’s policies and procedures to demonstrate that the Council is acting in an open and transparent manner.
- 1.4 Buckinghamshire County Council will thoroughly investigate all suggestions of fraud, corruption or theft, both from within the Council and from external sources, which it recognises can:
 - Undermine the standards of public service that the Council is attempting to achieve.
 - Reduce the level of resources and services available for the residents of Buckinghamshire.
 - Result in consequences which reduce public confidence in the Council.
- 1.5 Any proven fraud will be dealt with in a consistent and proportionate manner. Appropriate sanctions and redress will be pursued against anyone perpetrating, or seeking to perpetrate fraud, corruption or theft against the Council.
- 1.6 The Council is committed to the highest possible standards of openness, probity, honesty, integrity and accountability. The Council expects all staff, Councillors and partners to observe these standards which are defined within the Code of Conduct.

2. Definitions

2.1 **FRAUD:** Is defined by The Fraud Act 2006 as follows:

A person is guilty of fraud if he is in breach of any of the following:

Fraud by false representation; that is if a person:

- (a) dishonestly makes a false representation, and
- (b) intends, by making the representation:
 - (i) to make a gain for himself or another, or
 - (ii) to cause loss to another or to expose another to a risk of loss.

Fraud by failing to disclose information; that is if a person:

- (a) dishonestly fails to disclose to another person information which he is under a legal duty to disclose, and
- (b) intends, by failing to disclose the information:
 - (i) to make a gain for himself or another, or
 - (ii) to cause loss to another or to expose another to a risk of loss.

Fraud by abuse of position; that is if a person:

- (a) occupies a position in which he is expected to safeguard, or not to act against, the financial interests of another person,
- (b) dishonestly abuses that position, and
- (c) intends, by means of the abuse of that position:
 - (i) to make a gain for himself or another, or
 - (ii) to cause loss to another or to expose another to a risk of loss.

The Fraud Act 2006 repeals certain offences that are detailed in the Theft Acts of 1968 and 1978. The term “fraud” is usually used to describe depriving someone of something by deceit, which might either be misuse of funds or other resources, or more complicated crimes like false accounting or the supply of false information. In legal terms, all of these activities are the same crime, theft, examples of which include deception, bribery, forgery, extortion, corruption, theft, conspiracy, embezzlement, misappropriation, false representation, concealment of material facts and collusion.

2.2 **CORRUPTION:** Is the deliberate use of one’s position for direct or indirect personal gain. “Corruption” covers the offering, giving, soliciting or acceptance of an inducement or reward, which may influence the action of any person to act inappropriately.

2.3 **THEFT:** Is the physical misappropriation of cash or other tangible assets. A person is guilty of “theft” if he or she dishonestly appropriates property belonging to another with the intention of permanently depriving the other of it.

2.4 **MONEY LAUNDERING:** Money laundering is the process by which criminals attempt to 'recycle' the proceeds of their criminal activities in order to conceal its origins and ownership and which leaves them with money that cannot be traced back.

All employees are instructed to be aware of the increasing possibility of receiving requests that could be used for money laundering and illicit requests for money through e-mails. Detailed guidance is set out in the Council's Anti-Money Laundering Policy.

2.5 Any Service that receives money from an external person or body is potentially vulnerable to a money laundering operation. The need for vigilance is vital and if there is any suspicion concerning the appropriateness of the transaction then advice must be sought. The Council's Money Laundering Reporting Officer (MLRO) is the Director, HQ Assurance. To report any incidents, please see the guidance notes detailed on the Council's intranet page.

2.6 Legal Services ([HB Public Law from 1 July 2016](#)) also have their own professional guidance in relation to money laundering which places a duty on solicitors to report any suspicions and these may override their legal professional privilege and confidentiality. All such suspicions must be reported to the Monitoring Officer (Director, HQ Strategy and Policy) and the Money Laundering Reporting Officer.

2.7 **BRIBERY:** The Bribery Act 2010 received Royal Assent on 8th April 2010. Previously, bribery has been viewed within the definition of corruption, as defined within the Council's Anti-Fraud and Corruption Strategy. The Bribery Act 2010 introduces four main offences, simplified as the following:

- Bribing another person: a person is guilty of an offence if he/she offers, promises or gives a financial or other advantage to another person.
- Offences relating to being bribed: a person is guilty of an offence if he/she requests, agrees to receive, or accepts a financial or other advantage. It does not matter whether the recipient of the bribe receives it directly or through a third party, or whether it is for the recipient's ultimate advantage or not.
- Bribery of a foreign public official: a person who bribes a foreign public official is guilty of an offence if the person's intention is to influence the foreign public official in their capacity, duty or role as a foreign public official.

- Failure of commercial organisations to prevent bribery: organisations, which include the County Council, must have adequate procedures in place to prevent bribery in relation to the obtaining or retaining of business.

Note: A 'financial' or 'other advantage' may include money, assets, gifts or services.

2.8 Prior to entering into any business arrangements, all Council officers and/or business units should ensure that they have taken all reasonable steps to identify any potential areas of risk relating to bribery or corruption.

3. Scope

3.1 This document applies to:

- All County Council Employees (including Agents and Agency Staff) and Councillors;
- Staff and Committee Members of Council funded voluntary organisations;
- Partner organisations;
- Schools;
- Council Suppliers, Contractors and Consultants; and
- General Public.

4. Aims and Objectives

4.1 The aims and objectives of the Anti-Fraud and Corruption Strategy are to:

- Ensure that the Council is protected against fraud and loss;
- Protect the Council's valuable resources by ensuring they are not lost through fraud but are used for improved services to Buckinghamshire residents and visitors;
- Create an "anti-fraud" culture which highlights the Council's zero tolerance of fraud, corruption and theft, which defines roles and responsibilities and actively engages everyone (the public, Councillors, staff, managers and policy makers); and
- To provide a best practice "counter-fraud" service which:
 - Proactively deters, prevents and detects fraud, corruption and theft;
 - Investigates suspected or detected fraud, corruption and theft;
 - Enables the Council to apply appropriate sanctions and recovery of losses;
 - Provides recommendations to inform policy, system and control improvements, thereby reducing the Council's exposure to fraudulent activity.

5. Principles

- 5.1 The Council will not tolerate abuse of its services or resources and has high expectations of propriety, integrity and accountability from all parties identified within this strategy. The Council will ensure that the resources dedicated to “counter-fraud” activity are sufficient and all those involved are trained to deliver a professional “counter-fraud” service to the highest standards.
- 5.2 All fraudulent activity is unacceptable, and will result in consideration of legal action being taken against the individual(s) concerned. The Council will also pursue the repayment of any financial gain from individuals involved in malpractice and wrongdoing. The Council will ensure consistency, fairness and objectivity in all its “counter-fraud” work and that everyone is treated equally.
- 5.3 This strategy encourages those detailed in section 3.1 to report any genuine suspicions of fraudulent activity. However, malicious allegations or those motivated by personal gain will not be tolerated and, if proven, disciplinary or legal action may be taken. Sections 8.3 and 8.4 detail the reporting arrangements in relation to incidents of fraud or irregularity.
- 5.4 The Council will work with its partners (such as the Police, District Councils and other investigative bodies) to strengthen and continuously improve its arrangements to prevent fraud and corruption.

6. Responsibilities

Stakeholder	Specific Responsibilities
Chief Executive	Ultimately accountable for the effectiveness of the Council's arrangements for countering fraud and corruption.
Director, HQ Assurance (Section 151 Officer)	To ensure the Council has adopted an appropriate anti-fraud strategy, there is an effective internal control environment in place and there is an adequately resourced and effective Internal Audit service to deliver “counter-fraud” work.
Director, HQ <u>Strategy and Policy</u> (Monitoring Officer) <u>Strategy and Policy</u> (Monitoring Officer)	To advise Councillors and Officers on ethical issues, standards and powers to ensure that the Council operates within the law and statutory Codes of Practice.

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Stakeholder	Specific Responsibilities
Regulatory and Audit Committee	To monitor the Council's strategies and policies and consider the effectiveness of the arrangements for Raising Concerns at Work, Whistle-blowing Procedures, Anti-Fraud and Corruption and the Complaints Process.
Councillors	To comply with the Code of Conduct and related Council policies and procedures, to be aware of the possibility of fraud, corruption and theft, and to report any genuine concerns accordingly.
External Audit	Statutory duty to ensure that the County Council has adequate arrangements in place for the prevention and detection of fraud, corruption and theft.

Stakeholder	Specific Responsibilities
Internal Audit	Responsible for developing and implementing the Anti-Fraud and Corruption Strategy and monitoring the investigation of any reported issues. To ensure that all suspected or reported irregularities are dealt with promptly and in accordance with this strategy and that action is identified to improve controls and reduce the risk of recurrence.
Managing Directors, Finance Directors and Service Directors/Managers	To promote staff awareness and ensure that all suspected or reported irregularities are immediately referred to Internal Audit. To ensure that there are mechanisms in place within their service areas to assess the risk of fraud, corruption and theft and to reduce these risks by implementing strong internal controls.
Staff	To comply with Council policies and procedures, to be aware of the possibility of fraud, corruption and theft, and to report any genuine concerns to management, Internal Audit or via the Whistleblowing Policy and Procedure.
Public, Partners, Suppliers, Contractors and Consultants	To be aware of the possibility of fraud and corruption against the Council and report any genuine concerns / suspicions.

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7. Approach to Countering Fraud

- 7.1 Buckinghamshire County Council will fulfil its responsibility to reduce fraud and protect its resources by completing work in each of the following key areas:
- 7.2 **DETERRENCE:** The Council will promote and develop a strong “counter-fraud” culture, raise awareness and provide information on all aspects of its “counter-fraud” work. This includes dedicated fraud web pages, guidance, publicising the results of proactive work, investigating fraud referrals and seeking the recovery of any losses due to fraud.
- 7.3 **PREVENTION:** The Council will strengthen measures to prevent fraud. Internal Audit will work with managers and policy makers to ensure new and existing systems, procedures and policy initiatives consider any fraud risks. Audit activity will also consider fraud risks as part of each review.
- 7.4 **DETECTION:** Internal Audit maintains a log of all fraud referrals. The log helps to establish those areas within the Council most vulnerable to the risk of fraud. This also enables a Council wide fraud profile to be created which then informs any detailed work in areas throughout the Council aimed at detecting existing and new types of fraudulent activity.

Internal controls are established for financial and other systems within the Council. They are designed to discourage fraud and provide indicators of any fraudulent activity. The Council also relies on employees, Councillors and the public to be alert and to report suspicion of fraud and corruption.

Managers should pay particular attention to circumstances which may require additional and sensitive monitoring or supervision. Examples of Fraud Indicators are detailed in Appendix C.

- 7.5 **INVESTIGATION:** The Council will investigate all reported incidents of fraud or irregularity. Please see Appendix A for the Protocol for Investigating Irregularities.
- 7.6 **SANCTIONS:** The Council will apply realistic and effective sanctions for individuals or organisations where an investigation reveals fraudulent activity. This will include legal action in addition to criminal and disciplinary action, where appropriate.
- 7.7 **REDRESS:** A crucial element of the Council’s response to tackling fraud is seeking financial redress. The recovery of defrauded monies is an important part of the Council’s strategy and will be pursued, where appropriate.

7.8 In addition to the above, Internal Audit also prepares an annual Counter-Fraud Work Plan that details the key objectives and areas of work for the year and when actions are due to be completed. The work plan is agreed and monitored by the Regulatory and Audit Committee and Section 151 Officer.

8. Reporting, Advice and Support

8.1 The Council's expectation is that Councillors and managers will lead by example and that employees at all levels will comply with the Constitution, Council Policies, Financial Regulations, Financial and Contract Procedure Rules, ~~and The Operating Framework and~~ Business Unit Procedures.

8.2 The Council recognises that the primary responsibility for the prevention and detection of fraud rests with management. It is essential that employees of the Council report any irregularities, or suspected irregularities to their line manager and if this is not appropriate then to the Managing Director or Service Director/Manager. The Council will provide all reasonable protection for those who raise genuine concerns in good faith, in accordance with the Whistleblowing Policy and Procedure.

8.3 The line manager, Service Manager, Director or Managing Director who receives the allegation (whether from a Councillor or a Council employee) must refer the matter to the following people, to determine how the potential irregularity will be investigated:

- Director, HQ Assurance (Section 151 Officer);
- Director, HQ Strategy and Policy (Monitoring Officer);
- Managing Director;
- [Head of Business Assurance \(& Chief Internal Auditor\)](#); ~~and~~
- ~~Human Resources; and~~
- Head of HR Operations.

8.4 Where appropriate, the Monitoring Officer should inform the Leader, Deputy Leader and relevant portfolio holder where the irregularity is material and/or could affect the reputation of the Council. The Section 151 Officer will liaise with the Cabinet Member for Resources, as appropriate. The Media Team should also be informed if the matter is likely to be communicated externally.

8.5 The investigating officer will follow the 'Guidelines for Managers on Investigating Allegations' as well as the 'Protocol for Investigating Irregularities' (Appendix A), which includes the need to:

- Deal promptly with the matter.

- Record all evidence received.
- Ensure that evidence is sound and adequately supported.
- Ensure security of all evidence collected.
- Contact other agencies if necessary e.g. Police.
- Notify the Council's insurers.
- Implement Council disciplinary procedures where appropriate.

8.6 The Council will also work in co-operation with the following bodies that will assist in scrutinising our systems and defences against fraud and corruption:

- Local Government Ombudsman.
- External Audit – Relationship Manager.
- National Fraud Initiative and related Audit Networks.
- Central Government Departments.
- HM Revenue and Customs.
- UK Border Agency.
- Department for Work and Pensions.
- Police.

8.7 Any concerns or suspicions reported will be treated with discretion and in confidence. Key contacts include:

- [Head of Business Assurance \(& Chief Internal Auditor\)](#) – Tel: 01296 387327.
- Senior Auditor (Fraud Lead) – Tel: 01296 382557.
- Confidential Reporting Facility - Tel: 01296 382237.
- Confidential e-mail - audit@buckscc.gov.uk

8.8 Other Council means for raising concerns:

<ul style="list-style-type: none"> ▪ Chief Executive 	<p>Write to: Buckinghamshire County Council, County Hall, Walton Street, Aylesbury, HP20 1UA</p>
<ul style="list-style-type: none"> ▪ Director, HQ Assurance(Section 151 Officer) 	
<ul style="list-style-type: none"> ▪ Director, HQ Strategy and Policy (Monitoring Officer) 	
<ul style="list-style-type: none"> ▪ Managing Director 	
<ul style="list-style-type: none"> ▪ Service Director/Manager 	
<ul style="list-style-type: none"> ▪ Head of Business Assurance (& Chief Internal Auditor) 	
<ul style="list-style-type: none"> ▪ Regulatory and Audit Committee Chairman 	

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8.9 External means of raising concerns:

▪ External Audit (Grant Thornton)	020 7728 3328
▪ Citizens Advice Bureau	Website: www.citizensadvice.org.uk
▪ Police	Website: www.thamesvalley.police.uk
▪ Your Local Councillor	Website: www.bucksc.gov.uk Click on: Councillors and Meetings>Councillors

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8.10 Attached are the following Appendices:

- Appendix A: The Protocol for Investigating Irregularities.
- Appendix B: The Council's Fraud Response Plan.
- Appendix C: Examples of Fraud Indicators.

9. Further Information

9.1 Further information on Council policy can be found in the following documents:

- The Constitution.
- Codes of Conduct (Councillors and Officers).
- Whistleblowing Policy and Procedure.
- Commercial Practices, Gifts and Hospitality.
- Financial Regulations and Instructions.
- Operating Framework
- Contract Standing Orders and Exemptions.
- Anti-Money Laundering Policy.
- Regulation of Investigatory Powers Act (RIPA).

10. Strategy Review

10.1 The Regulatory and Audit Committee will continue to review and amend this strategy as necessary to ensure that it continues to remain compliant and meets the requirements of the Council.

Responsible Officer: [Head of Business Assurance \(& Chief Internal Auditor\)](#)

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Date: ~~September~~August 2016
Review Date: ~~September~~August 2017

APPENDIX A

Protocol for Investigating Irregularities

a) Fraud Referral / Allegation

The primary responsibility for the prevention and detection of fraud, corruption and theft rests with Managing Directors, Directors and Service Managers. Internal controls have been established for financial and other systems within the Council. They are designed to discourage fraud and provide indicators of any fraudulent activity. Employees, Councillors and other groups are encouraged to report suspected irregularities in accordance with the Council's Whistleblowing Policy and Procedure.

When a referral or allegation is received, the Managing Director, Director or Service Manager will report the incident to the key contacts and officers detailed in section 8.3 above, as well as any other relevant contacts, to determine the course of action.

In some cases, an allegation may be of a routine or minor nature that can be dealt with by service management without the need for a formal investigation. If this is the outcome, a record of the decision and who made it must be kept to enable the course of action to be justified. Alternatively, if the matter is of a nature that requires immediate Police involvement, please refer to section f) below on reporting issues to the Police.

If it is agreed that an internal investigation is required, this protocol details the stages that should be followed. It is the Managing Director, Director and Service Managers' responsibility to initiate and manage the investigation in potential cases of fraud, corruption or theft.

All investigations should be reported to Internal Audit, who will monitor the investigation, ensuring action is initiated, effectively managed and it is brought to a proper conclusion.

b) The Investigation

The Managing Director, Director or Service Manager should appoint a senior manager, independent of the activity, to head the investigation. The investigation team will take specialist professional advice and investigation skills from Internal Audit, Human Resources and a legal adviser from Legal Services. The team will also have open access to service management to ensure all appropriate enquiries can be undertaken. The Managing Director or Director should arrange for regular briefing meetings from the investigation team.

The team will agree a plan for the investigation having regard to the initial evidence and/or allegation. The investigation plan should be kept under regular review. Investigation progress will be reported to the Managing Director, Director, Service Manager and other relevant officers on a regular basis, especially when any key decisions need to be taken.

c) Evidence

All evidence gathered will be regarded as strictly confidential and will be the property of the investigation team. It will only be made more widely available on agreement with the necessary officers. The team will be responsible for gathering all evidence, whether it is verbal, written or electronic, which may include the need to interview employees.

If it is necessary to interview employees, the Managing Director, Director or Service Manager should be informed. HR should also be contacted to ensure the interview is arranged, conducted and managed correctly to ensure the employee is supported and the investigation is not compromised. Interviews with employees must be conducted in accordance with the relevant Council standards and procedures, with allowances for proper representation. Advice should also be obtained from Internal Audit as to the overall approach in undertaking the interview.

When obtaining written evidence, the source copy of any documentation should be obtained. Electronic evidence will be stored on a PC, laptop, blackberry, mobile phone, etc. When obtaining electronic evidence, the main issue is how to capture the evidence before it is changed. To do this, the equipment should be secured at the earliest opportunity to ensure evidence is not altered. This is a specialist activity and should be undertaken under the supervision of an IT specialist on which Internal Audit can advise.

Some investigations may require either covert surveillance or a covert operation to obtain information. If this is required, formal authorisation will need to be obtained under the Regulation of Investigatory Powers Act 2000 (RIPA). Authorising any action under RIPA regulation needs to be obtained from the Monitoring Officer and Head of Legal Services.

The conduct of interviews and gathering of evidence which may subsequently be used as criminal evidence is governed by specific rules and acts. In this respect, the following statutes are relevant:

- Police and Criminal Evidence Act 1984 (PACE).
- Regulation of Investigatory Powers Act 2000 (RIPA).
- Human Rights Act 1998.
- Data Protection Act 1998.

Specialists trained in investigation and interviewing could be made available to the investigation team. Legal Services and Trading Standards Officers might be able to assist

if this is required. The need for specialist advice would be a part of the discussion when an investigation is initiated.

The investigation team should ensure that a fully referenced investigation file is maintained, which includes all documentation, records and notes collated during the investigation. Advice on the best approach to referencing investigation files can be obtained from Internal Audit.

d) Reporting

Once the investigation work has been concluded, the team will need to prepare a written report detailing the initial referral or allegation, the work completed (including documents obtained and interviews conducted) and an opinion or conclusion on the outcome of the investigation. Depending on the severity of the investigation outcome, the report may lead to a disciplinary hearing or Police referral.

The report should also detail any breakdown in management, operational or financial controls to the Managing Director, Director or Service Manager, who will have to agree the necessary actions to address the issues.

The investigation team, in consultation with the Managing Director or Service Director/Manager, should make arrangements for the Director, HQ Assurance, Monitoring Officer, Chief Internal Auditor and Head of HR Operations to be informed of the investigation outcome. Other officers should be notified on a strictly confidential, need to know basis.

e) Disciplinary and Criminal Proceedings

Managing Directors and Service Directors/Managers will be expected to take action in accordance with the Council's Conduct and Discipline Policy, where the outcome of the investigation indicates improper behaviour. School Governors are also required to take similar action where the outcome of the investigation indicates improper behaviour.

If an investigation requires that an employee is suspended, this must be done in accordance with the Conduct and Discipline Policy and Procedure. The procedure states that the suspension period should be as short as is reasonably practical. Senior employees should record in writing a decision to suspend and any subsequent review of that decision, setting out the reasons for the decision and whether alternative options have been considered.

The Managing Director or Service Director/Manger should ensure, normally through the investigation team, that the relevant written reports are available timely, for disciplinary and criminal proceedings. Necessary members of the investigation team may be required to

give written evidence and attend at hearings to give verbal evidence and answer questions.

Normally the line manager will make the complaint at the disciplinary hearing, but in exceptional circumstances and with the Managing Director and HR's agreement, it may be made by a member of the investigation team.

Where there is a possibility of criminal proceedings, the investigation team should ensure that any relevant evidence is gathered and reported in such a way that it could be admissible in court. Legal Services will advise on a case by case basis as appropriate.

f) Police Involvement

Reporting incidents to the Police must be considered on an individual basis. If criminal activity is suspected, the matter should be promptly reported to the Police by the Managing Director or Service Director/ Manager. Approval to report the matter to the Police must be obtained from the Director of Assurance, Monitoring Officer and/or Director of Legal Services. Advice should be sought from Internal Audit on how the matter should be reported and who would be best placed to meet with the Police and discuss the details of the investigation. In the unlikely event that none of the above officers are immediately available, the Managing Director, Director and Service Manager must judge how quickly the matter should be reported to ensure any Police investigation is not affected.

Continuous liaison with the Police is vital as there may be parallel enquiries undertaken by the Police in addition to those by the in-house team. Also, the Police have specialist skills to interview under caution that will be needed if evidence is to be used in court. Normally, any internal disciplinary process can take place at the same time as the Police investigation. However, this should be agreed in advance by both the Police and the Council to ensure both investigations are not compromised.

g) Investigation Costs

Internal Audit plans a small contingency for anti-fraud work. The [Head of Business Assurance \(& Chief Internal Auditor\)](#), ~~in conjunction with the Head of Assurance~~ will determine whether the contingency should be used for undertaking work on a specific investigation. Where resources are not directly available through Internal Audit, any contribution may disrupt planned work so there may be an additional direct charge to the service concerned. If external specialist advice is required, this will only be after agreement both in terms of scope and cost, with the Managing Director or Director/Service Manager. Charges for Legal Services advice will be in accordance with the normal service agreements with ~~departments~~[Business Units](#).

h) Post Investigation

The Council wishes to see that following an investigation, action is taken to minimise future occurrence. This may involve improvements in control, changes to systems and procedures, ~~or~~ employee training or promoting “lessons learnt” advice.

Any publicity arising from an investigation will be co-ordinated by the Council’s Media Team. It is the responsibility of the Managing Director or Director/Service Manager to ensure that the Media Team is informed of developments following completion of an investigation.

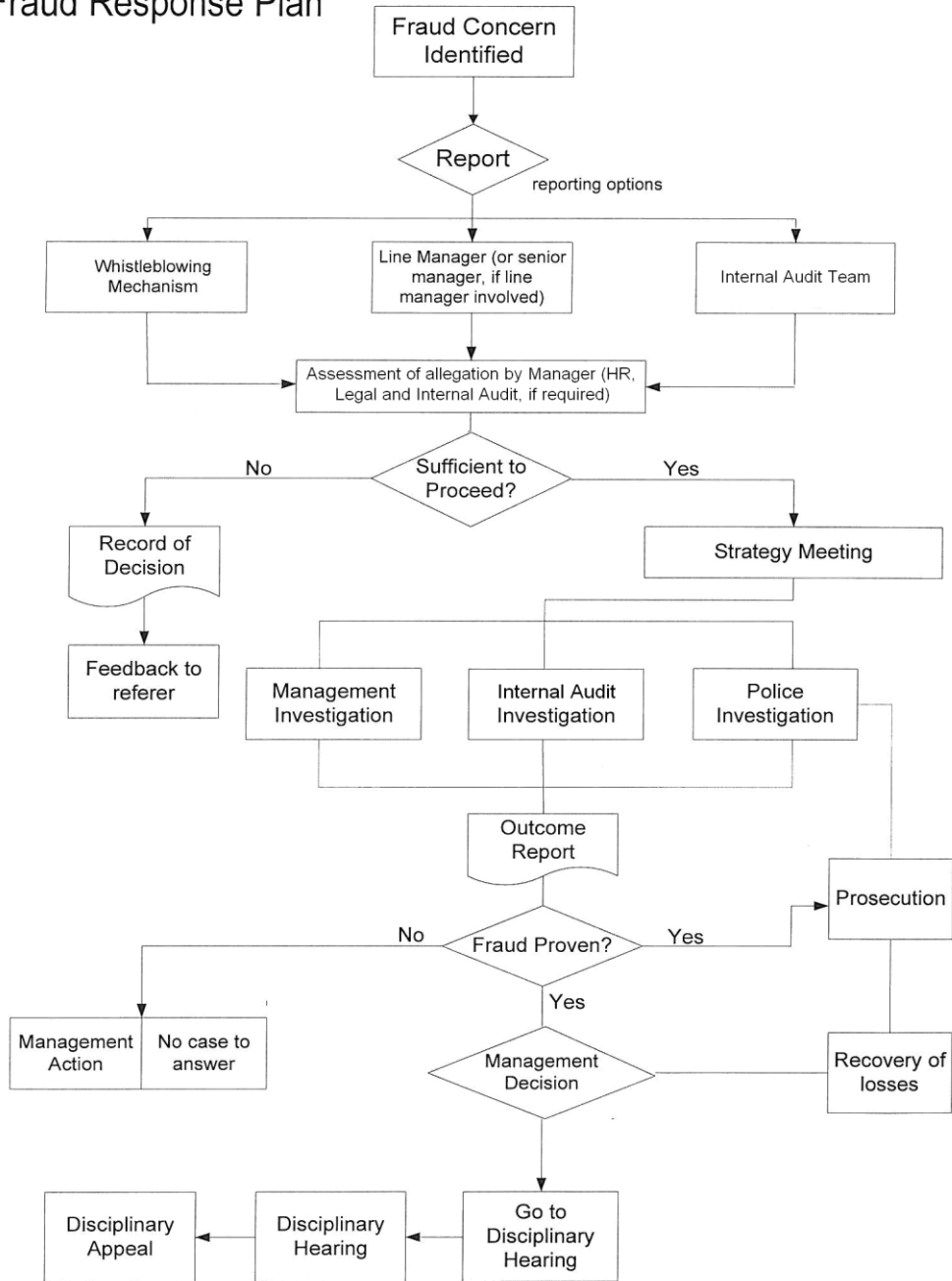
i) Training

The Council acknowledges that the continuing success of its Anti-Fraud and Corruption Strategy and its general credibility will depend largely on the effectiveness of programmed training and responsiveness of employees and Councillors throughout the organisation.

Investigation of fraud and corruption may require specialist training, not only for the Council’s Internal Audit Service, but also employees within Business Units and Headquarters. Business Unit, Headquarters and Internal Audit staff training plans will reflect this requirement.

APPENDIX B

Fraud Response Plan



APPENDIX C

Fraud Indicators

A number of frauds can come to light because of suspicions aroused by, for instance, the behaviour of certain individuals. It is impossible to give a definitive list of fraud indicators or warning signs. The following are types of risk factors that may, either alone or cumulatively with other factors, suggest the possibility of fraud and may therefore warrant further investigation or enquiry.

- **Unusual employee behaviour:** Refusal to comply with normal rules and practices, fails to take leave, refusing promotion, managers by-passing subordinates, subordinates by-passing managers, living beyond means, regularly working long-hours, job dissatisfaction/unhappy employee, secretiveness or undue defensiveness.
- **Financial irregularities:** Key documents missing (e.g. invoices, contracts); absence of controls and audit trails; missing expenditure vouchers and official records; general ledger out of balance; bank and ledger reconciliations are not maintained or cannot be balanced; excessive movements of cash or transactions between accounts; numerous adjustments or exceptions; constant overdue pay or expense advances; duplicate payments; ghost employees on the payroll; large payments to individuals; excessive variations to budgets or contracts.
- **Bad procurement practice:** Too close a relationship with suppliers/contractors; suppliers/contractors who insist on dealing with only one particular member of staff; unjustified disqualification of any bidder; lowest tenders or quotes passed over with minimal explanation recorded; defining needs in ways that can be met only by specific contractors; single vendors; vague specifications; splitting up requirements to get under small purchase requirements or to avoid prescribed levels of review or approval.
- **Disorganisation:** Understaffing in key control areas; consistent failures to correct major weaknesses in internal control; inadequate or no segregation of duties.
- **Inadequate supervision:** Policies not being followed; lack of senior management oversight; inadequate monitoring to ensure that controls work as intended (periodic testing and evaluation); low staff morale, weak or inconsistent management.

- **Lax corporate culture:** Management frequently override internal control; climate of fear or a corporate culture; employees under stress without excessive workloads; new employees resigning quickly; crisis management coupled with a pressured business environment; high employee turnover rates in key controlling functions.
- **Poor work practices:** Lack of common sense controls; work is left until the employee returns from leave; post office boxes as shipping addresses; documentation that is a photocopies or lacking essential information; lack of rotation of duties; unauthorised changes to systems or work practices.

Buckinghamshire County Council

Anti-Money Laundering Policy

A guide to the Council's anti-money laundering safeguard and reporting arrangements.

Prepared by: Maggie Gibb, Head of Business Assurance (& Chief Internal Auditor)

Version 2 – 1st September 2016



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1. Introduction

1.1 The Money Laundering Regulations 2007¹, which came into effect on the 15 December 2007, introduced changes to the money laundering regime that are relevant to the Council. As a consequence the Council's Anti Money-Laundering Policy was up-dated so as to reflect the 2007 Regulations. This Policy replaces any previous Anti Money-Laundering Policies.

2. Scope of the policy

2.1 This Policy applies to all employees whether permanent or temporary and Members of the Council.

Its aim is to enable employees and Members to respond to a concern they have in the course of their dealings for the Council. Individuals who have a concern relating to a matter outside of work should contact the police.

2.2 The Policy is accompanied by:

- The Customer Due Diligence Pro-Forma (**Appendix 1**).

2.3 Failure by a member of staff to comply with the procedures set out in the Policy may lead to disciplinary action being taken against him/her. Any disciplinary action will be dealt with in accordance with the County Council disciplinary Policy and Procedure.

3. What is money laundering?

3.1 Money Laundering describes offences involving the integration of the proceeds of crime, or terrorist funds, into the mainstream economy. Such offences are defined under The Proceeds of Crime Act 2002 as the following prohibited acts;

- Concealing, disguising, converting, transferring or removing criminal property from the UK.
- Becoming involved in an arrangement which an individual knows or suspects facilitates the acquisition, retention, use or control of criminal property by or on behalf of another person.
- Acquiring using or possessing criminal property.
- Doing something that might prejudice an investigation e.g. falsifying a document.
- Failure to disclose one of the offences listed above where there are reasonable grounds for knowledge or suspicion.
- Tipping off a person(s) who is suspected of being involved in money laundering in such a way as to reduce the likelihood of or prejudice an investigation.

- 3.2 Money laundering activity may range from a single act, for example being in possession of the proceeds of one's own crime, to complex and sophisticated schemes involving multiple parties and multiple methods of handling and transferring criminal property as well as concealing it and entering into arrangements to assist others to do so. Council employees need to be alert to the risks of clients, their counterparties and others laundering money in any of its many forms.
- 3.3 The main money laundering offences are those under sections;
- 327 to 329 of the Proceeds of Crime Act 2002.
 - 18 of the Terrorism Act 2000.

In summary the offences are committed as follows;

Under section 327 it is an offence to conceal, disguise, convert, transfer or remove criminal property from England and Wales.

Under section 328 it is an offence for a person to enter into or become concerned in an arrangement which s/he knows or suspects facilitates the acquisition, retention, use or control of criminal property by or on behalf of another person.

Under section 329 it is an offence for a person to acquire, use or have in his/her possession criminal property.

- 3.4 Under section 18 of the Terrorism Act 2000 it is an offence for a person to enter into or become concerned in an arrangement which facilitates the retention or control by or on behalf of another person of terrorist property by concealment, removal from the jurisdiction, transfer to nominees or in any other way. Terrorist property is defined as money or other property which is likely to be used for the purposes of terrorism (including any resources of a prescribed organisation), proceeds of the commission of acts of terrorism, and proceeds of acts carried out for the purposes of terrorism.
- 3.5 It is important to note that anyone, Council employee or not, can commit any of the above offences. However, in addition to these offences there are a series of obligations imposed on the Council by the 2007 Regulations that it must fulfil and of which breach can also amount to an offence by the Council.

4. What are the obligations on the council?

- 4.1 Whilst Local Authorities are not directly covered by the requirements of the Money Laundering Regulations 2007, guidance from finance and legal professions, including the Chartered Institute of Public Finance and Accounting (CIPFA), indicates that public service organisations should comply with the underlying spirit of the legislation and regulations and put in place appropriate and proportionate anti-money laundering safeguards and reporting arrangements.

The Regulations apply to “relevant persons” acting in the course of business carried on by them in the UK. Not all of the Council’s business is relevant for the purposes of the Regulations; it could include accountancy and audit services carried out by Financial Services and the financial, company and property transactions undertaken by Legal Services (HB Public Law from 1 July 2016).

4.2 It is reasonable to conclude that the money laundering regime is not primarily aimed at local authorities and that local authorities’ work is to some extent tangential to the regime. However, the safest way to ensure compliance with the regime is nonetheless to apply its requirements to all of the Council’s areas of work and to ensure that all staff comply with the reporting procedure set out in the Policy.

4.3 The obligations on the Council are to establish and maintain appropriate and risk-sensitive policies and procedures relating to the following;

- Customer due diligence measures and ongoing monitoring.
- Reporting.
- Record-keeping.
- Internal control.
- Risk assessment and management.
- The monitoring and management of compliance with, and the internal communication of such policies and procedures.

4.4 All employees are required to follow the procedure set out in the Policy and in this way the Council will properly discharge its obligations under the money laundering regime.

5. The importance of disclosing any suspicions to the Money Laundering Reporting Officer (MLRO)

5.1 Where you know or suspect that money laundering activity is taking/has taken place, or you are concerned that your involvement in the matter may amount to a prohibited act under the legislation, you must disclose to the MLRO this suspicion or concern as soon as practicable; the disclosure should be made within hours rather than days or weeks of the information coming to your attention. The legislation determines that a single cash transaction or a series of linked transactions totalling over €15,000 (approximately £10,000 at the time of the legislation) should be treated as suspicious. However vigilance also needs to be maintained in respect of all other possibilities such as a series of smaller payments in cash.

IF YOU FAIL TO DO SO YOU MAY BE LIABLE TO PROSECUTION.

5.2 Your disclosure should be made to the MLRO on the Pro Forma attached. The report must include as much detail as possible, for example:

- Full details of the people involved (including yourself if relevant) e.g. name, date of birth, address, company names, directorships, phone numbers etc.
- If you are concerned that your involvement in the transaction would amount to a prohibited act under sections 327-329 of the 2002 Act then your report must include all relevant details as.
- You will need consent from the National Crime Agency (NCA) or relevant successor body, through the MLRO, to take any further part in the transaction. This is the case even if the client gives instructions for the matter to proceed before such consent is given. You should therefore make it clear in the report if such consent is required and clarify whether there are any deadlines for giving such consent e.g. a completion date or court deadline.
- The types of money laundering activity involved. If possible cite the section number(s) under which the report is being made.
- The date of such activities, including whether the transactions have happened, are on-going or are imminent.
- Where they took place.
- How they were undertaken.
- The (likely) amount of money/assets involved.
- Why, exactly, you are suspicious.
- In addition, any other information to enable the MLRO to make a sound judgment as to whether there are reasonable grounds for knowledge or suspicion of money laundering and to enable the MLRO to prepare a report to the NCA, where appropriate. You should also enclose any copies of relevant supporting documentation.

5.3 As soon as you have reported the matter to the MLRO you must follow any directions they give to you. **You must NOT make any further inquiries into the matter yourself.**

Any necessary investigation will be undertaken by the National Crime Agency (NCA) or relevant successor body; simply report your suspicions to the MLRO, who will refer the matter to NCA or relevant successor body, if appropriate. All members of staff will be required to co-operate with the MLRO and the authorities during any subsequent money laundering investigation.

- 5.4 Similarly, **at no time and under no circumstances should you voice any suspicions** to the person(s) organisation you suspect of money laundering; otherwise you may commit the criminal offence of “tipping off”.
- 5.5 Do not, therefore, make any reference on a client file to a report having been made to the MLRO. Should the client exercise his/her right to see the file then such a note would obviously tip them off to the report having been made. Again you would be at risk of prosecution for tipping off. The MLRO will keep the appropriate records in a confidential manner.

6. Customer Due Diligence

- 6.1 Customer due diligence means that the Council must know its clients and understand their businesses. This is so that the Council is in a position to know if there is suspicious activity that should be reported; clearly it is only by the Council knowing its clients and their businesses that it can recognise abnormal and possibly suspicious activity.
- 6.2 The obligations imposed on the Council must, of course, be brought into effect by its individual employees. Employees must therefore be familiar with these obligations.
- 6.3 The 2007 Regulations require that the Council identifies its customers and verifies that identity on the basis of documents, data or information obtained from a reliable source. Where there is a beneficial owner who is not the customer then the Council must identify that person and verify the identity and where the beneficial owner is a trust or similar then the Council must understand the nature of the control structure of that trust. Finally the Council must obtain information on the purpose and intended nature of the business relationship.
- 6.4 The checks described in the paragraph above must generally be undertaken by the Council before it establishes a business relationship or carries out an occasional transaction, or if it suspects money laundering or terrorist funding or doubts the veracity of any information obtained for the purposes of identification or verification. However, the Council is not required to undertake these checks if its customer is another public authority, unless it suspects money laundering or terrorist funding.
- 6.5 The Council is also obliged to maintain ongoing monitoring of its business relationships which means it must scrutinise transactions throughout the course of the relationship to ensure that the transactions are consistent with the Council’s knowledge of the customer and keep the information about the customer up-to-date.

6.6 Where the Council is not able to apply the customer due diligence measures set out above it must not carry out a transaction with or for a customer through a bank account, it must not establish a business relationship or carry out an occasional transaction with the customer, it must terminate any business relationship with the customer and consider whether to make a disclosure.

6.7 However, the above paragraph does not apply where a lawyer or other professional adviser is in the course of advising the legal position for his/her client or performing his/her task of defending or representing that client in, or concerning, legal proceedings including the advice on the institution or avoidance of proceedings.

7. Enhanced Customer Due Diligence and Ongoing Monitoring

7.1 It will in certain circumstances be necessary to undertake what is known in the Regulations as Enhanced Customer Due Diligence. In summary, this will be necessary where:

- The customer has not been physically present for identification purposes; or
- In any other situation which by its nature can present a higher risk of money laundering or terrorist financing.

7.2 Where this applies, the Council will need to take adequate measures to compensate for the higher risk. For example, this will mean ensuring that the customer's identity is established by additional documents, data or information.

7.3 Similarly, where the Council is in an ongoing "business relationship" with a customer, the Regulations impose a special obligation to carry out ongoing monitoring. This means that the Council must:

- scrutinise transactions undertaken throughout the course of the relationship to make sure that these transactions are consistent with the Council's knowledge of the customer, his/her business and risk profile; and
- keep documents, data or information obtained for the purpose of applying Customer Due Diligence measures up-to-date.

8. Internal clients

8.1 Appropriate evidence of identity for Council departments will be signed, written instructions on Council headed notepaper or an e-mail on the internal system at the outset of a particular matter. Such correspondence should then be placed on the Council's client file along with a prominent note explaining which correspondence constitutes the evidence and where it is located.

9. External clients

9.1 The MLRO will maintain a central file of general client identification and verification information about the Council's external clients to whom the Council provides professional services. You should check with the MLRO that the organisation or individual in respect of which you require identification and verification information is included in the MLRO's central file and then check the details of the information held in respect of the particular client. If the organisation or individual is not included in the central file you should discuss the matter with the MLRO.

9.2 In practice the Council can fulfil its obligations if employees complete the Customer Due Diligence Pro-Forma attached.

10. Record keeping

10.1 The information gathered by the Council in pursuance of its customers due diligence obligations and described above must be kept for a period of five years from either the completion of the transaction or the end of the business relationship. Each Department or Section of the Council should nominate an officer who is to be responsible for the secure storage of these records.

11. Money Laundering Reporting Officer

11.1 The officer nominated to receive disclosure about money laundering activity within the Council is the Director of Assurance.

He can be contacted as follows:

Richard Ambrose
Director of Assurance
HQ Assurance
Buckinghamshire County Council
County Hall
Aylesbury, Bucks
HP20 1UA

Telephone: 01296 383120

In the absence of the MLRO the Monitoring Officer, Sarah Ashmead, is authorised to deputise.

Sarah Ashmead can be contacted at the above address or on telephone 01296 303986.

APPENDIX

Customer Due Diligence Pro-Forma

SECTION A: PRELIMINARY		
NAME OF CUSTOMER		
Is this customer another public authority (E.g. a local authority)?	If “Yes”, the due diligence measures below in Sections B and C do not need to be applied.	
Does the Council suspect the customer of money laundering or terrorist financing?	If “Yes”, the suspicion MUST always be reported to the MLRO immediately.	
SECTION B: DUE DILIGENCE MEASURES		
<p>These measures are to be applied where the Council:</p> <ol style="list-style-type: none"> 1) establishes a business relationship with a customer²; 2) carries out an occasional transaction³; 3) doubts the veracity or adequacy of documents, data or information previously obtained from the customer for the purposes of identification or verification. <p>To apply the due diligence measures, please answer as fully as possible the questions below.</p>		
1.	Can the Council identify this customer?	
2.	How has the identity of this customer been established? [Attach documents, data or information establishing identity]	
3.	Are these documents, data or information from an independent and reliable source?	
4.	Can the Council verify the identity of the customer?	

² “**business relationship**” means a business, professional or commercial relationship which the Council expects, at the time the contact is established, to have an element of duration.

³ “**occasional transaction**” means a transaction, carried out other than as part of a business relationship, amounting to 15,000 Euro or more, whether a single operation or several operations which appear to be linked. [Sterling equivalent at date of final document]

	[Through the documents referred to in Questions 2 and 3]	
5.	Is there a beneficial owner involved with the customer who is a different person or entity to the customer identified	
6.	What is the identity of the beneficial owner?	
7.	Can the Council verify the identity of the beneficial owner?	
8.	Does the Council doubt the veracity or adequacy of documents, data or information obtained for the purposes of identification or verification?	
9.	When were the documents, data or information obtained for the purposes of identification or verification of this customer last up-dated?	
10.	When will the documents, data or information obtained for the purposes of identification or verification of this customer next	
11.	What is the ownership and control structure of the beneficial owner?	
12.	Does the Council wish to establish a business relationship with this customer?	
13.	What is the purpose and intended nature of the business relationship?	

SECTION C: OUTCOME OF DUE DILIGENCE MEASURES

<p>Is the Council unable to answer any of the above questions because the customer has been unable or unwilling to provide information?</p> <p>If so, please give full details.</p>	<p>If the answer is “Yes”, the Council must not establish a business relationship or carry out an occasional transaction with this customer; it must not carry out any transaction with or for the customer through a bank account; it must terminate any business relationship with the customer AND the suspicion must be reported immediately to the MLRO.</p>
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NOTE

This pro-forma must be kept for 5 years from the end of the business relationship or occasional transaction with this customer.

Buckinghamshire County Council

Anti-Money Laundering Policy

A guide to the Council's anti-money laundering safeguard and reporting arrangements.

Prepared by: ~~Maggie Gibb~~[Maggie Gibb](#)~~an Dyson~~, [Head of Business Assurance \(& Chief Internal Auditor\)](#)

Version ~~24~~ – 1st~~5~~th September 201~~6~~⁵



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2. Scope of the policy

2.1 This Policy applies to all employees whether permanent or temporary and Members of the Council.

Its aim is to enable employees and Members to respond to a concern they have in the course of their dealings for the Council. Individuals who have a concern relating to a matter outside of work should contact the police.

2.2 The Policy is accompanied by:

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- Acquiring using or possessing criminal property.
- Doing something that might prejudice an investigation e.g. falsifying a document.
- Failure to disclose one of the offences listed above where there are reasonable grounds for knowledge or suspicion.
- Tipping off a person(s) who is suspected of being involved in money laundering in such a way as to reduce the likelihood of or prejudice an

investigation.

- 3.2 Money laundering activity may range from a single act, for example being in possession of the proceeds of one's own crime, to complex and sophisticated schemes involving multiple parties and multiple methods of handling and transferring criminal property as well as concealing it and entering into arrangements to assist others to do so. Council employees need to be alert to the risks of clients, their counterparties and others laundering money in any of its many forms.
- 3.3 The main money laundering offences are those under sections;
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 - 18 of the Terrorism Act 2000.

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Under section 329 it is an offence for a person to acquire, use or have in his/her possession criminal property.

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- 3.5 It is important to note that anyone, Council employee or not, can commit any of the above offences. However, in addition to these offences there are a series of obligations imposed on the Council by the 2007 Regulations that it must fulfil and of which breach can also amount to an offence by the Council.

4. What are the obligations on the council?

- 4.1 Whilst Local Authorities are not directly covered by the requirements of the Money Laundering Regulations 2007, guidance from finance and legal professions, including the Chartered Institute of Public Finance and Accounting (CIPFA), indicates that public service organisations should comply with the underlying spirit of the legislation and regulations and put in place appropriate and proportionate

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~~anti-money laundering safeguards and reporting arrangements. The obligations on the Council are those imposed by the 2007~~

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~~The Regulations which~~ apply to “relevant persons” acting in the course of business carried on by them in the UK. Not ~~by any means~~ all of the Council’s business is relevant for the purposes of the Regulations; it ~~could include is mainly the~~ accountancy and audit services carried out by Financial Services and the financial, company and property transactions undertaken by Legal Services [\(HB Public Law from 1 July 2016\)](#).

~~4.2 It should be remembered that under Reg. 3(1), the Regulations only apply to “persons acting in the course of a business”.~~

~~Therefore Council employees in the Financial Services and Legal Services sections are those to whom the Policy most directly applies.~~

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4.23 It is reasonable to conclude that the money laundering regime is not primarily aimed at local authorities and that local authorities’ work is to some extent tangential to the regime. However, the safest way to ensure compliance with the regime is nonetheless to apply its requirements to all of the Council’s areas of work and to ensure that all staff comply with the reporting procedure set out in the Policy.

4.34 The obligations on the Council are to establish and maintain appropriate and risk-sensitive policies and procedures relating to the following;

- Customer due diligence measures and ongoing monitoring.
- Reporting.
- Record-keeping.
- Internal control.
- Risk assessment and management.
- The monitoring and management of compliance with, and the internal communication of such policies and procedures.

4.45 All employees are required to follow the procedure set out in the Policy and in this way the Council will properly discharge its obligations under the money laundering regime.

5. The importance of disclosing any suspicions to the Money Laundering Reporting Officer (MLRO)

5.1 Where you know or suspect that money laundering activity is taking/has taken place, or you are concerned that your involvement in the matter may amount to a

prohibited act under the legislation, you must disclose to the MLRO this suspicion or concern as soon as practicable; the disclosure should be made within hours rather than days or weeks of the information coming to your attention. The legislation determines that a single cash transaction or a series of linked transactions totalling over €15,000 (approximately £10,000 at the time of the legislation) should be treated as suspicious. However vigilance also needs to be maintained in respect of all other possibilities such as a series of smaller payments in cash.

IF YOU FAIL TO DO SO YOU MAY BE LIABLE TO PROSECUTION.

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5.2 Your disclosure should be made to the MLRO on the Pro Forma attached. The report must include as much detail as possible, for example:

- Full details of the people involved (including yourself if relevant) e.g. name, date of birth, address, company names, directorships, phone numbers etc.
- If you are concerned that your involvement in the transaction would amount to a prohibited act under sections 327-329 of the
- 2002 Act then your report must include all relevant details as.
- You will need consent from the National Crime Agency (NCA) or relevant successor body, through the MLRO, to take any further part in the transaction. This is the case even if the client gives instructions for the matter to proceed before such consent is given. You should therefore make it clear in the.
- Report if such consent is required and clarify whether there are any deadlines for giving such consent e.g. a completion date or court deadline.
- The types of money laundering activity involved. If possible cite the section number(s) under which the report is being made.
- The date of such activities, including whether the transactions have happened, are on-going or are imminent.
- Where they took place.
- How they were undertaken.
- The (likely) amount of money/assets involved.
- Why, exactly, you are suspicious.
- In addition, any other information to enable the MLRO to make a sound judgment as to whether there are reasonable grounds for knowledge or suspicion of money laundering and to enable
- To prepare a report to the NCA, where appropriate. You should also enclose any copies of relevant supporting documentation.

- 5.3 As soon as you have reported the matter to the MLRO you must follow any directions they give to you. **You must NOT make any further inquiries into the matter yourself.**

Any necessary investigation will be undertaken by the National Crime Agency (NCA) or relevant successor body; simply report your suspicions to the MLRO, who will refer the matter to NCA or relevant successor body, if appropriate. All members of staff will be required to co-operate with the MLRO and the authorities during any subsequent money laundering investigation.

- 5.4 Similarly, **at no time and under no circumstances should you voice any suspicions** to the person(s) organisation you suspect of money laundering; otherwise you may commit the criminal offence of “tipping off”.
- 5.5 Do not, therefore, make any reference on a client file to a report having been made to the MLRO. Should the client exercise his/her right to see the file then such a note would obviously tip them off to the report having been made. Again you would be at risk of prosecution for tipping off. The MLRO will keep the appropriate records in a confidential manner.

6. Customer Due Diligence

- 6.1 ~~C~~In summary, customer due diligence ~~is a new requirement introduced by the Regulations, and~~ means that the Council must know its clients and understand their businesses. This is so that the Council is in a position to know if there is suspicious activity that should be reported; clearly it is only by the Council knowing its clients and their businesses that it can recognise abnormal and possibly suspicious activity.
- 6.2 The obligations imposed on the Council must, of course, be brought into effect by its individual employees. Employees must therefore be familiar with these obligations.
- 6.3 The 2007 Regulations require that the Council identifies its customers and verifies that identity on the basis of documents, data or information obtained from a reliable source. Where there is a beneficial owner who is not the customer then the Council must identify that person and verify the identity and where the beneficial owner is a trust or similar then the Council must understand the nature of the control structure of that trust. Finally the Council must obtain information on the purpose and intended nature of the business relationship.
- 6.4 The checks described in the paragraph above must generally be undertaken by the Council before it establishes a business relationship or carries out an occasional transaction, or if it suspects money laundering or terrorist funding or doubts the veracity of any information obtained for the purposes of identification or verification.

However, the Council is not required to undertake these checks if its customer is another public authority, unless it suspects money laundering or terrorist funding.

- 6.5 The Council is also obliged to maintain ongoing monitoring of its business relationships which means it must scrutinise transactions throughout the course of the relationship to ensure that the transactions are consistent with the Council's knowledge of the customer and keep the information about the customer up-to-date.
- 6.6 Where the Council is not able to apply the customer due diligence measures set out above it must not carry out a transaction with or for a customer through a bank account, it must not establish a business relationship or carry out an occasional transaction with the customer, it must terminate any business relationship with the customer and consider whether to make a disclosure.
- 6.7 However, the above paragraph does not apply where a lawyer or other professional adviser is in the course of advising the legal position for his/her client or performing his/her task of defending or representing that client in, or concerning, legal proceedings including the advice on the institution or avoidance of proceedings.

7. Enhanced Customer Due Diligence and Ongoing Monitoring

7.1 It will in certain circumstances be necessary to undertake what is known in the Regulations as Enhanced Customer Due Diligence. In summary, this will be necessary where:

- The customer has not been physically present for identification purposes; or
- In any other situation which by its nature can present a higher risk of money laundering or terrorist financing.

7.2 Where this applies, the Council will need to take adequate measures to compensate for the higher risk. For example, this will mean ensuring that the customer's identity is established by additional documents, data or information.

7.3 Similarly, where the Council is in an ongoing "business relationship" with a customer, the Regulations impose a special obligation to carry out ongoing monitoring. This means that the Council must:

- scrutinise transactions undertaken throughout the course of the relationship to make sure that these transactions are consistent with the Council's knowledge of the customer, his/her business and risk profile; and
- keep documents, data or information obtained for the purpose of applying

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Customer Due Diligence measures up-to-date.

8. Internal clients

8.1 Appropriate evidence of identity for Council departments will be signed, written instructions on Council headed notepaper or an e-mail on the internal system at the outset of a particular matter. Such correspondence should then be placed on the Council's client file along with a prominent note explaining which correspondence constitutes the evidence and where it is located.

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9. External clients

9.1 The MLRO will maintain a central file of general client identification and verification information about the Council's external clients to whom the Council provides professional services. You should check with the MLRO that the organisation or individual in respect of which you require identification and verification information is included in the MLRO's central file and then check the details of the information held in respect of the particular client. If the organisation or individual is not included in the central file you should discuss the matter with the MLRO.

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9.2 In practice the Council can fulfil its obligations if employees complete the Customer Due Diligence Pro-Forma attached.

10. Record keeping

10.1 The information gathered by the Council in pursuance of its customers due diligence obligations and described above must be kept for a period of five years from either the completion of the transaction or the end of the business relationship. Each Department or Section of the Council should nominate an officer who is to be responsible for the secure storage of these records.

11. Money Laundering Reporting Officer

~~11.141. The money laundering reporting officer~~

~~11.141~~ The officer nominated to receive disclosure about money laundering activity within the Council is the Director of Assurance.

He can be contacted as follows:

Richard Ambrose
Director of Assurance
HQ Assurance
Buckinghamshire County Council
County Hall
Aylesbury, Bucks

| [HP20.1UA](#)

Telephone: 01296 383120

In the absence of the MLRO the Monitoring Officer, Sarah Ashmead, is authorised to deputise.

Sarah Ashmead can be contacted at the above address or on telephone 01296 303986.

APPENDIX

1

Customer Due Diligence Pro-Forma

SECTION A: PRELIMINARY	
NAME OF CUSTOMER	
Is this customer another public authority (E.g. a local authority)?	If “Yes”, the due diligence measures below in Sections B and C do not need to be applied.
Does the Council suspect the customer of money laundering or terrorist financing?	If “Yes”, the suspicion MUST always be reported to the MLRO immediately.
SECTION B: DUE DILIGENCE MEASURES	
<p>These measures are to be applied where the Council:</p> <ol style="list-style-type: none"> 1) establishes a business relationship with a customer²; 2) carries out an occasional transaction³; 3) doubts the veracity or adequacy of documents, data or information previously obtained from the customer for the purposes of identification or verification. <p>To apply the due diligence measures, please answer as fully as possible the questions below.</p>	
1.	Can the Council identify this customer?
2.	How has the identity of this customer been established? [Attach documents, data or information establishing identity]
3.	Are these documents, data or information from an independent and reliable source?
4.	Can the Council verify the identity of the customer?

² “**business relationship**” means a business, professional or commercial relationship which the Council expects, at the time the contact is established, to have an element of duration.

³ “**occasional transaction**” means a transaction, carried out other than as part of a business relationship, amounting to 15,000 Euro or more, whether a single operation or several operations which appear to be linked. [Sterling equivalent at date of final document]

	[Through the documents referred to in Questions 2 and 3]	
5.	Is there a beneficial owner involved with the customer who is a different person or entity to the customer identified	
6.	What is the identity of the beneficial owner?	
7.	Can the Council verify the identity of the beneficial owner?	
8.	Does the Council doubt the veracity or adequacy of documents, data or information obtained for the purposes of identification or verification?	
9.	When were the documents, data or information obtained for the purposes of identification or verification of this customer last up-dated?	
10.	When will the documents, data or information obtained for the purposes of identification or verification of this customer next	
11.	What is the ownership and control structure of the beneficial owner?	
12.	Does the Council wish to establish a business relationship with this customer?	
13.	What is the purpose and intended nature of the business relationship?	
SECTION C: OUTCOME OF DUE DILIGENCE MEASURES		
<p>Is the Council unable to answer any of the above questions because the customer has been unable or unwilling to provide information?</p> <p>If so, please give full details.</p>		<p>If the answer is “Yes”, the Council must not establish a business relationship or carry out an occasional transaction with this customer; it must not carry out any transaction with or for the customer through a bank account; it must terminate any business relationship with the customer AND the suspicion must be reported immediately to the MLRO.</p>
<p>NOTE This pro-forma must be kept for <u>5 years</u> from the end of the business relationship or occasional transaction with this customer.</p>		

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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