Agenda

REGULATORY AND AUDIT COMMITTEE

Date:	Wednesday 6 September 2017
Time:	9.00 am
Venue:	Mezzanine Room 1, 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** To confirm the minutes of the meeting held on 26th July 2017 as a correct record.		5 - 18
4	**BUSINESS CONTINUITY MANAGEMENT UPDATE** To be presented by Mr Andrew Fyfe – Head of Resilience.	09:05	19 - 22

| 5 | **RIPA COVERT SURVEILLANCE ANNUAL REPORT**
To be presented by Ms Sarah Ashmead – Assistant Chief Executive and Monitoring Officer. | **09:25** | **23 - 24** |

5   **RIPA COVERT SURVEILLANCE ANNUAL REPORT**   **09:25**   **23 - 24**
To be presented by Ms Sarah Ashmead – Assistant Chief Executive and Monitoring Officer.

6   **SAP ROLES (INTERNAL CONTROLS)**   **09:35**   **25 - 38**
To be presented by:
- Mr Matt Strevens – Corporate Finance Business Partner.
- Mr Richard Schmidt – Head of Strategic Finance.

7   **CONTRACT MANAGEMENT UPDATE (INCLUDING CMA)**   **09:55**   **39 - 58**
To be presented by:
- Mr Neil Gibson – Executive Director, Transport, Economy and Environment Business Unit.
- Mr Jonathon Noble – Commercial Director.

8   **ANTI-FRAUD AND CORRUPTION STRATEGY AND MONEY LAUNDERING POLICY**   **10:20**   **59 - 104**
To be presented by Ms Maggie Gibb – Chief Internal Auditor.

9   **BUSINESS ASSURANCE UPDATE AND AUDIT ACTION TRACKER**   **10:30**   **To Follow**
To be presented by Ms Maggie Gibb – Chief Internal Auditor.

10   **RISK MANAGEMENT GROUP UPDATE**   **10:40**   **105 - 106**
To be presented by Ms Maggie Gibb – Chief Internal Auditor.

11   **FORWARD PLAN**   **10:45**
Standing item to be presented by Ms Maggie Gibb - Chief Internal Auditor.

12   **DATE AND TIME OF NEXT MEETING**   **10:50**
8th November 2017, 09:00, Mezzanine Room 1, New County Offices, Aylesbury.

13   **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)

14   **CONFIDENTIAL MINUTES**   **10:50**   **To Follow**

To agree the confidential minutes

15	**EXTERNAL AUDITORS APPOINTMENT**	10:50	107 - 112

To be presented by Mr Richard Schmidt – Head of Strategic Finance.

16	**FRAUD UPDATE (VIA STATUTORY OFFICERS GROUP)**	11:05	**To Follow**

To be presented by Ms Maggie Gibb – Chief Internal Auditor.

If you would like to attend a meeting, but need extra help to do so, for example because of a disability, please contact us as early as possible, so that we can try to put the right support in place.

For further information please contact: Rachel Bennett on 01296 382290, email: rbennett@buckscc.gov.uk

Members

Mr S Bowles	Ms N Glover
Mr T Butcher (VC)	Mr D Martin (C)
Mr D Dhillon	Mr P Martin
Mr M Farrow	Mr D Watson

Buckinghamshire County Council

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Minutes

REGULATORY AND AUDIT COMMITTEE

**MINUTES OF THE MEETING OF THE REGULATORY AND AUDIT COMMITTEE HELD ON
WEDNESDAY 26 JULY 2017 IN MEZZANINE ROOM 1, COUNTY HALL, AYLESBURY,
COMMENCING AT 9.00 AM AND CONCLUDING AT 12.40 PM.**

MEMBERS PRESENT

Mr S Bowles
Mr T Butcher (Vice-Chairman)
Mr M Farrow
Ms N Glover
Mr D Martin (Chairman)
Mr P Martin
Mr D Watson

OTHERS IN ATTENDANCE

Mr R Ambrose, Director of Finance & Assets, Service Director, Finance and Commercial
Services
Ms R Bennett, Committee Assistant
Ms L Forsythe, Group Solicitor and Deputy Head of Legal Services
Ms M Gibb, Head of Business Assurance
Mr P Grady, Engagement Lead, Grant Thornton Auditors
Mr T Slaughter, Executive, Grant Thornton Auditors
Mr M Ward, Manager, Grant Thornton Auditors

1   APOLOGIES FOR ABSENCE / CHANGES IN MEMBERSHIP

Apologies were received from Mr Dhillon
Mr Farrow had replaced Mr Hussain on the Committee

2   DECLARATIONS OF INTEREST

There were no declarations of interest

3 MINUTES

The following points were highlighted from the minutes of the meeting held on 15 June 2017:

Reduction in income in Health and Wellbeing
It had been stated that with fewer people in residential homes and more receiving domiciliary care, this is having an impact on the level of income received.

Energy from Waste (EfW) impact on Business Units
Mr R Ambrose confirmed that he would bring a summary to the next meeting on the detail of how the EfW impacted on individual business units.

ACTION: Mr Ambrose

Whistleblowing
Cases not finalised would be brought forward and outcomes detailed in the next annual report. Consideration would be given to amending the policy to include a protocol dealing with individuals seeking to find who had raised the complaint.

The minutes of the meeting held on 15 June 2017 were agreed as a correct record and signed by the Chairman.

4 AUDIT OF ACCOUNTS

Mr Ambrose, Director of Finance and Assets, introduced the Audit of Accounts item and thanked Grant Thornton for their work.

The report set out the following recommendation
- **That the Committee considers its response to the matters raised by Grant Thornton in their Audit Findings Report 2016-17 and agrees that the Statement of Accounts for Buckinghamshire County Council and Pension Fund for the financial year ended 31 March 2017 can be signed by the Chairman of this Committee.**
- **That the Committee approves the Letters of Representation on behalf of the Council and Pension Fund and agrees that they can be signed by the Chairman of this Committee.**
- **That the Committee agrees the response to the proposed action plan within the Audit Findings Reports for the Council and Pension Fund.**

Mr Ambrose highlighted the following points:
- The final audit was almost complete and all substantive items had been picked up
- The accounts had been updated following a few amendments
- Following presentation of the draft accounts, four adjustments had been made, three related to asset valuations and one was a late adjustment relating to the Teachers' Pension Fund liabilities which should not have been included. These had now been removed from the accounts and there was no overall impact on the General Fund balance

- Overall the Council had underspent by £6m, with an increase of £7m of the general reserves; which are now £24.5m
- There was a recommended delay in the Value for Money (VfM) conclusion to take into account the outcome of the Ofsted review. The conclusion would now come to the Committee in September. It was confirmed that the delay in the VfM conclusion had no impact on the overall accounts and Grant Thornton agreed with this approach

Mrs R Martinig, BCC Accountant, gave a more in depth overview of the adjustments made to the accounts as agreed with Grant Thornton as follows:

- The asset value of Beechview School being adjusted as it had not been identified as converting to Academy status during 2016- 17
- An asset within Note 15 Property, Plant and Equipment was revalued upwards in error, which resulted in an error of £2.054m. This correction had reduced the Revaluation increases recognised in the Revaluation reserves line
- The categorisation of the Energy from Waste (EfW) site from 'Other Land and Buildings' to 'Vehicles, Plant and Equipment'
- Information that was sent to the Actuary to calculate the assets and liabilities in relation to the Local Government Pension Scheme included unfunded benefits in the Teachers Scheme. This was in error.

Mrs Martinig confirmed that the Actuary had provided new figures which were reflected in the final accounts and a separate briefing note on this and the other adjustments had been circulated to Members of the Committee

Mr P Grady, Director at Grant Thornton presented the audit finding of the Buckinghamshire County Council Accounts and highlighted the following points:
- The relationship between Grant Thornton and the County Council remained strong and constructive The audit was mostly complete, procedures were being finalised in a number of areas as set out in the report
- It was confirmed that the statutory deadlines would be brought forward next year, it was noted the County Council were already in a good position to achieve these deadlines in comparison with a number of other authorities
- The audit findings against other risks were also highlighted including valuation of property, plant and equipment, and the reasonableness of discount rates assumptions
- There were no issues to report in payroll or income and expenditure
- It was noted Grant Thornton were happy with judgements and assumptions made
- Mr Grady drew the Committees attention to the agreed adjustments made

Mr Grady confirmed that the overall quality of financial management and internal controls remained strong and that the accounts closed early, ahead of many other Local Authorities. Mr Grady agreed to share an updated version of the report to Committee Members and an opinion and updated version would be provided after September.

ACTION: Mr Grady

The Committee discussed the following points:
- Concerns around the delayed VfM conclusion. Mr Grady confirmed that resource had gone into Children's Services and improvements were still being driven forward; but that the VfM conclusion was not based on what the County Council had spent but around the arrangements in place to ensure the money was being spent wisely. Given the time, if required the County Council would be able to review this year
- The Committee highlighted the internal controls relating to a problem with SAP, as highlighted in previous years. Mr Grady confirmed that there had been some improvement in this area with the issues being minor in nature and no risk to the statement of accounts. The Committee asked that an update on the progress highlighting what had been done to address the issues be bought back to the Committee in September

ACTION: Mr Ambrose

- The Committee discussed the asset valuations and the significance this had on the material operation of the County Councils business. It was confirmed that the number quoted was not close to the threshold of being of material consideration
- The Committee discussed the discount rate assumptions used and whether Grant Thornton could quantify the difference. Mr Grady confirmed that it was a subject of judgement and did not have a material impact and confirmed they were happy with the 2.7% applied

Ms J Edwards, Pensions and Investments Manager updated the Committee on the Statement of Accounts for the Pension Fund.

Ms Edwards highlighted the following changes as a result of the audit:
- Within the Accounting Policies a section had been added regarding the accounting standards issued, but not adopted
- Level 1, Level 2 and Level 3 investments had been adjusted
- Other than those changes the accounts were as presented at the May Committee meeting

The Committee raised and discussed the following points:
- It was queried whether transfer values in other pension funds came with a liability or were they fully funded at the time of the transfer. Ms Edwards confirmed that they would come in as a fully funded amount
- The Committee discussed the management expenses and why these were now higher than 2015/16. Mrs Edwards agreed to circulate a breakdown of the difference to the Committee

ACTION: Ms Edwards

Mr T Slaughter of Grant Thornton presented the summary of the Audit Finding to the Committee. He confirmed that the adjustments made were minor and the draft accounts that came before the Committee were a robust and accurate set of accounts as in the previous year.

Mr Slaughter highlighted one area in the report identifying a control issue regarding the reconciliation of scheme contributions. The reconciliation was found not to be as well maintained as in in previous years due to staff turnover. It had taken longer to complete the audit due to this, but was now complete. The posts had since been filled and good progress was being made. The Committee asked for a timetable for end of month reconciliation to be circulated.

ACTION: Ms Edwards

The pressure of the workload was also discussed and it was suggested that Ms Edwards work with HR to ensure workloads were manageable and to determine how resources could be flexed in the future at busier times

ACTION: Ms Edwards

RESOLVED: The Committee approved the recommendations

The Chairman thanked colleagues from the Council and Grant Thornton for the work that had been carried out.

5   DRAFT ANNUAL GOVERNANCE STATEMENT

Mr Ambrose, Director of Finance and Assets introduced the draft Annual Governance Statement and gave an overview of the content. Mr Ambrose stated that it was a requirement to produce the statement on an annual basis, to meet the requirements of the Account and Audit Regulations and that the Council follow the CIPFAs framework.

Recommendation
The Committee is RECOMMENDED to approve the Annual Governance Statement 2016/17.

Mr Ambrose highlighted the following issues that had emerged:
- The Professional Leads' views of the Key Controlled Systems, with three areas being limited, Assets Management, Business Continuity Planning and Commissioning Contract Management. Details of these were set out within the report
- The 7 Limited Assurance reports that had come to the Committee over the last year were listed. Mr Ambrose stated that all actions were followed up and completed as quickly as possible
- Mr Ambrose highlighted the action plan which set out the actions that needed to be taken in order to ensure there were no limited audit reports in the future

The Committee raised and discussed the following points:
- The key controls system of contract management had gone from reasonable to limited and the reason for this. Mr Ambrose confirmed that this is a 2016/17 view and with the change now in place it should be moving towards reasonable
- The Committee discussed the limited assurance around business continuity and their concerns. Mr Ambrose confirmed that there had been a significant amount of work

carried out on BCP across the organisation, however in some areas plans in place had not yet been tested; dates were in the diary to carry this out.   There were also concerns from the professional leads regarding business continuity planning of our suppliers. Ms Gibb confirmed that a detailed report on business continuity planning was coming to the Committee in September.

RESOLVED: The Committee APPROVED the Draft Annual Governance Statement.

6   ANNUAL REPORT OF CHIEF AUDITOR

Ms M Gibb, Head of Business Assurance and Chief Auditor introduced the Annual Report and provided an overview of the content.   The report set out the Chief Auditor's opinion on the Council's system of internal control, based on the internal audits undertaken, and other available assurance mechanisms.   This also would feed into the Annual Governance Statement.

Ms Gibb highlighted the following points:
- There were 7 limited assurance reports rather than 9 as stated in the report
- Against the Public Sector Internal Audit Standards there are two areas of non-conformance that had been identified'
  - One of which was that Ms Gibb had operational responsibility of risk management therefore it was not wholly independent. The risk of conflict was managed by reporting regularly to the Risk Management Group and as part of that the effectiveness of risk management reporting was regularly reviewed.
  - The other area of non-conformance was that there was not a Quality Assurance and Improvement Programme implemented across the internal audit service, but Ms Gibb confirmed the County Council had engaged with another Local Authority to carry out an independent compliance assessment, this would take place later on this year

Ms Gibb gave an overview of how the **Chief Internal Auditor Opinion** is formed as set out in the detail of the opinion as below:

*"In my conclusion based on the evidence from the internal audits undertaken, and the assurance work facilitated by the Business Assurance Team my opinion on whether the Council's overall system of internal control facilitates the effective exercise of the Council's functions and provides a **reasonable assurance** regarding the effective, efficient and economic exercise of the Council's functions is unqualified for 2016/17.*

The Chief Internal Auditor opinion for 2015/16 was qualified, so there has been a positive direction of travel and clear improvements to the internal control environment during 206/17. However, a number of significant weaknesses have been identified which require clear action to address, in particular the robustness of the Council's Contract Management arrangements is in doubt following the failure of the Buckinghamshire Care Contract. A review of all Alternative Delivery Vehicles was commissioned following this failure, and recommendations are being presented to Cabinet in July.

There is no doubt that the Senior Officers in the organisation take governance and internal control very seriously, the Corporate Management Team reviews all limited assurance audits and monitors the progress of implementation of actions. The development of an assurance framework, with clearly defined three lines of assurance, has been further embedded and provides evidence of management oversight and monitoring which is essential in maintaining good governance."

Ms Gibb stated that the unqualified opinion was a positive direction from last year. Some weaknesses had been identified during the year in particular around key financial systems and the majority of those had been addressed during this year. During the year there had also been some significant weaknesses around Contract Management of Alternative Delivery Vehicles (AVDs). A review of these had been commissioned with lessons learnt and an action plan report being taken to Cabinet.

Ms Gibb made reference to the changes in the overall opinion in relation to the review of Key Financial Systems. The review of seven financial systems identified areas that required improvement, specifically in the operation of key controls in place. Ms Gibb updated the Committee on the direction of travel for the review of those systems

The committee raised and discussed the following points:
- Even though areas of improvement were identified, the opinion was not only based on key areas but the totality of the work, therefore Ms Gibb was comfortable with her assessment
- Risk management of Academies were discussed and how the Council had assurances that risks were being managed. Ms Gibb stated that currently the Council do not provide any internal audit service to academies however they were looking to creating an offering this year for internal audits and risk management. Mr Ambrose added that the Council still had responsibility for safeguarding and would also carry out a financial review of all academies
- The Committee discussed data assets and the quality of these. Ms Gibb confirmed that Risk Management Group on 3 August 2017 would focus on Technology Services risk management in its entirety
- Ms Gibb clarified the risk vs compliance ratio and the relationship between that and the rating given. Ms Gibb agreed to circulate the meaning of different terms used within the documents and also mentioned that further training throughout the year would be provided for Members

ACTION: Ms Gibb
- Ms Gibb also advised the corporate management team were on board and there would be a review of the corporate escalation process

Ms Gibb highlighted the summary of audits which had been presented to the Committee throughout the year and made reference to appendix 2, outlining the summary of management actions. An update of this would be presented at the Corporate Management Team meeting in August, with a further update being provided to the Committee in September.

ACTION: Ms Gibb

RESOLVED: The Committee NOTED the report

7   2017/18 DRAFT BUSINESS ASSURANCE STRATEGY INCLUDING INTERNAL AUDIT PLAN

Ms Gibb presented the Draft Business Assurance Strategy including Internal Audit Plan to the Committee.

Recommendation
The committee were RECOMMENDED to APPROVE the report.

Ms Gibb highlighted the following points to the Committee:
- The document outlined the strategy and plan of work for 2017/18
- Quarter 1 activity was approved by the Committee in May 2017
- Ms Gibb was the Professional Lead for Risk Management which included the management of the corporate system, administration, reporting and coordination of the Risk Champions across the organisation
- Ms Gibb outlined the role of the internal audit team and the development of the Assurance Framework
- The outputs from the work within Quarter 1 would be reported to the Committee in September
- Ms Gibb discussed the resource of the team and stated that they were currently out to tender for specialist audit resource. This would ensure access to specialist skills and enable the team to draw on resource as and when required
- Ms Gibb highlighted the planned risk management and audit action for 2017/18 and stated that any changes to this would be agreed at the Audit Board before coming back to the Committee

The Committee raised and discussed the following points:
- The factors that were considered when considering risks including financial, contract and reputational
- The Committee questioned how problems in Children's Services were missed prior to the Ofsted inspection. Ms Gibb confirmed that an internal audit was carried out and given limited assurance and that not enough action was taken to address this prior to the Ofsted visit. Ms Gibb confirmed that a number of actions from the audit findings had since been put in place
- The Committee discussed the need for the increased focus on alternative delivery vehicles going forward

RESOLVED: The Committee AGREED the report.

8   EFFECTIVENESS OF DEBT MANAGEMENT STRATEGY

Mr M Strevens, Corporate Finance Business Partner, Mr J Huskinson, Finance Director for Children's Services and Mr A Isaacs, Finance Director for Communities, Health and Adult Social Care (CHASC) gave an update to the Committee regarding debt management within their Business Units.

Mr Strevens updated the Committee on the following points:
- The focus on bad debt continued to be raised across the organisation, leading to a significant change in the level of provision for bad debt
- All Business Units had undertaken a thorough review of their outstanding debt and levels of provision were now based on the outcomes of this exercise
- The default provision figure had reduced between 2015/16 and 2016/17 and the level of provision made had increased in 2016/17 to 59%, which had more than doubled on the previous year
- Significant recovery of debt had been ongoing for a number of years and there was now a funded post for 6 months to focus on debt collection
- The Corporate Management Team had supported the proposal for a central debt management team

The Committee raised and discussed the following points:
- It was noted that the direction of travel for recovering debt was going in the right direction
- Debt that was not recoverable for various reasons including information on the system not being correct and user error as well as the steps that were being taken to ensure that this was mitigated as much as possible
- The pros and cons of selling debts to third party companies were discussed and it was felt in some areas that this would not be appropriate
- The Committee also discussed the contractual debt vs individual (including small company debts) and Mr Strevens confirmed that it was difficult to segment their customer base
- Ways in which we the Council could check the credit history of those providing or receiving a service were also discussed

The corporate report set out the following recommendation:

Recommendation
That regular updates to the Committee should continue until new processes have fully embedded, especially focussing on the development and future reporting of performance measures.

That the revisions to the Debt Management Strategy be brought back to the Committee in November for comment / review relating to the decision of the Corporate Management Team to implement a central Debt Management Team.

RESOLVED: The Committee AGREED the recommendations

Communities, Health and Adult Social Care

The update provided by Mr Isaacs outlined the process of debt recovery in CHASC and stated that the business unit was looking at different ways to collect debt with lots of improvement work being undertaken.

Mr Isaacs highlighted the following points:

- CHASC currently had £4.5m of outstanding debt, of which £2m was secured on property i.e. where clients were receiving care and were unable to sell their property. Mr Isaacs stated that this was a low risk debt
- £2m of the unsecured debt was with service users and that this was more difficult to collect/manage
- Last year £0.5m was written off and it may be that further funds would be written off this year
- Mr Isaacs highlighted a positive that there was an increase in those paying by direct debit
- There was also a review of internal processes taking place and working with Harrow Legal
- The Committee requested regular updates at future meetings

ACTION: Ms Gibb

RESOLVED: The Committee NOTED the report

Children's

Mr Huskinson presented the update to Committee.

Recommendation

That the Committee note the good progress in addressing historic debts, recovering much of the monies due and the work to improve processes in future.

Mr Huskinson highlighted the following points:

- Children Services had relatively limited income compared to budgets owing to the nature of the statutory services provided and the (young) ages of the service users affected
- The type of debt mostly related to contributions by other parties i.e. section 106 developers
- A big exercise took place last year to recover outstanding debt, some debt was also written off

Mr Huskinson highlighted the largest debt owing as monies owed by a provider of a number of services on behalf of the Council and had been incorrectly charging the Council for these services, having already received payment for them from other funding sources. This had resulted in an overcharge of £264k and had now been escalated to their Chief Executive. The Committee discussed why no legal action had been taken, requested that Mr Huskinson liaise

with Legal colleagues immediately and report back to this committee the detailed history of this debt and what actions are now being taken to recover it.

ACTION: Mr Huskinson

The Committee asked that they receive an update on the outstanding debt when Mr Strevens comes back to the Committee in November.

ACTION: Mr Strevens

RESOLVED: The Committee NOTED the report

9 MANDATORY TRAINING COMPLIANCE UPDATE

Mrs C High attended the Committee to update on the current position of the percentage of staff that were enrolled on e-learning and had completed the mandatory training.

Mrs High highlighted the following points to the Committee:
- The corporate training team had been reporting back to services directly on non-completion. Most areas had achieved a significant improvement and there was work with managers to help address any issues
- CMT had agreed that due to staff turnover and changes in structures they would work to a 90% completion rate at any one time
- There would be work undertaken to look at what constituted mandatory training and also a recommendation that data protection training needs would be updated annually
- Mrs High stated that there was a large number of staff listed on the SAP employee database without access to e-learning, ideas were being explored for alternative ways these staff could complete their training. Mrs High also confirmed that the numbers reported to the Committee just reflected those members of staff with access to e-learning
- Mandatory training was now automatic for new starters following a launch in December along with the online on boarding portal. It was anticipated that all new starters would have access to e-learning from day one
- The areas of higher risk e.g. Children's Services would be a priority
- The Committee discussed how non completion of mandatory training should be reflected in DSPs and withholding any contribution based pay or cost of living increase for members of staff and/or their managers that had not completed the training. The Committee asked that Mrs High take this suggestion back and look into further with HR

ACTION: Mrs High

RESOLVED: The Committee NOTED the report

10   PETITIONS PROCESS REVIEW

Mrs C Capjon attended the meeting to outline the options of the proposed Petitions Process Review project. The report set out the following two options:

- Option 1: Undertake a short, in-depth review of the Scheme
- Option 2: Undertake a short review of the Petitions process

Recommendation
That the Committee AGREES Option 1, a short in-depth review of the County Council's Petitions Scheme.

Mrs Capjon highlighted the following points:
- In 2009 a duty was put in place for all Councils to respond to petitions submitted
- The County Council had developed a scheme that was agreed through Regulatory and Audit Committee in 2010
- In 2012 the Government withdrew the duty, giving Councils more flexibility around the schemes put in place. As a result of this BCC's scheme was again reviewed in 2013 and agreed by the Regulatory and Audit Committee
- The report sought agreement to review the petitions process again to ensure that it remained fit for purpose for the end user
- Mrs Capjon confirmed that there was resource from the Assurance Team to carry out the review
- Any recommendations from the review would be reported to this committee in the Autumn of 2017 for consideration. Any changes to the process would thereafter be presented to min Council for approval.

ACTION: Mrs Capjon

The Committee discussed the following points:
- Members of the Committee stated that they felt the petition process worked well and questioned the need for the review. Mrs Capjon stated that the process had never been tested and that they would like to review the overall effectiveness of the scheme and the quality of the responses that the lead petitioners receive
- Committee Members requested the number of petitions that had resulted in a positive outcome and Mrs Capjon confirmed that this data would be something that was drawn out of the review.

RESOLVED: The Committee AGREED Option 1, a short in-depth review of the County Council's Petitions Scheme.

10A   RISK MANAGEMENT GROUP UPDATE

Ms Gibb updated the Committee that the next Risk Management Group was being held on 3 August 2017 and would focus on Technology Services risks and Strategic risks.

The Chairman reiterated that Members of the Regulatory and Audit Committee were invited to attend all Risk Management Group meetings.

11   FORWARD PLAN

Ms Gibb ran through the forward plan and highlighted the items coming to Regulatory and Audit Committee in September and November.

12   DATE AND TIME OF NEXT MEETING

6 September 2017, 9am, Mezz 1

13   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)

14   CONFIDENTIAL MINUTES

15   PRIVATE SESSION WITH GRANT THORNTON

16   PRIVATE SESSION WITH CHIEF AUDITOR

CHAIRMAN

Buckinghamshire County Council

Regulatory and Audit Committee

Title: Business Continuity Management Update

Date: Tuesday 24th August 2017

Author: Andrew Fyfe

Contact officer: Andrew Fyfe (ext. 2937)

Local members affected: All

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

Summary

A report on Business Continuity Management (BCM) was considered by the Regulatory and Audit Committee on 28 July 16. The recommendation was for One Council Board (OCB) to consider action needed to ensure all Services and Business units comply with the BCM Policy and Financial Regulation. A report was taken to OCB on 16 November 16 and a further report was taken to the Corporate Management Team (CMT, formerly OCB) on 31 May 17. A third report will be taken to CMT on 26 August.

Recommendation

That the Regulatory and Audit Committee continue to MONITOR the implementation of Business Continuity Management (BCM) on an annual basis.

Supporting information:

This series of reports to the Committee was initiated following an internal audit report in 2015. Gaps were monitored by the Committee and further reports were requested, while noting that BCM is an iterative process and the BCM Policy and Programme require all BCM arrangements to be updated by the start of each Financial Year.

Assurance of the BCM process has been enhanced by the Assurance & Risk Strategy, which requires quarterly reporting to the Business Assurance Team by the Professional Lead, currently the Head of Community Safety and Resilience, part of the CHASC Business Unit.

A further formal audit of Business Continuity Management is planned for 2017-18.

A snapshot of the assessed level of BCM in the Council as at 28 July 17 is included in the background papers.

Resource implications

In accordance with the BCM Policy, Financial Regulations and the Operating Framework, Services are required to have effective BCM arrangements in place. Assurance of these is required by the Assurance and Risk Strategy. Resources need to be allocated to deliver the requirements.

Legal implications

Legal implications are outlined in the BCM Policy (Version 5). It is a statutory duty for the County Council to be able to continue to deliver critical activities in the event of a disruption, even if the Authority is responding to an emergency and even if the critical activity has been contracted out to a service provider.

Other implications/issues

Not applicable.

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

Not applicable.

Background Papers

1. Snapshot of BCM status as at 23 Aug 17

Business Unit	Service Area	Team	RAG status 01 Jan 17	RAG status as at 1 Apr 17	RAG status as at 23 Aug 17
ACE	Member Services	Member Services	A/G	A/G	G
ACE	Civic & Ceremonial Events	Civic & Ceremonial Events	R	R	R
ACE	Business Intelligence	Business Intelligence, Insight and Business Improvement (BIII)	R	A	A/G
ACE	Customer Experience	Customer & Communications	A/G	R	A
ACE	Complaints	Corporate Governance and Stage 2 Complaints / Legal	R	R/A	A
Resources	Senior Management; Commercial	All - NB Resources reorganising structures for BCM reporting			Not yet assessed
Resources	Property operations; Property; H&S	Property		A	A
Resources	Technology	Technology		A	A
Resources	Strategic Finance; Finance operations; Finance consultancy	Finance		A	A
Resources	People & OD; payroll / transactions; HR Ops	HR & OD		A	A
Resources	Operations (CSC, CBS, Resilience)	Business Operations		A	A
Children's Services	Management Team	Senior Management Team	A/G	R/A	R/A
Children's Services	Education	Youth Service	A	R	R
Children's Services	Education	Admissions & Transport team	R	R	R
Children's Services	Education	Adult Learning	R/A	A	A
Children's Services	Education	SEND	R	R	R
Children's Services	Education	Education Team 2017	Not yet assessed	R	A/G
Children's Services	Education	Educational Psychology	R	R	R
Children's Services	Education	The Virtual School	Not yet assessed	R	R
Children's Services	Education	Children's Partnerships	R	R	R
Children's Services	Children's Services	Children's Social Care	R	R	R
Children's Services	Children's Services	YOS	G	A/G	A/G
Children's Services	Learning, Skills & Prevention	School Commissioning Team	R	R	R
CHASC	Adult Social Care	Joint ASC coordination	G - self assessed	A	A
CHASC	Adult Social Care	Joint Commissioning	G - self assessed	A	A
CHASC	Adult Social Care	Operations	G - self assessed	A	A
CHASC	Care & Support Services (formerly Bucks Care)	Care & Support Services			A
CHASC	Public Health	Public Health	G	G	G
CHASC	Communities	Community Safety	G	A/G	A/G
CHASC	Communities	Libraries	A	R	R/A
CHASC	Communities	Archives	A	A	A
CHASC	Communities	Registrars	G	A	G
CHASC	Communities	Coroners	G	A	A
CHASC	Communities	Trading Standards	G	A/G	G
CHASC	Communities	Wellbeing Team	A/G	A	A
CHASC	Communities	Community Engagement & Development	A/G	A	A
TEE	Growth & Strategy	Growth & Strategy	A/G	G	G
TEE	Regeneration & Infrastructure	Regeneration & Infrastructure	G	G	G
TEE	Environment	Energy & Resources	A/G	A/G	G
TEE	Environment	Waste	A/G	A	G
TEE	Environment	Country Parks	A	A/G	A/G
TEE	Transport	Highways development Management	A	A/G	A/G
TEE	Environment	Flood Management Team	A	A/G	A/G
TEE	Transport for Bucks	Transport for Bucks	A/G	A	A/G
TEE	Strategic Business Planning & Commercial Development	Integrated Transport	A	A/G	A/G
TEE	Strategic Business Planning & Commercial Development	Business Strategy, Improvement and Commercial Delivery Teams and TEE Finance	G	A/G	A/G
	Key to RAG rating				

	Rating	Meaning
	Red	BCM documentation not received, insufficient information or out of date. Assessed as not fit for purpose.
	Red / Amber	BCM documentation received but requiring substantial further work to make this operationally effective. Assessed as not fit for purpose.
	Amber	BCM documentation received but requiring further work. Assessed as not fit for purpose in current format.
	Amber / Green	BCM documentation received, assessed as effective or nearly effective with staff that may yet need to be trained and
	Green	BCM documentation received, assessed as effective, staff trained and exercised
	Not yet assessed	BCM documentation received but not yet assessed

Buckinghamshire County Council

Regulatory and Audit Committee

Title: RIPA Covert Surveillance Annual Report

Date: Wednesday 6 September 2017

Author: Sarah Ashmead, Monitoring Officer

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

Summary

The purpose of the paper is to provide an update about the Council's use of its powers under the Regulation of Investigatory Powers Act 2000

Recommendation

The Committee is asked to note the annual report of the Council's use of its RIPA powers.

Background

The County Council has a number of functions to undertake which involve the enforcement of laws and regulation. On occasion, officers may need to conduct investigations and, in exceptional circumstances, the Council has the power to make use of covert surveillance and similar activities.

The Regulation of Investigatory Powers Act 2000 (RIPA) and the Codes of Practice issued under section 71 of that Act regulates the way in which the County Council conducts surveillance for the purposes of law enforcement. The fundamental requirement of RIPA is that when the Council considers undertaking directed surveillance or using a covert human intelligence source it must only do so if a) the activity has been authorised by an officer with appropriate powers, and b) the relevant criteria are satisfied.

Review

The County Council's RIPA procedures and activity were inspected by the Office of the Chief Surveillance Commissioner in January 2016. The Committee considered the findings of the inspection and the resulting action plan at its meeting in April 2016.

The three recommendations arising from the inspection focused on updates to the policy and record of authorisations, together with the delivery of regular refresher training for authorising officers. The action plan has been fully implemented, and appropriate training to key officers is delivered and recorded.

The Council's policy requires a regular update of RIPA activity to be reported to the Regulatory and Audit Committee. The Council's use of RIPA powers continues to be very limited. The Council did not undertake any directed surveillance or use a covert human intelligence source in 2014/15 or 2015/16. In 2016/17, one application was approved for the use of a covert human intelligence source to undertake test purchasing via Facebook. In this case, the use of the source was unsuccessful and a police warrant was used to collect evidence instead.

The Council submits an annual statement of its use of RIPA powers to the Office of the Chief Surveillance Commissioner.

Background Papers

Regulatory and Audit Report – 27 April 2016

Buckinghamshire County Council

Regulatory and Audit Committee

Title: SAP Roles (Internal Controls)

Date: Wednesday 6th September 2017

Author: Richard Ambrose, Director of Finance & Assets

Contact officer: Matt Strevens, Corporate Finance Business Partner (ext.
                                   3181)

Local members affected:

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

Summary

As part of the report on the Statement of Accounts to the Committee in July 2017 the external auditors, Grant Thornton, reported an Internal Controls deficiency relating to SAP user rights and segregation of duties. The Committee requested an update on the actions arising from these findings, and the purpose of this account is to provide a full update to the Committee on those previously identified concerns.

Whilst Grant Thornton reported their finding there were no significant concerns in relation to the accuracy of the statement of accounts as a result of the issues identified, however it was noted that these concerns had been raised previously, as the findings were minor and technical in nature. Grant Thornton also commented that they had not revisited their testing on these matters, since the previous year.

Issues with SAP user controls and Segregation of Duties identified through audit 2015/16

During the course of their audit of the 2015/16 accounts Grant Thornton identified 12 concerns in relation to SAP user roles and segregation of duties. These concerns contained 9 yellow rated issues (Deficiency – risk of inconsequential misstatement) and 3 green rated issues. The audit opinion for these internal control risks was 'Deficiency – risk of inconsequential misstatement)'.

These issues were raised to the management of Technology Services, who are responsible for maintaining SAP roles and segregation of duties within the system, as part of the audit process

Appendix 1 details the identified issues / concerns and the management responses from Technology Services in respect of the issues.

Status of actions to address the deficiencies reported

All management actions proposed to address the issues and concerns raised through the external audit process were completed during the financial year 2016/17. As identified within the management actions a number of policies have been revised or updated and a number of new checks and challenges to the allocation of roles have been added to existing processes to ensure that the concerns raised do not occur again.

As identified in issue 2 of Appendix 1, SAP Governance Board has discussed options to purchase specialist software to allow us to check for role and segregation of duties conflicts ourselves. A software package has now been procured to deliver this functionality, and is currently in the process of implementation. This will allow us to proactively manage these issues and should result in a significant reduction or removal of the risk of such issues arising in the future.

Whilst this software will identify potential role and segregation of duties conflicts, the varied and distributed nature of our business means that there may be circumstances where it is not practical for all conflicts to be removed within SAP. Where such circumstances are identified discussions with the business area concerned will be required to identify where potential process changes or compensating controls are required to mitigate any acceptable risks. These circumstances will be fully documented and agreed between the service concerned and Finance.

Recommendation

That the Committee accept the content of this report and recognise the work done to address both the issues previously raised and the work in place to mitigate these risks in the future

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

N/A

Resource implications

The additional software has been purchased and will operate within existing resources on the basis that pro-active use will remove move expensive response activities in the future.

There may be additional resources or changes to the deployment of current resources in order to mitigate any risks arising from circumstances where removal of role and segregation of duties issues cannot be addressed without negatively impact on business efficiency and effectiveness. This is unquantified a present but is unlikely to be significant.

Legal implications

None

Other implications/issues

None

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

N/A

Background Papers

Appendix 1 – SAP roles and Segregation of duties issues, with management responses

Key to assessment of internal control deficiencies

	Assessment	Issue and risk	Recommendation
1	🟡	**Default SAP roles are assigned to SAP users** The organisation has provided IT staff with SAP functions that allow financial data to be managed within the live environment. There are 3 users from third party support AXON who have access to SAP standard role SAP_FI_GL_BALANCE_CARRYFORWARD The list of 3 users is as below C-KWIRAWAN C-MAMUZNI C-PRUMANOUW This is a repeat observation from 2014/15 IT audit The process of creating ad-doc user permissions that are not identifiable with a job position in the organisation increases the risk that the permissions will be inappropriate and segregation of duties conflicts will be introduced. SAP default user profiles should generally be restricted from use as they may grant excessive privileges	Management should ensure that user permissions are consistent with job positions within the organisation. Periodic reviews of the SAP profiles should be undertaken to ensure that the profiles and roles match the job position over time. Where it is necessary for IT support staff to have financial management access, this should be strictly controlled through the use of a firefighter account. **Management response:** These 3 users are not active, both C-KWIRAWAN and C_MAMUZNI have an end date of 30.06.2014, C-PRUMANOUW has an end date of 31.12.2014. SAP_FI_GL_BALANCE_CARRYFORWARD has been removed from these accounts and all other SAP standard roles have been removed from end users. The SAP Security Policy has been updated to include the process to be followed for assigning and removing the firefighting role and accounts.
2	🟡	**Segregation of Duties Conflicts** The organisation lacks adequate controls to prevent segregation of duties conflicts from occurring within the SAP role structure. We note that several medium to high-risk conflicts were present	It is recommended that management take steps to examine the extent of all user access segregation conflicts and reduce the number of conflicts where possible given the size of the organization. Management should examine whether existing compensating controls are appropriately configured to

	Assessment	Issue and risk	Recommendation
		in user accounts. Our analysis focused on two business cycles, purchase to pay and record to report. For brevity, only the key highlights are noted here – a more detailed is provided in a separate document. In consideration of the accounts payable 'P2P' process we noted the following: • A total of 9 users have core authorisations to vendor master data and can enter a vendor invoice. • A total of 3 users have core authorisations to vendor master data and can enter a purchase order. • A total of 3 users have core authorisations to create a purchase order and post goods receipt linked to this purchase order. • A total of 3 users have core authorisations to vendor master data and can enter goods receipts. • A total of 2 users have core authorisations to enter a goods receipt and enter a vendor invoice. In respect of the record to pay process (general ledger reporting) and manual postings in the SAP FI module, we noted the following: • A total of 834 users have core authorisations to record manual adjustment for accounts payables and clear them at the general ledger level. • A total of 35 users have core authorisations to make manual accounts payable postings and release them for payment. • A total of 19 users have core authorisations to open or close financial periods and make manual postings.	control the risks posed by the access conflicts. Management should consider a process to prevent further conflicts from being introduced into the SAP role structure and user base. **Management response:** The users concerned are in Finance Operations or the SAP Support Team. Users in Finance Operations will have the conflicts removed and a firefighter role created for their purposes. The relevant P2P transactions will be removed from the support roles. To be actioned by end June 2016. A comprehensive strategy is in the process of being developed to address SoD conflicts, which recommends the use of a specialist tool to assist the process. This will be presented to the SAP Finance Governance team in June 2016. In the meantime some changes are being made which will remove transactions from roles that are responsible for a large number of these conflicts. 1. Remove Create GL from Imprest roles. Approx. 300 users. 2. Remove clearing transactions from ACCMAN/ACCADMIN 3. Remove inappropriate AP roles from users as necessary – to be completed by 30.06.2016

	Assessment	Issue and risk	Recommendation
		• A total of 15 users have core authorisations access to open or close a financial period and make a mass reversal of documents for a previous period. The above user listing contains all SAP dialog accounts (type A) available in the SAP system. The CSI AA 2014 tool (used for SoD analysis) functions in a manner that it reports SoD conflicts across SAP company codes. There are defined rule sets in the CSI AA 2014 tool that evaluate your SAP system authorisations to a rule set combination of SAP standard authorisation (SAP t-code and SAP authorisation objects) in conflict. This is a repeat observation from 2014/15 IT audit The organisation lacks adequate controls to prevent segregation of duties conflicts from occurring within the SAP role structure. We note that a large several medium to high risk conflicts were present in user accounts. Our analysis focused on two business cycles, purchase to pay and record to report. For brevity, only the key highlights are noted here – a more detailed analysis can be provided on request.	
3	●	**Excessive access to execute SAP programs** In the SAP Production server, it was noted that 80 dialogue SAP user accounts from user group BCC and 3 dialogue SAP user accounts from user group CASUAL had access to SA38. This is a repeat observation from 2014/15 IT audit The use of the transaction code SA38 in the production environment should be highly restricted since it provides access	The use of SA38 should be restricted to system administrators and personnel who have been given permission to access all custom programs. Access to SA38 provides full access to any program that does not contain an authority check and can therefore circumvent the standard SAP authorisation model. **Management response:**

	Assessment	Issue and risk	Recommendation
		to run custom programs that have not been secured with authorisation objects or authorisation groups, thereby allowing the user to access functionality nor associated with their normal SAP role.	SST will investigate which end user roles in user group BCC contain transaction SA38 and why. Transactions will be created for the programs concerned and SA38 removed from users in user group BCC. To be actioned by 31.08.2016.
4	●	**Excessive access to edit SAP programs directly in the SAP production system** We noted 1 SAP user account "C-HCLERPSRM" from AXON, 2 SAP user accounts (ARCLARKE, MWILKINSON) from BCC and 8 SAP user accounts from Systems Solutions team (SST) have access to SAP transaction code SE38 with core authorisations to change SAP programming code. The use of SAP transaction code SE38 with core authorisations to make code changes directly in the SAP production system could lead to SAP system instability, unauthorised changes to BCC programs and the risk of financial misstatements.	The use of SE38 should be restricted via the use of fire fighter accounts that are kept logged in the system and the usage is controlled via management approval and is constantly logged for review and follow up actions. **Management response:** Z:SUP_DEBUGGER_ACCESS_ALL has been removed from ARCLARKE. MWILKINSON is a member of the support team and her account group has been changed accordingly to SST. Further investigation will be carried out to assess whether access to this transaction can be limited further. See previous response regarding the procedure for accessing the firefighter account.
5	●	**Excessive access to change system wide parameters in RSPARAM** The RZ10 transaction is not appropriately restricted to a minimum number of users. It was noted that 3 SAP user accounts (CARJENKINS, RSHOVELL, SHARLOCK) from user group BCC and 4 SAP user accounts (C-KMANGIPUDI, DEMACKENZIE, MHEYWOOD, SFLOYD) from User group SST had access to the RZ10 transaction.	Access to this transaction code should be restricted to the BASIS team and the EMERGENCY or fire-fighter user ID. No end users or other IT staff should have access to this transaction. **Management response:** Inappropriate access to RZ10 is no longer available to end

	Assessment	Issue and risk	Recommendation
		This is a repeat observation from 2014/15 IT audit

Inappropriate use of the RZ10 transaction can expose the SAP system to security breaches and other operational problems. The transaction allows many system security and operational parameters to be switched off or changed for example and is a transaction that should be used only where there is approval from management under a change control process. | users. A new Auditor role has been created.

SST RZ10 access for support staff will be restricted to 'display only'. It has been removed from other users. |
| 6 | 🟡 | **Super user access to SAP system is not restricted**

At the time of review we observed that SAP_ALL profile was assigned to 3 user accounts
BCC-BATCH
FALYAS
MJACKSON

The SAP_ALL authorisation profile contains virtually full system rights and should not be used with any dialogue type accounts within the production environment. The profile provides access to all IT functions as well as business transactions which if misuse can cause operational instability and financial misstatements. | The SAP_ALL profile should be reserved for use within an emergency or fire-fighter type ID that can be locked when not in use since most day to day administrative activities do not require such wide ranging access as provided by SAP_ALL.

Management response:

The SAP_ALL profile has been removed from MJACKSON and FALYAS.

BCC-BATCH is used for creating and running batch jobs. The account type has been changed to "system" from "dialogue". |
| 7 | 🟡 | **Excessive access to SAP batch jobs administration**

The ability to change the batch schedules and potentially implement new programs is not restricted with authorised users only. Our review noted 91 SAP user accounts from user group BCC and 3 SAP user accounts (C-LEAHSMITH, C-NFOSH, SALLSMITH) from user group CASUAL have administrator access to SM37 (via authorisation object S_BTCH_ADMIN). | Management should ensure that batch administration utilities are restricted to appropriate users. Normally users require batch authorisations to be able to run transactions in the background and this can be given using the S_BTCH_JOB authorisation object.

Management response:
A review of users with authorisation to run batch jobs will be |

	Assessment	Issue and risk	Recommendation
		Batch programs have the capability of making multiple postings which without proper authorisation and appropriate scheduling may lead to unreliable reporting. Because all valid batch jobs including especial purpose jobs, access to the administration options provided by S_BTCH_ADMIN can lead to inappropriate batch jobs being run and allow unauthorised users to run jobs as another user.	carried out. This review will also ensure that access to batch jobs is restricted and users are only able to submit batch jobs to run with their own user-id. To be completed by 31.07.2016.
8	●	**Excessive access to modify live SAP table data** The SM30 or SM31 transaction is not appropriately restricted and the number of users appears to be excessive for the sensitivity of the transaction code. It was observed that 4 SAP user accounts (CARJENKINS, MWILKINSON, RSHOVELL, SHARLOCK) and 14 SAP user accounts from user group SST, BASIS, AXON had access to SM30 or SM31 transaction. We also note, the setting rec/client was set to OFF. The current setting prevents any current logging of SAP tables changes and therefore the possibility of a compensating control. This is a repeat observation from 2014/15 IT audit Access to these transactions under certain conditions can allow customised or standard data tables to be edited directly potentially resulting in unauthorised entries or database integrity problems.	Management should ensure that customisable tables are adequately protected by preventing users from using the SM30 or SM31 transaction code. Where this is not possible due to business requirements customisable tables should be protected via authorisation groups and users should be restricted in their access to those authorisation groups. At a very minimum, no user with access to SM30 and SM31 should have a wild card entry (*) in the DICBERCLS field of the S_TABU_DIS authorisation object. In all cases where users (both IT and end user) have access to SM30 and SM31, management should consider logging the use of these transactions and should review them periodically. **Management response:** We have reviewed which users have access to transactions which modify SAP table data and restricted their access to specific tables in the system. Logging table changes: by default the rec / client is set to

	Assessment	Issue and risk	Recommendation
			'off'. We are concerned that enabling this feature will have a detrimental effect on system performance and therefore do not plan to implement it.
9	●	**Absence of SAP User Access Reviews** During our review, we noted that SAP user access reviews are not performed. In addition, no review is performed on potentially conflicting assignment of SAP access roles or transactions. Ensuring that system access remains pertinent to a person's job responsibilities is considered to be a basic ITGC control and is achieved by regular review. The absence of user access reviews on a periodic basis may lead to users accumulating excessive access in SAP. Inappropriate or excessive access rights to SAP may result in inappropriate user access potentially leading to financial misstatements.	A user access review should be carried out at least annually, though it is recommended that the process is split up bi-annually. The user access review should consist of two primary objectives: - assess whether the user still requires SAP access - assess whether the user should retain the authorisations currently held It is also recommended that the review considers sensitive transactions. Sensitive transactions are business functions that have a significant impact on the system or data. The review process can also provide an opportunity to review any compensating controls that have been agreed to mitigate risks with users that have sensitive transactions or segregation of duties conflicts. We acknowledge that the SAP application does not provide effective tools to easily report on what users have access to. We therefore recommend management to consider the acquisition of third-party tools that enable this task to be performed. **Management response:** We have undertaken a high-level review of Security and Authorisations and developed an action plan to address the key risks, including facilitating a process to enable Managers to comply with the requirement to review SAP access for their

	Assessment	Issue and risk	Recommendation
			staff on an annual basis. Deadline for implementation 31 December 2016.

10	●	**Password logical access controls**
		The organisation is not currently enforcing very strong passwords by the configuring the application to force user to create passwords which contains at least 1 special character.
		The SAP System is vulnerable to password guessing and thus may lead to unauthorised access to SAP financial information.
			Management should improve the complexity of passwords by enforcing the need for at least one special character in the password string. Special characters are a key feature in ensuring that passwords are not easily guessed or easily discovered through the use of dictionary attacks against the password's hashed value.
			
			Management response:
			Most users access SAP through the Enterprise portal which authenticates passwords against Active Directory (AD). BCC operates a default password policy which requires the password to contain characters from at least three of the following categories:
			    Uppercase letters
			    Lowercase letters
			    Base 10 digits (0 through 9)
			    Non-alphanumeric characters (special characters) (for example , !, $, #, %)
			    Any Unicode character that is categorized as an alphabetic character, but is not uppercase or lowercase.
			
			Password validation for users logging on with the SAPGui is designed to replicate the above policy, but does not enforce the use of special characters. We do not propose to change this policy by forcing the use of at least 1 special character.

11	●	**Segregation of duty conflict – SAP development and user security administration access**	Programmers should normally be restricted from having any operational access in the production environment which is best achieved by removing their user record. Temporary

	Assessment	Issue and risk	Recommendation
		The organisation does not adequately separate responsibilities for programming from security or other operational functions. It was noted that one user MJACKSON had access to development utilities as well as user management functions such as SU01. We also note that under certain circumstances, the user management functions could be used to assign the SAP_ALL profile. The failure to maintain separation between programming responsibilities and system security can potentially allow system security parameters to be compromised and unauthorised data changes to be go undetected.	production access may be appropriate for certain change projects, however it is recommended that such access is removed after a defined period of time or closure of the project. **Management response:** SAP_ALL has been removed from MJACKSON. See earlier comments about Firefighter access.
12	●	**Passwords to SAP default accounts are not changed** The organisation has not adequately secured the SAP default accounts. The review noted that default passwords were still assigned to SAPCPIC default account in SAP client 001. The SAP default accounts use powerful profiles that give full access to the productive or installation reference system. Default passwords are used with default accounts to allow the installation of SAP. All default accounts present an opportunity for inappropriate use, however, RFC type accounts represent the greatest risk. RFC accounts can be used to set up commands between installation and production clients.	Default passwords should be changed immediately to avoid the risk of system compromise. A priority should be to change default passwords on default account like SAPCPIC which are used to run RFCs between the SAP clients. **Management response:** Audit logs show that this account has not been used at all in over 12 months for any type of login (Dialog/RFC/CPIC) nor used to start a transaction nor report. The password has been changed.

Buckinghamshire County Council

Regulatory and Audit Committee

Title:	**Review of Contract and Supplier Relationship Management**
Date:	Wednesday 6 September 2017
Author:	Neil Gibson, TEE Executive Director
Contact officer:	Jonathon Noble 01296 387877
Local members affected:	All

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

Purpose of paper

The purpose of this paper is to share the findings and recommend an action plan arising from an internal audit of contract management practices across the Council. It also includes further observations on the contract management operating model that have arisen during the review.

Responsible: Jonathon Noble, Director Commercial Services, Resources
Accountable: Neil Gibson, Chair Commissioning and Supplier Management Group
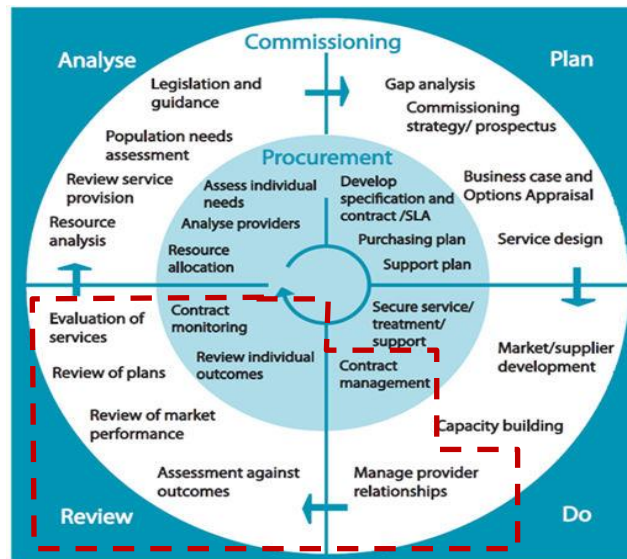Consulted: Commissioning and Supplier Management Group

Background and context

1. **The Council spends around £290m a year (72% of its budget) with third parties**, making it a commissioning organisation by default. Not only is a significant proportion of its activities delivered through external markets and partners, but as it looks for more innovative ways of delivering services with reduced funding, commissioning and contract arrangements are increasingly complex and often entail higher risk.

2. While complex services can take up to 18 months to plan, design and procure, contracts the council enters into will typically last 5+ years (and some significantly longer), meaning that our resources are locked into contractual arrangements for significant periods of time. Effective management of our contracts and development of collaborative relationships with our strategic suppliers and partners is key to:

      i. Ensuring good quality services for customers
      ii. Unlocking value for money and securing savings
      iii. Managing risk in services we do not directly deliver

3. This paper addresses our capabilities and required improvements around the activities associated with the contract management phase of the commissioning cycle:

Although other commissioning and procurement activities form part of the same, cyclical process, they are out of scope for the purpose of this improvement plan, which specifically addresses contract and supplier relationship management.

4. The Council first adopted a standard approach to contract management and Supplier Relationship Management (SRM) in 2011. The approach has been developed over time and is set out in the Supplier Management Policy document, with a single segmentation model, standardised processes and responsibilities, and supported by the Contract Management Application (CMA) system. A series of training courses have been run to establish and embed the practices contained in the policy. This investment has put in place a strong overall contract management infrastructure (policy, processes and systems) which can be considered mature when compared to other public sector organisations.

5. As part of this framework of activities, a best practice self-assessment is in place for contract managers, asking them to score the activities that support their contract on a scale of 1 – 5 across a range of themes. Internal Audit was commissioned to undertake a 'second opinion' review of these assessments, using guidance from the National Audit Office.

6. Among some examples of good practice, the audit revealed **high priority management actions required in 7 out of 7 key lines of enquiry:**

      i. Contract governance
      ii. Contract administration (including record keeping)
      iii. Change management (including knowledge transfer when personnel leave)
      iv. Value for money
      v. Stakeholder engagement
      vi. Market intelligence and market management
      vii. Risk management

Contract management improvement plan

7. The proposed improvement plan aims to address these weaknesses and ensure good practice is delivered more consistently across the council's £290m of contractual spend:

High	- Utilising **supply market intelligence** to develop suppliers and the market generally - Improving the use of **supply risk management** practices and techniques - Managing contract management as a profession including **staff performance and career development** - Clear structures and visibility of **governance and decision making**
Medium	- Consistent **understanding and expectations** of contract management activities and record keeping, at each stage of the contract lifecycle - Embedding **knowledge management** processes to improve sharing of best practices and lessons learned - Taking a balanced view of supplier performance to include **service improvement and stakeholder satisfaction** alongside cost considerations
Lower	- Controlling **change management and handover** processes between staff and at key stages through the contract management lifecycle - Using benchmarking and testing **value for money** through the life of contract

8. A prioritised improvement plan has been developed to address these areas of focus and introduce the necessary changes to policy, processes and skills. The improvement plan includes relevant points from the recent ADVs review and other desirable enhancements to the policy identified by the Commissioning and Supplier Management Group (CSMG). The improvement plan will be managed by the SRM Lead, recently moved into Resources Commercial Services, and overseen CSMG.

Resource implications

9. Following engagement with business units, the following resource requirements have been identified, *in addition to* the existing commitment from CSMG members of around 1-2 days per month on corporate contract management activity:

Workstream	Resource implications			
	Commercial Services	CSMG	BU Contract Manager	OD
Supply market intelligence	The SRM Lead role could deliver this programme of work but it is likely to require some short-cutting to do so. An additional resource (Range 7) seconded for the remainder of the financial year would provide capacity to deliver the programme fully.		5 days (Platinum only)	
Supply risk management			5 days (Platinum & Gold)	
Contract governance and decision making			2 days (Platinum & Gold)	
Staff performance and career development		5 days	2 days (Platinum & Gold)	5 days
Understanding and expectations of contract management				5 days
Knowledge management				20 days
Service improvement and stakeholder satisfaction		5 days	5 days (Platinum, Gold & Silver)	
Change management and handover		2 days		
Value for money				5 days

10. The additional Range 7 post requested on an temporary basis is a like-for-like replacement of a post deleted from the former Strategy & Innovation team which was the principal support to the SRM Lead, particularly on the development of the Contract Management Application. While it is possible to deliver the improvement programme without this additional capacity, the pace of improvement will be diminished; CMT is asked to give consideration to this, in light of the significant risks identified in the audit.

11. It should be noted that the SRM Lead post is currently vacant and this is an exceptionally hard to fill post (it has not been permanently filled in the six years since it was created) which may further impact the timetable of the improvement programme.

Recommendation

> **Regulatory and Audit Committee is asked to note the report and action plan, provide any recommendations for further improvements and advise on timetable for updates and further scrutiny**

Background Papers

Appendix 1 – Detailed Improvement Plan & Timescales
Appendix 2 – Contract Management Issues & Supporting Information

Appendix 1 - Detailed improvement plan

12. The nine areas of improvement will each form a workstream in the overall programme. Delivery of the improvements will require an update to Supplier Management Policy and process documentation, and briefing and support to contract management teams to adopt the new and revised approaches.

13. The work will be led by the SRM lead, working with contract managers and CSMG members from each Business Unit. It is proposed that each Business Unit or Service Area appoints a first point of contact (either the CSMG member or a person selected by them) responsible for local implementation of the agreed improvements. The CSMG's remit or membership continues with significant change. Monthly reports will be developed to track progress and resolve issues for each workstream at CSMG meetings.

14. Changes will be reflected in the Supplier Management Policy document, to be approved by the Cabinet Member for resources if required.

Supply market intelligence

15. BSP Commercial Services team will launch a market intelligence service which will include the gathering of supply market information for use by Business Units in supplier development and market management activities. (Business Units will continue to carry out market management activities specific to their needs such as Provider Assessment and Market Positioning Statements.)

16. Supplier Management Policy and guidance will be updated to include supplier development and market intelligence expectations for Platinum contracts to deliver continuous improvement and innovation. Platinum contracts will be reviewed to identify the potential for supplier development activities and the related use of market intelligence, the activities already in place and any further actions required.

Supply risk management

17. Supply risk management templates and guidance, including Business Continuity Planning, will be developed by the SRM Lead. Contract Management and Risk Management training courses will be updated to provide greater guidance on risk management approaches. Gold and Platinum contracts with low self assessment scores for risk will be reviewed with the contract manager and additional activities agreed. Risk management briefing sessions will be offered to Business Unit contract management teams. Risk reporting will be included in the CMA scorecard and Business Unit Board contract management reporting.

Contract governance and decision making

18. Model governance structures and terms of reference will be developed and added to relevant commissioning, procurement and contract management documentation and communicated to contract management teams. Terms of reference will include the role of senior governance including a Senior Responsible Officer role for all high risk contracts.

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Reviews will be held with contract managers of Gold and Platinum contracts where self-assessments identified governance issues.

Staff performance and career development

19. Existing standard contract management DSP objectives will be reviewed and agreed by CSMG. CSMG members will cascade into contract management teams during 2017/18 DSP objective setting. CSMG will receive anonymised reports of the agreed objectives and performance against them after half-year and end of year reviews. CSMG members and contract management team leaders will be expected to consider and discuss career paths with contract managers, including opportunities outside of their Business Unit.

Understanding and expectations of contract management

20. Additional guidance material will be developed and briefing sessions run with Business Unit contract management teams, to include specific issues such as treatment of spot contracts and risk management. Current Contract management training materials (fundamentals and intermediate level courses) will be reviewed with the training provider and updated accordingly, and integrated into the new Commercial Academy arrangements. A CMA communication programme will rolled out, using CMA expert users to cascade information and continue to monitor local CMA activity.

Knowledge management

21. A Community of Practice (CoP) for contract managers will be created and managed by the SRM Lead. All contract management staff will be expected to join and actively participate in the CoP, such as sharing of best practice documentation and responding to questions from colleagues. Exemplar practices will be documented. Current knowledge sharing such as team briefings, drop-in sessions and one-to-one support will continue.

Service improvement and stakeholder satisfaction

22. All Silver, Gold and Platinum contracts will be reviewed to identify where service improvement and stakeholder satisfaction KPIs in place, and the current monitoring activity and performance levels. Contracts where balanced scorecard measures are not being tracked will be reviewed and decisions taken whether to raise with the supplier as a contract change or feed into the next contract.
23. Contract performance reporting is managed locally, with different arrangements in place for each Business Unit board. The SRM Lead will work with CSMG members to agree the common base level reporting requirement for key contracts including a balanced approach of cost, performance, risk and user aspects. A simple scorecard approach, aligned to Business Unit board reporting, will be introduced to CMA and monitored for key contracts.

Change management and handover

24. Supplier Management Policy and guidance will be updated to clarify the focus and responsibilities of contract management at each stage of the contract lifecycle, including transition processes and handover expectations. Policy and guidance will be aligned to

each Business Unit operating model and handover points between teams. CSMG members will work with their contract management teams to assess staff churn and put in place measures to improve smoother transition. CMA will be developed to track the contract lifecycle and ensure relevant information is captured at each stage.

Value for money

25. Silver and Platinum contracts will be reviewed to identify where value for money clauses are in place, to what extent they have been applied and the outcomes from the vfm tests. Contracts where value for money measures are not in place or not being used will be reviewed and decisions taken whether to raise with the supplier as a contract change or feed into the next contract.

26. Model value for money and benchmarking contract terms will be developed and added to relevant commissioning, procurement and contract management documentation and communicated to contract management teams. Guidance material will be developed and the contract management intermediate level training course materials updated accordingly.

<u>Timescales</u>

Wave 1 recommendations

| Recommendation	Action	Owner	Review Date
Supply market intelligence	Launch a market intelligence service	BSP Commercial	Oct 17
	Update guidance for Platinum contracts	SRM Lead	Oct 17
	Review Platinum contracts for potential supplier development activity	CSMG	Dec 17
Supply risk management	Develop supply risk management templates and guidance	SRM Lead	Oct 17
	Update training course materials	OD	Oct 17
	Review Gold and Platinum contracts with low self-assessment scores for risk	CSMG	Dec 17
	Provide risk management briefing sessions to contract management teams	SRM Lead / Assurance	Dec 17
	Include risk reporting in CMA scorecard and Business Unit Board reports	SRM Lead & CSMG	Dec 17
Governance and decision making	Develop model contract governance structures and terms of reference	SRM Lead	Oct 17
	Hold reviews with Gold and Platinum contract managers	CSMG	Dec 17
Staff performance and career development	Review and revise standard contract management DSP	CSMG	Jun 17
	Cascade into contract management teams during 2017/18 DSP objective setting	CSMG	Jun 17
	Monitor anonymised half-year and end of year reviews	CSMG	Dec 17 & May 18

Wave 2 recommendations

Recommendation	Action	Owner	Review Date
Understanding and expectations	Develop additional guidance material	SRM Lead	Jan 18
	Run briefing sessions	SRM Lead	Mar 18
	Update training materials	OD	Jan 18
	Run CMA communication	CMA EUG	Jan 18
Knowledge management	Create a Community of Practice (CoP) for contract managers	SRM Lead	Dec 17
	Document exemplar practices and share across Community	SRM Lead	Jan 18
	Continue team briefings, drop-in sessions and one-to-one support	SRM Lead	Ongoing
Service improvement and stakeholder satisfaction	Review Silver, Gold and Platinum contractual performance regimes	CSMG	Mar 18
	Agree common base level reporting to Business Unit boards	CSMG	Dec 17
	Introduce CMA supplier/contract scorecard	CMA EUG	Jan 18

Wave 3 recommendations

Recommendation	Action	Owner	Review Date
Change management and handover	Update Supplier Management Policy and guidance for stages of the contract lifecycle	SRM Lead	Mar 18
	Local measures to improve smoother transition	CMSG	Mar 18
	Develop CMA to track the contract lifecycle	CMA EUG	Mar 18
Value for money	Review value for money clauses in Silver and Platinum contracts	CSMG	Mar 18
	Develop model value for money and benchmarking contract terms	SRM Lead	Dec 17
	Develop guidance and training material	OD	Dec 17

Contract management operating model comments

27. This review was not intended to assess the Council's contract management operating model, however it has prompted discussion on the principles and structures under which contract management operates.

28. The current model aligns with the Council's Future Shape strategy and can be described as 'hub and spoke'. Adoption of the Future Shape model significantly reduced central resourcing for procurement and contract management activity, which acts in a centre of excellence capacity and retains responsibility for policy, advice, systems and overseeing training and development. Contract management decision making and resources sit locally in Business Units, with local interpretation of policy and development of local best practice. The Commissioning and Supplier Management Group (CSMG) provides a forum for Business Units to discuss contract management but its role is limited, acting in an advisory capacity with no decision making powers.

29. The growing strategic importance of supply chains and the need to develop commercial skills as a profession has led many organisations to follow an increasingly centre-led or centralised model of delivery. Examples range from creating a central resource pool providing hands-on support to large or complex procurements and contract management situations, through to a model of embedding resources locally within the business but whom report to a functional lead. These resourcing models can provide greater resilience and greater career opportunities to improve recruitment and retention.

30. Alongside the proposed improvement actions, further increasing the level of assurance may necessitate a change to operating model accountabilities, resourcing and responsibilities. As a first step, expanding the centre of excellence would give greater capacity to develop guidance, provide advice and facilitate knowledge sharing. This need for greater capacity has effectively already been demonstrated through the resourcing required to deliver the proposed improvement plan. Gaining further assurance would likely see greater corporate visibility of contract performance, followed by a shift in control over decision making and management of contract resources to a Council-wide corporate approach.
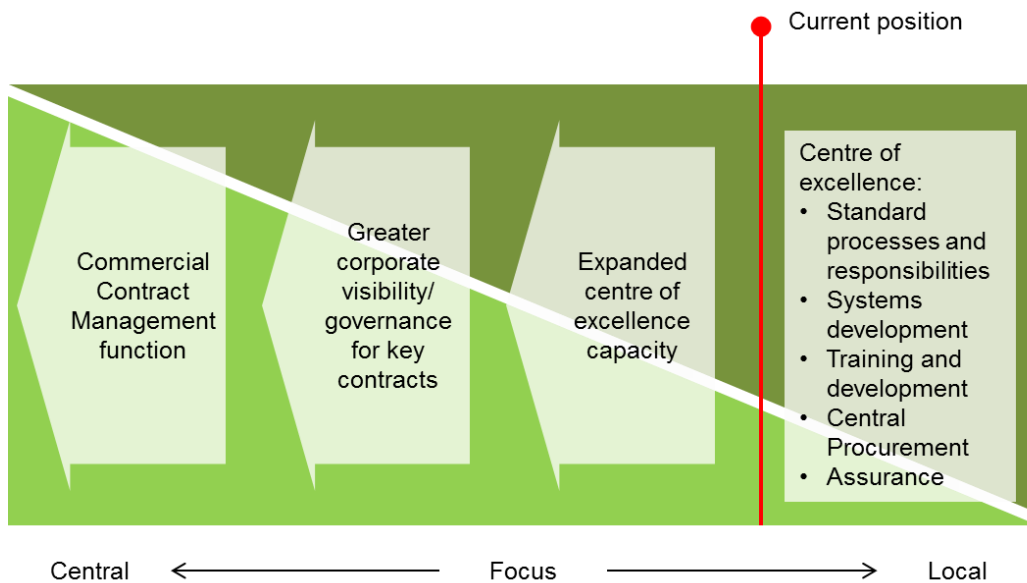
APPENDIX 2

Contract management issues

31. The assessment of current contract management practice has considered the following inputs:
    - Contract Manager best practice self assessments
    - Assurance review of BPSA scores
    - A Quality, Cost, Logistics, Development, Management (QCLDM) based review of Supplier Management Policy
    - Leadership survey - Procurement
    - Contract Manager skills and training needs evaluation

Contract Manager Best Practice Self Assessments

32. Self Assessments were carried out on over 300 of the most important contracts (Gold and Platinum). Contract Managers registered scores from 1 to 5 (5 being highest) against a checklist of activities and expectations. The top level scores are summarised below. <u>These scores have not been moderated to reflect the Assurance team feedback based on their review of a sample of contracts.</u>

Contract Management Best Practice Self Assessment Scores (June 2017)

33. Example issues raised in scores below level 3 are listed below (level 3 is the minimum expectation for all contracts in nearly all scenarios, although level 2 is acceptable for Bronze contracts in specific areas):

Description	Example issues identified during self assessments
Planning and Governance	• Inconsistent understanding on contract management expectations e.g. spot contracts • Senior management governance activity not systematically tracked
People	• Changes in personnel and handover of tasks were impacting some areas e.g. contract development
Administration	• Issues with record keeping generally • Management of contracts where providers are out of county see less frequent monitoring visits, using CQC inspections and/or carried out by the host Local Authority
Managing Relationships	• Clarity of roles and responsibilities of both parties was varied • Adherence to problem resolution procedures
Measuring Performance	• Supplier performance is reactive, based on triggers such as complaints • Supplier quality reviews not happening when expected ie where performance issues have been identified • Service specifications in place but signed contracts may be delayed or not stored on CMA
Payments and Incentives	• Generally seen as an area of strength
Risk	• Risk management activity is informal and not clearly evidenced
Contract Development	• No regular review of contract to identify opportunities to develop • Use of national/model contracts limiting ability to develop contracts
Supplier Development	• Ad-hoc approach to working with the supplier • A desire to develop supplier but lacking a formal plan and/or senior level ownership
Supplier Relationship Management	• Plans often informal, most often as a result of issues being identified
Market Management	• Ad-hoc approach to market intelligence and discussions with supplier, but not formal of consistent • Market intelligence typically centred on commissioning / options appraisal stage only

Assurance review of Self Assessments

34. An independent review of self assessments was carried out by Assurance on a sample basis. The review assessed the contract management evidence against best practice and compared scores with the contract manager's self assessment. Assurance will be

preparing a management letter to go to Business Units with a summary of findings. Significant discrepancies between assessment scores are being followed up directly with contract managers to resolve.
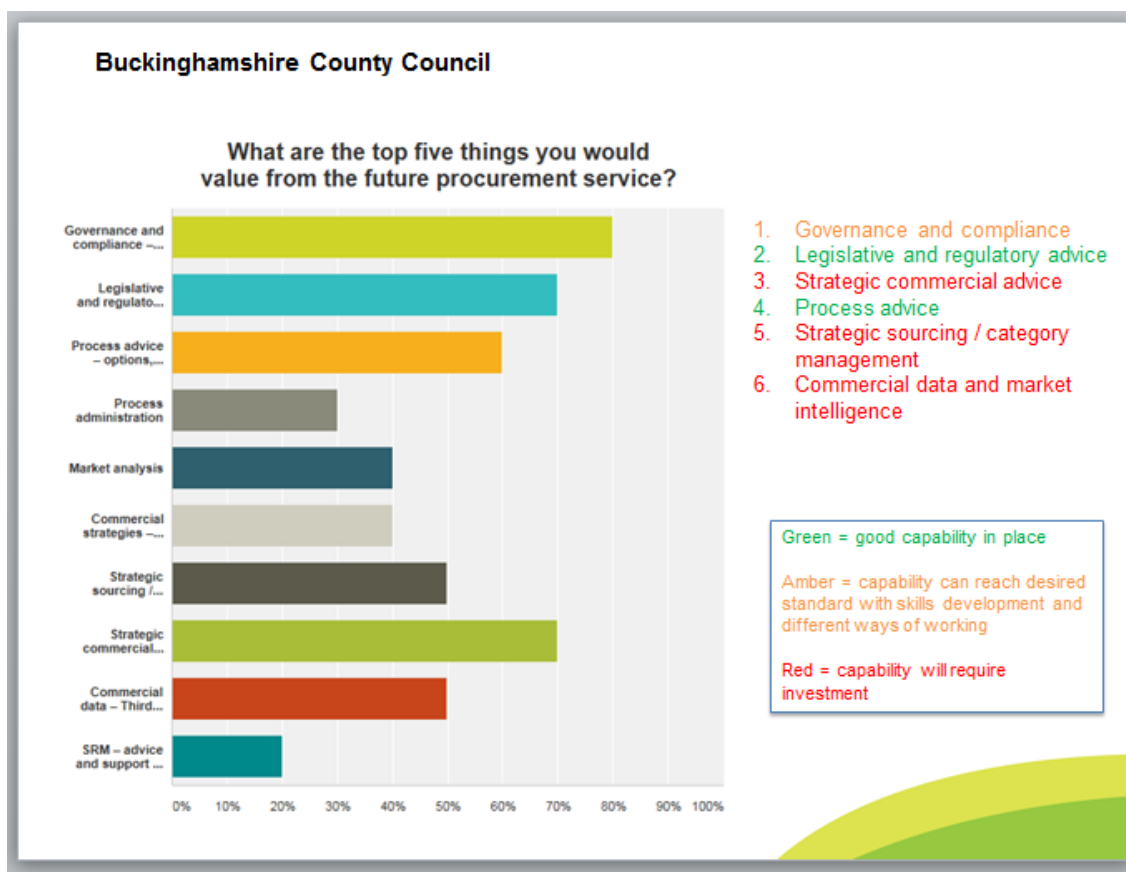
35. The self-assessment process has identified the following key issues to address:
- Inconsistent understanding of expectations of contract management activities and record keeping
- Structure and visibility of contract governance and decision making, in particular senior/executive-level boards
- Change management and handover processes between staff
- Reactive approaches to gathering stakeholder feedback, with contract managers having only partial visibility of feedback
- Maturity and formal evidence of supply risk management approaches
- Managing value for money during life of contract
- Use of supply market intelligence to develop suppliers and the market generally

Quality, Cost, Logistics, Development and Management (QCLDM) review

36. The scope and objectives of the policy are largely driven by the desire to establish and maintain common practice and standards in the management (information and processes) element of this role. While the management element is clearly critical, good practice design considers a balance of quality, cost, logistics, development and management elements. Reviewing and categorising current policy processes and responsibilities, compared to NAO good practice, has identified the following gaps:
- Embedded knowledge management, capturing lessons learned and experience internally and externally
- Contract management profession in place, with career paths for contract managers Supplier development
- Monitoring of supply market intelligence and other developments
- Value for money testing and benchmarking during the life of the contract
- Supplier development of key suppliers to drive continuous improvement

Leadership survey – Procurement

37. A survey has been conducted across the Council's leadership team (Service Director's across all services) to ask what they need from the procurement service of the future. The results are included below:

Buckinghamshire County Council

What are the top five things you would value from the future procurement service?

1. Governance and compliance
2. Legislative and regulatory advice
3. Strategic commercial advice
4. Process advice
5. Strategic sourcing / category management
6. Commercial data and market intelligence

Green = good capability in place

Amber = capability can reach desired standard with skills development and different ways of working

Red = capability will require investment

Contract Manager Skills and Training Needs Evaluation

38. There is parallel, current activity to deliver a new contract manager training programme and conduct an independent review of contract management best practice self assessments. Both of these activities will provide valuable information in creating a more comprehensive policy. The key issues highlighted during the contract manager training review were:

- Structuring the contract management process to optimise contract performance
- Understanding the legal contract and practical implications for contract managers
- The role of risk management in managing supplier contracts
- Applying supply chain management to deliver contract objectives
- Applying performance management and continuous improvement principles
- Effective supplier and stakeholder relationship management
- Interpersonal skills used in managing supplier relationships effectively

Supporting information

Supplier Management Policy

The Supplier Management Policy sets out the requirements for all Business Units in their management of contracts and interactions with suppliers, and is aligned with National Audit Office good practice guidance on contract management. The policy is owned by the Cabinet Member for Resources. The policy sets out the supplier segmentation approach, based on the risk and value of each contract, and the expectations and responsibilities of contract managers.
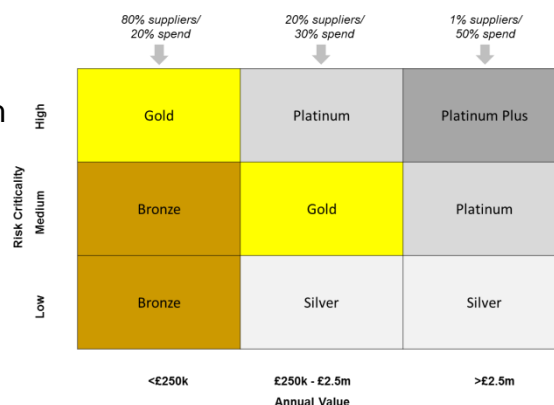
Standard contract manager responsibilities are summarised below:

Process Step	High Level Contract Management Task	CMA Activity (as required)
Draft contract	• Select contract type, considering contract risk positions and controls • Define payment and performance mechanisms	
Negotiate and finalise contract	• Finalise contract pricing and performance metrics • Finalise contract governance • Create contract management plan • Confirm Contract Manager and Service Manager	• Enter supplier information, contacts, address and relevant documents • Enter contract information, contacts, category, finance, contract plan, resources, meetings and insurance • Enter key contract 'trigger point' dates as Tasks • Load master contract documentation and all relevant supporting documentation • Load key approval documentation – tender report, approval to award
Establish contract management	• Gain approval to move contract into BAU • Establish and agree contract governance and roles and responsibilities with supplier • Ensure users are aware of contract, pricing, terms of use and key features	
Manage contract performance	• Monitor compliance with contract terms and conditions • Manage operational service delivery • Manage and report supplier performance • Manage financial performance and budgets • Monitor and mitigate risks • Develop and own Business Continuity Plan • Resolve problems and disputes, and escalate where necessary • Deliver continuous improvement • Manage supplier relationship • Undertake best practice assessment	• Load performance reports and supplier meeting documentation • Load complaints and compliments information and documentation • Load best practice assessment (annually)
Manage contract change	• Manage contract administration • Identify changes in demand, service profiles or BCC strategies which impact contract • Deal with change control and variations (minor and major changes)	• Load contract variation documentation • Update contract record with details of variation
Renew/exit contract	• Plan for re-commissioning, contract renewal and other key milestones in the contract • Extend/renew or terminate contract, as appropriate	• Load contract extension/ termination documentation • Update contract record with details of extension/ termination • Load key governance/approval documentation (e.g. decision to extend)

The Supplier Management Policy was last systematically reviewed in late 2015. A fresh review, including the parallel and linked activity on contract manager training and Best Practice Self Assessment Audit findings, provides the opportunity to broaden the policy to more fully address all aspects of contract management.

Definition of good practice contract management

The Council has adopted the NAO good practice model for contract management which was first developed in 2008 and most recently revised earlier this year. The model breaks down contract management into 11 top level maturity statements.

Description	NAO Good Practice Statement
Planning and governance - Preparing for contract management and providing oversight.	There should be senior executive support and oversight of contract management, and a plan for the management of each individual contract, to ensure a focus across the organisation on delivering value for money from service contracts.
People - Ensuring the right people are in place to carry out the contract management activities.	Effective contract management requires sufficient people with the right experience and skills, who have access to appropriate training and ideally are part of a contract manager community within their organisation to support the sharing of good practice.
Administration - Managing the physical contract and the timetable for making key decisions.	Processes for managing the physical contract documentation and to identify when key decision/ trigger points (for example, notice periods) should be in place to underpin all other contract management activities.
Managing relationships - Developing strong internal and external relationships that facilitate delivery.	Strong internal and external relationships are essential if service contracts are to be managed effectively. A constructive relationship with the supplier, built on trust and mutual respect, can, for example, help to overcome problems through joint working.
Managing performance - Ensuring the service is provided in line with the contract.	Having performance measures (service level agreements/key performance indicators) that are aligned to the business requirements of the organisation, and which are updated regularly, is essential for managing supplier performance. It is also important to provide regular feedback to suppliers on their performance and for organisations to ask suppliers for regular feedback on their performance as customers.
Payment and incentives - Ensuring payments are made to the supplier in line with the contract and that appropriate incentive mechanisms are in place and well managed.	Good contract management should include financial incentives to encourage suppliers to improve performance beyond the terms of the contract, if this provides real benefits to the customer organisation. Incentives can also be designed to stimulate supplier innovation which can result in improved service levels or cost reductions.
Risk - Understanding and managing contractual and supplier risk, including risks relating to personal data.	Many service contracts are critical to the delivery of the organisation's business objectives, carry significant risk if the supplier fails, and involve the handling of personal or security information. It is important that contract and supplier risks are clearly identified and managed.
Contract development - Effective handling of changes to the contract.	It is important that changes to the contract can be made easily to allow the contract to evolve to meet changing business requirements. The value for money of major changes to the contract and of ongoing existing services should be assessed regularly.
Supplier development - Improving supplier performance and capability.	For higher value and more critical contracts it is important to have a structured plan to improve the efficiency and effectiveness of the supplier's performance.
Supplier relationship management - Having a programme for managing and developing relationships with suppliers.	A customer organisation's interfaces with its supplier base should be well managed. Organisations should categorise suppliers according to their importance to the organisation and there should be a clear programme for developing relationships with the most critical suppliers. Each relationship with a critical supplier should be 'owned' by a senior executive.

Description	NAO Good Practice Statement
Market management - Managing the wider market issues that impact on the contract, but lie beyond the supplier.	Organisations should consider a wider set of issues outside the immediate contract, including ongoing market intelligence; timely consideration of options at the expiry of the contract and development of any re-competition strategy; and whether 'market making' activities are required.

Best Practice Self-Assessment Framework

#	Area	Description	NAO Good Practice Statement	Examples of Evidence	Self-Assessment Maturity Expectations
Structure and resources					
1	Planning and governance	Preparing for contract management and providing oversight.	There should be senior executive support and oversight of contract management, and a plan for the management of each individual contract, to ensure a focus across the organisation on delivering value for money from service contracts.	Contract RACI, Contract management plan, contract governance meeting records and reports	Bronze: 3 - Standardised Silver: 3 - Standardised Gold: 3 - Standardised Platinum: 4 - Monitored Platinum Plus: 5 - Optimised
2	People	Ensuring the right people are in place to carry out the contract management activities.	Effective contract management requires sufficient people with the right experience and skills, who have access to appropriate training and ideally are part of a contract manager community within their organisation to support the sharing of good practice.	Job descriptions, Best Practice Self Assessments, standard personal objectives, knowledge sharing materials	Bronze: 3 - Standardised Silver: 3 - Standardised Gold: 3 - Standardised Platinum: 4 - Monitored Platinum Plus: 5 - Optimised
3	Administration	Managing the physical contract and the timetable for making key decisions.	Processes for managing the physical contract documentation and to identify when key decision/ trigger points (for example, notice periods) should be in place to underpin all other contract management activities.	CMA record including data and documentation, transition plans, exit plans	Bronze: 3 - Standardised Silver: 4 - Monitored Gold: 4 - Monitored Platinum: 4 - Monitored Platinum Plus: 5 - Optimised
Delivery					
4	Managing relationships	Developing strong internal and external relationships that facilitate delivery.	Strong internal and external relationships are essential if service contracts are to be managed effectively. A constructive relationship with the supplier, built on trust and mutual respect, can, for example, help to overcome problems through joint working.	Stakeholder maps, communication materials, service review meeting records, customer surveys,	Bronze: 2 - Informal Silver: 3 - Standardised Gold: 3 - Standardised Platinum: 4 - Monitored Platinum Plus: 5 - Optimised
5	Managing performance	Ensuring the service is provided in line with the contract.	Having performance measures (service level agreements/key performance indicators) that are aligned to the business requirements of the organisation, and which are updated regularly, is essential for managing supplier performance. It is also important to provide regular feedback to suppliers on their performance and for organisations to ask suppliers for regular feedback on their performance as customers.	Specifications, contract performance frameworks, performance reports, complaints reports	Bronze: 3 - Standardised Silver: 4 - Monitored Gold: 3 - Standardised Platinum: 4 - Monitored Platinum Plus: 5 - Optimised

#	Area	Description	NAO Good Practice Statement	Examples of Evidence	Self-Assessment Maturity Expectations
6	Payment and incentives	Ensuring payments are made to the supplier in line with the contract and that appropriate incentive mechanisms are in place and well managed.	Good contract management should include financial incentives to encourage suppliers to improve performance beyond the terms of the contract, if this provides real benefits to the customer organisation. Incentives can also be designed to stimulate supplier innovation which can result in improved service levels or cost reductions.	Payment records, payment mechanism descriptions, invoice verification reports, financial audit reports.	Bronze: 3 - Standardised Silver: 4 - Monitored Gold: 3 - Standardised Platinum: 4 - Monitored Platinum Plus: 5 - Optimised
7	Risk	Understanding and managing contractual and supplier risk, including risks relating to personal data.	Many service contracts are critical to the delivery of the organisation's business objectives, carry significant risk if the supplier fails, and involve the handling of personal or security information. It is important that contract and supplier risks are clearly identified and managed.	Risk register, business continuity plan, contract obligation tracker	Bronze: 2 - Informal Silver: 3 - Standardised Gold: 4 - Monitored Platinum: 4 - Monitored Platinum Plus: 5 - Optimised
Development					
8	Contract development	Effective handling of changes to the contract.	It is important that changes to the contract can be made easily to allow the contract to evolve to meet changing business requirements. The value for money of major changes to the contract and of ongoing existing services should be assessed regularly.	Change mechanism definitions, change variations, dispute records, value for money procedures	Bronze: 3 - Standardised Silver: 3 - Standardised Gold: 4 - Monitored Platinum: 4 - Monitored Platinum Plus: 5 - Optimised
9	Supplier development	Improving supplier performance and capability.	For higher value and more critical contracts it is important to have a structured plan to improve the efficiency and effectiveness of the supplier's performance.	Continuous improvement plan, benefits reports, records of joint working	Bronze: 2 - Informal Silver: 3 - Standardised Gold: 3 - Standardised Platinum: 4 - Monitored Platinum Plus: 5 - Optimised
Strategy					
10	Supplier relationship management	Having a programme for managing and developing relationships with suppliers.	A customer organisation's interfaces with its supplier base should be well managed. Organisations should categorise suppliers according to their importance to the organisation and there should be a clear programme for developing relationships with the most critical suppliers. Each relationship with a critical supplier should be 'owned' by a senior executive.	Senior relationship meeting records, relationship objectives, MoUs or similar agreements to support relationship development	Bronze: 2 - Informal Silver: 3 - Standardised Gold: 3 - Standardised Platinum: 4 - Monitored Platinum Plus: 5 - Optimised

#	Area	Description	NAO Good Practice Statement	Examples of Evidence	Self-Assessment Maturity Expectations
11	Market management	Managing the wider market issues that impact on the contract, but lie beyond the supplier.	Organisations should consider a wider set of issues outside the immediate contract, including ongoing market intelligence; timely consideration of options at the expiry of the contract and development of any re-competition strategy; and whether 'market making' activities are required.	Market intelligence reports	Bronze: 2- Informal Silver: 3 - Standardised Gold: 3 - Standardised Platinum: 4 - Monitored Platinum Plus: 5 - Optimised

Buckinghamshire County Council

Regulatory and Audit Committee

Title: Anti-Fraud and Corruption Strategy and Money Laundering Policy

Date: Wednesday 6 September 2017

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 Council's Anti-Fraud and Corruption Strategy and Anti-Money Laundering Policy are reviewed on an annual basis.

The Anti-Fraud and Corruption Strategy has been subject to minor amendments only such as changes in job titles. A tracked changes version of the strategy has been attached to enable Members to see the amendments made.

The Anti-Money Laundering Policy has been updated to reflect the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (MLR 2017) which came into force on 26 June 2017. Further work is required to fully understand the impact on our policy, and we will liaise with the Head of Legal to facilitate this before the next Regulatory and Audit Committee.

Recommendation

To **APPROVE** the revised Anti-Fraud and Corruption Policy, and **NOTE** the revised Anti-Money Laundering Policy will be presented for approval in November.

Background Papers

Anti-Fraud and Corruption Strategy

Buckinghamshire County Council

Anti-Fraud and Corruption Strategy

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

Version 3 – 1st September 2017

Anti-Fraud and Corruption Strategy

1. Introduction

1.1 Buckinghamshire County Council has a zero tolerance stance to all forms of fraud, corruption and 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.

1.2 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.

1.3 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.

1.4 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.

1.5 The Director of Finance and Assets, 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 regulations 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.

1.6 The Assistant Chief Executive, 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.

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.

In addition the Fraud Act deals with offences relating to the possession of articles for use in fraud, making or supplying articles for use in frauds, participation by a sole trader in fraudulent business, and obtaining services dishonestly, personally or for another.

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

4

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 of Finance and Assets. To report any incidents, please see the guidance notes detailed on the Council's intranet page.

2.6 Legal Services 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 (Assistant Chief Executive) and the Money Laundering Reporting Officer.

2.7 **BRIBERY:** The Bribery Act 2010 came into force in the UK on 1st July 2011. It amends and reforms the UK criminal law and provides a modern legal framework to combat bribery in the UK and internationally. Staff need to be aware of their obligations under this Act, which sets out the criminality of accepting and giving of bribes. This applies to both individual staff and the Council corporately. 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.

5

- 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 volunteers, agents and agency staff) and Councillors;
- Staff and Committee Members of Council funded voluntary organisations;
- Partner organisations;
- Schools;
- Council Suppliers, Contractors and Consultants;
- Service Users; 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, bribery, corruption and theft, which defines roles and responsibilities and actively engages everyone (the public, Councillors, staff, managers and policy makers);
- To provide a best practice "counter-fraud" service which:
  - Proactively deters, prevents and detects fraud, corruption and theft;
  - Investigates suspected or detected fraud, bribery, 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.
Assistant Chief Executive (Monitoring Officer)	To advise Councillors and Officers on ethical issues, standards and statutory responsibility to ensure that the Council operates within the law and statutory Codes of Practice.
Director of Finance and Assets (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.

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.
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.
Executive 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 or via the Whistleblowing Policy and Procedure. 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, Contract Standing Orders, 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 Executive 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 Executive 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 of Finance and Assets (Section 151 Officer);
- Assistant Chief Executive (Monitoring Officer;
- Executive 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; and
- 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; and
- 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
- Audit Manager (Fraud Lead) – Tel: 01296 383717
- Confidential Reporting Facility - Tel: 01296 382237
- Confidential e-mail - audit@buckscc.gov.uk

8.8 Other Council means for raising concerns:

▪ Chief Executive	Write to:
▪ Director of Finance and Assets (Section 151 Officer)	**Buckinghamshire County Council,**
▪ Assistant Chief Executive (Monitoring Officer)	County Hall, Walton Street,
▪ Executive Director	Aylesbury,
▪ Service Director/Manager	HP20 1UA
▪ Head of Business Assurance (& Chief Internal Auditor)	
▪ Regulatory and Audit Committee Chairman	

11

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; and
- 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 2017
Review Date: September 2018

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 Executive 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 Executive 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 Executive 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 Executive 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 Executive 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 Executive 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 Executive 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; and
- Data Protection Act 1998.

Specialists trained in investigation and interviewing could be made available to the investigation team. Legal Services and Business Assurance may 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 Executive Director, Director or Service Manager, who will have to agree the necessary actions to address the issues.

The investigation team, in consultation with the Executive Director or Service Director/Manager, should make arrangements for the Director of Finance and Assets, 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

Executive 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 Executive 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 Executive 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 Executive Director or Service Director/ Manager. Approval to report the matter to the Police must be obtained from the Director of Finance and Assets, 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 Executive 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 Executive Director or Director/Service Manager. Charges for Legal Services advice will be in accordance with the normal service agreements with 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, 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 Executive 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. Business Unit and Internal Audit staff training plans will reflect this requirement.

APPENDIX B

Fraud Response Plan

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                        │  Fraud Concern  │
                        │   Identified    │
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                                 ▼
                        ◇ Report ◇   reporting options
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            ▼                    ▼                    ▼
   ┌──────────────┐   ┌─────────────────────┐  ┌─────────────────┐
   │Whistleblowing│   │ Line Manager (or    │  │ Internal Audit  │
   │  Mechanism   │   │ senior manager, if  │  │     Team        │
   │              │   │ line manager        │  │                 │
   │              │   │ involved)           │  │                 │
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            └──────────┐         ▼        ┌───────────┘
                   ┌──────────────────────────────┐
                   │ Assessment of allegation by   │
                   │ Manager (HR, Legal and        │
                   │ Internal Audit, if required)  │
                   └──────────────────────────────┘
                                 │
                                 ▼
              No          ◇ Sufficient to ◇        Yes
         ┌────────────────    Proceed?    ────────────────┐
         ▼                                                ▼
   ┌──────────┐                                  ┌──────────────────┐
   │Record of │                                  │ Strategy Meeting │
   │Decision  │                                  └──────────────────┘
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   ┌──────────┐               │Management  │ │Internal    │ │Police      │
   │Feedback  │               │Investigation│ │Audit       │ │Investigation│
   │to referer│               │            │ │Investigation│ │            │
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                                        │   Outcome    │
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                              No       ◇ Fraud Proven? ◇  Yes  └────────────┘
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                         ▼                   │ Yes
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                │Management│No case│  ◇ Management ◇        ┌────────────┐
                │Action    │to     │    Decision   ─────────│Recovery of │
                │          │answer │                        │losses      │
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   │Disciplinary│◄│Disciplinary│◄──│   Go to      │
   │Appeal    │  │Hearing   │      │Disciplinary  │
   └──────────┘  └──────────┘      │  Hearing     │
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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; 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, Head of Business Assurance (& Chief Internal Auditor)

Version 32 – 1st September 20176

Anti-Fraud and Corruption Strategy

1.   Introduction

1.1   Buckinghamshire County Council has a zero tolerance stance to all forms of fraud, corruption and 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.

1.2   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.

1.35   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.

1.46   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.

1.52   The Director of Finance and Assets, 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 practiceregulations 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.

1.36   The Assistant Chief Executive, 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.

3

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.

4

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.

In addition the Fraud Act deals with offences relating to the possession of articles for use in fraud, making or supplying articles for use in frauds, participation by a sole trader in fraudulent business, and obtaining services dishonestly, personally or for another.

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

5

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 of Finance and Assets, HQ Assurance. To report any incidents, please see the guidance notes detailed on the Council's intranet page.

2.6 Legal Services 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 PolicyAssistant Chief Executive) and the Money Laundering Reporting Officer.

2.7 **BRIBERY:** The Bribery Act 2010 came into force in the UK on 1st July 2011. It amends and reforms the UK criminal law and provides a modern legal framework to combat bribery in the UK and internationally. Staff need to be aware of their obligations under this Act, which sets out the criminality of accepting and giving of bribes. This applies to both individual staff and the Council corporately. 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.

6

- 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 volunteers, aAgents and aAgency sStaff) and Councillors;
- Staff and Committee Members of Council funded voluntary organisations;
- Partner organisations;
- Schools;
- Council Suppliers, Contractors and Consultants;
- Service Users; 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, bribery, corruption and theft, which defines roles and responsibilities and

7

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, bribery, 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.

8

Stakeholder	Specific Responsibilities
Assistant Chief Executive (Monitoring Officer)	To advise Councillors and Officers on ethical issues, standards and statutory responsibility to ensure that the Council operates within the law and statutory Codes of Practice.
Director of Finance and Assets , 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.
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 Executive 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 or via the Whistleblowing Policy and Procedure. 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

9

Stakeholder	Specific Responsibilities
	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.

10

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~~Standing Orders, 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~~ Executive 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~~ Executive 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~~Director of Finance and Assets (Section 151 Officer);
- ~~Director, HQ Strategy and Policy~~Assistant Chief Executive (Monitoring Officer;
- ~~Managing~~ Executive Director;

11

- 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; and-
- 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; and-
- 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 AuditorAudit Manager (Fraud Lead) – Tel: 01296 382557383717-
- Confidential Reporting Facility - Tel: 01296 382237-
- Confidential e-mail - audit@buckscc.gov.uk

8.8 Other Council means for raising concerns:

12

▪ Chief Executive ▪ ~~Director, HQ Assurance~~Director of Finance and Assets (Section 151 Officer) ▪ ~~Director, HQ Strategy and Policy~~Assistant Chief Executive (Monitoring Officer) ▪ ~~Managing~~ Executive Director ▪ Service Director/Manager ▪ Head of Business Assurance (& Chief Internal Auditor) ▪ Regulatory and Audit Committee Chairman	Write to: **Buckinghamshire County Council,** County Hall, Walton Street, Aylesbury, HP20 1UA

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;.

13

- Operating Framework;
- Contract Standing Orders and Exemptions;.
- Anti-Money Laundering Policy; and.
- 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 201~~7~~6
Review Date: September 201~~7~~8

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 Director~~Executive 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~~Executive 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~~Executive Director, Director and Service

14

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~~Executive 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~~Executive Director or Director should arrange for regular briefing meetings from the investigation team.

15

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~~Executive 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~~Executive 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; and
- Data Protection Act 1998.

16

Specialists trained in investigation and interviewing could be made available to the investigation team. Legal Services and ~~Trading Standards Officers~~Business Assurance ~~might~~ may 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~~Executive 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~~Executive Director or Service Director/Manager, should make arrangements for the Director of Finance and Assets~~, 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 Director~~Executive 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.

17

The ~~Managing Director~~Executive 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~~Executive 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~~Executive Director or Service Director/ Manager. Approval to report the matter to the Police must be obtained from the Director of ~~Assurance~~Finance and Assets, 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~~Executive 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~~Executive Director or Director/Service Manager. Charges for Legal

18

Services advice will be in accordance with the normal service agreements with 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, 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~~Executive Director or Director/Service Manager to ensure that the Media Team is informed of developments following completion of an investigation.
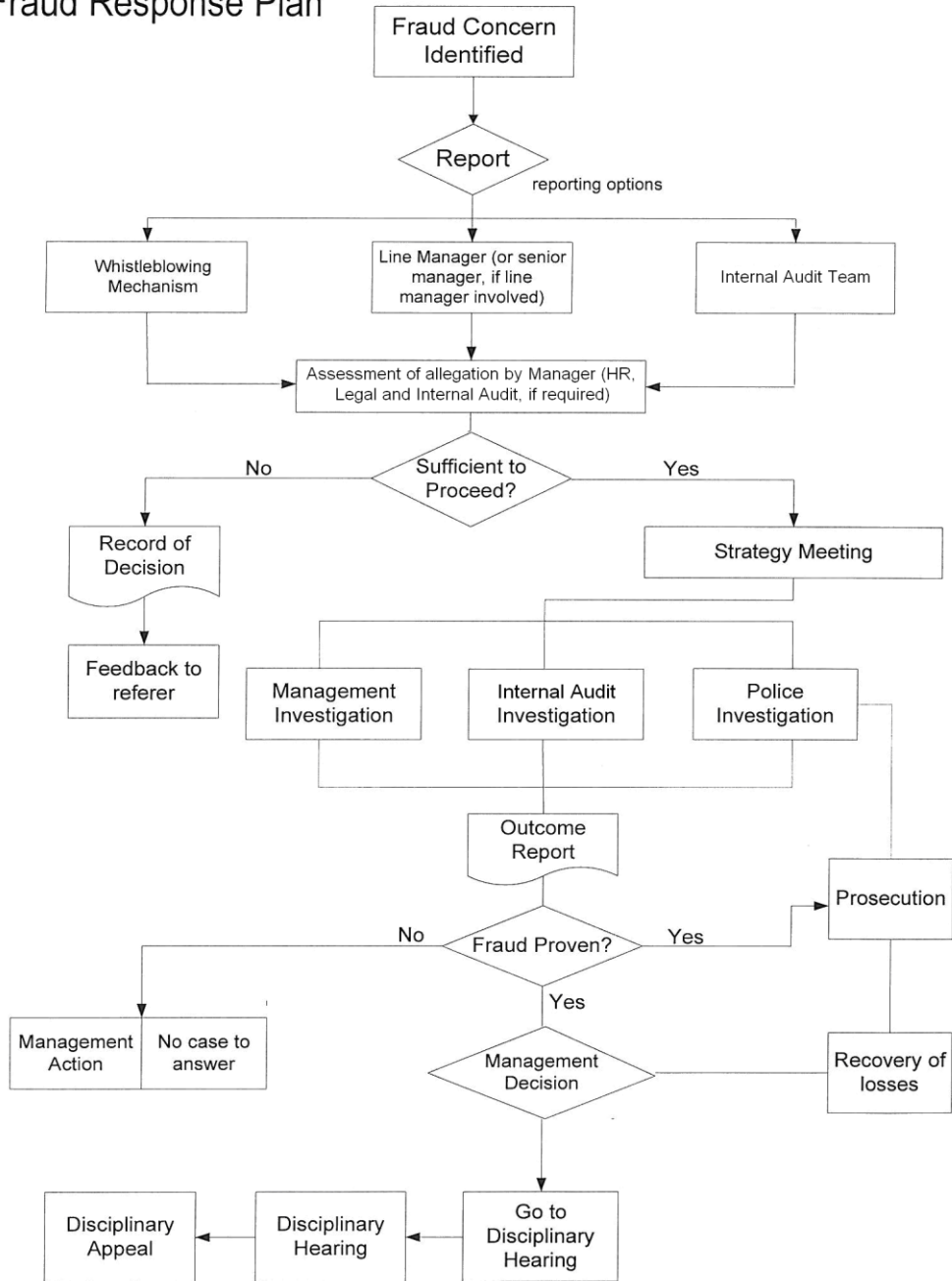
i) Training

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~~Unit and Internal Audit staff training plans will reflect this requirement.

20

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.

22

- **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.

23

Buckinghamshire County Council

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Regulatory and Audit Committee

Title: Risk Management Group Update

Date: Wednesday 6 September 2017

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 Risk Management Group (RMG) met on 3 August 2017.

The Director of Technology Services attended the meeting to give an update on all BCC technology/data protection risks and Technology Services (TS) risks.

The RMG were advised that Technology Services colleagues were working on a refreshed IT and Digital Strategy. This was due to the former ICT strategy reaching its natural end of life in 2017 and Internal Audit's strong advice to bring the ICT and Digital strategies together into one single document. The Director of Technology Services made the group aware of some challenges around resources and skills within the service due to landscape changes, and that these risks had been captured and were being monitored.

The Director advised RMG that a number of risks would always be ongoing due to their nature such as cyber security, and that a constant review of mitigating actions was in place.

A full review of Technology Services risks had commenced and scoring would be updated on a monthly basis as part of the reporting to Resources Board.

The RMG discussed the key risks in detail, and asked that the Director of Technology Services attend a future meeting to provide a further update.

Recommendation

To **NOTE** the report.

Background Papers

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

Document is Restricted

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

Document is Restricted