



Audit and Governance Committee agenda

Date: Wednesday 29 March 2023

Time: 10.00 am

Venue: The Oculus, Buckinghamshire Council, Gatehouse Road, Aylesbury HP19 8FF

Membership:

R Newcombe (Chairman), L Clarke OBE (Vice-Chairman), D Anthony, R Carington, M Dormer, C Etholen, D Goss, N Hussain, W Raja, S Rouse, R Stuchbury and N Thomas

Webcasting notice

Please note: this meeting may be filmed for live or subsequent broadcast via the council's website. At the start of the meeting the chairman will confirm if all or part of the meeting is being filmed.

You should be aware that the council is a data controller under the Data Protection Act. Data collected during this webcast will be retained in accordance with the council's published policy.

Therefore by entering the meeting room, you are consenting to being filmed and to the possible use of those images and sound recordings for webcasting and/or training purposes. If members of the public do not wish to have their image captured they should ask the committee clerk, who will advise where to sit.

If you have any queries regarding this, please contact the monitoring officer at monitoringofficer@buckinghamshire.gov.uk.

Agenda Item	Page No
1 Apologies	
2 Declarations of interest	
3 Minutes	3 - 12
To approve as a correct record the minutes of the meeting held on 1 February 2023.	

4	Update on Buckinghamshire Council Statement of Accounts 2020/21	13 - 14
5	Buckinghamshire Pension Fund Audit Plan 2021/22	15 - 32
6	Anti-Fraud and Corruption Policy	33 - 56
7	Anti-Money Laundering Policy	57 - 78
8	2022/23 Business Assurance Strategy Update (incl. Internal Audit Plan)	79 - 104
9	Risk Management Group update	105 - 110
10	Constitution Working Group Update	Verbal Report
11	Work Programme	111 - 114
12	Action Log	115 - 118
13	Date of next meeting 10 May 2023 at 10 a.m.	
14	Exclusion of the public Resolved: that under Section 100(A)(4) of the Local Government Act 1972, the public be excluded from the meeting on the grounds that it involves the likely disclosure of exempt information as defined in the paragraph indicated in Part 1 of Schedule 12A of the Act.	
15	Confidential Minutes To approve as a correct record the confidential minutes of the meeting held on 1 February 2023.	119 - 122
16	22/23 Business Assurance Strategy Update: Completed Audits and Audit Actions Summary Report (confidential)	123 - 150
17	Action Log (confidential)	151 - 152

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: Leslie Ashton on 01895 837227 or democracy@buckinghamshire.gov.uk



Agenda Item 3
Buckinghamshire Council
Audit and Governance
Committee

Minutes

MINUTES OF THE MEETING OF THE AUDIT AND GOVERNANCE COMMITTEE HELD ON WEDNESDAY 1 FEBRUARY 2023 IN THE OCULUS, BUCKINGHAMSHIRE COUNCIL, GATEHOUSE ROAD, AYLESBURY HP19 8FF, COMMENCING AT 10.00 AM AND CONCLUDING AT 1.00 PM

MEMBERS PRESENT

R Newcombe (Chairman), L Clarke OBE (Vice-Chairman), D Anthony, M Dormer, D Goss, N Hussain, W Raja, S Rouse, R Stuchbury and N Thomas

OTHERS IN ATTENDANCE

T Butcher (Deputy Cabinet Member for Accessible Housing and Resources)

Agenda Item

1 APOLOGIES

Apologies were received from Councillors R Carington, and C Etholen. Apologies had also been received from Ms M Gibb, Head of Business Assurance and Chief Auditor.

2 DECLARATIONS OF INTEREST

Councillor L Clarke declared a personal interest in item 4 in that she was in receipt of a Buckinghamshire Council administered pension which may be discussed during that item.

3 MINUTES

RESOLVED:

That the minutes of the meeting held on 23 November 2022 be approved as a correct record.

4 BUCKINGHAMSHIRE COUNCIL STATEMENT OF ACCOUNTS 20/21 AND 21/22 UPDATE

The Committee received an update on the 2020/21 and 2021/22 Statement of Accounts. Mr Mark Stocks, Audit Partner and Ms Sheena Phillips, Audit Manager, from Grant Thornton, External Auditors were in attendance for this item. Mr David Skinner, Section 151 Officer introduced the item. A late paper was tabled at the meeting and published online on the day of the meeting.

Key points raised during discussion included:

- Due to the technical and detailed nature of the tabled paper, the Committee agreed that it would be useful to have a briefing arranged at a later date to go through the report in

detail and have the terminology fully explained by the Section 151 Officer and Audit Partner.

ACTION: Mr D Skinner, Ms M Gibb and Mr L Ashton to arrange briefing session for the Committee at a suitable time and date.

- Considerable progress on the accounts had been made since the previous Committee meeting in November, and the finance team were thanked for their efficiency and efforts in addressing queries raised by the External Auditor.
- The Committee was advised that the audit of the pension fund accounts for 2020/21 and 2021/22 was in progress and near completion with sign off anticipated in February/March. There was further work required around level 3 investments, however there was no significant issue foreseen in respect of concluding the audits, which should result in an unmodified opinion. Neither of the pension fund accounts could be signed by the external auditors until the Council Financial Statements were approved and signed off as they were a consolidated set of accounts.
- In terms of the 2020/21 accounts, there were a number of complicated transactions in respect of which the external auditor and the finance team were working together to address. The finance team had developed a methodology to address the queries raised, however it was highlighted to the Committee that this would be a longer process than previously anticipated. The external auditor had been concerned that a modified opinion may be required, however believed that using the proposed methodology would mean that reaching an unqualified opinion was possible, albeit it would require a great deal of work from both sides.
- The Committee voiced its concern around the ongoing delays and sought assurances on the way forward. There was concern that at each Committee meeting, a further delay was advised of. Resourcing was recognised as a key issue with over-reliance on individuals who had left during the unitary transition.
- It was highlighted that there were a number of areas in the accounts, on which the external auditor was comfortable with, however the significant concern related to certain balances which had been presented for audit, which had been difficult to understand and audit as necessary. The external auditors and officers believed it was worth the additional work to try and reach an unqualified opinion, and there was commitment from both sides to resource the work appropriately, although it was noted that the external audit costs were already significant.
- The Committee were re-assured that the legacy Councils accounts had been appropriately audited and signed off, however it was the large task of consolidating those statements in to a single set of opening balances where errors had been identified.
- The Council was not alone in experiencing delays with accounts sign off and as of the end of November 2022, only 50% of Councils had cleared their 2020/21 accounts. The complexities that arose from Covid and the associated additional transactions and volume of work that arose from Covid combined with the creation of a new unitary authority had significantly impacted the accounts preparation.
- The housing benefit audit for 2020/21 was near completion at which point it would be reported to the Department for Work and Pensions (DWP). It was noted that at the time the housing benefit claims were pulled together there was a reliance on IT systems of predecessor councils, certain IT records had been lost in transition which would require reporting to DWP and between the external auditors and the Council any additional testing required would be discussed. At the conclusion of the 2020/21 housing benefit audit, the work on 2021/22 would begin and it was estimated that this would be completed by the end of March.
- In relation to resourcing, the Committee had concerns that this had been an issue for some considerable time, and it was understood that the finance team had additional significant work to undertake in addition to the audit. The restructure of the finance

team had reached a conclusion, and a chief accountant had been appointed who brought with her experience and expertise. The Council was looking to approach firms, to bring in a mini team to create further capacity. Providing resourcing on a sustainable basis was recognised as being key and the Council's Management Team was committed to ensuring the right resources were in place. Grant Thornton had a large team who were also committed to the process, although there would need to be a limit on the level of time that could be committed should the accounts presented not improve. The impact on officer wellbeing was also highlighted as requiring consideration as the work required on the accounts would be a difficult process and officers would still have other significant work to undertake.

- A Member suggested that if this process was to take any longer than advised of at this meeting, evaluating the pros and cons of a qualified opinion should be considered by the Committee.
- The Committee agreed that at the point the 2020/21 accounts could be signed, a comprehensive report on lessons learnt should be considered by the committee to ensure the reasons for the delay were scrutinised and that repetition could be avoided.
ACTION: Mr Skinner to present a comprehensive report on lessons learned to to the Committee at the appropriate time, following the sign off of the 2020/21 accounts.
- Mr Stocks explained that there would be a point reached in the coming months where if issues were not resolvable, a method of modification would be considered. It was explained that it was a serious situation and on the assumption that the 2020/21 accounts would be signed off by Christmas 2023, then it would be, in the best case scenario, Christmas 2024 by the time the Council accounts were back on track.
- In terms of the national infrastructure accounting issue previously raised, it was noted that for the short term, Government had issued a statutory instrument and CIPFA had issued guidance to local authorities and accounting bodies. This would be in place for the next 3 to 4 years at which point an alternative way for accounting infrastructure would be in place, which could create additional pressure for officers.

RESOLVED:

1. **That the 2020/21 and 2021/22 Statement of Accounts updates be noted.**
2. **That a briefing session on the report tabled at the meeting be held with the Committee prior to its next meeting.**
3. **That a lessons learned report be produced at the conclusion of the 2020/21 Statement of Accounts and is to be considered by the Committee.**

5 EXTERNAL AUDITOR'S ANNUAL REPORT

The Committee considered the External Auditors Interim Annual report which was presented by Mr Stocks. Under National Audit Office (NAO) Code of Practice regulations, external auditors were also required to make a Value for Money assessment to consider that local authorities had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

The report detailed the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit. Grant Thornton's conclusion of the Council's Value for Money detailed assessment was provided in appendix A and summarised in section 1.5 of the report.

The Committee noted that the report was for the 2020/21 period so a portion of the contents had since been superseded. The report was 'interim' until the 2020/21 accounts were signed off.

During discussion, key points raised included:

- The report was, on the whole, positive and covered the respective areas of financial sustainability; governance; and improving economy, efficiency and effectiveness.
- It was noted that the recommendation which related to the children's services improvement plan had progressed since the 2020/21 period which had been a particular time of weakness for the service. Children's Services had since progressed to a 'requires improvement to be good' Ofsted rating. As this report covered the first year of the new Council, and the Ofsted judgment had changed, the external auditor would revisit whether it remained at the same level of material weakness for the 2021/22 year. The Committee was advised that much would depend on how sustainable the changes made by the service were considered to be.
- In relation to the governance section of the report and the references and recommendations referring to associated companies and joint ventures, the Committee recognised that the Shareholder Committee had been established and the external auditors would look at how this had been embedded and what areas had been looked at by the Committee in its first year. Whilst the Shareholder Committee was responsible for carrying out executive functions, as delegated by Cabinet, the Committee believed it would be appropriate for it to receive an annual report on the governance of these companies, should its remit allow. The external auditor agreed that this would be an entirely appropriate action to take given that the subsidiary companies were a significant investment.

ACTION: Mr D Skinner and Mr G Watson to establish what would be most appropriate for the committee to review, whether there would require a change to terms of reference and to produce an annual report on companies' governance.

- The Chairman raised that the financial sustainability recommendation on page 26 of the reports pack '*There should be a continued keen focus from the Council on identifying and agreeing savings over the next three years, to meet the shortfall identified in the Council's MTFP*' was already underway and this was not necessarily a recommendation as the keen focus remained. The Chairman suggested that it could be built in to the body of the report, although as 'the next three years' referred to were coming to a close at the end of this financial year, it was not believed that this required noting as an improvement recommendation.
- The report covered the medium term financial plan and how the Council was ensuring financial resilience and it was considered that the Council was in a positive place in terms of managing overall finances.
- The Committee was advised that there had been no member/officer relationship issues that were of concern and little had been through the Council's Standards and General Purposes Committee to suggest otherwise.
- The national pressures experienced by local authorities relating to Adult Social Care, Children's Services and Statements of Educational Needs were recognised, although until there was a long term financial settlement from Government, assumptions had to be made on the resources available.
- The importance of maintaining strong partnerships, particularly with the new NHS Integrated Care Boards was discussed and this was an area which would be focused on in future reports as would the Council's devolution plans.
- The 2021/22 external auditor's annual report was in the process of being drafted and would likely be presented to the Committee at its May meeting.

RESOLVED:

That the findings in the report by the external auditor on the Council arrangement for securing Value for Money (VfM) in its use of resources, the recommendations made and management's response be noted.

Note 1: Councillor N Hussain left the meeting at 11.00 a.m.

6 TREASURY MANAGEMENT STRATEGY 2023/24

The Committee received the Council's Treasury Management Strategy Statement (TMSS) for 2023/24 which would be presented to Full Council to agree at its meeting on 22 February 2023. Councillor T Butcher, Deputy Cabinet Member for Accessible Housing and Resources attended to present the Strategy. In line with the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice for Treasury Management and the Council's Financial Procedures (part of the constitution), the Council was required to submit a treasury management strategy statement for the following financial year to the Audit and Governance Committee to consider prior to the Council agreeing the strategy at its meeting on 22nd February 2023. The draft Treasury Management Strategy Statement for 2023/24 was attached as Appendix 1 to this report. The strategy for 2023/24 covered the current treasury position, treasury indicators which limit the treasury risk and activities of the Council, prospects for interest rates, the borrowing strategy, policy on borrowing in advance of need, debt rescheduling, the investment strategy, creditworthiness policy and the policy on use of external service providers.

During discussion, key points raised included:

- The Committee had considered the Treasury Management Strategy extensively over the previous 12 months, and it was noted that the Strategy was wholly the same as the previous year's aside from the proposed change to amend the section for investments placed with other local authorities so that the investment could only be placed with the prior approval of the Council Leader, or deputies in the case of leave, the Chief Executive and the Service Director of Finance. Furthermore, if a local authority that the Council had invested in subsequently issued a section 114 or was given a capitalisation directive, or any other untoward financial event experienced by an authority who the Council held an investment in this would be reported to the Audit and Governance Committee at the earliest opportunity.
- It was suggested that within this proposed addition, the reference to the Service Director for Finance should also include reference to the Section 151 Officer.
ACTION: The Strategy to be updated to include reference to the Section 151 Officer in relation to the proposed addition in relation to investments in other local authorities.
- The required prior approval from the Chief Executive, Leader and Section 151 Officer would provide a further safeguard when considering investing in other authorities
- The monies invested with Thurrock Council and Slough Borough Council had now been repaid to the Council and no local authority had defaulted on a loan to another local authority.
- Monthly monitoring of the treasury management position took place, at which meetings borrowing options were discussed and potential returns understood. It was also noted that the Council needed to keep a degree of liquidity to be responsive to needs, rather than tie all cash in to long term investments.
- It was clarified that the increase in 2023/24 operational boundary figures contained at point 1.8 on page 54 of the report pack reflected the £10m worth of debts repaid and the £100m Cabinet prudential borrowing allowance if Cabinet chose to use this.

RESOLVED:

That the Council's Treasury Management Strategy Statement (TMSS) for 2023/24 be recommended to Council for approval at its meeting on 22 February 2023.

7 RISK MANAGEMENT GROUP UPDATE

The Committee received a report which provided an update on the Risk Management Group (RMG) meeting held on 16 December 2022. At that meeting the Group reviewed and commented on the Children's Services risk registers, the key risk themes of which were noted within the report. The Group also received a detailed update on the transition of the highways contract from a single provider to an alliance partnership to take effect from 1 April 2023.

The Committee requested the timeline of the independent review being carried out by Mazars to provide assurance over the effectiveness of the transition to the new highways contracts arrangements and when this would be presented to the Committee.

ACTION: Ms S Harlock to share the timeline with the Committee

Members also requested that Risk Management Group review the associated delay of the completion of the 2020/21 accounts at the suitable time.

ACTION: Ms M Gibb to add the 2020/21 Statement of Accounts to the RMG work programme at the appropriate time.

RESOLVED:

That the report be noted.

8 2022/23 BUSINESS ASSURANCE STRATEGY UPDATE (INCL. INTERNAL AUDIT PLAN)

The Committee considered a report which outlined the Internal Audit, Risk Management, Assurance and Counter Fraud work being undertaken by the Business Assurance Team for the year ending 31 March 2023. The Council continued to work towards a combined assurance model, with Internal Audit operating as the third line of assurance. The 2022/23 Internal Audit, Risk Management, Assurance and Counter Fraud work plans were produced with reference to the strategic and directorate risk registers; and informed through discussion with Senior Leadership Teams for each directorate.

During discussion, key points highlighted included:

- Recruitment to the new Business Assurance team structure, as seen on page 88 of the reports pack had been successful and just two posts remained vacant, both of which had recruitment processes underway.
- A summary of the Business Continuity Management (BCM) function was detailed on page 91 of the reports pack. The new Resilience Framework and Standards pack would be presented to the next meeting of the Committee along with the Risk and Business Continuity Management Strategy.
- From the approved plan, there were seven audits that had been recommended for deferment with the rationale behind each detailed in the report.
- There were nine overdue management actions, although it was noted that based on discussions with lead officers most actions were expected to be closed by the end of February.
- The Committee congratulated officers both in terms of progress, low deferral numbers and for the successful recruitment to the new structure.
- A Member raised reservations around the three IT audits deferred due to the significance of the area and increasing risks to the Council. The Committee was advised that disaster recovery and backups were still operating across multiple networks which should they be audited would impact on legacy IT teams dealing with the challenges of the new network migration. Assurances had been given by the Service Director that they do want the audits to take place during 2023/24. The Member advised that resourcing should not be a reason to defer this audit and suggested senior management reflect on the decision.
- In relation to the housing and regulatory audits, it was explained that resource had been

- allocated to these, and the deferment had been related to capacity within the Business Assurance Team. There had been no pushback from the service area.
- In respect of the AURA programme deferments the team would work alongside the project to provide assurance as the project develops and would have visibility of the transition plan risks which would enable future work to be planned.
 - It was confirmed that the SEND Ofsted Improvement Plan Assurance was still on schedule to be undertaken, it had not commenced at an earlier time to allow the team appropriate time to demonstrate that improvements were on track and were sustainable. The RAG rating of each audit reflected the different processes, volume of transactions and administration controls around transactions and payments.
 - The Organisational Resilience Delivery Group would be meeting for the second time the week commencing 6 February and it was confirmed that the governance structure had been established.
 - It was clarified that the Winter Framework Cell was formed from representatives from each directorate and they discussed key risks in their respective areas. The team provided assurance checks and if there were consistent issues provided a unified approach to resolve them. Lessons learnt were acted upon continuously.
 - The Chairman highlighted that during the course of the Budget Scrutiny Inquiry Group sessions held in January it became apparent that the proposed budget for demand led legal processes had been increased substantially due to the ever increasing demand. It was queried whether the low RAG rating should be higher.

RESOLVED:

That the report be noted.

9 CONTRACT PROCEDURE RULES - WAIVERS & BREACHES

The Committee received a report which provided a half yearly summary in relation to compliance with the Council's Contract Procedure Rules (CPR's), compliance with the Public Contracts Regulations 2015 and summarised waivers and breaches. It also provided a quick summary of the current procurement culture in the Council. Mr Simon Davis, Head of Strategic Procurement attended to present the item.

This report covered the first six months of the 2022/23 financial year and a summary of all Waivers registered during Q1 and Q2 was provided within the report. There had been one breach of public contracts regulations 2015 which had been reported in the confidential appendix.

During discussion, key points raised included:

- Mr Davis was relatively new to the role with Buckinghamshire Council and highlighted that he had been very impressed with the team and processes used by the Council.
- There was ambition to work more proactively with directorates when using or considering to use waivers so that the number of waivers could decline. Work to address this would commence over the coming months. The proper procedure was undertaken each and every time a waiver was required with legal and financial input from the appropriate teams as required.
- The strategic procurement team reviewed the contract management application on an ongoing basis to ensure that they were aware of contracts coming to an end in the next 24 months and that they could then plan their work with directorates accordingly and ensure a suitable timeline was in place.
- It was noted that in certain situations, waivers were a good tool to use, particularly where legacy councils had similar contracts ending at different times as a waiver could

help synchronise the end dates and bring a single contract on to the same timeline to receive best value. Further, certain directorates in local authorities tend to have a higher number of waivers due to their line of work and working with suppliers. The strategic procurement team attended directorate budget board meetings monthly to openly discuss contracts coming up. Where a waiver was used moving forward, the team aimed to request that the waiver be accompanied with a full procurement plan.

- The last paragraph on page 110 of the reports pack should read '*It should be noted that waivers are not always negative*'
- It was queried whether reporting on contracts and waivers and breaches went to the Finance and Resources Select Committee.

ACTION: Mr S Davis to check the governance reporting processes and report back to the Committee

- The Chairman advised of two waivers that appeared within the budget scrutiny inquiry group papers for the Adults portfolio, relating to CAMHS (Oxford Health NHS Foundation Trust) and Buckinghamshire Healthcare Trust, integrated therapies and queried whether the Committee had previous sight of these. The CAMHS contract was reported to the Committee in January 2022, whilst the integrated therapies waiver was retrospective and as it went through in October 2022, would be reported the next time the waivers and breaches were reported to the committee. The Chairman raised concern that this contract, which was worth over £3.75m required a retrospective waiver, particularly as the contract had previously been extended and noted that further questions would be asked by the Committee when this was reported in six months' time.
- Training was identified as a key area and improvements were being explored such as including sessions in induction training for new starters who were involved in contracts processes and making refresher training mandatory. A Member requested that where the staff numbers who had completed training were noted in the report, it would be good to include how many this number was out of along with a percentage to get an understanding of the uptake and be assured that those that required training were sufficiently trained.

ACTION: Mr S Davis to review the way training figures were presented in future reports to the Committee.

- Areas for improvement were also being explored in respect of contract management, as often a great amount of effort went in to procurement processes, however after the contract award there required greater engagement with directorates to ensure contracts were managed effectively.
- For those Members who were newly appointed to the Committee, it was discussed that a training session on the different technical areas and terms dealt with by the Committee would be beneficial to aid understanding.

ACTION: Ms M Gibb / Mr D Skinner / Mr L Ashton to arrange session open to all Members of the Committee.

RESOLVED:

That the report and work of the Strategic Procurement Team be noted.

10 WORK PROGRAMME

The Committee considered the latest work programme and noted that accounts updates would remain as a standing item for the forthcoming meetings. Where items move on the work programme, the Committee requested that the work programme be updated to include the reason for the move.

ACTION: Ms M Gibb / Mr L Ashton to include reasons within the work programme where items had moved.

RESOLVED:

That the latest Work Programme be noted.

11 ACTION LOG

The Committee considered the latest action log as attached to the agenda pack and agreed that each of the actions that had been marked as completed could be closed. These were: 2 – Draft Annual Governance Statement; 4 – 2021/22 Statement of Accounts and 6 – Work Programme – Constitution update.

RESOLVED:

That the action log be noted.

12 DATE OF NEXT MEETING

29 March 2023 at 10 a.m.

13 EXCLUSION OF THE PUBLIC

RESOLVED:

That pursuant to Section 100(A)(4) of the Local Government Act 1972 the public be excluded from the meeting during consideration of Minutes No 14, 15, 16 and 17, on the grounds that they involved the likely disclosure of exempt information as defined in Part I of Schedule 12A of the Act as defined as follows:

Minute 14 – Confidential Minutes of the Audit and Governance Committee held on 23 November 2022

Minute 15 – Contract Procedure Rules – Waivers & Breaches (Part 2)

Minute 16 – 2022/23 Business Assurance Strategy Update: Completed Audits and Audit Actions Summary Report

Minute 17 – Action Log (confidential)

Note 2: Councillor S Rouse left the meeting at 12.31 p.m.

14 CONFIDENTIAL MINUTES

RESOLVED:

That the confidential minutes of the meeting held on 23 November 2022 be approved as a correct record.

15 CONTRACT PROCEDURE RULES - WAIVERS & BREACHES (PART 2)

This item followed on from agenda item 9 and detailed the breach reported to Statutory Officers as highlighted in the report for item 9. The Committee discussed this at length and questioned the officers from the relevant service area.

Following a request from the Committee in July, details were also provided on the work undertaken by the Procurement Team when a breach occurred and how directorates were supported to reduce the possibility of a reoccurrence.

RESOLVED:

That the reports be noted.

16 2022/23 BUSINESS ASSURANCE STRATEGY UPDATE: COMPLETED AUDITS AND AUDIT ACTIONS SUMMARY REPORT

The Committee held a detailed discussion on the Summary of Completed Audits and Audit Action Tracker.

RESOLVED:

That the report be noted.

17 ACTION LOG (CONFIDENTIAL)

The Committee considered the confidential action log and

RESOLVED:

That the current Action Log (confidential) be noted.



Report to Audit and Governance Committee

Date: 29th March 2023

Title: 2020/21 Accounts Update

Relevant councillor(s): N/A

Author and/or contact officer: David Skinner (S151)

Ward(s) affected: Not applicable

Recommendations: Members are requested to note the update on the audit of 2020/21 Accounts

Reason for decision: Not applicable

Executive summary

1.1 This report provides the Committee with an update on the audit of 2020/21 as summarised below: -

- i. Council – An approach on the working papers and testing has been agreed between the Council and the audit team and sample testing has commenced as detailed in paragraphs 1.2 to 1.6.
- ii. Pension Fund – Both years audit 2020/21 and 2021/22 is nearing completion with the anticipated close by end of March 23.
- iii. Housing Benefit – the 2020/21 audit will be completed by end of March 23 and the work on 2021/22 will commence in April 23.

Council Audit 2020/21

1.2 The officers and the audit team have been working together over the past few weeks and have now agreed the approach and the format of the working papers for the 6 balances where the issue around significant absolute values were reported to the Committee in February. These six areas are: Short Term Receivables, Long Term Debtors, Short Term Creditors, Long Term Creditors, Fees and Charges and Operating Expenditure.

1.3 The working papers as per the agreed approach for Long-Term Creditors and Long-Term Debtors were submitted to the auditor last week. The audit team are currently reviewing these working papers and has started selecting the samples for testing, covering three main areas: limited testing on opening balance; in-year transactions and limited testing on the cleansed data.

1.4 It has been agreed that the further two areas will be submitted by mid-April, so the auditors can select sample before they move on to do the National Health Service audit in May. The remaining two areas will be submitted by the end of June for when the auditors resume the Council's audit in July.

1.5 It is anticipated that the auditors will focus on Long-Term Creditors, Long-Term Debtors, Fees & Charges and Other Operating Expenditure during April. All the remaining audit work on the other areas where review is pending and further work on Property, Plant and Equipment, Cash and Bank, Investment Properties, Provisions, Government Grants, Council Tax and Non-Domestic Rates, Disposal of Assets, and other areas of Comprehensive Income and Expenditure Statement will be done during the July visit.

1.6 The auditors are working on a detailed plan for completion and will be submitted by the end of March. At this stage it is anticipated that the audit for 2020/21 will be completed by the end of December 2023.

Other options considered

1.7 Not applicable

Legal and financial implications

1.8 Not directly related to this report.

Corporate implications

1.9 Not applicable

Consultation and communication

1.10 Not applicable

Next steps and review

1.11 Not applicable

Background papers

1.12 Not applicable

Buckinghamshire Pension Fund audit plan

Year ending 31 March 2022

Buckinghamshire Pension Fund
01 February 2022



Contents



Your key Grant Thornton team members are:

Mark Stocks

Key Audit Partner

T 0121 232 5437

E mark.s.stocks@uk.gt.com

Sheena Phillips

Senior Manager

T 020 7865 2694

E Sheena.S.Phillips@uk.gt.com

Vishal Patel

In Charge Auditor

T 020 7383 5100

E vishal.patel@uk.gt.com

Section

Key matters
 Introduction and headlines
 Significant risks identified
 Accounting estimates and related disclosures
 Other matters
 Materiality
 IT Strategy
 Audit logistics and team
 Audit fees
 Independence and non-audit services
 Digital Audit

Page

3
 4
 5
 7
 10
 11
 12
 13
 14
 15
 16

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

Grant Thornton UK LLP is a limited liability partnership registered in England and Wales: No.OC307742. Registered office: 30 Finsbury Square, London, EC2A 1AG. A list of members is available from our registered office. Grant Thornton UK LLP is authorised and regulated by the Financial Conduct Authority. Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. Services are delivered by the member firms. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

Key matters

Factors

Pension Fund developments

The investment assets have increased in 2021-22 and the Fund has posted positive returns of 7.09% for the year. The fair value of the fund assets as at 31 March 2022 is £3,902m. This was £3,628m as at 31 March 2021. The net pension liability has decreased to £2,192m as at 31 March 2022 from £2,518m as at 31 March 2021.

Russian investments

Following the Russian invasion of Ukraine that has led to the UK Government sanctions, Local Government Pension Scheme funds are being advised to consider the implications for their investment portfolios and discuss with their pools and asset managers what action should prudently be taken. The Moscow Stock Exchange closed on 28 February 2022 and an apparent ban on western companies from selling Russian investments was imposed by prime minister Mikhail Mishustin. This has compounded investors' liquidity problems, with markets for Russian stocks and government bonds drying up. The Pensions Regulator has asked all schemes to ensure that their investments are aligned with the UK government's sanctions on Russia.

Impact of Mini Budget

On 23 September 2022, the UK Government announced a set of economic policies which impacted pension fund schemes investment portfolio. The policies led to an increase in bond yields which resulted in the reduction in value of liability driven investments. Some Pension Fund schemes with such assets were called to pay additional collateral to their Liability Linked investments.

Buckinghamshire Pension Fund did not have any bonds assets as at 31 March 2022 and as such there should be minimal impact on the fund as a result of the policies announced in September 2022.

The rate of inflation was high during 2022. An increase in inflation would increase the return requirement from the portfolio to meet benefit payments.

Our response

- As a firm, we are absolutely committed to audit quality and financial reporting in the local government sector. Our proposed work and fee, as set further in our Audit Plan, has been agreed with the Director of Finance.
- We will continue to provide you with sector updates via our Audit and Governance Committee updates.
- We will review the funds response to any exposure in Russian investments.
- As part of our post balance sheet event work, we will check with management if there has been any impact on the pension fund as a result of the government policies in September 2022.

Introduction and headlines

Purpose

This document provides an overview of the planned scope and timing of the statutory audit of Buckinghamshire Pension Fund ('the Pension Fund') for those charged with governance.

Respective responsibilities

The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as your auditor. We draw your attention to both of these documents.

Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the Pension Fund's financial statements that have been prepared by management with the oversight of those charged with governance (the Audit committee).

The audit of the financial statements does not relieve management or the Audit and Governance Committee of your responsibilities. It is the responsibility of the Pension Fund to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Pension Fund is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Pension Fund's business and is risk based.

Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Management override of controls
- Valuation of Level 3 Investments

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

Materiality

We have determined planning materiality to be £39m (PY £36m) for the Pension Fund, which equates to 1% of your net assets as at 31 March 2022. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £1.9m (PY £1.8m).

Audit logistics

Our interim visit will take place in November and our final visit will take place in December and January. Our key deliverables are this Audit Plan and our Audit Findings Report. Our audit approach is detailed in Appendix A. Our fee for the audit will be £36,450 (PY: £38,000) for the Pension Fund, subject to the Pension Fund delivering a good set of financial statements and working papers.

We have complied with the Financial Reporting Council's Ethical Standard (revised 2019) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements..

Significant risks identified

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
<p>Presumed risk of fraud in revenue recognition ISA (UK) 240</p>	<p>Under ISA (UK) 240, there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk material misstatement due to fraud relating to revenue recognition.</p> <p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Fund, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> - there is little incentive to manipulate revenue recognition - opportunities to manipulate revenue recognition are very limited - the culture and ethical frameworks of local authorities, including Buckinghamshire Council and Buckinghamshire Pension Fund, mean that all forms of fraud are seen as unacceptable <p>Therefore, we do not consider this to be a significant risk for Buckinghamshire Pension Fund.</p>	Significant risk rebutted
Fraudulent expenditure recognition	<p>We have also considered the risk of material misstatement due to the fraudulent recognition of expenditure. We have considered each material expenditure area, and the control environment for accounting recognition.</p> <p>We are satisfied that this did not present a significant risk of material misstatement in the 2021/22 accounts as:</p> <ul style="list-style-type: none"> - the control environment around expenditure recognition (understood through our documented risk assessment understanding of your business processes) is considered to be strong - we have not found significant issues, errors or fraud in expenditure recognition in the prior years audits - our view is that, similarly to revenue, there is little incentive to manipulate expenditure recognition <p>Therefore, we do not consider this to be a significant risk for Buckinghamshire Pension Fund.</p>	Significant risk rebutted

Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Management Override of Controls	<p>Under ISA (UK) 240, there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities. The Pension Fund faces external scrutiny of its spending and its stewardship of its funds, this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, in particular journals, management estimates, and transactions outside the course of business as a significant risk for the Pension Fund, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • Evaluate the design effectiveness of management controls over journals. • Analyse the journals listing and determine the criteria for selecting high risk unusual journals. • Test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration. • Gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence. • Evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.
Valuation of Level 3 Investments	<p>You value your investments on an annual basis with the aim of ensuring that the carrying value of these investments is not materially different from their fair value at the balance sheet date.</p> <p>By their nature, Level 3 investment valuations lack observable inputs. These valuations therefore represent a significant estimate by management in the financial statements due to the size of the numbers involved (PY: £300m) and the sensitivity of this estimate to changes in key assumptions.</p> <p>Under ISA 315, significant risks often relate to significant non-routine transactions and judgemental matters. Level 3 investments by their very nature require a significant degree of judgement to reach an appropriate valuation at year end.</p> <p>Management utilise the services of investment managers as valuation experts to estimate the fair value as at 31 March 2022.</p> <p>We therefore have identified Valuation of Level 3 Investments as a significant risk.</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate management's processes for valuing Level 3 investments; • review the nature and basis of estimated values and consider what assurance management has over the year end valuations provided for these types of investments; to ensure that the requirements of the Code are met; • independently request year-end confirmations from investment managers and the custodian; • for a sample of investments, test the valuation by obtaining and reviewing the audited accounts, (where available) at the latest date for individual investments and agreeing these to the fund manager reports at that date. Reconcile those values to the values at 31 March 2022 with reference to known movements in the intervening period; • in the absence of available audited accounts, we will evaluate the competence, capabilities and objectivity of the valuation expert; and • where available review investment manager service auditor report on design and operating effectiveness of internal controls.

Accounting estimates and related disclosures

The Financial Reporting Council issued an updated ISA (UK) 540 (revised): *Auditing Accounting Estimates and Related Disclosures* which includes significant enhancements in respect of the audit risk assessment process for accounting estimates

Introduction

Under ISA (UK) 540 (Revised December 2018) auditors are required to understand and assess an entity's internal controls over accounting estimates, including:

- The nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates;
- How management identifies the need for and applies specialised skills or knowledge related to accounting estimates;
- How the entity's risk management process identifies and addresses risks relating to accounting estimates;
- The entity's information system as it relates to accounting estimates;
- The entity's control activities in relation to accounting estimates; and
- How management reviews the outcomes of previous accounting estimates.

As part of this process auditors also need to obtain an understanding of the role of those charged with governance, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.

Specifically do Audit and Governance Committee members:

- Understand the characteristics of the methods and models used to make the accounting estimates and the risks related to them;
- Oversee management's process for making accounting estimates, including the use of models, and the monitoring activities undertaken by management; and
- Evaluate how management made the accounting estimates?



Accounting estimates and related disclosures

Additional information that will be required

To ensure our compliance with this revised auditing standard, we will be requesting further information from management and those charged with governance during our audit for the year ended 31 March 2022.

Based on our knowledge of the Pension Fund we have identified the following material accounting estimates for which this is likely to apply:

- Valuation of level 3 investments
- Actuarial valuation of the pension liability

The Pension Fund's Information systems

In respect of the Pension Fund's information systems we are required to consider how management identifies the methods, assumptions and source data used for each material accounting estimate and the need for any changes to these. This includes how management selects, or designs, the methods, assumptions and data to be used and applies the methods used in the valuations.

When the models used include increased complexity or subjectivity, as is the case for many valuation models, auditors need to understand and assess the controls in place over the models and the data included therein. Where adequate controls are not in place we may need to report this as a significant control deficiency and this could affect the amount of detailed substantive testing required during the audit.

If management has changed the method for making an accounting estimate we will need to fully understand management's rationale for this change. Any unexpected changes are likely to raise the audit risk profile of this accounting estimate and may result in the need for additional audit procedures.

We are aware that the Pension Fund uses management experts in deriving some of its more complex estimates, e.g. asset and investment. However, it is important to note that the use of management experts does not diminish the responsibilities of management and those charged with governance to ensure that:

- All accounting estimates and related disclosures included in the financial statements have been prepared in accordance with the requirements of the financial reporting framework, and are materially accurate;
- There are adequate controls in place at the Pension Fund (and where applicable its service provider or management expert) over the models, assumptions and source data used in the preparation of accounting estimates.



Estimation uncertainty

Under ISA (UK) 540 we are required to consider the following:

- How management understands the degree of estimation uncertainty related to each accounting estimate; and
- How management address this estimation uncertainty when selecting their point estimate.

For example, how management identified and considered alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the point estimate used.

The revised standard includes increased emphasis on the importance of the financial statement disclosures. Under ISA (UK) 540 (Revised December 2018), auditors are required to assess whether both the accounting estimates themselves and the related disclosures are reasonable.

Where there is a material uncertainty, that is where there is a significant risk of a material change to the estimated carrying value of an asset or liability within the next year, there needs to be additional disclosures. Note that not all material estimates will have a material uncertainty and it is also possible that an estimate that is not material could have a risk of material uncertainty.

Where there is material estimation uncertainty, we would expect the financial statement disclosures to detail:

- What the assumptions and uncertainties are;
- How sensitive the assets and liabilities are to those assumptions, and why;
- The expected resolution of the uncertainty and the range of reasonably possible outcomes for the next financial year; and
- An explanation of any changes made to past assumptions if the uncertainty is unresolved.

Planning enquiries

As part of our planning risk assessment procedures we have requested that management provides detail as to how the Pension Fund addresses estimation uncertainty, and to share its responses with TCWG for consideration. We would appreciate a prompt response to these enquires in due course.

Further information

Further details on the requirements of ISA (UK) 540 (Revised December 2018) can be found in the auditing standard on the Financial Reporting Council's website:

[https://www.frc.org.uk/getattachment/0fa69c03-49ec-49ae-a8c9-cc7a2b65382a/ISA-\(UK\)-540_Revised-December-2018_final.pdf](https://www.frc.org.uk/getattachment/0fa69c03-49ec-49ae-a8c9-cc7a2b65382a/ISA-(UK)-540_Revised-December-2018_final.pdf)

Other matters

Other work

The Pension Fund is administered by Buckinghamshire Council (the 'Council'), and the Pension Fund's accounts form part of the Council's financial statements.

Therefore, as well as our general responsibilities under the Code of Practice a number of other audit responsibilities also follow in respect of the Pension Fund, such as:

- We read any other information published alongside the Council's financial statements to check that it is consistent with the Pension Fund financial statements on which we give an opinion and is consistent with our knowledge of the Authority.
- We consider our other duties under legislation and the Code, as and when required, including:
 - Giving electors the opportunity to raise questions about your 2021/22 financial statements, consider and decide upon any objections received in relation to the 2021/22 financial statements;
 - Issue of a report in the public interest or written recommendations to the Fund under section 24 of the Act, copied to the Secretary of State.
 - Application to the court for a declaration that an item of account is contrary to law under Section 28 or for a judicial review under Section 31 of the Act; or
 - Issuing an advisory notice under Section 29 of the Act.
- We carry out work to satisfy ourselves on the consistency of the pension fund financial statements included in the pension fund annual report with the audited Fund accounts.

Other material balances and transactions

Under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure". All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

Materiality

The concept of materiality

Materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality for planning purposes

We have determined financial statement materiality based on a proportion of the net assets of the Pension Fund. In the prior year we used the same benchmark. Materiality at the planning stage of our audit is £39m (PY £36m), which equates to 1% of your net assets as at 31 March 2022.

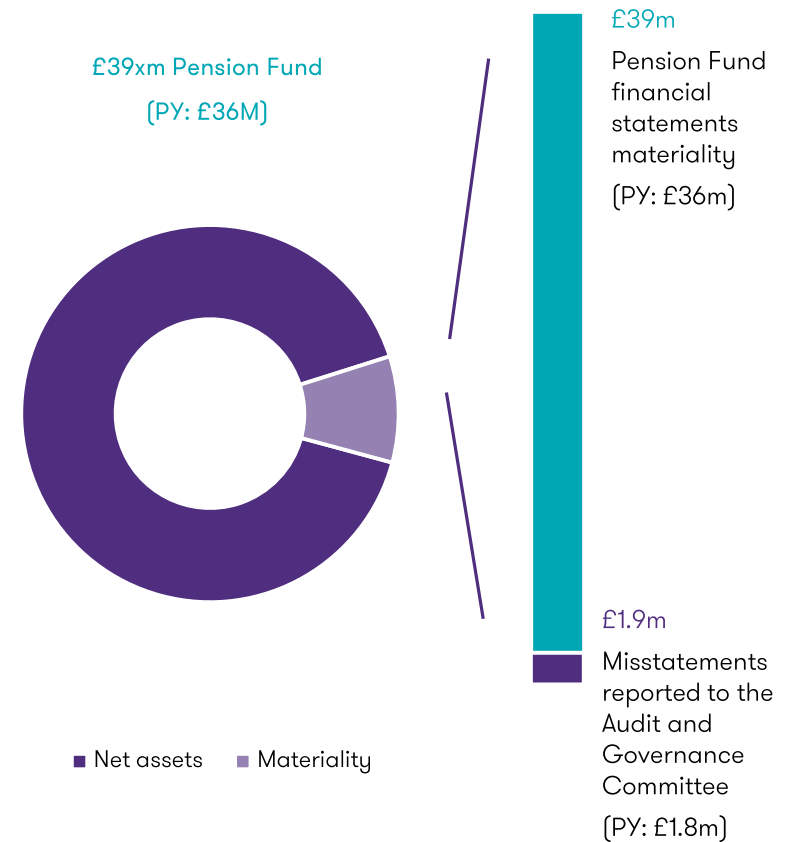
We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.

Matters we will report to the Audit Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. In the context of the Pension Fund, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £1.9m (PY £1.8m).

If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit and Governance Committee to assist it in fulfilling its governance responsibilities.

Net assets at 31 March 2022



IT audit strategy

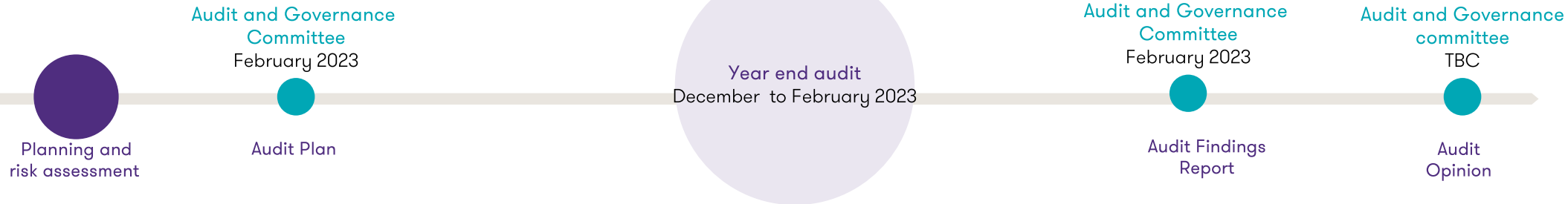
In accordance with ISA (UK) 315, we are required to obtain an understanding of the information systems relevant to financial reporting to identify and assess the risks of material misstatement. As part of this we obtain an understanding of the controls operating over relevant Information Technology (IT) systems i.e., IT general controls (ITGCs). Our audit will include completing an assessment of the design of ITGCs related to security management; technology acquisition, development and maintenance; and technology infrastructure. Based on the level of assurance required for each IT system the assessment may focus on evaluating key risk areas ('streamlined assessment') or be more in depth ('detailed assessment').

We plan to rely on the operation of application controls whether automated / IT dependent and will therefore carry out an extended ITGC assessment on the IT systems that support the operation of those controls. This is to gain assurance that the relevant controls have been operating effectively throughout the period.

The following IT systems have been judged to be in scope for our audit and based on the planned financial statement audit approach we will perform the indicated level of assessment:

IT system	Audit area	Planned level IT audit assessment
SAP	Financial reporting and integrated systems (General Ledger and nominal ledgers)	<ul style="list-style-type: none"> IT audit work performed in respect of the 31 March 2021 year was finalised in September 2021. For the 21-22 audit, our IT team has checked the progress which management has made against the recommendations made in the report issued in September 2021. We will report any deficiencies which have not been remedied in our audit findings report and factor those deficiencies in our audit procedures where relevant.
Altair	Pension payments and administration	<ul style="list-style-type: none"> Streamlined ITG Assessment. Same as above.

Audit logistics and team



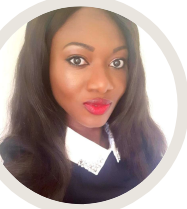
Mark Stocks, Key Audit Partner

Mark is the Engagement Lead, for the Council and Pension Fund. He will lead the work performed on the audit. He will sign the audit opinion and hold regular meetings with senior officers.



Sheena Phillips, Senior Audit Manager

Sheena will work with the senior members of the finance team ensuring early delivery of testing and agreement of accounting issues on a timely basis. Sheena will attend Audit & Governance Committee, undertake reviews of the team's work and draft reports, ensuring they remain clear, concise and understandable to all.



Vishal Patel, Audit Incharge

Vishal will lead the audit team and is the day-to-day contact for the audit. She will monitor the deliverables, manage the audit query log with your Finance Team and highlight any significant issues and adjustments to senior management in a timely manner.



Audited body responsibilities

Where audited bodies do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other audits. Where the elapsed time to complete an audit exceeds that agreed due to a client not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to a client not meeting their obligations we are not able to guarantee the delivery of the audit to the agreed timescales. In addition, delayed audits will incur additional audit fees.

Our requirements

To minimise the risk of a delayed audit, you need to ensure that you:

- produce draft financial statements of good quality by the agreed timetable you have agreed with us, including all notes, the Narrative Report and the Annual Governance Statement
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you
- ensure that the agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples for testing
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit
- respond promptly and adequately to audit queries.

Audit fees

In 2017, PSAA awarded a contract of audit for Buckinghamshire Council Pension Fund to begin with effect from 2018/19. The fee agreed in the contract was £19,275. Since that time, there have been a number of developments, particularly in relation to the revised Code and ISA's which are relevant for the 2021/22 audit.

Additionally, across all sectors and firms, the FRC has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing, as detailed on page [9] in relation to the updated ISA (UK) 540 (revised): Auditing Accounting Estimates and Related Disclosures.

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and public sector financial reporting. Our proposed work and fee for 2021/22, as set out below, will be agreed with the with the Director of Finance.

Assumptions

In setting the above fees, we have assumed that the Pension Fund will:

- prepare a good quality set of accounts, supported by comprehensive and well presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements.

Relevant professional standards

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's [Ethical Standard \(revised 2019\)](#) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

	Actual Fee 2019/20	Actual Fee 2020/21	Proposed fee 2021/22
Buckinghamshire Pension Fund Audit	£29,275	£38,000	£36,450
Total audit fees (excluding VAT)	£29,275	£38,000	£36,450

Independence and non-audit services

Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons. relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard (Revised 2019) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies

We confirm that we have implemented policies and procedures to meet the requirements of the Ethical Standard. For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council.

Other services

The following other services provided by Grant Thornton were identified/ No other services provided by Grant Thornton were identified

Service	Fees £	Threats	Safeguards
Audit related			
IAS19 Assurance letters for Admitted Bodies	8,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £8,000 in comparison to the total fee for the audit of £36,450 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.

The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the Pension Fund's policy on the allotment of non-audit work to your auditors. Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

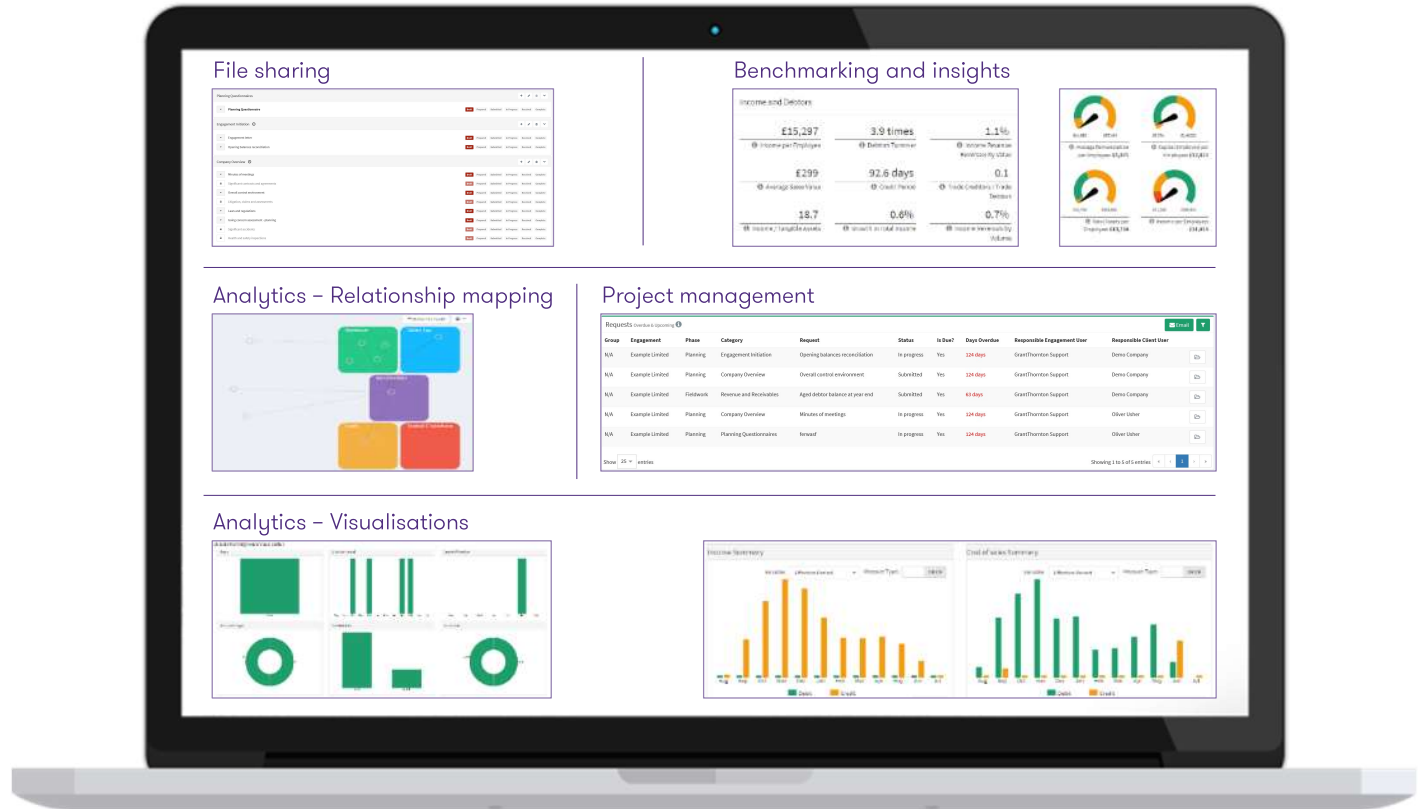
None of the services provided are subject to contingent fees.

Our digital audit experience

A key component of our overall audit experience is our comprehensive data analytics tool, which is supported by Inflo Software technology. This tool has a number of key functions within our audit process:

Function	Benefits for you
Data extraction	Providing us with your financial information is made easier
File sharing	An easy-to-use, ISO 27001 certified, purpose-built file sharing tool
Project management	Effective management and oversight of requests and responsibilities
Data analytics	Enhanced assurance from access to complete data populations

Page 30



Grant Thornton's Analytics solution is supported by Inflo Software technology

Our digital audit experience

A key component of our overall audit experience is our comprehensive data analytics tool, which is supported by Inflo Software technology. This tool has a number of key functions within our audit process:



Data extraction

- Real-time access to data
- Easy step-by-step guides to support you upload your data



File sharing

- Task-based ISO 27001 certified file sharing space, ensuring requests for each task are easy to follow
- Ability to communicate in the tool, ensuring all team members have visibility on discussions about your audit, reducing duplication of work



Project management

- Facilitates oversight of requests
- Access to a live request list at all times



Data analytics

- Relationship mapping, allowing understanding of whole cycles to be obtained quickly
- Visualisation of transactions, allowing easy identification of trends and anomalies

Page 31

How will analytics add value to your audit?

Analytics will add value to your audit in a number of ways. We see the key benefits of extensive use of data analytics within the audit process to be the following:

Improved fraud procedures using powerful anomaly detection

Being able to analyse every accounting transaction across your business enhances our fraud procedures. We can immediately identify high risk transactions, focusing our work on these to provide greater assurance to you, and other stakeholders.

Examples of anomaly detection include analysis of user activity, which may highlight inappropriate access permissions, and reviewing seldom used accounts, which could identify efficiencies through reducing unnecessary codes and therefore unnecessary internal maintenance.

Another product of this is identification of issues that are not specific to individual postings, such as training requirements being identified for members of staff with high error rates, or who are relying on use of suspense accounts.

More time for you to perform the day job

Providing all this additional value does not require additional input from you or your team. In fact, less of your time is required to prepare information for the audit and to provide supporting information to us.

Complete extracts from your general ledger will be obtained from the data provided to us and requests will therefore be reduced.

We provide transparent project management, allowing us to seamlessly collaborate with each other to complete the audit on time and around other commitments.

We will both have access to a dashboard which provides a real-time overview of audit progress, down to individual information items we need from each other. Tasks can easily be allocated across your team to ensure roles and responsibilities are well defined.

Using filters, you and your team will quickly be able to identify actions required, meaning any delays can be flagged earlier in the process. Accessible through any browser, the audit status is always available on any device providing you with the information to work flexibly around your other commitments.



© 2022 Grant Thornton UK LLP.

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires. Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.



Report to Audit and Governance Committee

Date:	29 March 2023
Title:	Anti-Fraud and Corruption Policy
Relevant councillor(s):	N/A
Author and/or contact officer:	Maggie Gibb, Head of Business Assurance (& Chief Auditor)
Ward(s) affected:	N/A
Recommendations:	To approve the Anti-Fraud and Corruption Policy
Reason for decision:	N/A

1. Executive summary

- 1.1 The purpose of the report is to present the draft Anti-Fraud and Corruption Policy for approval.
- 1.2 The Anti-Fraud and Corruption Policy is owned by the Head of Business Assurance (& Chief Auditor) and is reviewed on an annual basis.
- 1.3 The updated policy has been presented to, and agreed by, the Corporate Management Team and the Audit Board (S151 Officer, Monitoring Officer and Director for Legal and Democratic Services).

2. Content of report

- 2.1 The policy has been reviewed to ensure it is reflecting the latest legislation and complies with best practice. The main changes have been in relation to the inclusion of references to Social Housing related offences, and the addition of a section on Sanction and Redress.

3. Other options considered

3.1 N/A.

4. Legal and financial implications

4.1 None.

5. Corporate implications

5.1 None.

6. Local councillors & community boards consultation & views

6.1 N/A

7. Communication, engagement & further consultation

7.1 N/A.

8. Next steps and review

8.1 The Anti-Fraud and Corruption Policy is subject to review on an annual basis, with the next review scheduled for February 2024.

9. Background papers

9.1 Current Anti-Fraud and Corruption Policy:

<https://www.buckinghamshire.gov.uk/your-council/our-policies/anti-fraud-and-corruption-policy/>

10. Your questions and views (for key decisions)

10.1 If you have any questions about the matters contained in this report, please get in touch with the author of this report. If you have any views that you would like the cabinet member to consider, please inform the democratic services team. This can be done by telephone 01296 382343 or email democracy@buckinghamshire.gov.uk.



Buckinghamshire Council

Anti-Fraud and Corruption Policy

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

Date: February 2023

Next review: February 2024

Version Control

Version	Date	Sign Off	Action	Responsible Officer
1.0	14/11/2019	Resources Board	Agreed. Minor changes to reflect structures	Maggie Gibb
1.1	26/11/2019	Chief Executive's Implementation Group	Agreed. Minor changes to reflect structures	Maggie Gibb
1.2	11/12/2019	Informal Shadow Exec	Agreed	Maggie Gibb
1.3	01/06/2021	Head of Business Assurance (& Chief Internal Auditor)	Agreed. Minor changes	Maggie Gibb
1.4	14/06/2021	Audit Board	Agreed	Maggie Gibb
1.5	22/06/2021	Audit and Governance Committee	Agreed	Maggie Gibb
FINAL			Publication	
2.0	16/02/2023	DCE Board	Agreed. Key change is the inclusion of Social Housing related offences, additional sections on Sanction and Redress.	Maggie Gibb
2.1	23/02/2023	CMT	Agreed	Maggie Gibb
2.2	20/03/2023	Audit Board	Agreed	Maggie Gibb
	29/03/2023	Audit and Governance Committee		

Anti-Fraud and Corruption Policy

1.	Introduction/Policy Statement	4
2.	Definitions	5
3.	Scope.....	7
4.	Aims and Objectives.....	7
5.	Principles	8
6.	Responsibilities	10
7.	Approach to Countering Fraud	11
8.	Reporting, Advice and Support	12
9.	Further Information	14
10.	Policy Review	14
	APPENDIX A	15
	Protocol for Investigating Irregularities	15
	APPENDIX B	20
	APPENDIX C	21
	Fraud Indicators	21
	APPENDIX D.....	22
	Fraud risks relevant to Buckinghamshire Council	22

1. Introduction/Policy Statement

1.1 This policy sets out Buckinghamshire Council's commitment to tackling fraud and corruption.

Buckinghamshire Council has a zero-tolerance stance to all forms of fraud, corruption, bribery, 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; and
- result in consequences which reduce public confidence in the Council.

1.2 The 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 Service Director - Finance, 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 Service Director - Finance (S.151 Officer) exercises a quality control on financial administration through delegation of responsibilities to the Assistant Director of Finance (Procurement, Pensions & Revenue & Benefits).

1.6 The Deputy 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 themselves 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 they are under a legal duty to disclose; and
- (b) intends, by failing to disclose the information:
 - (i) to make a gain for themselves 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 they are 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 themselves 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 Theft (Amendment) Act 1996. 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, these activities include deception, forgery, extortion, corruption, 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.

For social housing related offences, the Council has powers pursuant to the Prevention of Social Housing Fraud Act (PoSHFA) 2013 to take action to prevent, detect and deter social housing fraud in partnership with Local Housing Providers, who do not have prosecution powers under PoSHFA. The fraudulent misuse of social housing may be any of the following:

- Non-occupation by the tenant(s) as their only or principal home.
- Wrongly claimed succession – retention of a tenancy following the death of the tenant(s).

- Unauthorised assignment of the tenancy – mutual exchange or transfer of tenancy without permission from the Housing Provider.
- Key selling, this is where the tenant leaves the property and passes on the keys in return for a one of lump sum payment or favour.
- Fraudulently obtaining a social housing tenancy by misrepresentation of identity or circumstances.
- Fraudulent Right to Buy and Right to Acquire applications.
- Unauthorised sub-letting:
 - a) Sub-letting the whole property to other individuals or;
 - b) Sub-letting part of the property without the prior consent of the Housing Provider.

2.2 **CORRUPTION:** is the deliberate use of one’s position for direct or indirect personal gain. Corruption often includes acts of bribery, which cover the offering, giving, soliciting or acceptance of an inducement or reward, which may influence the action of any person to act inappropriately.

2.3 **THEFT:** is the physical misappropriation of cash or other tangible assets. A person is guilty of “theft” if he or she dishonestly appropriates property belonging to another with the intention of permanently depriving the other of it. Theft offences are covered by the Theft Act 1968 and Theft (Amendment) Act 1996.

2.4 **MONEY LAUNDERING:** is any process used by criminals to conceal the origins of illegally obtained gains (including money and other assets), through criminal activities, so that they appear to have come from legal and legitimate sources.

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 from the Council’s Money Laundering Reporting Officer (MLRO): Service Director - Finance (S.151 Officer). 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 (Deputy Chief Executive) and the MLRO.

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;
- **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; and
- **failure of commercial organisations to prevent bribery:** organisations, which include the 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 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;
- General Public; and
- Assisting with external investigations (see 5.4).

4. Aims and Objectives

4.1 The aims and objectives of the Anti-Fraud and Corruption Policy 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); and
- 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; and
 - 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 Policy. 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 ensure that everyone is treated equally.

5.3 This Policy 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 will 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 to strengthen and continuously improve its arrangements to prevent fraud and corruption. The Council has a variety of arrangements in place with other agencies to encourage and facilitate the exchange of information and investigations in relation to the detection and prevention of fraud and corruption. These include, but are not limited to, arrangements with the following:

- External Auditor;
- Department for Work & Pensions (DWP);
- The Police;
- National Anti-Fraud Network; and
- Social Housing Landlords.

The Council expects all its partners to operate to the same high standards as itself with relation to Anti-Fraud and Corruption.

5.5 This policy is aligned to the best practice counter fraud strategy for local government: Fighting Fraud and Corruption Locally – A Strategy for the 2020s. It focuses on five pillars of activity that are deemed necessary to develop and enhance a counter fraud response. These pillars are:

- **Govern:** settings out the executive support for anti-fraud measures to be embedded throughout the organisation and describing the roles and responsibilities of key stakeholders.
- **Acknowledge:** focusing on a general approach to tackling fraud, with acknowledgement of the various fraud risks to which the Council could be exposed. Fraud can be perpetrated both by staff or others who work within the organisation (internal fraud) or by contractors or members of the public who unlawfully take advantage of the many services that the Council provides (external fraud). Examples of the types of fraud risk to which the Council is exposed, are listed in Appendix D. This identifies 21 different types of fraud and corruption, of which 20 could be external in nature.
- **Prevent:** focusing on preventing and detecting fraud.
- **Pursue:** committing to deterrence from sanctions if perpetrators are caught, including prosecution, disciplinary action, and restitution.
- **Protect:** recognizing the harm that fraud can cause the Council and the community and protecting against future frauds.

6. Responsibilities

Stakeholder	Specific Responsibilities
Chief Executive	Ultimately accountable for the effectiveness of the Council’s arrangements for countering fraud and corruption.
Deputy 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.
Service Director - Finance (S.151 Officer and Money Laundering Reporting Officer)	To ensure the Council has adopted an appropriate Anti-Fraud Policy, 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.
Audit and Governance Committee	To monitor the Council’s strategies and policies and consider the effectiveness of the arrangements for Raising Concerns at Work, Confidential Reporting 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 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 Policy 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 Policy and that action is identified to improve controls and reduce the risk of recurrence.
Corporate Directors, Service Directors, Heads of Finance and Managers	To promote staff awareness and ensure that all suspected or reported irregularities are immediately referred to Internal Audit or via the Confidential Reporting Policy. 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 Confidential Reporting Policy and Procedure.

Stakeholder	Specific Responsibilities
Public, Partners, Suppliers and Contractors	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 Council will fulfil its responsibility to reduce fraud and protect its resources by completing work in each of the following key areas, which are aligned to the five pillars of the counter fraud strategy for local government: Fighting Fraud and Corruption Locally – A Strategy for the 2020s:
- 7.2 **DETERRENCE (Govern and Protect):** 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 (Prevent, Acknowledge and Protect):** 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 (Prevent, Acknowledge and Protect):** 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 (Acknowledge):** The Council will investigate all reported incidents of fraud or irregularity. Please see Appendix A for the Protocol for Investigating Irregularities.
- 7.6 **SANCTIONS (Pursue):** 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 (Pursue):** A crucial element of the Council’s response to tackling fraud is seeking financial redress and the recovery of defrauded monies 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 and Contract Standing Orders.

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 Corporate 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 Corporate 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:

- Service Director - Finance (Section 151 Officer);
- Deputy Chief Executive (Monitoring Officer);
- Corporate Director;
- Head of Business Assurance (& Chief Internal Auditor); and
- Head of HR Operations.

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

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

- deal promptly with the matter;
- record all evidence received;
- ensure that evidence is sound and adequately supported;
- ensure security of all evidence collected;
- contact other agencies if necessary e.g. Police;
- notify the Council's insurers;
- implement Council disciplinary procedures where appropriate; and
- recover monies lost, whether through error or fraud.

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 and Counter Fraud 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, Assurance and Fraud Manager (Fraud Lead) – Tel: 01296 383717
- Confidential Reporting Facility - Tel: 01296 382237
- Confidential e-mail - audit@buckinghamshire.gov.uk

8.8 Other Council means for raising concerns:

<ul style="list-style-type: none"> ▪ Chief Executive 	<p>Write to:</p> <p>Buckinghamshire Council</p> <p>The Gateway</p> <p>Aylesbury</p> <p>Buckinghamshire</p> <p>HP20 1UA</p>
<ul style="list-style-type: none"> ▪ Deputy Chief Executive (Monitoring Officer) ▪ 	
<ul style="list-style-type: none"> ▪ Service Director - Finance (S.151 Officer) 	
<ul style="list-style-type: none"> ▪ Corporate Director 	
<ul style="list-style-type: none"> ▪ Service Director/Manager 	
<ul style="list-style-type: none"> ▪ Head of Business Assurance (& Chief Internal Auditor) 	
<ul style="list-style-type: none"> ▪ Audit and Governance Committee Chairman 	

8.9 External means of raising concerns:

<ul style="list-style-type: none"> ▪ External Audit (Grant Thornton) 	020 7728 3328
<ul style="list-style-type: none"> ▪ Citizens Advice Bureau 	Website: www.citizensadvice.org.uk
<ul style="list-style-type: none"> ▪ Police 	Website: www.thamesvalley.police.uk

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;
- Commercial Practices, Gifts and Hospitality;
- Financial Procedure Rules and Instructions;
- Contract Procedure Rules and Exemptions;
- Anti-Money Laundering Policy; and
- Investigatory Powers Act (IPA).

10. Policy Review

10.1 The Audit and Governance Committee will continue to review and amend this Policy 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:	February 2023
Next Review Date:	February 2024

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 Corporate 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 Confidential Reporting Policy and Procedure.

When a referral or allegation is received, the Corporate 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.

All referrals will be risk-assessed to determine the requirement for further investigation. 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 enabling 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.

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

If it is agreed that an internal investigation is required, this protocol details the stages that should be followed. It is the Corporate Director, Service Director, and Head of Services' responsibility to initiate the investigation of potential cases of fraud, corruption, or theft, and to agree the approach with the Head of Business Assurance (Chief Auditor) and/or the Audit, Assurance and Fraud Manager.

b) The Investigation

The Corporate Director, Service Director or Head of Service will agree with the Head of Business Assurance (Chief Auditor) and/or the Audit, Assurance and Fraud Manager who should lead on the investigation, they must be independent of the activity. 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 Corporate Director or Service 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 whereby the scope of the case is considered, progress against the plan and the costs of the investigation are evaluated with key relevant officers. Investigation progress will be reported to the Corporate Director, Service Director, Head of Service and other relevant officers on a regular basis. Where any key decisions are required i.e. whether to stop an investigation due to

costs or other external factors; agreement will be obtained from the Corporate Director, Service Director and Head of Service; with final approval of the decision required from the Statutory Officers (Chief Executive, Monitoring Officer, Section 151 Officer and Chief Auditor).

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 verbal, written or electronic, which may include the need to interview individuals, including employees, councillors, service users etc.

If it is necessary to interview employees, the Corporate Director, Service Director, or Head of Service 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 version of any documentation should be obtained. Electronic evidence will be stored on a PC, laptop, tablet, 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 Investigatory Powers Act 2016 (IPA). Authorising any action under IPA 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);
- Investigatory Powers Act 2016 (IPA);
- Human Rights Act 1998; and
- General Data Protection Regulation. Data Protection Act 2018.

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. Any evidence obtained will be recorded and retained in line with relevant legislation and take into account regulatory and legal considerations.

Potential avenues of investigation may include gathering digital evidence, surveillance, financial investigations, search and seizure and arrest.

d) Reporting

Once the investigation work has been concluded, the team will 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 prosecution. Police referral will be made as soon as possible if there is well-founded concern about criminal activity, particularly if reasonable evidence is uncovered to support a case for prosecution.

The report should also highlight any breakdown in management, operational or financial controls to the Corporate Director, Service Director, or Head of Service, who will agree the necessary actions to address the issues.

The investigation team, in consultation with the Corporate Director or Service Director/Head of Service, should make arrangements for the Service Director - Finance (S.151 Officer), Monitoring Officer, Head of Business Assurance (& 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

Corporate Directors and Service Directors/Managers will be expected to take action in accordance with the Council's Disciplinary
Policy http://portal.oxfordshire.gov.uk/content/public/corporate/hr/hr_toolkits/policies/DisciplinaryCapabilityMarch2010.pdf, 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 Disciplinary Policy and Procedure. The procedure states that the suspension period should be as short as is reasonably practical. Senior employees (Corporate/Service Directors) 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 Corporate Director or Service Director/Head of Service 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 Corporate 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, including witness statements, 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 Corporate Director or Service Director. Approval to report the matter to the Police must be obtained from the Service Director - Finance (S.151 Officer), Monitoring Officer and/or Head 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 Corporate 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 Corporate Director or Service Director. Charges for Legal Services advice will be in accordance with the normal service agreements with Directorates.

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 Corporate Director or Service Director 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 Policy 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 Directorates. Fraud awareness staff training plans will reflect this requirement.

j) Sanction and Redress

The Council will seek financial redress whenever possible to recover losses to fraud, bribery, and corruption. Redress can take the form of confiscation and compensation orders, a civil order for repayment, or a local agreement between the organisation and the offender to repay monies lost.

Each matter will be considered individually on its own facts and merits. However, applying a consistent and thorough approach in all cases will ensure that:

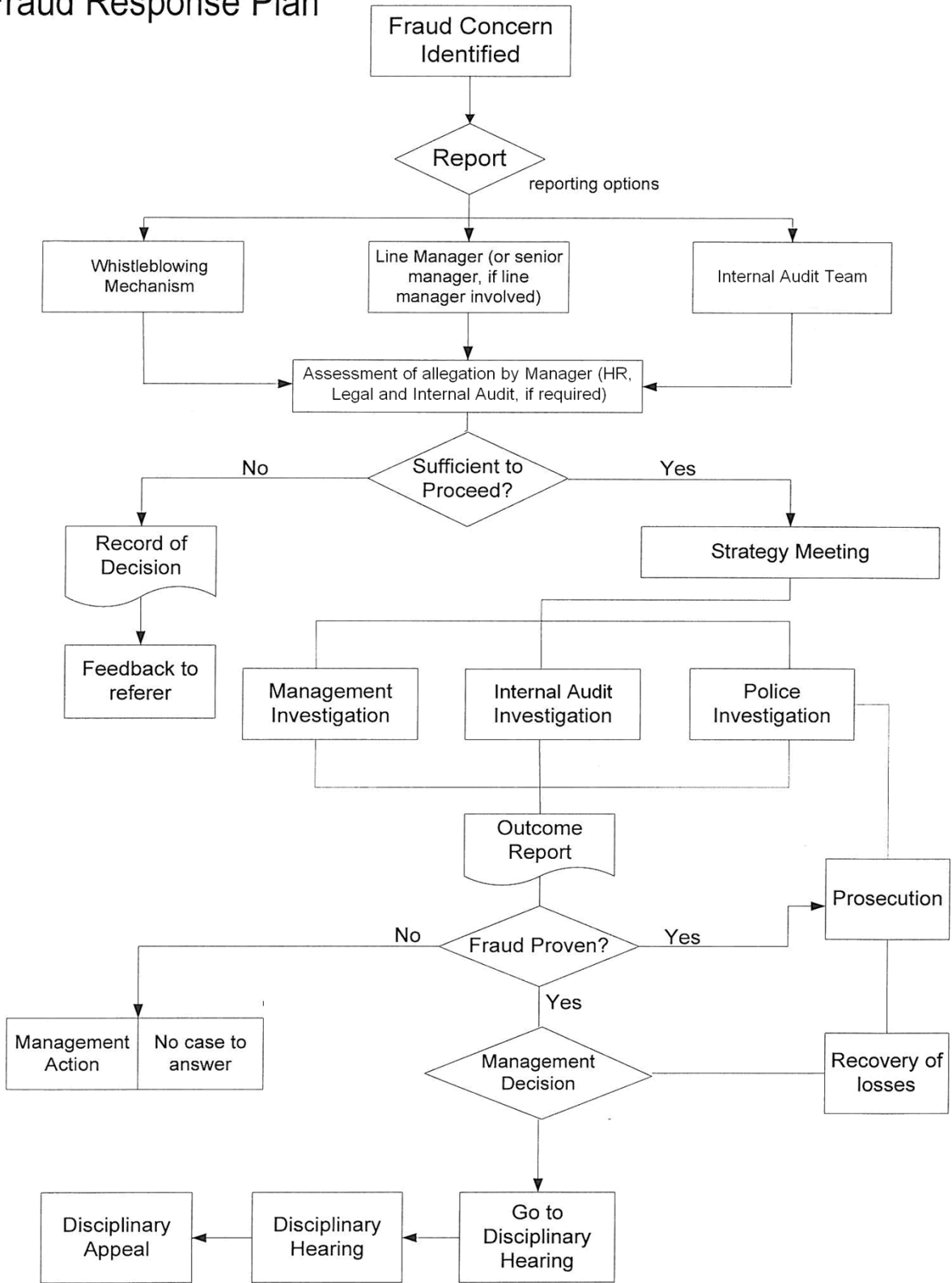
- Investigations are undertaken in the most effective manner, including the gathering and assessment of all relevant material which may form evidence of fraud, bribery, corruption or related misconduct;
- The most appropriate sanction or combination of sanctions is sought where fraud, bribery, corruption, or related misconduct is identified.

An outline of the types of sanction which the Council may apply when an offence has occurred:

- Civil – civil sanctions can be taken against those who commit fraud, bribery, and corruption to recover money and/or assets which have been fraudulently obtained, including interest and costs.
- Criminal – the investigation team will work in partnership with the police and/or the Crown Prosecution Service to bring a case to court against an alleged offender. Outcomes can range from a criminal conviction to fines and imprisonment, community penalty, confiscation and / or compensation order).
- Disciplinary – the Council's disciplinary procedures will be initiated where an employee is suspected of being involved in a fraudulent or illegal act.
- Professional body disciplinary – If warranted, staff may be reported to their professional body following a successful investigation/prosecution.
- Recovery of losses – individuals will be required to repay monies that they have gained in error or through irregular/fraudulent activity. If the case is not taken to court, this will be pursued by the HR contact for the investigation with advice from the investigation team.

The range of available sanctions, which may be pursued by the Council, following approval of the Service Director - Finance (S.151 Officer), Monitoring Officer and/or Head of Legal Services, includes one or a combination of any sanctions listed above.

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; multiple payments under authorisation thresholds.
- **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; missing documents/contracts.
- **Disorganisation:** Understaffing in key control areas; consistent failures to correct major weaknesses in internal control; inadequate or no segregation of duties; frequent complaints.
- **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.

APPENDIX D

Fraud risks relevant to Buckinghamshire Council

Research for the Fighting Fraud and Corruption Locally – A strategy for the 2020s highlighted the following types of fraud risks that are relevant to local authorities, indicating whether they are most likely to be perpetrated from inside the Council (internal) or from outside (external):

Fraud type	Description of fraud	Internal / External
Social care fraud: personal budgets and direct payments	Overstatement of needs through false declaration, multiple claims across authorities, third party abuse by carer, family or organisation, posthumous continuation of claims	External
Right to buy	Fraudulent applications under the right to buy/acquire	External
Money laundering	Exposure to suspect transactions	External
Commissioning of services	Including joint commissioning, joint ventures, commercial services, third sector partnerships – conflicts of interest, collusion	Both
Tenancy	Fraudulent applications for housing or successions of tenancy, and subletting of the property	External
Procurement	Tendering issues, split contracts, double invoicing	Both
Payroll	False employees, overtime claims, expenses	Internal
Identity fraud	False identity/fictitious persons applying for services/payments	Both
Council tax	Discounts and exemptions, council tax support	External
Blue Badge	<ul style="list-style-type: none"> Use of counterfeit/altered badges, use when disabled person is not present, use of a deceased person's badge. Badges issued to institutions being misused by employees 	<ul style="list-style-type: none"> External Internal
Grants	Work not carried out, funds diverted, ineligibility not declared	External
Business rates	Fraudulent applications for exemptions and reliefs, unlisted properties	External
Insurance fraud	False claims including slips and trips	External
Disabled facility grants	Fraudulent applications for adaptations to homes aimed at the disabled	External
Concessionary travel schemes	Use of concession by ineligible person, including freedom passes	External
No recourse to public funds	Fraudulent claims of eligibility	External
New responsibilities	Areas that have transferred to local authority responsibility	External
Local Enterprise Partnerships	Partnerships between local authorities and businesses. Procurement fraud, grant fraud. All LEPs should now be incorporated, with a local authority as accountable body, in a more formal and regulated relationship. Key issues are LEP governance, procedures for allocating/prioritising grants	External
Immigration	Sham marriages. False entitlement to services and payments	External
Cyber-dependent and cyber-enabled	Enables a range of fraud types resulting in diversion of funds, creation of false applications for services and payments.	Both
Schools	Many fraud types listed above are also issues for schools	Both



Report to Audit and Governance Committee

Date:	29 March 2023
Title:	Anti-Money Laundering Policy
Relevant councillor(s):	N/A
Author and/or contact officer:	Maggie Gibb, Head of Business Assurance (& Chief Auditor)
Ward(s) affected:	N/A
Recommendations:	To approve the Anti-Money Laundering Policy
Reason for decision:	N/A

1. Executive summary

- 1.1 The purpose of the report is to present the draft Anti-Money-Laundering Policy for approval.
- 1.2 The Anti-Money Laundering Policy is owned by the Head of Business Assurance (& Chief Auditor) and is reviewed on an annual basis.
- 1.3 The updated policy has been presented to, and agreed by, the Corporate Management Team and the Audit Board (S151 Officer, Monitoring Officer and Director for Legal and Democratic Services).

2. Content of report

- 2.1 The policy has been updated to reflect the changes in the Government's Money Laundering Regulations.
- 2.2 Other minor updates have been made such as to reflect changes in job titles, contact details and links to other documents/websites.

3. Other options considered

3.1 N/A.

4. Legal and financial implications

4.1 None.

5. Corporate implications

5.1 None.

6. Local councillors & community boards consultation & views

6.1 N/A

7. Communication, engagement & further consultation

7.1 N/A.

8. Next steps and review

8.1 The Anti-Money Laundering Policy is subject to review on an annual basis, with the next review scheduled for February 2024.

9. Background papers

9.1 Current Anti-Money Laundering Policy:

<https://www.buckinghamshire.gov.uk/your-council/our-policies/anti-money-laundering-policy/>

10. Your questions and views (for key decisions)

10.1 If you have any questions about the matters contained in this report, please get in touch with the author of this report. If you have any views that you would like the cabinet member to consider, please inform the democratic services team. This can be done by telephone 01296 382343 or email democracy@buckinghamshire.gov.uk.



Buckinghamshire Council

Anti-Money Laundering Policy

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

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

DRAFT VERSION– February 2023

Version	Date	Sign Off	Action	Responsible Officer
1.0	14/11/2019	Resources Board	Agreed. Minor changes to reflect structures	Maggie Gibb
1.1	26/11/2019	Chief Executive's Implementation Group	Agreed. Minor changes to reflect structures	Maggie Gibb
1.2	11/12/2019	Informal Shadow Exec	Agreed.	Maggie Gibb
1.3	01/06/2021	Head of Business Assurance (& Chief Auditor)	Agreed. Minor changes	Maggie Gibb
1.4	14/06/2021	Audit Board	Agreed.	Maggie Gibb
1.5	22/06/2021	Audit & Governance Committee		
FINAL			PUBLICATION	
2.0	16/02/2023	DCE Board	Agreed. Minor changes	Maggie Gibb
2.1	23/02/2023	CMT	Agreed	Maggie Gibb
2.2	20/02/2023	Audit Board	Agreed	Maggie Gibb
	29/03/2023	Audit and Governance Committee		

Anti-Money Laundering Policy

- 1. Introduction1
- 2. Scope of the policy1
- 3. What is money laundering?2
- 4. Key Principles3
- 5. What are the obligations on the Council?3
- 6. Customer Due Diligence4
- 7. Enhanced Customer Due Diligence and Ongoing Monitoring5
- 8. Internal Clients6
- 9. External Clients6
- 10. Record Keeping7
- 11. Reporting any suspicions to the Money Laundering Reporting Officer (MLRO).....7
- 12. Consideration of the report by the Money Laundering Reporting Officer8
- 13. Sanctions.....9
- 14. Monitoring10
- 15. Money Laundering Reporting Officer10
- Appendix 1. Customer Due Diligence Pro-Forma10
- Appendix 2. Report to MLRO template10
- Appendix 3. Proforma for Completion by the Money Laundering Reporting Officer.....10

1. Introduction

- 1.1. Money Laundering is the process by which criminally obtained money or other criminal property is exchanged for “clean” money or other assets with no obvious link to their criminal origins. The term is used for a number of offences involving the integration of “dirty money” (i.e., the proceeds of crime) into the mainstream economy. The aim is to legitimise the possession of such monies through circulation, and this effectively leads to “clean” funds being received in exchange.
- 1.2. The Buckinghamshire Council is committed to establishing and maintaining effective arrangements to prevent and detect attempts to launder money using Council services. The Council requires all Members and employees to demonstrate the highest standards of honesty and integrity, and this includes compliance with appropriate legislation. The Council is committed to working constructively with the Police and other relevant agencies in relation to combating money laundering and ensuring compliance with the legislation.
- 1.3. This policy should be read in conjunction with the Council’s Anti-Fraud and Corruption Policy. The Council will seek to ensure the corporate stance on money laundering is widely publicised and that employees and Members have access to the appropriate guidance. A breach of these procedures may lead to disciplinary and/or criminal action being taken.

2. Scope of the policy

- 2.1. This Policy applies to all employees whether permanent or temporary and Members of the Council. Its aim is to enable employees and Members to respond to a concern they have in the course of their dealings for the Council. Individuals who have a concern relating to a matter outside of work should contact the Police.
- 2.2. Failure by a member of staff to comply with the procedures set out in the Policy should be escalated for appropriate action to be taken.
- 2.3. All employees are required to follow the procedure set out in the Policy and in this way the Council will properly discharge its obligations under the money laundering regime.

3. What is money laundering?

3.1. Money Laundering describes offences involving the integration of the proceeds of crime, or terrorist funds, into the mainstream economy. Activities and offences relating to money laundering are covered by the following acts:

- The Proceeds of Crime Act 2002 (as amended by the Crime and Courts Act 2013, Serious Crime Act 2015, and the Criminal Finances Act 2017)
- Terrorism Act 2000 (as amended by the Criminal Finances Act 2017)
- Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (as amended by the Money Laundering and Terrorist Financing (amendment) Regulations 2019)

3.2. Money Laundering offences are defined under The Proceeds of Crime Act 2002 as the following prohibited acts:

- concealing, disguising, converting, transferring, or removing criminal property from the UK (s.327);
- becoming involved in an arrangement which an individual knows, or suspects facilitates the acquisition, retention, use or control of criminal property by or on behalf of another person (s.328);
- acquiring, using, or possessing criminal property (s.329);
- doing something that might prejudice an investigation e.g. falsifying a document (s.333);
- failure to disclose one of the offences listed above where there are reasonable grounds for knowledge or suspicion (s.330-332); and/or
- tipping off a person(s) who is suspected of being involved in money laundering in such a way as to reduce the likelihood of or prejudice an investigation (s.333).

3.3. The Terrorism Act 2000 made it an offence for money laundering to become concerned in an arrangement relating to the retention or control of property likely to be used for the purposes of terrorism or resulting from acts of terrorism.

3.4. Money laundering activity may range from a single act, for example being in possession of the proceeds of one's own crime, to complex and sophisticated schemes involving multiple parties and multiple methods of handling and transferring criminal property as well as concealing it and entering into arrangements to assist others to do so. Council employees need to be alert to the risks of clients, their counterparties and others laundering money in any of its many forms.

3.5. It is important to note that anyone, Council employee or not, can commit any of the above offences. However, in addition to these offences, there are a series of obligations

imposed on the Council by the 2007 Money Laundering Regulations, breach of which can also amount to an offence by the Council.

4. Key Principles

4.1. The main requirements of the legislation are:

- To appoint a Money Laundering Reporting Officer (MLRO);
- Maintain client identification procedures in certain circumstances;
- Implement a procedure to enable the reporting of suspicions of money laundering; and
- Maintain record keeping procedures.

4.2. The aim is to enable employees and Members to respond to any concerns they have in the course of their dealings for the Council, and to place a duty upon them to report suspicious activity and money laundering to the MLRO.

5. What are the obligations on the council?

5.1. Whilst Local Authorities are not directly covered by the requirements of the Money Laundering Regulations 2019, guidance from finance and legal professions, including the Chartered Institute of Public Finance and Accountancy (CIPFA), indicates that public service organisations should comply with the underlying spirit of the legislation and regulations and put in place appropriate and proportionate anti-money laundering safeguards and reporting arrangements.

5.2. The regulations apply to “relevant persons” acting in the course of business carried out by them in the UK. Relevant persons must check beneficial ownership registers of legal entities in scope of the People with Significant Control (PSC) requirements before establishing a business relationship. Not all of the Council’s business is relevant for the purposes of the Regulations; it could include accountancy and audit services carried out by Financial Services and the financial, company and property transactions undertaken by Legal Services. Nevertheless, the safest way to ensure compliance with the regime is to apply its requirements to all of the Council’s areas of work and to ensure that all staff comply with the reporting procedure set out in the Policy.

5.3. The obligations on the Council are to establish and maintain appropriate and risk-sensitive evidence of the following:

- assessing the risk of Buckinghamshire Council being used by criminals to launder money;
- checking the identity of our customers in high risk activities;

- checking the identity of 'beneficial owners' of corporate bodies and partnerships;
- monitoring our customers' business activities and reporting anything suspicious to the National Crime Agency (NCA);
- making sure we have the necessary management control systems in place; keeping all documents that relate to financial transactions, the identity of our customers, risk assessment and management procedures and processes;
- making sure our employees are aware of the regulations and have had the necessary training;
- monitoring and management of compliance with, and the internal communication of, policies and procedures; and
- ensuring that relevant persons have policies to ensure they undertake risk assessments prior to the launch or use of new products or business practices, as well as new technologies.

6. Customer Due Diligence

- 6.1. Customer due diligence (CDD) means that the Council must know its clients and understand their businesses. This is so that the Council is in a position to know if there is suspicious activity that should be reported, as clearly it is only by the Council knowing its clients and their businesses that it can recognise abnormal and possibly suspicious activity.
- 6.2. The obligations imposed on the Council must, of course, be brought into effect by its individual employees. Employees must therefore be familiar with these obligations.
- 6.3. The 2017 Regulations and 2019 (as amended) require that the Council identifies its customers and verifies their identity based on documents, data or information obtained from a reliable source. Where there is a beneficial owner who is not the customer, then the Council must identify that person and verify the owner's identity and where the beneficial owner is a trust or similar, then the Council must understand the nature of the control structure of that trust.
- 6.4. The Council must obtain information on the purpose and intended nature of the business relationship. Under the UK's Money Laundering Regulations (regulation 33(1)(b)), enhanced due diligence (EDD) is mandated for any business relationship with a person established in a high-risk third country.
- 6.5. From 1 January 2021, the UK maintains its own standalone list of high-risk countries, which is aligned with the Financial Action Task Force (FATF) practices. The list of high-risk countries is regularly reviewed and most recently it was amended in November 2022 by

regulation 2 of the Money Laundering and Terrorist Financing (Amendment) (No 2) (High-Risk Countries) Regulations 2022. The high-risk countries are:

Albania, Barbados, Burkina Faso, Cambodia, Cayman Islands, Democratic People's Republic of Korea (DPRK), Dominican Republic of Congo, Gibraltar, Haiti, Iran, Jamaica, Jordan, Mali, Morocco, Mozambique, Myanmar, Panama, Philippines, Senegal, South Sudan, Syria, Tanzania, Turkey, Uganda, United Arab Emirates, Yemen.

- 6.6. This guidance is reviewed by the Government on a regular basis. For an up to date list of such jurisdictions an officer should seek advice from the MLRO, or visit <https://www.gov.uk/government/publications/money-laundering-advisory-notice-high-risk-third-countries--2>
- 6.7. The checks described above must be undertaken by the Council before it establishes a business relationship or carries out an occasional transaction, or if it suspects money laundering or terrorist funding or doubts the veracity of any information obtained for the purposes of identification or verification. However, the Council is not required to undertake these checks if its customer is another public authority, unless it suspects money laundering or terrorist funding.
- 6.8. The Council is also obliged to maintain ongoing monitoring of its business relationships which means it must scrutinise transactions throughout the course of the relationship to ensure that the transactions are consistent with the Council's knowledge of the customer and keep the information about the customer up to date.
- 6.9. Where property transactions are carried out using externally appointed agents on behalf of the Council, the agent will be required to perform and evidence the "know your client checks (KYC)" and these should be shared and retained by the Council.
- 6.10. Where the Council is unable to apply the CDD measures set out above, it must not carry out a transaction with or for a customer through a bank account, it must not establish a business relationship or carry out an occasional transaction with the customer, it must terminate any business relationship with the customer and consider whether to make a disclosure.

7. Enhanced Customer Due Diligence and Ongoing Monitoring

- 7.1. It will in certain circumstances be necessary to undertake what is known in the Regulations as Enhanced Customer Due Diligence. In summary, this will be necessary as follows:
 - the customer has not been physically present for identification purposes; or
 - in any other situation, which by its nature can present a high risk of money laundering

or terrorist financing.

- 7.2. Where this applies, the Council will need to take adequate measures to compensate for the higher risk. For example, this will mean ensuring that the customer's identity is established by additional documents, data, or information.
- 7.3. Similarly, where the Council is in an ongoing "business relationship" with a customer, the Regulations impose a special obligation to carry out ongoing monitoring. This means that the Council must:
 - scrutinise transactions undertaken throughout the course of the relationship to make sure that these transactions are consistent with the Council's knowledge of the customer, his/her business, and risk profile; and
 - keep documents, data or information obtained for the purpose of applying Customer Due Diligence measures.
- 7.4. The regulations require that enhanced customer due diligence measures are taken to manage and mitigate the risks exposed by politically exposed persons (PEPs). The term PEPs refers to people who hold high public office. The Council is required to have appropriate risk-management systems and procedures to identify when the customer is a PEP and to manage the enhanced risks arising from having a relationship with that customer. Business relationships with the family and known close associates of a PEP are also subject to greater scrutiny.

8. Internal Clients

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

9. External Clients

- 9.1. The MLRO will maintain a central file of general client identification and verification information about the Council's external clients to whom the Council provides professional services.
- 9.2. In practice the Council can fulfil its obligations if employees complete the Customer Due Diligence Pro-Forma attached in **Appendix 1**.

10. Record Keeping

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

11. Reporting any suspicions to the Money Laundering Reporting Officer (MLRO)

11.1. Where you know or suspect that money laundering activity is taking/has taken place, or you are concerned that your involvement in the matter may amount to a prohibited act under the legislation, you must disclose to the MLRO this suspicion or concern as soon as practicable. The disclosure should be made within hours rather than days or weeks of the information coming to your attention.

11.2. **The legislation determines that a single cash transaction or a series of linked transactions totaling over €15,000** (approximately £13,000 at the time of the legislation) **should be treated as suspicious.** However, vigilance also needs to be maintained in respect of all other possibilities such as a series of smaller payments in cash.

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

11.3. Your disclosure for suspicious transaction(s) should be made to the MLRO on the Pro-Forma attached (refer to **Appendix 2**). The report must include as much detail as possible, for example:

- full details of the people involved (including yourself if relevant) e.g. name, date of birth, address, company names, directorships, phone numbers etc.;
- the types of money laundering activity involved.
- the date of such activities, including whether the transactions have happened, are on-going or are imminent;
- where they took place;
- how they were undertaken;
- the (likely) amount of money/assets involved;
- why, exactly, you are suspicious;
- any other information to enable the MLRO to make a sound judgment as to whether there are reasonable grounds for knowledge or suspicion of money laundering; and
- to prepare a report to the NCA, where appropriate. You should also enclose any copies of relevant supporting documentation.

- 11.4. Note that you will need consent from the National Crime Agency (NCA) or relevant successor body, through the MLRO, to take any further part in the transaction. This is the case even if the client gives instructions for the matter to proceed before such consent is given. You should therefore make it clear in the report to MLRO if such consent is required and clarify whether there are any deadlines for giving such consent e.g. a completion date or court deadline.
- 11.5. As soon as you have reported the matter to the MLRO you must follow any directions they give to you. **You must NOT make any further enquiries into the matter yourself.**
- 11.6. Any necessary investigation will be undertaken by the NCA or relevant successor body as appropriate. All members of staff will be required to co-operate with the MLRO and the authorities during any subsequent money laundering investigation.
- 11.7. Similarly, at no time and under no circumstances should you voice any suspicions to the person(s)/organisation you suspect of money laundering, otherwise you may commit the criminal offence of “tipping off”.
- 11.8. Do not, therefore, make any reference on a client file to a report having been made to the MLRO. Should the client exercise his/her right to see the file then such a note would obviously tip them off to the report having been made. Again, you would be at risk of prosecution for tipping off. The MLRO will keep the appropriate records in a confidential manner.

12. Consideration of the report by the Money Laundering Reporting Officer

- 12.1. Upon receipt of a disclosure report, the MLRO must note the date of receipt on their section of the report and acknowledge receipt of it. For proforma template refer to **Appendix 3**. They should also advise you of the timescale within which they expect to respond to you.
- 12.2. The MLRO will consider the report and any other available relevant internal information, for example:
- other transaction patterns and volumes;
 - the length of any business relationship involved;
 - the number of any one-off transactions and linked one-off transactions; and
 - any identification evidence held.
- 12.3. The MLRO will undertake such other reasonable and appropriate enquiries to ensure that all available information is taken into account in deciding whether a report to the NCA is required (such enquiries being made in such a way as to avoid any appearance of tipping off those involved). The MLRO may also need to discuss the report with you.

- 12.4. Once the disclosure report and any other relevant information has been evaluated, the MLRO must make a timely determination as to whether:
- there is actual or suspected money laundering taking place; or
 - there are reasonable grounds to know or suspect that is the case; and
 - whether they need to seek consent from the NCA for a particular transaction to proceed.
- 12.5. Where the MLRO does so conclude, the matter must be disclosed as soon as practicable to the NCA on their standard report form and in the prescribed manner, unless there is a reasonable excuse for non-disclosure to the NCA (for example, if you are a lawyer and you wish to claim legal professional privilege for not disclosing the information).
- 12.6. Where the MLRO suspects money laundering but has a reasonable excuse for non-disclosure, the report must be annotated accordingly; following which, consent can be given for any ongoing or imminent transactions to proceed.
- 12.7. In cases where legal professional privilege may apply, the MLRO must liaise with the Council's Legal Department to decide whether there is a reasonable excuse for not reporting the matter to the NCA.
- 12.8. Where consent is required from the NCA for a transaction to proceed, then the transaction(s) in question must not be undertaken or completed until the NCA has specifically given consent, or there is deemed consent through the expiration of the relevant time limits without objection from the NCA.
- 12.9. Where the MLRO concludes that there are no reasonable grounds to suspect money laundering, the report must be annotated accordingly, and consent given for any ongoing or imminent transaction(s) to proceed.
- 12.10. All disclosure reports referred to the MLRO and reports made to the NCA must be retained by the MLRO in a confidential file kept for that purpose, for a minimum of five years.
- 12.11. The MLRO commits a criminal offence if he/she knows or suspects or has reasonable grounds to do so through a disclosure being made, that another person is engaged in money laundering, and does not disclose this as soon as practicable to the NCA.

13. Sanctions

- 13.1. Staff who breach this policy may face disciplinary action, which could result in dismissal for misconduct or gross misconduct.
- 13.2. Under the Public Contracts Regulations 2015, contracting authorities shall exclude a supplier from participation in a procurement where they have established that the supplier has been

convicted of certain offences, including bribery and corruption.

14. Monitoring

- 14.1. In accordance with best practice, the Council has nominated a suitably senior officer as Compliance Officer, to oversee activities that fall within the scope of the money laundering regulations. The Compliance Officer is responsible for ensuring that appropriate due diligence arrangements are operating effectively in relevant services where there is significant exposure to the risk of money laundering. This officer shall be the Head of Business Assurance (& Chief Internal Auditor).

15. Money Laundering Reporting Officer

- 15.1. The officer nominated to receive disclosures about money laundering activity within the Council is the Service Director - Finance (S151 Officer), who can be contacted as follows:

Service Director - Finance (S.151 Officer)
Buckinghamshire Council
The Gateway
Aylesbury
Buckinghamshire
HP20 1UA
01296 383120

David.Skinner@buckinghamshire.gov.uk

In the absence of the MLRO the Monitoring Officer, the Corporate Director of Resources, is authorised to deputise. They can be contacted at the above address or on telephone 01296 303986.

Appendix 1. Customer Due Diligence Pro-Forma

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

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

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

	[Through the documents referred to in Questions 2 and 3]	
5.	Is there a beneficial owner involved with the customer who is a different person or entity to the customer identified above?	
6.	What is the identity of the beneficial owner?	
7.	Can the Council verify the identity of the beneficial owner?	
8.	Does the Council doubt the veracity or adequacy of documents, data or information obtained for the purposes of identification or verification?	
9.	When were the documents, data or information obtained for the purposes of identification or verification of this customer last updated?	
10.	When will the documents, data or information obtained for the purposes of identification or verification of this customer next be updated?	
11.	What is the ownership and control structure of the beneficial owner?	
12.	Does the Council wish to establish a business relationship with this customer?	If "No", go straight to Section C.
13.	What is the purpose and intended nature of the business relationship?	

SECTION C: OUTCOME OF DUE DILIGENCE MEASURES

Is the Council unable to answer any of the above questions because the customer has been unable or unwilling to provide information?

If so, please give full details.

If the answer is “Yes”, the Council must not establish a business relationship or carry out an occasional transaction with this customer; it must not carry out any transaction with or for the customer through a bank account; it must terminate any business relationship with the customer AND the suspicion must be reported immediately to the MLRO.

NOTE

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

Appendix 2. Report to the Money Laundering Reporting Officer template

To: The Money Laundering Reporting Officer

From: Officer reporting suspected activity

Name:	
Position:	
Business Unit:	
Email address:	
Telephone numbers:	

Do not discuss the content of this report with anyone, especially the person you believe to be involved in the suspected money laundering activity you describe. To do so may constitute a tipping off offence.

Details of suspected offence:

Name(s) and address(es) of person(s) involved: (Please also include date of birth, nationality, national insurance numbers- if possible) (If a company please include details of nature of business, type of organisation, registered office address, company registration number, VAT registration number):
Nature, value, and timing of activity involved: (Please include full details e.g. what, when, where and how. Confirm whether the transactions have happened, are ongoing or are imminent)
Nature of suspicions regarding such activity
Has any investigation been undertaken (as far as you are aware), If yes, please include details below: Yes / No

Have you discussed your suspicions with anyone else? If yes, please specify below, explaining why such discussion was necessary: **Yes / No**

Have you consulted any supervisory body guidance regarding money laundering (e.g. the Law Society)? If yes, please specify below: **Yes / No**

Do you feel you have reasonable grounds for not disclosing the matter to the NCA? (e.g. are you a lawyer and wish to claim legal professional privilege?) If yes, please set out full details below: **Yes / No**

Are you involved in a transaction which might be a prohibited act under sections 327- 329 of the Proceeds of Crime Act 2002 or Regulations 86 – 88 of the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 and which requires appropriate consent from the NCA? If yes, please enclose details below: **Yes / No**

Please detail below any other information you feel is relevant:

Retention period: 5 years

Appendix 3. Proforma for Completion by the Money Laundering Reporting Officer

Date report received:	
Date receipt of report acknowledged:	

Are there reasonable grounds for suspecting money-laundering activity?

If there are reasonable grounds for suspicion, will a report be made to NCA? **Yes / No**

If yes, date of report to NCA:

Details of liaison with NCA regarding the report:

Is consent required from the NCA for any ongoing or imminent transactions that would otherwise be prohibited acts? If yes, please confirm full details; Yes / No

Date consent received from NCA:	
---------------------------------	--

Date receipt of report acknowledged:	
--------------------------------------	--

Date consent given by you to employee:	
--	--

Date consent given by you to employee for any prohibited act transactions to proceed:	
---	--

If there are reasonable grounds to suspect money laundering, but you do not intend to report the matter to the NCA, please set out below the reason(s) for non-disclosure:

Other relevant information:	
..... Signed Dated

Retention period: 5 years



Audit and Governance Committee

Date:	29 March 2023
Reference number:	N/A
Title:	2022/23 Business Assurance Strategy Update (incl. Internal Audit Plan)
Cabinet Member(s):	N/A
Contact officer:	Maggie Gibb, Head of Business Assurance (& Chief Auditor)
Ward(s) affected:	N/A
Recommendations:	Members are recommended to note the report
Reason for decision:	N/A

1. Executive summary

- 1.1 The report outlines the Risk Management, Assurance, Internal Audit, Counter Fraud, Insurance and Business Continuity services work being undertaken by the Business Assurance Team for the year ending 31 March 2023.
- 1.2 The 2022/23 Internal Audit Plan has been reviewed to identify the key audit activities to be delivered considering the priorities within the Directorates and working around any key service priorities including service reviews which are currently in progress.
- 1.3 Delivery of the Business Assurance work plans help ensure that there is an appropriate governance and control framework in place and that risk management is embedded across the Council to enable the achievement of set objectives.

2. Content of report

- 2.1 The Business Assurance Strategy: including the Internal Audit Plan was agreed by the Audit Board and approved by the Audit and Governance Committee in July 2022. The 2022/23 Internal Audit, Risk Management, Assurance and Counter Fraud work plans were produced with reference to the strategic and directorate risk registers; and informed through discussion with Senior Leadership Teams for each directorate.
- 2.2 Quarterly reporting to directorate leadership teams/ boards, CMT and the Audit Board continue to take place which enables us to keep work plans under continuous review to reflect emerging risks and priorities across the Council. We also seek the views of the directorates on the work of the Business Assurance Team to enable continuous improvement and ensure that we are meeting the needs and expectations of the organisation as best we can.
- 2.3 Delivery of the Business Assurance work plans help ensure that there is an appropriate governance and control framework in place and that risk management is embedded across the Council to enable the achievement of set objectives. The Internal Audit Plan continues to be dynamic in nature with activities reviewed and realigned on a regular basis to take account of new, emerging and changing risks and priorities.
- 2.4 Progress against the approved Business Assurance Strategy has been presented to, and agreed by, the Audit Board (S151 Officer, Monitoring Officer, and Director of Legal Services).

3. Other options considered

- 3.1 N/A.

4. Legal and financial implications

- 4.1 None.

5. Corporate implications

- 5.1 None.

6. Local councillors & community boards consultation & views

- 6.1 N/A

7. Communication, engagement & further consultation

- 7.1 N/A.

8. Next steps and review

- 8.1 An update on delivery of the Business Assurance Strategy and a summary of the internal audit output will be presented as a standing agenda item at Audit and Governance Committee meetings.

9. Background papers

- 9.1 2022/23 Business Assurance Strategy and Internal Audit Plan.

10. Your questions and views (for key decisions)

- 10.1 If you have any questions about the matters contained in this report, please get in touch with the author of this report. If you have any views that you would like the cabinet member to consider, please inform the democratic services team. This can be done by telephone 01296 382343 or email democracy@buckinghamshire.gov.uk.

This page is intentionally left blank



BUCKINGHAMSHIRE COUNCIL

Business Assurance Update

Including Progress against the Internal Audit Plan 2022/23

Maggie Gibb

Head of Business Assurance (& Chief Internal Auditor)

March 2023

1 Contents

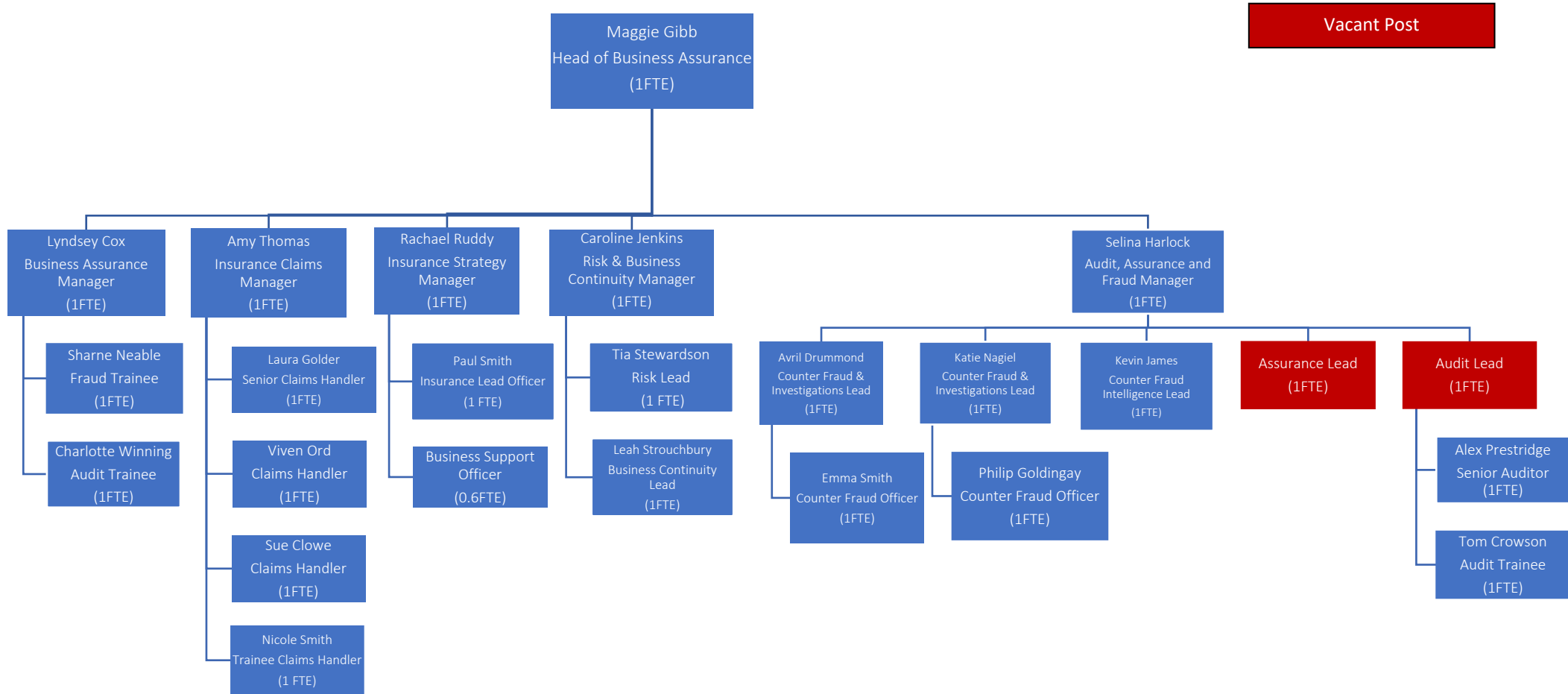
1. Introduction	3
2. Resources	3
3. Risk Management.....	4
4. Business Continuity Management (BCM)	5
5. Internal Audit	6
6. Business Assurance.....	9
7. Counter Fraud.....	14
8. Appendix 1 - Summary of Internal Audit Activity.....	16

1. Introduction

- 1.1 The Business Assurance Team is responsible for delivering the Council's Risk Management, Assurance, Internal Audit, Counter Fraud, Insurance and Business Continuity services. The team operates under the Service Director for Legal and Democratic Services within the Deputy Chief Executive Directorate. The team has continued to deliver work programmes which include; assurance reviews of the Council's financial and operational systems, computer audit reviews, corporate and social housing fraud investigations, fraud awareness, corporate governance and risk management reviews, and compliance reviews to check adherence to policies, procedures, and systems.
- 1.2 This report outlines the work carried out by the Business Assurance Team for FY 2022/23 to date. The Business Assurance work plans continue to be flexible in nature as they evolve throughout the year to reflect; the changing risks faced by the Council, the maturity of the assurance framework and to meet the needs of unplanned demands and other emerging priorities. Quarterly updates on Business Assurance activities continue to be presented to each directorate leadership team providing them with an overview of the Internal Audit and other assurance activities including progress on implementation of audit actions; and a risk management update on escalated risks.

2. Resources

- 2.1 The Business Assurance structure went 'live' from 1st November (see below), and the structure shows that we currently hold two vacant posts. We continue to resource work plans with a mix of in-house staff and a partnership arrangement with the APEX London Audit Framework. This arrangement enables us to request specialist resource such as IT auditors and contract auditors, whilst allowing for a flexible approach that enables us to respond swiftly to urgent requests for resource such as for investigations.



3. Risk Management

- 3.1 Risk Management continues to be embedded across the Council with all Directorates ensuring that risks are identified and uploaded onto the corporate risk management system in a timely manner; as well as horizon scanning and keeping a watching brief on emerging risks. We have now set out our management training sessions for 2023/24 that will be delivered across the organisation to ensure that officers continue to be aware of their roles and responsibilities in relation to risk management.
- 3.2 Deep dive risk reviews continue across certain service areas to ensure risks are relevant and current, are updated with realistic target scores, and have internal controls as well as mitigating actions.
- 3.3 The team continues to progress the work to gain greater visibility of how programme and project risks are being captured and escalated across the directorates. This includes ensuring that major projects and programmes are captured on the corporate risk management system. There will be greater focus on ensuring that programme and project leads have received their risk management training and are aware of how to capture and monitor their identified risks.
- 3.4 Following feedback from the recent Medium Term Financial Planning (MTFP) and Budget Scrutiny processes, we are currently reviewing the key financial risk process across the organisation, including the reporting to Directorates and the Corporate Management Team budget boards. An update on this will be provided to the Risk Management Group meeting in due course
- 3.5 The Risk Management Group held meetings on 30 January 2023 and 6 March 2023. An update on these meetings will be provided in a separate report.

4. Business Continuity Management (BCM)

- 4.1 Work has commenced to implement the new Buckinghamshire Council Corporate Resilience Framework and Standards, which includes taking on board some of the recent lessons learnt from Exercise Faraday. This was an exercise to test and exercise our preparedness

against planned or unplanned power outages. We are currently developing the new BCM Framework as well as refreshing the corporate Business Continuity Plan (BCP). This includes a new BCP template to ensure structure, readiness, and consistency.

- 4.2 The Council Resilience Group, who provide governance over the Corporate Resilience Framework and Standards, met in February 2023 to discuss current activities within the three areas of: organisational resilience, emergency resilience and community resilience. This included discussion around cyber resilience and climate change.
- 4.3 Although to date there has not been any significant incidents during the winter, the Winter Cell has provided a forum to highlight any potential risks and ensure that service areas were prepared. The proposal is that the Winter Framework and Cell is replicated for summer to provide reassurance and coordination in the event that we need additional support for service areas, should we have significant incidents over the summer period.

5. Internal Audit

- 5.1 The Internal Audit Function, supported by Mazars (through the APEX London Audit Framework) has been progressing with the delivery of the approved 2022/23 audit engagements. Whilst we have an agreed Internal Audit plan which was approved as part of the Business Assurance Strategy, we have adopted a more fluid approach in the delivery of the audit plan. We regularly review the Internal Audit plan through discussions with Directorate Leadership Teams to help ensure that the assurance activities are continuously aligned and focused on emerging issues/ risks. Any significant deviation from the approved Internal Audit Plan is communicated through the periodic activity reporting process.
- 5.2 The formulaic audit planning model which was applied in the development of the approved Internal Audit Plan enabled us to RAG rate each audit engagement, with those rated HIGH (RED) deemed priority to deliver in the year. From the plan there are two audit assignment that were deemed high priority that have been deferred (IT/ Infrastructure Resilience and Disaster Recovery & Backups), and one engagement that has not yet been started (Property Maintenance and Reactive Works). The Property Maintenance and Reactive Works

audit has not commenced as an internal review was undertaken by Finance, and we are currently waiting to see the outcomes to determine if we can place reliance on this work and consider deferring the review to the following year once the identified actions have been implemented and fully embedded.

5.3 Since the last Audit and Governance Committee meeting in February, delivery of the audit plan has continued, the table below provides a summary of the progress made in delivering the approved 22/23 plan.

Table 1 – Status of 2021/22 Audit plan

Status	No. Audits	%
Not Started	10	11%
Planning	13	15%
Fieldwork	11	13%
Draft Report	10	14%
Complete	15	16%
Grants <i>(excluding covid grants)</i>	19	22%
Deferred/ Cancelled	8	9%

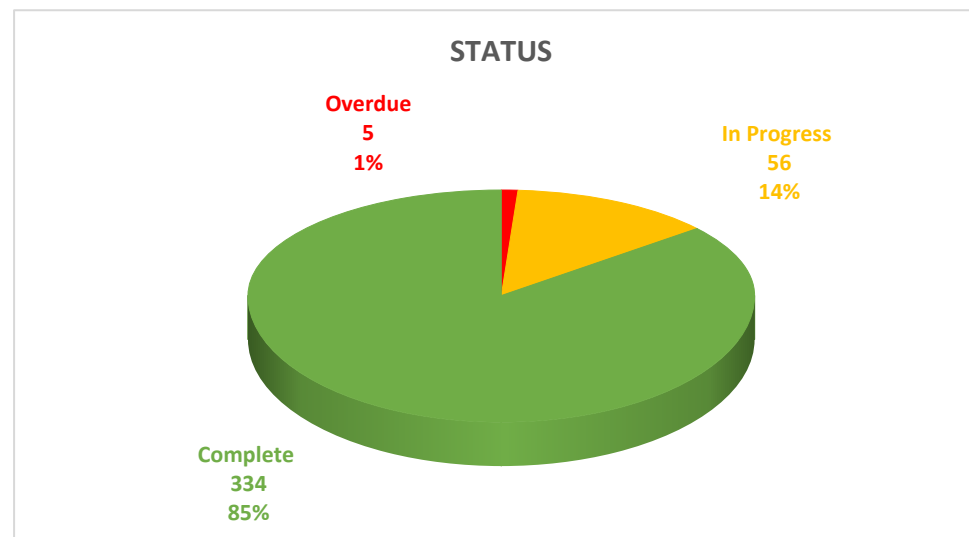
5.4 Whilst we have deferred/ cancelled eight audit engagements from the current plan, the team has agreed to conduct five unplanned assignments which were requested by the services in response to key risks/ issues being faced. Following discussions with directorate leadership teams, in this progress update we are recommending that the following audits be deferred/cancelled:

a) Seeleys Establishment Audit – Seeleys Houses was subject to a Care Quality Commission (CQC) inspection in January 2023, and this resulted in a ‘Good’ rating. Internal Audit can place reliance on the external inspection; therefore, we recommend that this audit be cancelled.

b) Building Control – The Local Authority Building Control (*a quality assurance body*) have undertaken an audit of the service which evaluates processes and compliance against regulations. As such we recommend that we place reliance on this external audit and cancel the internal audit from the plan.

5.5 Using the audit tool, ‘Pentana’, Internal Audit have been monitoring implementation of audit actions. Follow-up of management actions is a continuous task that is undertaken by the auditors alongside their assigned audit engagements. The chart below provides a summary on the implementation status of the audit actions:

Chart 1 - Summary Status of Management Actions



5.4 As at 13 March 2023, there are only five out of 395 (1%) audit management actions which are overdue for implementation. From the 56 actions that are in-progress, 40 of these relate to schools. Of the five actions overdue:

- three are held within Resources and are finance related actions,
- one action is for PGS and relate to the Flood Management audit, and
- one action is owned by Children's Services and relate to SEND.

Management are aware of the actions and progress updates are being provided to Internal Audit on a regular basis. Progress against implementing audit actions is reported to each of the directorate leadership team on a regular basis, and outstanding audit actions were reported to the Corporate Management Team (CMT) on 21 March 2023.

5.5 The Internal Audit Team have also been progressing with the implementation of the new audit system which was a key action from the CIPFA External Assessment. All records have been migrated from the previous system and the team are now undertaking all audits on the new system. The team is working on developing key reporting requirements for all key stakeholders.

5.6 We have two Service Level Agreements in place to deliver the internal audit services for Buckinghamshire Milton Keynes Fire Authority (BMKFA) and Insignis Trust Academy (IAT). The team has delivered all the agreed audit activity for 2022/23 and work is in progress to agree the work to be undertaken in FY2023/24.

5.7 The Audit Board, chaired by the Service Director of Finance (S151), reviews progress against the Business Assurance Strategy, in particular delivery of the Internal Audit Plan. Appendix 1 shows the current progress updated against the Internal Audit Plan.

6. Business Assurance

6.1 The Business Assurance Team continues to progress with the COVID grant assurance as the requirements from central government for returns, reconciliations and pre/post assurance checks continue. The team liaise with the services and support in the collation of the

required returns, reconciliations and certification where required. Excluding the COVID grants, the team have completed 19 grant assurance reviews or claim verification, whereby the expenditure activity is evaluated to ensure that it is accurate and in line with the grant conditions.

Since the last committee update, the team have finalised three assurance engagements and these are summarised below:

6.2 **Customer Relationship Management (CRM) System Programme Assurance**

To support the strategic transition from multiple CRMs to a single unified system, the Internal Audit team is carrying out a three-phased programme assurance review of the implementation. Phase 1 of the review focused on the following:

- Identification of gaps in the current approach with our recommended solutions.
- Identification of risks to effective change management/ transformation in order to achieve the vision.
- Comparison of the Council's approach to best practice principles and provision of insights from other councils.

Through review of documentation and discussions with stakeholder; 15 opportunities for improvement were identified, seven where rated medium risk and eight were low priority. No high-risk observations were noted in the review. Phase 2 of the review will be undertaken in Q1 2023/24.

6.3 **Temporary Accommodation Review:**

When Buckinghamshire Unitary Council was formed in April 2020, the four constituent districts each used a different Revenues & Benefits (R&B) system, each with a different nightly cap built in. There was no solid data on Temporary Accommodation (TA) expenditure, and it was discovered that the shortfall between the housing benefit awarded, and the subsidy received from DWP was not reflected in the forecasts, either in Housing or in Revenues and Benefits. As a result, there was an estimated shortfall for FY22/23 of c.£3m, with the shortfall also taking into account the increase in demand. This review holistically assessed the process used by the Housing and Revenues

& Benefits (R&B) teams to account for TA expenditure. Particular focus was on the treatment of the nightly cap and ensuring that this reflects the actual amounts receivable from the Department for Work and Pensions (DWP) upon submission of subsidy claim forms.

The review raised recommendations and opportunities for improvement based on the following key challenges:

1. **Inconsistent process leading to increasing R&B subsidy shortfall:** With the four districts historically following different processes for HB subsidy claims, R&B have experienced varying levels of shortfall in their budget associated to TA. In September 2022 it was agreed the subsidy deficit would appear in Housing's accounts, but this may need to be handled manually, as the NEC system can only pay the full entitlement amount, including the element above the subsidy received from DWP.
2. **External pressures/high demand for TA:** The Covid-19 pandemic in particular increased pressure on councils to provide TA, while at the same time negatively impacting staffing levels. Recent pressures including the cost of living crisis and invasion of Ukraine have likewise increased demand for TA. These pressures are not specific to Buckinghamshire Council but can be seen across the UK.
3. **Siloed working practices:** A lack of communication between Housing, R&B, and Finance has led to useful knowledge not being shared between the teams, both before and after the unification of separate districts, limiting the ability to generate useful management information.
4. **Fragmented roles and responsibilities:** Whilst the fragmentation of roles has been exacerbated by staffing issues, a historical lack of accountability meant that some clients 'fell through the cracks,' without HB forms being filled out. This is no longer the case, with the backlog of unsubmitted forms now cleared. However, a lack of clarity on who should be reporting on the subsidy shortfall remains.

5. **Concerns surrounding data accuracy:** There are currently no reconciliations taking place between the TA data in NEC, Locata and Smartsheet, which increases the risk of inconsistencies and errors. This is exacerbated by the lack of a single reference number for each claim across the systems.
6. **Understanding of best working practices and procedures:** Across the involved teams, a lack of standardised process, coupled with limited documentation to supplement knowledge, has historically negatively affected the ability to manage TA effectively and consistently. This was particularly problematic with regards to understanding the budget deficit, although recently significant improvements have been made.

A task and finish group has been established which will implement the recommendations raised.

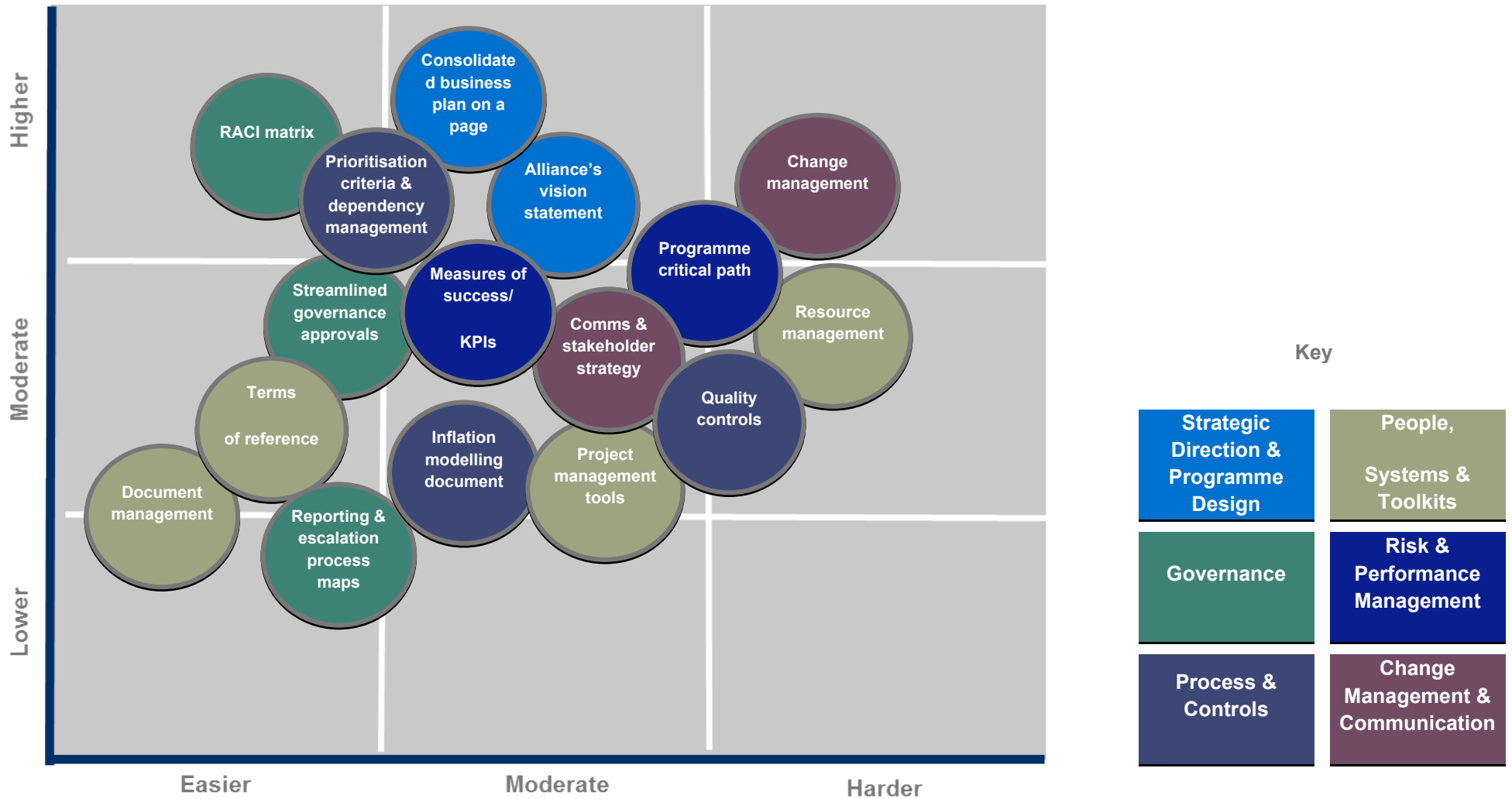
6.4 **New Highways Contract Assurance - Phase 1:**

To support the strategic transition from a single major highways' contractor to multiple service providers, the Business Assurance Team will perform a three-phased advisory review of the programme ahead of the April 1st, 2023, go-live date.

The objective of Phase 1 was to provide assurance across multiple pillars in the transition, identifying practical recommendations which can feed into the next phases of the review. The scope of work:

- Review of detailed documentation such as transition plans, governance arrangements, contracts, and monitoring arrangements during the decommissioning stage.
- Review of the project documentation in respect of risk and change management.
- Conduct interviews with key stakeholders involved in the transition to gain a deeper understanding of governance, current processes, change management, improvement opportunities, risks and challenges, and interdependencies.

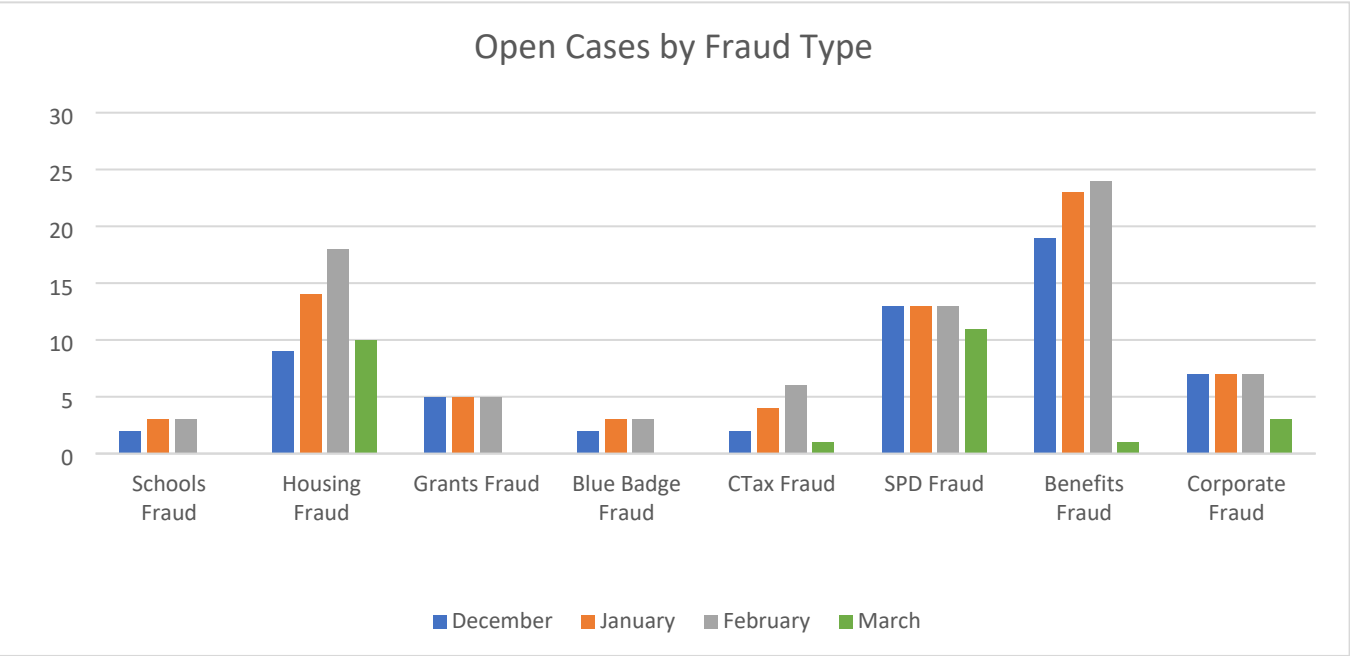
From the review of key documentation and discussions with stakeholder, we identified 16 opportunities for improvement. These are grouped together in the below categories, with the table below providing an emerging view of key improvement areas, prioritised by the likely impact of change vs. the ease of implementing the change.



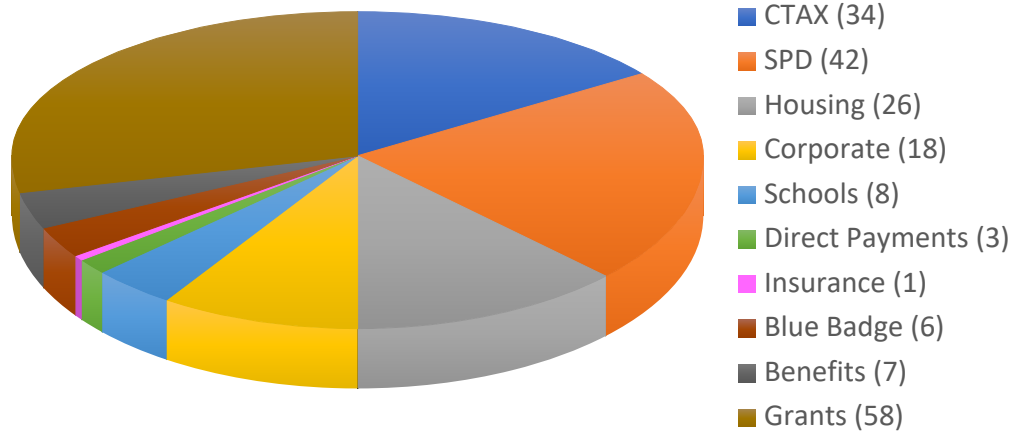
Management provided responses against each finding, and these will be reviewed as part of the Phase 2 assurance review which is currently in progress.

7. Counter Fraud

7.1 The Business Assurance Team procedures alone cannot guarantee the detection of fraud and corruption, nor can we give an overall assurance opinion on counter fraud, therefore management have responsibility for ensuring that there are adequate controls in place to manage the risk of fraud and corruption. The size and complexity of the authority means that some irregularities are inevitable, and when these arise the Fraud Team deploy resources to investigate these. Whilst responding to fraud allegations raised internally and externally, the team also had a proactive schedule of activity the includes Fraud Awareness Training and probity reviews. The tables below provides a summary of the fraud cases that the team have been managing this year:



Closed Cases by Fraud Type



Appendix 1 - Summary of Internal Audit Activity

Corporate				
Service	Audit Title/ Activity	Objectives/Risk/Concerns	Status Update	
Cross-cutting	Assurance Framework	Develop a means of identify and mapping the main source of assurance across the Council and coordinating them to best effect.	On-going	
	Covid-19 Pre and Post Payment Assurance Plan	Undertake require assurance reviews and returns in line with government requirements.	On-going	
	Grants	Undertake grant certification in line with grant conditions	On-going	
Deputy Chief Executive				
Service	Audit Title/ Activity	Objectives/Risk/Concerns	RAG Per Model	Status Update
Policy & Communications	GDPR	Deferred from 21/22 plan. To ensure that the Council is compliant with GDPR requirements. To ensure that there is adequate process for the identification, review, and reporting of a personal data breach.	HIGH	Completed
Policy & Communications	Complaints	Deferred from 21/22 plan. To ensure that there are rrobust and effective systems are in place for the complete, accurate and timely recording, processing, and acknowledging of complaints. Including effective monitoring framework, which delivers accurate, timely and relevant information for management review.	HIGH	Completed
Legal & Dem Services	Legal Processes	Deferred from 21/22 plan. To ensure that there are adequate arrangements in place for the services to engage with the legal team, cases are recorded, monitored and costs tracked appropriately.	HIGH	Audit scoping in-progress
Policy & Communications	Community Boards	Deferred from 21/22 plan. To evaluate the governance arrangements, risk management and financial management is adequate, transparent and board objectives are monitored and reported on.	HIGH	Draft Report
Policy & Communications	Devolution	Deferred from 21/22 plan. To evaluate the processes and procedures in place to ensure an effective transfer of services and assets to town and parish councils in line with the approved policy.	LOW	Not started
Service Improvement	Corporate Performance Framework	To assess the adequacy of the Council's performance and reporting arrangements.	MEDIUM	Fieldwork in-progress
Service Improvement	Helping Hand Programme Assurance	Evaluate the delivery of the programme and ensure that objectives are met, risks are adequately managed and value for money is evident.	MEDIUM	Fieldwork in-progress
Service Improvement	Better Buckinghamshire Programme Assurance	Ensure that the programme is effectively managed to deliver set objective in a timely manner and within budget.	MEDIUM	Completed
Service Improvement	Homes for Ukraine	New – End to end review of the process; including the administration of payments	HIGH	Fieldwork in-progress

Adults & Health				
Service	Audit Title/ Activity	Objectives/Risk/Concerns	RAG Per Model	Status Update
Integrated Commissioning	Direct Payments	Audit deferred from 20/21 & 21/22 audit plan End to end process reviewing adequacy and effectiveness of controls in place.	HIGH	Fieldwork in-progress
Adult Social Care	Continuing Health Care:	End to end process review evaluating arrangements in place with the CCG (includes client assessment/eligibility and financial management).	HIGH	Defer to 2023/24
Adult Social Care	Seeleys Establishment Audit	Seeleys was recently subject to a CQC inspection which resulted in a 'Good' rating. We recommend that this audit be cancelled as we can place reliance on the external CQC inspection.	MEDIUM	Cancel
Integrated Commissioning	Disability Facilities Grant	Grant verification in line with the terms and conditions.	N/A	Fieldwork in-progress
Integrated Commissioning	Commissioning and Financial Management of Spot Contracts	End to end process reviewing adequacy and effectiveness of controls in place.	HIGH	Fieldwork in-progress
Integrated Commissioning	E-brokerage	End to end process reviewing adequacy and effectiveness of controls in place.	MEDIUM	Fieldwork in-progress
Public Health	Joint Strategic Assessment.	Focus of review to be agreed with the service	LOW	Not started
Finance	A&H Debt Recovery (Unsecured Debt)	As debt recovery was paused during the pandemic and the debt recovery process has been moved to Finance Operations team, the audit will be reviewing adequacy and effectiveness of controls	MEDIUM	Fieldwork in-progress
Children's Services				
Service	Audit Title/ Activity	Objectives/Risk/Concerns	RAG Per Model	Status Update
Education	Schools Thematic Review	Review of key controls for sample of schools selected per the risk assessment.	HIGH	Four Schools Completed Two at draft report
Education	The Downley School Audit	New - Audit commissioned by the School Improvement Team following concerns of financial mismanagement.	HIGH	Completed
Social Care	Direct Payments (including clawbacks)	End to end process reviewing adequacy and effectiveness of controls in place	HIGH	Fieldwork in-progress
Social Care	Placement and Panel Decisions	There is an increase in spend within placements and assurance is required that controls are adequate. Requested by the Corporate Director.	HIGH	Audit scoping in-progress
Education	SEND Ofsted Improvement Plan Assurance	Evaluate the completeness adequacy of the improvement plan against the findings raised in the Ofsted report.	MEDIUM	Audit scoping in-progress

Social Care	Social Care Ofsted Improvement Plan Assurance	Evaluate the completeness adequacy of the improvement plan against the findings raised in the Ofsted report.	MEDIUM	Completed
Education	SEND Process review – Focused on ECCOH	End to end review of processes and evaluation of controls to identify inefficiencies in process and improvements to data quality.	HIGH	Fieldwork in-progress
Social Care	Section 17 Payments	End to end process reviewing adequacy and effectiveness of controls in place.	MEDIUM	Draft Report
Social Care	Supported Families Programme	Grant Verification	N/A	On-going
Education	Related Party Transaction Assurance (SFVS)	Verification work in line with DfE guidance	N/A	Not started

Communities

Service	Audit Title/ Activity	Objectives/Risk/Concerns	RAG Per Model	Status Update
Highways & Technical Services	Parking On/Off Street	End to end review of processes and evaluation of controls on the new system.	HIGH	Draft Report
Highways & Technical Services	Streetworks	New – Review was requested by the Service Director in response on a number of complaints being received from	HIGH	Draft Report
Transport Services	Home to School Transport	End to end review of processes and evaluation of controls on the new system.	HIGH	Draft Report
Neighbourhood Services	Household Recycling Centres	New contract in place, review of processes at the HRC; and contract management with new contractor.	MEDIUM	Not started
Neighbourhood Services	Business Licenses and Permits – Process review	End to end review of processes and evaluation of controls on the new system.	LOW	Not started
Neighbourhood Services	Southern Waste Round Re-organisation			
Neighbourhood Services	Waste Management	End to end review of processes and evaluation of controls on the new system.	HIGH	Draft Report
Culture, Sports & Leisure	Higginson Park	Financial Controls Audit	LOW	Audit scoping in-progress
Culture, Sports & Leisure	Farnham Park	Financial Controls Audit	LOW	Audit scoping in-progress
Highways & Technical Services	New Highways Contract Assurance	Provide assurance on the processes being proposed for the new contract arrangement	HIGH	Phase 1 – Complete Phase 2 – In-Progress

Planning, Growth & Sustainability

Service	Audit Title/ Activity	Objectives/Risk/Concerns	RAG Per Model	Status Update
Housing & Regulatory Services	Temporary Accommodation	NEW – Review commissioned by the Corporate Director and Monitoring Officer to understand the root cause of the estimated shortfall for FY22/23 of c.£3m.	HIGH	Completed
Housing & Regulatory Services	Enforcement (Housing)	Audit deferred from 21/22 audit plan. End to end process reviewing adequacy and effectiveness of controls in place.	LOW	Not started
Housing & Regulatory Services	Homelessness and Temporary Accommodation	Audit deferred from 20/21 & 21/22 audit plan, merged with Temporary Accommodation audit. This area has not been looked at before and it is a high-profile area in terms of the significant financial spend and reputational risk resulting from housing people in temporary and emergency accommodation for lengthy periods	HIGH	Draft Report
Planning & Environment	Building Control	Building control is subject to an external audit by the Local Authority Building Control. We recommend that this audit be cancelled as we can place reliance on the external audit.	MEDIUM	Cancel
Property & Assets	Property – Maintenance and Reactive Works	Audit deferred from 20/21 & 21/22 audit plan End to end process reviewing adequacy and effectiveness of controls in place.	HIGH	Not started
Housing & Regulatory Services	Disability Facilities Grant (Use of the funding)	Review the process for commissioning housing adaptations and the use of the DFG fund. To include review of contractors used, VfM.	MEDIUM	Not started
LEP	LEP Financial Controls Assurance	Evaluation of key financial controls	MEDIUM	Audit scoping in-progress
Strategic Transport & Infrastructure	Project Assurance	Strategic Transport & Infrastructure review of project management controls include reporting and escalation arrangements in place within the service.	HIGH	Completed
Finance	K2 Systems Audit	Large volume and value of transactions processed; therefore, an evaluation of key controls will be undertaken.	HIGH	Defer to 2023/24

Resources

Service	Audit Title/ Activity	Objectives/Risk/Concerns	RAG Per Model	Status Update
Business Operations	Blue Badges, Administration and Enforcement	To ensure that badges are only issued to residents who satisfy one or more of the eligibility criteria (as updated by the Disabled Persons (Badges for Motor Vehicles) (England) (Amendment) Regulations 2019 (S.I. 2019 No. 891) on 30 August 2019 to include 'hidden' disabilities) set out in the legislation that governs the scheme.	MEDIUM	Fieldwork in-progress
Business Operations	Business Support – Accounts Payable and Accounts Receivables	Review of financial controls and compliance to corporate procedures.	HIGH	Audit scoping in-progress

Business Operations	Shop4Support	End to end sales process review	MEDIUM	Defer to 2023/24
Business Operations	CRM Programme Assurance	New - The transition from multiple CRMs to a single unified one is a strategic change which is expected to deliver cost and operational benefits. Phase 1 is to provide assurance across multiple pillars in the transition for the Waste Service, identifying practical recommendations which can feed into the next phases of the review.	HIGH	Completed
HR & OD	Teachers Pensions – new system in place	New system in place, review process and controls in place	MEDIUM	Defer to 2023/24
HR & OD	Payroll Follow-up	Ensure that the actions from the 2021/22 audit have been fully implemented.	MEDIUM	Completed
HR & OD	Learning and Development	To review organisational, spend on learning and development to ensure consistency and quality of training.	HIGH	Audit scoping in-progress
Finance	Capital Programme	To ensure business cases are adequate, approved and projects on the programme are sufficiently monitored.	HIGH	Fieldwork in-progress
Finance	Procurement Compliance	Ensure that procurement rules are clearly documented and followed in all procurement exercises.	MEDIUM	Audit scoping in-progress
Finance	Year End Assurance - Journals and Accruals	Compliance with financial controls	LOW	Not started
Finance	Pensions	Evaluation of key controls	LOW	Not started
Finance	Completeness and Effectiveness of the Finance Assurance Pack	Evaluation of the adequacy of controls monitoring and assessment on the effectiveness of the assurance pack.	MEDIUM	Audit scoping in-progress
Finance	Key Financial Systems	Evaluation of key financial controls	MEDIUM	Audit scoping in-progress
Finance	Scheme of Delegation – Financial and Non-Financial delegations	Evaluation of the Scheme of Delegation to ensure that these are understood by all and complied with when making decisions.	MEDIUM	Audit scoping in-progress
Finance	Council Tax	Evaluation of key financial controls	HIGH	Draft Report
Finance	National Non-domestic Rates	Evaluation of key financial controls	HIGH	Draft Report
Finance	Council Tax Reduction Scheme/ Housing Benefits	Evaluation of key financial controls	HIGH	Draft Report
IT	IT/Infrastructure Resilience – Per Audit Needs Assessment	A number of IT/Infrastructure resilience-related risks feature in the Council’s IT Risk Register. The audit will address; consideration of the impact of the pandemic on IT/infrastructure resilience, People, process, and technology perspective, including a high-level review of the IT architecture and technology in place.	HIGH	Defer to 2023/24
IT	Disaster Recovery and Backups – Per Audit Needs Assessment	Disaster recovery was noted as having a residual risk score of 10 in the Council’s IT risk register with a fully tested strategy and plan required to provide the Council assurance that full business continuity can be provided. This audit would test controls in regard to backup scope, frequency, offsite location, testing and recovery.	HIGH	Defer to 2023/24

IT	Change/Patch Management	This audit will consider the following: <ul style="list-style-type: none"> - Change to infrastructure and applications are governed through a consistent policy/process; - The change process addresses the request, impact, authorisation, testing, deployment of changes; - Comparison with LG peers concerning good change control practice commonly identified; - Patch management is undertaken across the estate in a complete, accurate and timely manner. 	HIGH	Audit scoping in-progress
-----------	--------------------------------	---	-------------	----------------------------------

Counter Fraud Plan

Proactive/ Probity Activity	NFI data matches	Support services with collating the NFI data and determining an approach for prioritising the instances that require investigation.
	Blue badge abuse	Investigate blue badges that have been in place for long periods and ensure that these are valid.
	Covid grant recovery	Undertaking post payment assurance and identify and investigate instances of possible false claims
	Schools	Lessons learnt from 21/22 investigations to be shared with all schools and presented via schools' forum.
	Fraud awareness training	Hold formal sessions to groups across the Council to raise awareness of what the Business Assurance Team's responsibilities are in relation to fraud and counter-fraud, different types of fraud, fraud risks, whistleblowing procedures etc.
	Internal Communication on Fraud	Send messages across the Council to promote 'good practice' and raise awareness of potential indicators of fraud and staff responsibilities.
	Policy Reviews	Review and refresh the key fraud policies, including Anti-Fraud and Corruption Policy.
Reactive Activity	Assess cases referred via whistleblowing channels and investigate where necessary.	
Continuous Improvement	Embed the case management system	
	Fraud networking and chairing of key networks	

External Clients		No. of Days
BMKFA	Audit plan approved and date for audit delivery agreed with the clients. Plan to be delivered by February 2022 ahead of their external audit.	110
Academies	Audit plans approved and key days for audit delivery agreed with the Academies	30

Page 103

This page is intentionally left blank



Report to Audit and Governance Committee

Date:	29 March 2023
Reference number:	N/A
Title:	Risk Management Group Update
Cabinet Member(s):	N/A
Contact officer:	Maggie Gibb, Head of Business Assurance (& Chief Internal Auditor)
Ward(s) affected:	N/A
Recommendations:	<p>1. Members are recommended to note the report.</p> <p>2. consider how to best address this concern about members participating in cyber security training.</p>
Reason for decision:	N/A

1. Executive summary

- 1.1 The purpose of the report is to provide an update on the Risk Management Group (RMG) meetings held on 30 January 2023 and 6 March 2023.
- 1.2 The Council's Risk Management Framework including the Terms of Reference for the Risk Management Group was approved by the Audit and Governance Committee in June 2021.

2. Content of report

- 2.1 For the Risk Management Group meeting held on 30 January 2023, the Corporate Director for Resources along with Head of Service for Corporate Business Support and the Assistant Director of Finance attended.
- 2.2 The Resources Directorate has a one tier escalation hierarchy which enables each service areas within Resources to take responsibility for identifying, managing, and

escalating risks where required. This allows for more strategic oversight at Resources Board with more focus and greater clarity as to the key / major risks facing Resources.

- 2.3 It was noted that a number of new risks had been escalated on to the Resources risk register which related to major change projects. A number of these risks were RAG status 'green' on the register, however had been included due to the importance to the Council and the potential impact an issue may cause.
- 2.4 The key risk themes were as follows:
- 2.5 **RS-B-01 Failure to Deliver Service Review Savings** - IF the Resources Service Review fails to deliver the required savings and outcomes, ensuring the correct staffing structure and to ensure cost effective and efficient ways of working for our customers THEN there is a risk the Better Buckinghamshire programme fails to achieve its objectives.
- 2.6 **RS-B-02 Insufficient Resource and Capacity** - IF competing priorities (as a result of the Resources Service Review, other Service Reviews, BAU or the WorkSmart Project, for example) result in unforeseen resource and capacity pressures or IF we are unable to attract, retain and develop competent and confident staff THEN core business services will not be delivered resulting in reputational damage to the Council and the potential for Resources projects, plans and / or work programmes to be delayed or not delivering their objectives.
- 2.7 **RS-B-03 Increase in sickness levels / Stress / Mental Health & Wellbeing** - IF sickness levels or mental health and wellbeing issues and concerns increase as a result of stress or capacity and workload issues THEN there is a risk that staff will leave or remain on long-term sickness absence. There is also the risk that additional workloads will be to be picked-up and incorporated by others within teams increasing the risk of additional stress and potential sickness.
- 2.8 **RS-B-04 Technology Breaches / Failure** - IF systems fail, data is lost or data protection breached, or there is a lack of resilience of systems, insufficient security to support agile working, insufficient network security to prevent a cyber-attack, loss of data or breach of data protection THEN the Council will suffer severe reputational and financial damage and data could be used inappropriately.
- 2.9 **RS-B-05 Revs & Bens Speed of Recovery** - Following the final phase of the Revs and Bens system merger IF the estimated 15,000 item backlog is exceeded THEN it will lead to extra expense in temps, additional follow up contact into the Customer Service Centre and also more complaints as backlog takes longer to clear.

- 2.10 **RS-B-06 Aura Programme - Delivery Failure** - IF the AURA programme does not deliver the process and system improvements then the SME and customer cultural and behavioural change will not occur THEN the Programme will not deliver the necessary shift to self-serve to enable the savings identified to be achieved and Resources will not cope with the continued service level demand.
- 2.11 **RS-BO-18 Transactional Services (Digital Post Room) Data handling & confidentiality** - IF a Post Operative has incorrectly assigned mail OR a Post Operative has opened items in error that should follow a separate procedure OR outbound mail containing personal data is placed in an envelope in error THEN this could result in mail being sent and viewed by incorrect recipients leading to breaching Data Protection / GDPR legislation leading to sanctions / fines, and reputational damage to the council.
- 2.12 **RS-BO-19 Transactional Services (Digital Post Room) Power or system outage** – IF there was a planned or unplanned power or system outage then this will prevent the post room from using digital solutions to process inbound and outbound mail. THEN this could result in a delay in mail being received by the authority or a delay in post being sent out to customers. This could result in breaches to legislation around processing times and cause reputational damage.
- 2.13 **RS-BO-20 Transactional Services (Digital Post Room) Unable to access corporate buildings** - IF there was no access to Walton Street, there would be a significant impact to service delivery for the digital post room. Some services could be relocated to other offices, such as post centralisation and manual distribution, but digital solutions for post and scanning & indexing of work would be suspended, unless technology is relocated. This could result in a delay in mail being received by service areas or in post being sent out to customers along with a delay in scanning & indexing of documents onto back-office systems. This could result in breaches to legislation around processing times and cause reputational damage.
- 2.14 **RS-IT-19 Network Savings** - If the new WAN is not completed by 31st March, then the contract with MLL will need to be extended causing an impact to Savings.
- 2.15 **RS-BO-21 Customer First Programme – Capacity** - IF there is not enough resource to deliver programme of work THEN selected customer improvements may not happen or be delayed risking service disruption and /or reputation damage. Project work overlaps with BAU work priorities.
- 2.16 **RS-BO-22 Customer First Programme - Senior Leadership** - IF there is a lack of senior leadership engagement in the programme THEN customer experience may not remain a priority.

- 2.17 **RS-BO-23 Customer First Programme -People Culture** - IF our people culture is neglected THEN customers will not be at the centre of everything we do, and service performance may reduce.
- 2.18 **RS-BO-24 Customer First Programme - Performance Framework** - IF customer experience is not embedded into a Council wide performance framework, THEN the visibility of customer experiences reduces, and services are not motivated to improve service delivery.
- 2.19 **RS-BO-25 Customer First Programme - Customer Feedback Usage** - IF we are unable to recognise and respond to changes in customer needs and preferences THEN our services will not meet expectations causing customer frustration and complaints.
- 2.20 The risks were discussed in detail, as well as the mitigating actions being challenged by the members.
- 2.21 New risks, risks which had been de-escalated or closed and a sample of non-escalated risks were included in the report from the Resources directorate.
- 2.22 The Service Director for Highways and the Head of North Waste Collection and Street Scene Services also attended the meeting to provide the Risk Management Group with a detailed update on the 2023 North Waste Collection Round Optimisation project. It was noted that the project is not a full scale round review, it is an optimisation to rebalance rounds in order to absorb future growth and ensure the operation is running efficiently. The key risks and mitigating actions were presented to the Risk Management Group and numerous members questions were answered.
- 2.23 For the Risk Management Group meeting held on 06 March 2023, the Corporate Director for Communities along with the Business Strategy Manager and Head of Finance for Communities attended.
- 2.24 It was noted that there had been some structural change within the Communities Directorate. The Licensing team has moved from Neighbourhood Services to Transport Services and more recently, as at end of February 2023 the Transport Infrastructure & Delivery service has moved from the PGS directorate to Communities.
- 2.25 As well as continuing to deliver a number of customer facing services that residents and businesses in Buckinghamshire use every day, the Communities Directorate has been undergoing a series of major procurements and change programmes.
- 2.26 The Communities Directorate manages risk at both a service and directorate level. Each of the four services within Communities hold a service risk register and, where appropriate, some risks are escalated to Communities Leadership Team for additional oversight.
- 2.27 The key risk themes were as follows:

- 2.28 **COM-HTS-11 Tfb – Service deterioration due to reprocurring of contract (Tfb)** – disruption & change – this risk relates to the process of reprocurring the contract and highlights the importance of good communication with staff and the existing contractor to mitigate any impacts on service delivery caused by staff uncertainty and distraction.
- 2.29 **COM-HTS-29 Berry Hill Footbridge, Taplow Footpath 12** – this risk relates to a specific Rights of Way footbridge which is damaged. The damaged section of the footbridge has now been removed, which significantly mitigates the risk however it will remain until this full activity has been completed.
- 2.30 **COM-HTS-32 Anti-social behaviour in public car parks** – this risk relates to the potential for anti-social behaviour in public car parks, if unaddressed, to significantly impact the Council’s reputation, impact car park users and attendants, and incur a loss of income.
- 2.31 **COM-HTS-37 East West Rail (EWR) Impact on Communities & Environment** – this risk relates to the need to seek mitigation from the impacts of EWR construction and **longer-term impacts on Buckinghamshire.**
- 2.32 **COM-HTS-41 Highways Infrastructure Projects – Finance** – this risk relates to sufficiency of funding for highways infrastructure projects in order to achieve delivery.
- 2.33 **COM-HTS-43 Highways Infrastructure Projects – Funding Deadlines** – this risk relates to funding deadlines for Housing Infrastructure Fund (HIF) funded projects.
- 2.34 **COM-NS-38 North Waste Round Optimisation** – this risk relates to the delivery of the optimisation of waste collection rounds in the north of Buckinghamshire and potential impacts on customers if unsuccessful.
- 2.35 **COM-NS-C-11 EFW Waste Management Project Agreement** – Income on Third Party / Off Take EFW Contracts – this risk relates to the amount income generated by the Energy from Waste Facility.
- 2.36 **COM-NS-C-25 Pops – Compliance** – this risk relates to potential enforcement of national legislation which may impact the compliance of Buckinghamshire Council and create service delivery and financial pressures.
- 2.37 **COM-TS-14 Funding for commercial public bus network** – this risk relates to the planned end date of additional central government funding for public transport and the potential impact on availability of public bus routes.
- 2.38 The Service Director for ICT along with the Head of Customer Delivery & Governance and the ICT Cyber Security Manager, also attended the meeting to provide the Risk Management Group with a detailed update on the cyber-related risks to the Council and the steps taken to mitigate these cyber risks.

- 2.39 During the discussion with the Risk Management Group, concerns were raised that some members were not fully engaged and participating in the relevant cyber security training. It was recommended that the Audit & Governance Committee consider how to best address this concern about members participating in cyber security training.

3. Other options considered

- 3.1 N/A.

4. Legal and financial implications

- 4.1 None.

5. Corporate implications

- 5.1 None.

6. Local councillors & community boards consultation & views

- 6.1 N/A

7. Communication, engagement & further consultation

- 7.1 N/A.

8. Next steps and review

- 8.1 The next meeting of the Risk Management Group is to be held on 24 April 2023.

9. Background papers

- 9.1 None.

Date	Items
28 July 22	<ol style="list-style-type: none"> 1. Action log 2. Appointments to the Risk Management Group Verbal Report 3. 20/21 Accounts Verbal Update 4. Treasury Management Annual Report 2021/2022 5. Annual Governance Statement Verbal Update 6. Internal Audit Charter 7. Work programme 8. 2022/23 Business Assurance Strategy (including Internal Audit Plan) 9. Business Assurance Strategy Update (Q1) 10. Contract Procedure Rules - Waivers & Breaches (part confidential) 11. 21/22 Business Assurance Strategy Update: Completed Audits and Audit Actions Summary Report (confidential)
27 September 22	<ol style="list-style-type: none"> 1. Action log 2. Buckinghamshire Council Statement of Accounts 20/21 3. Farnham Park Sports Fields Charity Annual Report and Financial Statements 21/22 4. Higginson Park Trust Fund Accounts 21/22 5. 21/22 Annual Report of the Chief Internal Auditor 6. 22/23 Business Assurance Strategy Update 7. Audit Committee – Review of Effectiveness 8. Annual Governance Statement – Process 9. Risk Management Group Update 10. Work Programme 11. 22/23 Business Assurance Strategy Update: Completed Audits and Audit Actions Summary Report (confidential) 12. 21/22 Annual Report of the Chief Internal Auditor - Summary of Completed Audits and Audit Action Tracker (confidential)

23 November 22	<ol style="list-style-type: none"> 1. Buckinghamshire Council Statement of Accounts 20/21 and 21/22 Update 2. External Audit Risk Assessment 3. Buckinghamshire Council Pension Fund Accounts 21/22 Update 4. Treasury Management Mid-Year update 5. Treasury Management loans to other local authorities 6. Annual Governance Statement 7. Business Assurance team structure update 8. Risk Management Group update 9. 2022/23 Business Assurance Strategy Update (incl. Internal Audit Plan) 10. Work programme 11. Action log 12. 22/23 Business Assurance Strategy Update: Completed Audits and Audit Actions Summary Report (confidential)
1 February 23	<ol style="list-style-type: none"> 1. Buckinghamshire Council Statement of Accounts 20/21 and 21/22 Update 2. Treasury Management Strategy 3. External Auditors Annual Report 4. Risk Management Group update 5. 2022/23 Business Assurance Strategy Update (incl. Internal Audit Plan) 6. Contract Procedure Rules - Waivers & Breaches (part confidential) 7. Work Programme 8. Action Log 9. 22/23 Business Assurance Strategy Update: Completed Audits and Audit Actions Summary Report (confidential)
29 March 23	<ol style="list-style-type: none"> 1. Buckinghamshire Council Statement of Accounts 20/21 Update 2. Buckinghamshire Pension Fund Audit Plan 21/22 3. Constitution Working Group Update 4. Anti-Fraud and Corruption Policy 5. Anti-Money Laundering Policy 6. 2022/23 Business Assurance Strategy Update (incl. Internal Audit Plan) 7. Risk Management Group update

	<ol style="list-style-type: none"> 8. Work Programme 9. Action Log 10. 22/23 Business Assurance Strategy Update: Completed Audits and Audit Actions Summary Report (confidential)
10 May 23	<ol style="list-style-type: none"> 1. Buckinghamshire Council Statement of Accounts 20/21 and 21/22 Update 2. Audit Committee – Review of Effectiveness 3. Annual Business Continuity Management Update 4. Pension Fund Accounts 21/22 - <i>deferred from 29 March due to work still ongoing</i> 5. Risk and Business Continuity Management Strategy – <i>this was deferred from the March agenda as this strategy has not been reviewed by the Chief Auditor and has not been to CMT as yet - scheduled for April review</i> 6. Whistleblowing Policy – <i>deferred from the March agenda due to additional details required following recommendations from Statutory Officers and will require CMT approval.</i> 7. 2023/24 Draft Business Assurance Strategy (incl. Internal Audit and Counter Fraud Plan) – <i>deferred from March as meetings with directorate leadership teams to get their input on the internal audit plan are still in-progress</i> 8. 2022/23 Business Assurance Strategy Update (incl. Internal Audit Plan) 9. Audit & Governance Committee Annual Report to Council 10. Risk Management Group update 11. Action Log 12. 22/23 Business Assurance Strategy Update: Completed Audits and Audit Actions Summary Report (confidential) 13. 22/23 Fraud Cases Update (confidential) - <i>this paper is deferred as it has not been to CMT as yet – scheduled for April and will therefore be presented to A&G in May.</i>

This page is intentionally left blank

Audit and Governance Committee action log

Last updated: 22 February 2023

No.	Action required	Lead	Date raised	Due date	Action taken	Date resolved (grey when resolved)	Status
1	Local Member Engagement That an update be provided on assessing member engagement in Cabinet and Cabinet Member decisions. This piece of work may be undertaken by the newly in post Principal Governance Advisor. Consideration should also be given to sharing this report with the Finance and Resources Select Committee.	Maggie Gibb / Governance Officer	25-Jan-22	30-Jun-22	Update Sept 22: Work to be progressed as part of Corporate Governance review being undertaken by Principal Governance Advisor. Update Nov 22: Work to be achieved by end of March 2023; initial scoping taking place with Deputy Monitoring Officer and to be taken forward by Principal Governance Officer.		Ongoing
2	Farnham Park Sports Field Charity and Higginson Park Trust To ensure that the 22/23 accounts, and subsequent years are signed by a separate officer to the S151 officer on behalf of the Council as Trustee	Dave Skinner	27-Sep-22	01-Apr-23	Update Nov 22: Alternative officer being considered Update Jan 23: Proposal is that one of the Assistant Directors will sign off FPT and HPT accounts and they have sufficient seniority as Deputy S151's. Will need to think about how this works with preparation and separation of duties but that will be the working premise. Update March 23: The Assistant Director of Finance (Pensions, Procurement and Revenues & Benefits) will sign the 2022/23 accounts for the Farnham Park Sports Field Charity and Higginson Park Trust as a deputy s151 officer and who is completely independent of the 2 organisations.		Ongoing
3	2022/23 Business Assurance Strategy Update To clarify whether there were any proceeds of crime orders or compensation ordered by the Court for the counter fraud offence sentence referred to in the November meeting papers	Maggie Gibb	23-Nov-22	01-Feb-23	Update Jan 23: Will provide update on recovery of fraud cases for 22/23 at March A&G meeting Update March 23: 1 case went to court and was successfully prosecuted. The costs as at 18/1/2022 which were paid by Milegate Ltd are set out below. •Count 1 – Fine £21,000 (25% credit allowed for guilty plea) •Count 3 – No separate penalty •Costs - £7,410 (50% of total costs thus far for all defendants) •Statutory surcharge applies There is another case awaiting trial – the trial date is being set on Friday 17th March.		Ongoing
4	Buckinghamshire Statement of Accounts 20/21 To arrange briefing session for Committee Members on the report tabled at the meeting on 1 February 2023.	Dave Skinner/ Maggie Gibb / Leslie Ashton	01-Feb-23	29-Mar-23	Update March 23: Briefing session for Committee Members scheduled to place on Friday 24th March.		Ongoing
5	Buckinghamshire Statement of Accounts 20/21 A comprehensive lessons learned report to be produced and presented to the Committee at the appropriate time.	Dave Skinner	01-Feb-23	31-Dec-23	Update March 23: A comprehensive list of lessons learnt is being compiled as the audit of the 2020/21 accounts progresses and considered in preparation for the audit of the 2021/22 and 2022/23 accounts.		Ongoing

No.	Action required	Lead	Date raised	Due date	Action taken	Date resolved (grey when resolved)	Status
6	External Auditors Annual Report To establish what would be most appropriate for the Committee to review in terms of the Council's subsidiary companies, whether there would require a change to the terms of reference of this committee and produce an annual report on companies' governance.	Dave Skinner / Glenn Watson	01-Feb-23	01-Sep-23	Update March 23: The Audit & Governance Committee's remit for considering the Council's governance arrangements are deliberately widely drawn. They include the remit to: "Consider the Council's corporate governance arrangements and make recommendations to ensure compliance best practice". This includes the arrangements for the governance of the Council's subsidiary companies. As such, it is intended later in the 2023/24 council year to bring forward an annual report on company governance to this Committee. This is consistent with the Annual Governance Statement 2021/22 which included an action for bringing company governance to the attention of the Committee as part of its existing remit. No change to the existing terms of reference is needed to achieve this. Any wish for a separate reference to company governance could be made to the Monitoring Officer and Constitution Review Group.		Ongoing
7	Treasury Management Strategy 2023/24 The Strategy to be updated to include reference to the Section 151 Officer in relation to the proposed addition in relation to investments in other local authorities	Julie Edwards	01-Feb-23	22-Feb-23	Update March 23: The Strategy agreed by Council at their meeting on 22nd February 2023 was updated to reference the Section 151 Officer.		Ongoing
Page 116	Risk Management Group update (1) To share with the Committee the timeline of the independent review being carried out by Mazars to provide assurance over the effectiveness of the transition to the new highways contracts arrangements and when this would be presented to the Committee	Selina Harlock	01-Feb-23	29-Mar-23	Update March 23: Brief summary included in the Business Assurance Strategy Update. Phase 2 of the review in progress and a phase 3 review planned for post go-live. No material concerns raised from the phase 1 review, however all recommendations are being reviewed to determine if management have taken them on board or not, if not what is the impact on the transition plans and deliverables. Summary findings for phase2 and 3 will be presented to the committee when completed.		Ongoing
9	Risk Management Group update (2) To add the 2020/21 Statement of Accounts to the RMG work programme at the appropriate time	Maggie Gibb	01-Feb-23	01-Dec-23	Update March 23: Included on the RMG Forward Plan.		Ongoing
10	Contract Procedure Rules - Waivers and Breaches (1) To inform the Committee of the governance process for reporting for waivers and breaches and whether these were reported to the Finance and Resources Select Committee	Simon Davis	01-Feb-23	29-Mar-23	Update March 23: The waivers and breaches report are not required to be sent to the Finance and Resources Select Committee. Governance process for waivers: 1. The Officer completes the Waiver Report and sends to the Procurement Team for registration 2. Procurement reviews the Waiver and completes the commercial section, obtains Finance and Legal advice where appropriate 3. Procurement sends to Section 151 Officer or Head of Procurement for approval 4. The Officer obtains signatures and comments from their Corporate Director and Cabinet Member or Portfolio Holder		Ongoing
11	Contract Procedure Rules - Waivers and Breaches (2) To review how training statistics were presented in future reports to give a wider understanding of overall take up.	Simon Davis	01-Feb-23	01-Sep-23	Update March 23: Training delivery statistics are being reviewed with further contextual data being considered.		Ongoing
12	General To arrange a session open to all Committee Members to cover the different technical areas and terms dealt with by the Committee.	Maggie Gibb / Dave Skinner / Leslie Ashton	01-Feb-23	29-Mar-23	Update March 23: Planning for this session is underway and session will be scheduled in April/May.		Ongoing

No.	Action required	Lead	Date raised	Due date	Action taken	Date resolved (grey when resolved)	Status
12	Work Programme To include reasons within the work programme where items are deferred	Maggie Gibb	01-Feb-23	29-Mar-23	Updated March 23: Reasons provided for the items that have been deferred		Ongoing

This page is intentionally left blank

Document is Restricted

This page is intentionally left blank

Document is Restricted

This page is intentionally left blank

Document is Restricted

This page is intentionally left blank