

Corporate Audit Committee

Date: Thursday, 21st November, 2019

Time: 4.30 pm

Venue: Brunswick Room - Guildhall, Bath

Agenda

To: All Members of the Corporate Audit Committee

Councillors: Andrew Furse (Chair), Colin Blackburn, Mark Elliott, Lucy Hodge and Brian Simmons

Independent Member: John Barker

Chief Executive and other appropriate officers

Press and Public

The agenda is set out overleaf.



Sean O'Neill

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NOTES:

1. **Inspection of Papers:** Papers are available for inspection as follows:

Council's website: <https://democracy.bathnes.gov.uk/ieDocHome.aspx?bcr=1>

Paper copies are available for inspection at the **Public Access points:-** Reception: Civic Centre - Keynsham, Guildhall - Bath, The Hollies - Midsomer Norton. Bath Central and Midsomer Norton public libraries.

2. **Details of decisions taken at this meeting** can be found in the minutes which will be circulated with the agenda for the next meeting. In the meantime, details can be obtained by contacting as above.

3. **Recording at Meetings:-**

The Openness of Local Government Bodies Regulations 2014 now allows filming and recording by anyone attending a meeting. This is not within the Council's control. Some of our meetings are webcast. At the start of the meeting, the Chair will confirm if all or part of the meeting is to be filmed. If you would prefer not to be filmed for the webcast, please make yourself known to the camera operators. We request that those filming/recording meetings avoid filming public seating areas, children, vulnerable people etc; however, the Council cannot guarantee this will happen.

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<https://democracy.bathnes.gov.uk/ecCatDisplay.aspx?sch=doc&cat=12942>

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When the continuous alarm sounds, you must evacuate the building by one of the designated exits and proceed to the named assembly point. The designated exits are signposted. Arrangements are in place for the safe evacuation of disabled people.

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Additional information and Protocols and procedures relating to meetings

<https://democracy.bathnes.gov.uk/ecCatDisplay.aspx?sch=doc&cat=13505>

Corporate Audit Committee-Thursdays, 21st November, 2019

at 4.30 pm in the Brunswick Room - Guildhall, Bath

A G E N D A

1. EMERGENCY EVACUATION PROCEDURE

The Chair will draw attention to the emergency evacuation procedure as set out under Note 7.

2. ELECTION OF VICE-CHAIR

To elect a Vice-Chair (if required) for this meeting.

3. APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

4. DECLARATIONS OF INTEREST

At this point in the meeting declarations of interest are received from Members in any of the agenda items under consideration at the meeting. Members are asked to indicate:

(a) The agenda item number in which they have an interest to declare.

(b) The nature of their interest.

(c) Whether their interest is a **disclosable pecuniary interest** *or* an **other interest**, (as defined in Part 2, A and B of the Code of Conduct and Rules for Registration of Interests)

Any Member who needs to clarify any matters relating to the declaration of interests is recommended to seek advice from the Council's Monitoring Officer or a member of his staff before the meeting to expedite dealing with the item during the meeting.

5. TO ANNOUNCE ANY URGENT BUSINESS AGREED BY THE CHAIR

The Chair will announce any items of urgent business.

6. ITEMS FROM THE PUBLIC - TO RECEIVE DEPUTATIONS, STATEMENTS, PETITIONS OR QUESTIONS

7. ITEMS FROM COUNCILLORS AND CO-OPTED AND ADDED MEMBERS

To deal with any petitions, statements or questions from Councillors and, where appropriate, co-opted and added Members.

8. MINUTES: 30 JULY 2019 (Pages 5 - 10)

9. EXTERNAL AUDIT UPDATE REPORT (Pages 11 - 26)

Appendix 1 to follow.

10. TREASURY MANAGEMENT SIX MONTH UPDATE REPORT (Pages 27 - 40)
11. INTERNAL AUDIT SIX MONTH UPDATE REPORT (Pages 41 - 46)
12. FRAUD AND CORRUPTION UPDATE REPORT (Pages 47 - 96)

The Committee Administrator for this meeting is Sean O'Neill who can be contacted on 01225 395090.

CORPORATE AUDIT COMMITTEE

Minutes of the Meeting held

Tuesday, 30th July, 2019, 4.30 pm

Councillors: Andrew Furse (Chair), Colin Blackburn, Winston Duguid (in place of Lucy Hodge), Mark Elliott and Brian Simmons

Independent Member: John Barker

Officers in attendance: Donna Parham (Chief Finance Officer), Jeff Wring (Service Director - One West), Andy Cox (Head of Audit and Assurance (One West)), Gary Adams (Head of Corporate Finance), Jamie Whittard (Financial Accounting and Planning Team Leader), Liz Woodyard (Investments Manager) and David Richards (Finance & Systems Manager (Pensions))

Guests in attendance:

1 EMERGENCY EVACUATION PROCEDURE

The Democratic Services Officer advised the meeting of the procedure.

2 ELECTION OF VICE-CHAIR

RESOLVED that a Vice-Chair was not required on this occasion.

3 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

Apologies were received from Councillor Lucy Hodge, for whom Councillor Winston Duguid substituted.

4 DECLARATIONS OF INTEREST

There were none.

5 TO ANNOUNCE ANY URGENT BUSINESS AGREED BY THE CHAIR

The Chair informed Members that the previous week a reply signed by him had been sent to the external auditors' standard enquiries about how the Committee performed its role. A copy was available for inspection by Members.

6 ITEMS FROM THE PUBLIC - TO RECEIVE DEPUTATIONS, STATEMENTS, PETITIONS OR QUESTIONS

There were none.

7 ITEMS FROM COUNCILLORS AND CO-OPTED AND ADDED MEMBERS

There were none.

8 MINUTES: 7 FEBRUARY 2019

These were approved as a correct record and signed by the Chair.

9 ACCOUNTS AND AUDIT FINDINGS REPORT

The Chief Finance Officer introduced the item, and invited Mr Barber to present the Audit Findings Reports for the Council and the Avon Pension Fund.

Mr Barber reminded Members that the external auditor had a twofold responsibility to the Council: to give an opinion on the Financial Statements and to reach a Value for Money conclusion. The report reflected the situation at 23rd July. Good progress had been made in the intervening period with the outstanding items listed on page 4. The headline opinion on the accounts was as set out on page 3. The draft accounts had been received by the new earlier deadline, and had been free from material error. As is inevitable in such a large and complex set of accounts, issues had arisen, the most significant of which was the High Court judgement on the McCloud pension case in December 2018. The external auditor's view was that this had a clear impact on the liabilities of the Avon Pension Fund and therefore the Council's balance sheet. Following discussion with the external auditor, the Avon Pension Fund instructed its actuary to assess the potential effect of the judgement. In addition a number of minor changes had to be made to the draft accounts. Full assistance and co-operation was given to the external auditor by officers, which considerably facilitated reaching the current position.

The external auditor could not yet issue a certificate that the audit work on the 2018/19 accounts was complete, because they needed to be assured that the annual report for the Pension Fund, to be published in December, was consistent with the Pension Fund accounts.

He hoped to be able to sign off the accounts with an unqualified opinion later that day.

He then commented in detail on the findings. He explained that the materiality level is usually set in the ½-2% range. It could be argued that a low level should be set, because of the high level of risk associated with the accounts, since external parties, such as banks, rely on them when deciding, for example, whether to advance loans. However a level of 2% had been set, because the external auditor considered that the inherent risk of misreporting or error was low in the light of their experience of the Council. Significant risks were identified in the Audit Plan. Findings in relation to these are set out on pages 5-7 of the report. More audit work had been done on Property, Plant and Equipment than in previous years. This had been made easier by the fact that following previous comments from the external auditor, the Council had moved the valuation date from December to the end of the financial year, enabling the auditor to be sure that the carrying value did not differ from the current value.

The report of APF's actuary on the impact of the McCloud judgement had identified an additional liability of £10.534m as at 31 March 2019, for which the Council had adjusted in the final accounts. The external auditor had requested its own internal actuary to scrutinise this figure, and was satisfied that it fairly reflects the additional liability of the Pension Fund.

He drew attention to the opinion on management's use of the "going concern" assumption, namely their assumption that they would continue to provide services during the following twelve-month period ending in July 2020. This was something that had not been given particular attention in relation to public sector organisations in the past, but the example of the difficulties of Northamptonshire Council would ensure that it was given more attention in future. The external auditor's view was that the Council, like many public sector bodies, was in a middle position in that it was a going concern, but faced uncertainties.

He concluded by saying that the audit findings constituted a very positive assessment of the Council. In relation to Value for Money, the external auditor was satisfied that the Council had proper arrangements for securing economy, efficiency and effectiveness in its use of resources. Inevitably there were recommendations for improvement, as set out in the Action Plan in Appendix A.

He drew attention to the findings on the significant risks of the Medium Term Financial Plan (pages 19-21) and Aequus Developments (page 22).

Members noted the audit fees stated on page 29, which included an additional £9,000 for the work necessitated by the McCloud judgement and the Plant, Property and Equipment valuation.

The Chair invited the finance officers to comment.

The Head of Corporate Finance said that after a review it had been concluded that the accounts of Aequus did not require consolidation.

The Chief Finance Officer responded to the Value for Money conclusion. She said that reserves were reviewed regularly to ensure that they were sufficient to meet risks. In this year's budget the reserves had been increased by £1.9m, because it was recognised that there would be an overspend, and so funding had been added to the budget contingency fund. As far as the spending gap was concerned, the Council had achieved over 80% of planned savings, but savings were becoming harder to deliver each year. A Member asked whether reserves were earmarked or could be used flexibly. The Chief Finance Officer replied that they were earmarked for particular circumstances, and there were rules for their use. For the last couple of years there has been a budget contingency for dealing with in-year budget risks. If this is not used, it can be carried forward. This year there is a budget contingency of £3m.

The Chair asked how a projected overspend of £4m at Q3 had been reduced to £0.923m at year end. The Chief Finance Officer explained that there had been a Cabinet budget meeting in September, at which it had been agreed to impose a recruitment freeze and to set up a panel to consider procurement proposals. The slower spending that resulted from these measures had taken a few months to work through.

A Member asked about the £2.3m contingency for education. The Chief Finance Officer said that this related to Special Educational Needs and children's disabilities. This is an educational cost, which should be funded by central government. All councils were struggling with the cost of children's services. She said that the

number of looked-after children had increased across the country, mainly because of safeguarding issues.

The Chair asked about the impact of the McCloud judgement. Was this a real cost or just a risk, and if it was a real cost who would bear it? Mr Barber explained that the £10.534m would be added to the liabilities of the APF and therefore of the Council. The Investments Manager explained that the size of the APF's liabilities was one of the factors used to set employer pension contribution rates, which would be determined by the triennial valuation currently taking place.

Mr Barber presented the audit report on the Avon Pension Fund. He explained that the cost of the McCloud judgement was not material in relation to the total £4.6bn in the Fund.

Members congratulated the Finance team for their hard work, which had resulted in a good and professional set of accounts.

The Chair signed the Letters of Representation for the Council and the Avon Pension Fund.

RESOLVED:

1. to note the issues contained within the Audit Findings Reports for the Council and Avon Pension Fund;
2. to approve the audited Statements of Accounts, including the Letters of Representation for Bath & North East Somerset Council and the Avon Pension Fund for 2018/19.

10 TREASURY MANAGEMENT OUTTURN 2018/19

The Head of Corporate Finance presented the report. He said that because of the timing of meetings the report had already been considered by full Council earlier in the month.

He summarised the headline figures for investment and borrowing.

A Member noted that Public Works Loan Board annuity borrowing was arranged during the last quarter to maintain cashflow balances, and asked whether this would be done more often. The Chair responded that it had been the practice over the past eight years to fund the capital programme from cash flow as far as possible, but on occasion borrowing was necessary to maintain cash flow. Officers explained that it was important to get the timing of borrowing right; the majority of the Council's borrowing was from PWLB, which was at a fixed rate.

RESOLVED to note:

1. the Treasury Management Report to 31st March 2019, prepared in accordance with the CIPFA Treasury Code of Practice.
2. the Treasury Management Indicators to 31st March 2019.

11 INTERNAL AUDIT ANNUAL REPORT 2018/19

The Head of Audit and Assurance (One West) presented the report.

The Service Director (One West) drew attention to his formal opinion on the Council’s internal control framework contained in section 4.11 of the report. He said that it had been a challenging year for One West, but fortunately it had been possible to obtain additional staff resources from the Devon Audit Partnership.

RESOLVED to note the Internal Audit Report 2018/19 and the formal opinion on the internal control framework.

12 INTERNAL AUDIT PLAN 2019/20

The Head of Audit and Assurance (One West) presented the report.

A Member asked about protecting the identity of whistleblowers. He suggested that it might deter some whistleblowers if they felt that they might be identified. The Head of Audit West responded that while whistleblowers were interviewed in total confidence, it could be difficult to deal with them if they were anonymous. Meeting them was part of the assessment process, and it was usually necessary to understand what outcome they were seeking. They had a right to remain anonymous, but this was not encouraged.

RESOLVED to approve the Internal Audit Plan for 2019/20.

13 AUDIT COMMITTEE ANNUAL REPORT 2018/19

The Service Director (Audit West) introduced this item.

He said that as the Committee contained a majority of new Members, he was proposing that he draft the annual report and agree it with the Chair. He invited Members to him email with any suggestion for the content for the report.

RESOLVED to delegate the Annual Report of the Committee to the Chair to endorse and agree before issued to full Council at its November meeting.

The meeting ended at 6.28 pm

Chair(person)

Date Confirmed and Signed

Prepared by Democratic Services

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Bath & North East Somerset Council		
MEETING:	Corporate Audit Committee	
MEETING DATE:	21st November 2019	AGENDA ITEM NUMBER
TITLE:	External Audit Update	EXECUTIVE FORWARD PLAN REFERENCE: E
AN OPEN PUBLIC ITEM		
<p>List of attachments to this report:</p> <p>Appendix 1 – External Audit Letter</p> <p>Appendix 2 – External Audit Update & Progress Report</p>		

1 THE ISSUE

- 1.1 The External Auditor will update progress against their plan and the Committee is also asked to note their Audit and Publication Letters.

2 RECOMMENDATION

- 2.1 The Corporate Audit Committee is asked to note the report and appendices.

3 FINANCIAL IMPLICATIONS

- 3.1 Financial implications of the Audit Fee are already contained within existing corporate budgets.

4 THE REPORT

- 4.1 Appendix 1 details the Annual Audit Letter which is an external summary of the work carried out on behalf of Bath & North East Somerset Council.
an update report on the work of the External Auditor as well as links to national reports on areas of potential interest to the Committee.
- 4.2 Appendix 2 details an update report on the work of the External Auditor as well as links to national reports on areas of potential interest to the Committee.
- 4.4 The External Auditor and Officers will provide a fuller verbal briefing on all these areas at the meeting.

5 RISK MANAGEMENT

5.1 A proportionate risk assessment has been carried out in relation to the Councils risk management guidance. There are no new significant risks or issues to report to the Committee as a result of this report.

6. EQUALITIES

6.1 A proportionate equalities impact assessment has been carried out using corporate guidelines, no significant issues to report.

7 CONSULTATION

7.1 Consultation has been carried out with the Section 151 Finance Officer.

Contact person	Jeff Wring (01225 47323)
Background papers	
Please contact the report author if you need to access this report in an alternative format	

Audit Progress Report and Sector Update

Bath and North East Somerset Council and Avon Pension Fund
Year ending 31 March 2020

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30 October 2019



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Introduction to your 2019/20 audit team



Peter Barber

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

The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you as a local authority; and
- includes a number of challenge questions in respect of these emerging issues which the Committee may wish to consider (these are a tool to use, if helpful, rather than formal questions requiring responses for audit purposes)

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Sophie Morgan-Bower

Engagement Manager

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Members of the Corporate Audit Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications www.grantthornton.co.uk.

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

PSAA Contract Monitoring

Bath and North East Somerset Council opted into the Public Sector Audit Appointments (PSAA) Appointing Person scheme which starts with the 2018/19 audit. PSAA appointed Grant Thornton as auditors. PSAA is responsible under the Local Audit (Appointing Person) Regulations 2015 for monitoring compliance with the contract and is committed to ensuring good quality audit services are provided by its suppliers. Details of PSAA's audit quality monitoring arrangements are available from its website, www.psa.co.uk.

Our contract with PSAA contains a method statement which sets out the firm's commitment to deliver quality audit services, our audit approach and what clients can expect from us. We have set out commitment to deliver a high quality audit service in the document at Appendix A. We hope this is helpful. It will also be a benchmark for you to provide feedback on our performance to PSAA via its survey in Autumn 2019.

Progress at October 2019

Financial Statements Audit

We issued an unqualified opinion on the Council's and Pension Fund's 2018/19 Statement of Accounts on 30 July 2019.

We will begin our planning for the 2019/20 audit in December and will issue a detailed audit plan for both the Council and Pension Fund, setting out our proposed approach to the audit of the 2019/20 financial statements.

We will begin our interim audit in early 2020. Our interim fieldwork includes:

- Updated review of the Council's and Pension Fund's control environment
- Updated understanding of financial systems
- Review of Internal Audit reports on core financial systems
- Early work on emerging accounting issues
- Early substantive testing

We will report our work in the Audit Findings Report.

Value for Money

We issued an unqualified value for money conclusion on the Council's 2018/19 arrangements to secure economy, efficiency and effectiveness in its use of resources on 30 July 2019.

For 2019/20 the scope of our work is set out in the guidance issued by the National Audit Office. The guidance confirmed the overall criterion as: "in all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people".

The three sub criteria for assessment to be able to give a conclusion overall are:

- Informed decision making
- Sustainable resource deployment
- Working with partners and other third parties

Details of our initial risk assessment to determine our approach will be included in The Council's Audit Plan.

We will report our work in the Audit Findings Report.

Audit Certificate

We certified closure of the 2018/19 audit of Bath and North East Somerset Council on 14 October 2019 following the completion of our work on the Pension Fund Annual Report consistency statement.

Other areas

Certification of claims and returns

We certify the Council's annual Housing Benefit Subsidy claim in accordance with procedures agreed with the Department for Work and Pensions. The certification work for the 2018/19 is in progress and will be completed by the 30 November deadline. We will report our findings to the Audit Committee in our Certification Letter in January 2020.

Meetings

We met with the Council's Director of Finance in October as part of our regular liaison meetings and continue to be in discussions with finance staff regarding emerging developments and to ensure the audit process is smooth and effective.

Events

We provide a range of workshops, along with network events for members and publications to support the Council. Your officers will be invited to our Financial Reporting Workshop in February, which will help to ensure that members of your Finance Team are up to date with the latest financial reporting requirements for local authority accounts.

Further details of the publications that may be of interest to the Council are set out in our Sector Update section of this report.

Audit Deliverables

2018/19 Deliverables	Planned Date	Status
Audit Findings Report The Audit Findings Report was reported to the July Audit Committee.	July 2019	Complete
Auditors Report This is the opinion on your financial statement, annual governance statement and value for money conclusion.	July 2019	Complete
Annual Audit Letter This letter communicates the key issues arising from our work.	November 2019	Complete
2019/20 Deliverables	Planned Date	Status
Fee Letter Confirming audit fee for 2018/19.	April 2019	Complete
Accounts Audit Plan We are required to issue a detailed accounts audit plan to the Audit Committee setting out our proposed approach in order to give an opinion on the Council's 2019-20 financial statements.	January 2020	Not yet due
Interim Audit Findings We will report to you the findings from our interim audit and our initial value for money risk assessment within our Progress Report.	March 2020	Not yet due
Audit Findings Report The Audit Findings Report will be reported to the September Audit Committee.	September 2020	Not yet due
Auditors Report This is the opinion on your financial statement, annual governance statement and value for money conclusion.	September 2020	Not yet due
Annual Audit Letter This letter communicates the key issues arising from our work.	September 2020	Not yet due

Sector Update

Councils are tackling a continuing drive to achieve greater efficiency in the delivery of public services, whilst facing the challenges to address rising demand, ongoing budget pressures and social inequality.

Our sector update provides you with an up to date summary of emerging national issues and developments to support you. We cover areas which may have an impact on your organisation, the wider NHS and the public sector as a whole. Links are provided to the detailed report/briefing to allow you to delve further and find out more.

Our public sector team at Grant Thornton also undertake research on service and technical issues. We will bring you the latest research publications in this update. We also include areas of potential interest to start conversations within the organisation and with audit committee members, as well as any accounting and regulatory updates.

- [Grant Thornton Publications](#)
- [Insights from local government sector specialists](#)
- [Reports of interest](#)
- [Accounting and regulatory updates](#)

More information can be found on our dedicated public sector and local government sections on the Grant Thornton website by clicking on the logos below:

Public Sector

Local
government

CIPFA – CFO confidence survey

In July, the Chartered Institute of Public Finance and Accountancy (CIPFA) reported the results of their annual confidence survey.

The survey found that the majority of local government finance officers have lost confidence in their future financial positions over the last year.

Seventy per cent of respondents said they were either slightly less or much less confident in their financial position this year compared to 2018-19.

The survey also found that 68% said they were either slightly less or much less confident in their ability to deliver services in 2020-21. Sixty-two per cent expressed equal confidence in their financial position for 2019-20 as they had last year.

CIPFA found that the area of greatest pressure for top tier authorities was children's social care, with the number of authorities rating it as the biggest pressure rising by six percentage points.

For districts the greatest pressures were housing, cultural services and environmental services.

Rob Whiteman, CIPFA chief executive, said: "Local government is facing greater demand pressures than ever before, with particularly pressures in adults' and children's social care and housing. Local authorities also lack certainty about their future financial positions, so it's unsurprising to see confidence on the decline.

"We have repeatedly pointed out that local government is in need of a sustainable funding solution, but meeting this demand requires more than pennies and pounds. The sector as a whole must come together to address the challenges of effective service delivery."

CIPFA's survey received a total of 119 responses from authorities in the UK - 56 top tier authorities, 47 English districts, 12 Scottish authorities, and 4 Welsh authorities.

On the same theme, a Local Government Association (LGA) survey, also reported in July, found that almost two-thirds of councils believe cash for services like adult social care, child protection and preventing homelessness will dry up by 2024-25.

The survey received responses from 141 of the 339 LGA member councils in England and Wales.

It also found that 17% of councils were not confident of realising all of the savings they had identified this year (2019-20).

The LGA said that councils needed a guarantee they will have enough money to meet growing demand pressures in particular in adult social care, children's services, special educational needs, homelessness support and public health.



MHCLG – Independent probe into local government audit

In July, the then Communities secretary, James Brokenshire, announced the government is to examine local authority financial reporting and auditing.

At the CIPFA conference he told delegates the independent review will be headed up by Sir Tony Redmond, a former CIPFA president.

The government was “working towards improving its approach to local government oversight and support”, Brokenshire promised.

“A robust local audit system is absolutely pivotal to work on oversight, not just because it reinforces confidence in financial reporting but because it reinforces service delivery and, ultimately, our faith in local democracy,” he said.

“There are potentially far-reaching consequences when audits aren’t carried out properly and fail to detect significant problems.”

The review will look at the quality of local authority audits and whether they are highlighting when an organisation is in financial trouble early enough.

It will also look at whether the public has lost faith in auditors and whether the current audit arrangements for councils are still “fit for purpose”.

On the appointment of Redmond, CIPFA chief executive Rob Whiteman said: “Tony Redmond is uniquely placed to lead this vital review, which will be critical for determining future regulatory requirements.

“Local audit is crucial in providing assurance and accountability to the public, while helping to prevent financial and governance failure.”

He added: “This work will allow us to identify what is needed to make local audit as robust as possible, and how the audit function can meet the assurance needs, both now and in the future, of the sector as a whole.”

In the question and answer session following his speech, Brokenshire said he was not looking to bring back the Audit Commission, which appointed auditors to local bodies and was abolished in 2015. MHCLG note that auditing of local authorities was then taken over by the private, voluntary and not-for-profit sectors.

He explained he was “open minded”, but believed the Audit Commission was “of its time”.

Local authorities in England are responsible for 22% of total UK public sector expenditure so their accounts “must be of the highest level of transparency and quality”, the Ministry of Housing, Local Government and Communities said. The review will also look at how local authorities publish their annual accounts and if the financial reporting system is robust enough.

Redmond, who has also been a local authority treasurer and chief executive, is expected to report to the communities secretary with his initial recommendations in December 2019, with a final report published in March 2020. Redmond has also worked as a local government boundary commissioner and held the post of local government ombudsman.



National Audit Office – Code of Audit Practice

The Code of Audit Practice sets out what local auditors of relevant local public bodies are required to do to fulfil their statutory responsibilities under the Local Audit and Accountability Act 2014. 'Relevant authorities' are set out in Schedule 2 of the Act and include local councils, fire authorities, police and NHS bodies.

Local auditors must comply with the Code of Audit Practice.

Consultation – New Code of Audit Practice from 2020

Schedule 6 of the Act requires that the Code be reviewed, and revisions considered at least every five years. The current Code came into force on 1 April 2015, and the maximum five-year lifespan of the Code means it now needs to be reviewed and a new Code laid in Parliament in time for it to come in to force no later than 1 April 2020.

In order to determine what changes might be appropriate, the NAO is consulting on potential changes to the Code in two stages:

Stage 1 involves engagement with key stakeholders and public consultation on the issues that are considered to be relevant to the development of the Code.

This stage of the consultation is now closed. The NAO received a total of 41 responses to the consultation which included positive feedback on the two-stage approach to developing the Code that has been adopted. The NAO state that they have considered carefully the views of respondents in respect of the points drawn out from the [Issues paper](#) and this will inform the development of the draft Code. A summary of the responses received to the questions set out in the [Issues paper](#) can be found below.

[Local audit in England Code of Audit Practice – Consultation Response \(pdf – 256KB\)](#)

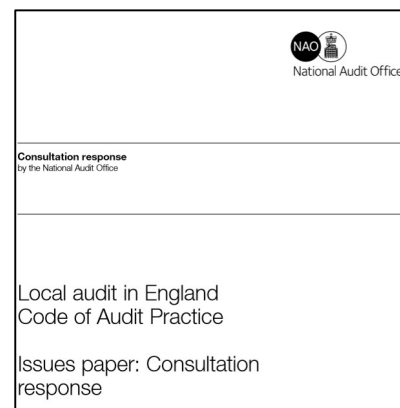
Stage 2 of the consultation involves consulting on the draft text of the new Code. To support stage 2, the NAO has published a consultation document, which highlights the key changes to each chapter of the draft Code. The most significant changes are in relation to the Value for Money arrangements. Rather than require auditors to focus on delivering an overall, binary, conclusion about whether or not proper arrangements were in place during the previous financial year, the draft Code requires auditors to issue a commentary on each of the criteria. This will allow auditors to tailor their commentaries to local circumstances. The Code proposes three specific criteria:

- Financial sustainability: how the body plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the body ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the body uses information about its costs and performance to improve the way it manages and delivers its services.

The consultation document and a copy of the draft Code can be found on the NAO website. The consultation is open until 22 November 2019. The new Code will apply from audits of local bodies' 2020-21 financial statements onwards.

Link to NAO webpage for the Code consultation:

<https://www.nao.org.uk/code-audit-practice/code-of-audit-practice-consultation/>



Local Government Association – Profit with a purpose – delivering social value through commercial activity

The Local Government Association (LGA) report 'Profit with a purpose' focuses on some of the practicalities of how councils can deliver social value through their commercial activity.

Through 'key questions' to ask, the guidance supports councils to face the challenge of how to undertake commercial activity and achieve greater value for the public purse in ways that better meet society's needs and outcomes for people and communities.

In addition, the publication features a number of short case studies highlighting some of the innovative commercial practice already achieving results for communities.

The LGA comments that the best approaches ensure the generation of social value is the primary factor driving commercial activity; from the initial decision to develop a commercial vision to how the approach is developed, and implemented, councils which are pulling ahead ensure social value is placed centre stage.

The guidance starts with an overview of what the LGA understands by 'profit with a purpose', the guidance explores different types of social value and the role of councils in driving social value alongside their commercial ambition.

The guidance then looks at how consideration and delivery of social value should be practically considered when deciding on whether to embark on commercial activity, the need for social value to be prioritised alongside financial return and the key questions councils should consider when embarking on a commercial initiative.

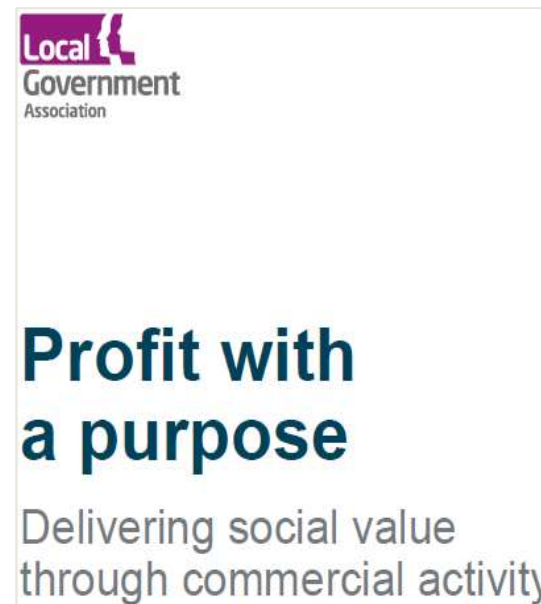
Following on from this, there are specific chapters on; embedding social value in governance of alternative service delivery vehicles, the role of procurement in contracting services that deliver social value and finally how to contract and performance manage social value through your service providers.

Each chapter outlines the factors that need to be considered and the 'key questions' councils should be asking themselves.

In addition, a number of short case studies are provided to highlight some of the innovative commercial practice already achieving results for communities.

The report can be downloaded from the LGA website:

<https://www.local.gov.uk/profit-purpose-delivering-social-value-through-commercial-activity>



MHCLG – Brexit preparations

Councils should be fully prepared to leave the European Union by the end of October, the Communities and Local Government Secretary announced on 3 August as he ramped up preparations.

Mr Jenrick thanked Councils for all the work they have already done, but said they must step up vital preparations and committed £20 million for Councils across England to prepare for delivering Brexit on 31 October, whatever the circumstances.

He has asked each Council to designate a Brexit lead to work with central government and oversee teams in every community who will work with stakeholders in their area to plan intensively for Brexit.

The new funding comes in recognition of the central role Councils will play to make sure their residents are ready for Brexit, and is expected to support a range of activity including communications, training and the recruitment of staff.

The Secretary of State said:

“From Whitehall to town halls – everyone needs to be ready to fulfil our democratic mandate to leave the European Union by the end of October.

Local government has a vital role in helping to make Brexit a success and it is absolutely right that together we intensify preparations in every community.

And to do this successfully I have asked every council to appoint a Brexit lead to work with government. We’ll be providing £20 million for councils to support the major step up in preparations.

I want all of us – central and local government – to be fully prepared for leaving the EU on 31 October whatever the circumstances. I know that we can achieve this, by continuing to work side by side with renewed national focus and intensity.”



Public Accounts Committee – Local Government Governance and Accountability

The Public Accounts Committee has found that the Government has not done enough to ensure that, at a time when local authority budgets are under extreme pressure, governance systems are improved.

The Ministry of Housing, Communities & Local Government (the Department) is responsible for: ensuring that this framework contains the right checks and balances, and changing the system if necessary. The Secretary of State also has powers to intervene in cases of perceived governance failure. The framework includes: officers with statutory powers and responsibilities; internal checks and balances such as audit committees and internal audit; and external checks and balances such as external audit and sector-led improvement overseen by the Local Government Association. These arrangements represent a significant reduction in the level of central oversight in recent years following the government's decision to abolish the Audit Commission and the Standards Board for England as part of a broader reform of local audit, inspection and reporting.

The Public Accounts Committee report summary notes "Local authorities have a good overall track record with governance arrangements generally robust across the sector, and there is evidence that local authority governance compares favourably to that of the health sector. However, this is not universal and in some authorities governance is under strain, as funding reduces and responsibilities and exposure to commercial pressures change. We are worried to hear about audit committees that do not provide sufficient assurance, ineffective internal audit, weak arrangements for the management of risk in local authorities' commercial investments, and inadequate oversight and scrutiny. This is not acceptable in the more risky, complex and fast-moving environment in which local authorities now operate.

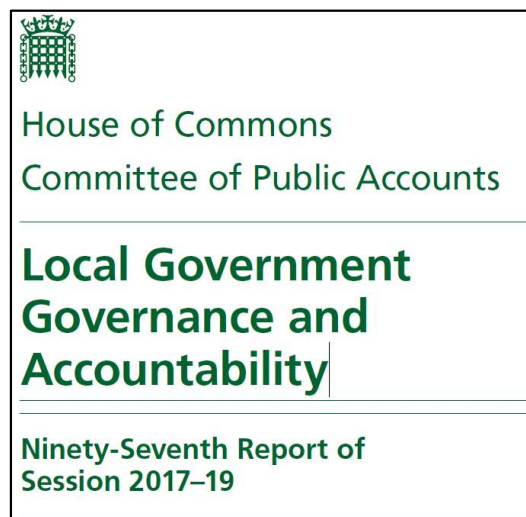
The Department has been reactive and ill-informed in its approach to oversight of the local governance system. However, the Department has now recognised that the network of bodies with responsibility for the local governance framework is fragmented and lacking the leadership needed to drive change. Encouragingly, the Department has now committed to enhancing its oversight role and producing a proactive work programme to deliver this change. We urge the Department to ensure that this activity leads to concrete actions and outcomes on a timely basis. When a local authority fails this has a significant impact on local people and the Department has a responsibility to work with local government to ensure that problems are caught early and that it can pinpoint at-risk councils. Since the abolition of the Audit Commission and other changes culminating in the Local Audit and Accountability Act 2014 there is no central assessment of value for the money, which means the Department's work is fundamental."

The report makes five conclusions, with associated recommendations:

- 1) The Department is not yet providing effective leadership of the local governance system.
- 2) The Department does not know why some local authorities are raising concerns that external audit is not meeting their needs.
- 3) The Department lacks reliable information on key governance risks, or relies on weak sources of information, meaning it has no way of pinpointing the at-risk councils.
- 4) The Department's monitoring is not focused on long-term risks to council finances and therefore to services.
- 5) There is a complete lack of transparency over both the Department's informal interventions in local authorities with financial or governance problems and the results of its formal interventions.

The Government response is available on the website below:

<https://www.parliament.uk/documents/commons-committees/public-accounts/Gov-response-to-Public-Accounts-on-the-93-98-reports.pdf>



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Bath & North East Somerset Council	
MEETING	Corporate Audit Committee
MEETING DATE:	21st November 2019
TITLE:	Treasury Management Performance Report to 30th September 2019
WARD:	All
AN OPEN PUBLIC ITEM	
<p>List of attachments to this report:</p> <p>Appendix 1 – Performance Against Prudential Indicators Appendix 2 – The Council’s Investment Position at 30th September 2019 Appendix 3 – Average monthly rate of return for 1st 6 months of 2019/20 Appendix 4 – The Council’s External Borrowing Position at 30th September 2019 Appendix 5 – Arlingclose’s Economic & Market Review Q2 of 2019/20 Appendix 6 – Interest & Capital Financing Budget Monitoring 2019/20 Appendix 7 – Summary Guide to Credit Ratings</p>	

1 THE ISSUE

- 1.1 In February 2012 the Council adopted the 2011 edition of the CIPFA Treasury Management in the Public Services: Code of Practice, which requires the Council to approve a Treasury Management Strategy before the start of each financial year, review performance during the year, and approve an annual report after the end of each financial year.
- 1.2 This report gives details of performance against the Council’s Treasury Management Strategy and Annual Investment Plan for 2019/20 for the first six months of 2019/20.

2 RECOMMENDATION

The Corporate Audit Committee agrees that;

- 2.1 The Treasury Management Report to 30th September 2019, prepared in accordance with the CIPFA Treasury Code of Practice, is noted.
- 2.2 The Treasury Management Indicators to 30th September 2019 are noted.

3 THE REPORT

Summary

- 3.1 The average rate of investment return for the first six months of 2019/20 is 0.99%, which is 0.37% above the benchmark rate.
- 3.2 The Council's Prudential Indicators for 2019/20 were agreed by Council in February 2019 and performance against the key indicators is shown in **Appendix 1**. All indicators are within target levels.

Summary of Returns

- 3.3 The Council's investment position as at 30th September 2019 is given in **Appendix 2**. The balance of deposits as at 30th September 2019, compared to those as at 30th June 2019, are also set out in the pie charts in this appendix.
- 3.4 Gross interest earned on investments totalled £281k. **Appendix 3** details the investment performance, showing the average rate of interest earned over this period was 0.99%, which was 0.37% above the benchmark rate of average 7 day LIBID +0.05% (0.62%). This excess is mainly due to the £5m investment held in the CCLA Local Authority Property Fund, which is a long term strategic investment earning a higher rate of interest.

Summary of Borrowings

- 3.5 The Council's external borrowing as at 30th September 2019 totalled £234.4 million and is detailed in **Appendix 4**. This includes additional PWLB borrowing of £10 million that was taken out on 4th September 2019 following reductions in PWLB borrowing rates.
- 3.6 The Council's Capital Financing Requirement (CFR) as at 31st March 2019 was £300.7 million. This represents the Council's underlying need to borrow to finance capital expenditure, and demonstrates that the borrowing taken to date relates to funding historical capital spend.
- 3.7 The CFR represents the underlying need to borrow, and the difference between that and the current borrowing of £234.4 million represents re-investment of the internal balances including reserves, reducing the in-year borrowing costs in excess of the potential investment returns.
- 3.8 Following Local Government Reorganisation in 1996, Avon County Council's residual debt is administered by Bristol City Council. All successor Unitary Authorities make an annual contribution to principal and interest repayment, for which there is a provision in the Council's revenue budget. The amount of residual debt outstanding as at 31st March 2019 apportioned to Bath & North East Somerset Council is £11.9m. Since this borrowing is managed by an external body and treated in the Council's Statement of Accounts as a deferred liability, it is not included in the borrowing figures referred to in paragraph 3.5.
- 3.9 The borrowing portfolio as at 30th September 2019 is shown in **Appendix 4**.

Strategic & Tactical Decisions

- 3.10 The Council's 2019/20 savings and income generation proposals included an item for generating additional investment income through taking a longer term investment approach to £10 million of core investment balances. During the quarter, an additional £2 million investment was placed with the CCLA Local Authority's Property Fund as part of this investment approach, bringing the total investments of this type to £5 million. This also provides further diversification of the Council's commercial property investment portfolio, as set out in the approved Treasury Management Strategy for 2019/20.
- 3.11 As shown in the charts at **Appendix 2**, the investment portfolio of £61.2 million as at 30th September 2019 is diversified across Money Market Funds, Local Authorities, the CCLA Property Fund, highly rated UK and Foreign Banks and a UK Building Society. The Council uses AAA rated Money Market funds to maintain very short term liquidity.
- 3.12 The Council does not hold any direct investments with banks in countries within the Eurozone reflecting both on the underlying debt issues in some Eurozone countries and the low levels of interest rates. The Council's investment counterparty list does not currently include any banks from Portugal, Ireland, Greece, Spain and Italy.
- 3.13 The Council's average investment return is currently slightly below the budgeted level of 1.20%, although the impact of this is offset by the Council investment balances being higher than forecast.

Future Strategic & Tactical Issues

- 3.14 Our treasury management advisors economic and market review for the second quarter 2019/20 is included in **Appendix 5**.
- 3.15 The Quarterly National Accounts for Q2 GDP confirmed the UK economy contracted by 0.2% following the 0.5% gain in Q1 which was distorted by stockpiling ahead of Brexit. Only the services sector registered an increase in growth, a very modest 0.1%, with both production and construction falling and the former registering its largest drop since Q4 2012. Business investment fell by 0.4% (revised from -0.5% in the first estimate) as Brexit uncertainties impacted on business planning and decision-making.
- 3.16 The benefits of the Council's current policy of internal borrowing are monitored regularly against the likelihood that long term borrowing rates are forecast to rise in future years. The focus remains on the rate of increase and the medium-term peak.
- 3.17 Any additional borrowing to take place in 2019/20 will therefore be balanced between a need to maintain an appropriate working cash balance and taking advantage of favourable movements in long term borrowing rates.

PWLB Borrowing Rate Increase

- 3.18 On 9th October 2019, the PWLB increased the margin applied to loan rates by 100 basis points (1%) without warning; the new margin above gilts is now 180 basis points for certainty rate loans. This shift in policy was implemented by HM Treasury, who cite a substantial increase in the use of PWLB loans at some

authorities in recent months, as the cost of borrowing has fallen to record lows, and state that HM Treasury is therefore restoring interest rates to levels available in 2018, by increasing the margin that applies to new loans from the PWLB by 100bps (one percentage point) on top of usual lending terms.

- 3.19 In line with the Council's Treasury Management advisor's advice, the Council will continue to consider borrowing rates offered by alternative lenders, including other Local Authorities, alongside PWLB rates in order to minimise, where possible, its costs of borrowing.

Budget Implications

- 3.20 A breakdown of the revenue budget showing interest and capital financing and the forecast year end position based on the period April to September is included in **Appendix 6**. An overall underspend of £2.186m is currently forecast, mainly related to the re-phasing of capital spend and the reduction in PWLB interest rates leading to lower than forecast borrowing costs and minimum revenue provision (MRP) requirement. This is partly offset by lower internal income related to service charges for funding debt costs in relation to the re-phased capital projects.

4 STATUTORY CONSIDERATIONS

- 4.1 This report is for information only.

5 RESOURCE IMPLICATIONS (FINANCE, PROPERTY, PEOPLE)

- 5.1 The financial implications are contained within the body of the report.

6 RISK MANAGEMENT

- 6.1 A risk assessment related to the issue and recommendations has been undertaken, in compliance with the Council's decision making risk management guidance.
- 6.2 The Council's lending & borrowing list is regularly reviewed during the financial year and credit ratings are monitored throughout the year. All lending/borrowing transactions are within approved limits and with approved institutions. Investment and borrowing advice is provided by our Treasury Management consultants, Arlingclose.
- 6.3 The CIPFA Treasury Management in the Public Services: Code of Practice requires the Council nominate a committee to be responsible for ensuring effective scrutiny of the Treasury Management Strategy and policies. The Corporate Audit Committee carries out this scrutiny.
- 6.4 In addition, the Council maintain a risk register for Treasury Management activities, which is regularly reviewed and updated where applicable during the year.

7 CLIMATE CHANGE

7.1 The Council will continue to review its investments to minimise direct investment in fossil fuel related companies.

8 OTHER OPTIONS CONSIDERED

8.1 None

9 CONSULTATION

9.1 Consultation has been carried out with the Cabinet Member for Resources, Section 151 Finance Officer and Monitoring Officer.

9.2 This report was also on the agenda for November Cabinet and November Council.

Contact person	<i>Donna Parham- 01225 477468; Jamie Whittard - 01225 477213</i> Donna_Parham@bathnes.gov.uk ; Jamie_Whittard@bathnes.gov.uk
Background papers	<i>2019/20 Treasury Management & Investment Strategy</i>
Please contact the report author if you need to access this report in an alternative format	

APPENDIX 1

Performance against Treasury Management Indicators agreed in Treasury Management Strategy Statement

1. Authorised limit for external debt

These limits include current commitments and proposals in the budget report for capital expenditure, plus additional headroom over & above the operational limit for unusual cash movements.

	2019/20 Prudential Indicator	Actual as at 30th September 2019
	£'000	£'000
Borrowing	440,000	234,366
Other long term liabilities	2,000	0
Cumulative Total	442,000	234,366

2. Operational limit for external debt

The operational boundary for external debt is based on the same estimates as the authorised limit but without the additional headroom for unusual cash movements.

	2019/20 Prudential Indicator	Actual as at 30th September 2019
	£'000	£'000
Borrowing	409,000	234,366
Other long term liabilities	2,000	0
Cumulative Total	411,000	234,366

3. Upper limit for fixed interest rate exposure

This is the maximum amount of total borrowing which can be at fixed interest rate, less any investments for a period greater than 12 months which has a fixed interest rate.

	2019/20 Prudential Indicator	Actual as at 30th September 2019
	£'000	£'000
Fixed interest rate exposure	409,000	214,366*

* The £20m of LOBO's are quoted as variable rate in this analysis as the Lender has the option to change the rate at 6 monthly intervals (the Council has the option to repay the loan should the Lender exercise this option to increase the rate).

4. Upper limit for variable interest rate exposure

While fixed rate borrowing contributes significantly to reducing uncertainty surrounding interest rate changes, the pursuit of optimum performance levels may justify keeping flexibility through the use of variable interest rates. This is the maximum amount of total borrowing which can be at variable interest rates.

	2019/20 Prudential Indicator	Actual as at 30th September 2019
	£'000	£'000
Variable interest rate exposure	222,000	20,000

5. Upper limit for total principal sums invested for over 364 days

This is the maximum amount of total investments which can be over 364 days. The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments.

	2019/20 Prudential Indicator	Actual as at 30th September 2019
	£'000	£'000
Investments over 364 days	50,000	5,000

6. Maturity Structure of borrowing

This indicator is set to control the Council's exposure to refinancing risk.

	Upper Limit	Lower Limit	Actual as at 30th September 2019
	%	%	%
Under 12 months	50	Nil	12.8*
12 months and within 24 months	75	Nil	0
24 months and within 5 years	75	Nil	0
5 years and within 10 years	100	Nil	4.3
10 years and above	100	Nil	82.9

* The CIPFA Treasury management Code now requires the prudential indicator relating to Maturity of Fixed Rate Borrowing to reference the maturity of LOBO loans to the earliest date on which the lender can require payment, i.e. the next call date (which are at 6 monthly intervals for the £20m of LOBO's). However, the Council would only consider repaying these loans if the Lenders exercised their options to alter the interest rate.

7. Average Credit Rating*

The Council has adopted a voluntary measure of its exposure to credit risk by monitoring the weighted average credit rating of its investment portfolio. A summary guide to credit ratings is set out at **Appendix 7**.

	2019/20 Prudential Indicator	Actual as at 30th September 2019
	Rating	Rating
Minimum Portfolio Average Credit Rating	A-	AA

* The calculation excludes the strategic investment in the CCLA Local Authority's Property Fund which is unrated.

APPENDIX 2

The Council's Investment position at 30th September 2019

The term of investments is as follows:

Term Remaining	Balance at 30 th September 2019
	£'000's
Notice (instant access funds)	26,200
Up to 1 month	10,000
3 month to 6 months	20,000
CCLA Property Fund (Strategic)	5,000
Total	61,200

The investment figure is made up as follows:

	Balance at 30 th September 2019
	£'000's
B&NES Council	58,018
Schools	3,182
Total	61,200

The Council had a total average net positive balance of £56.6m during the period April 2019 to September 2019.

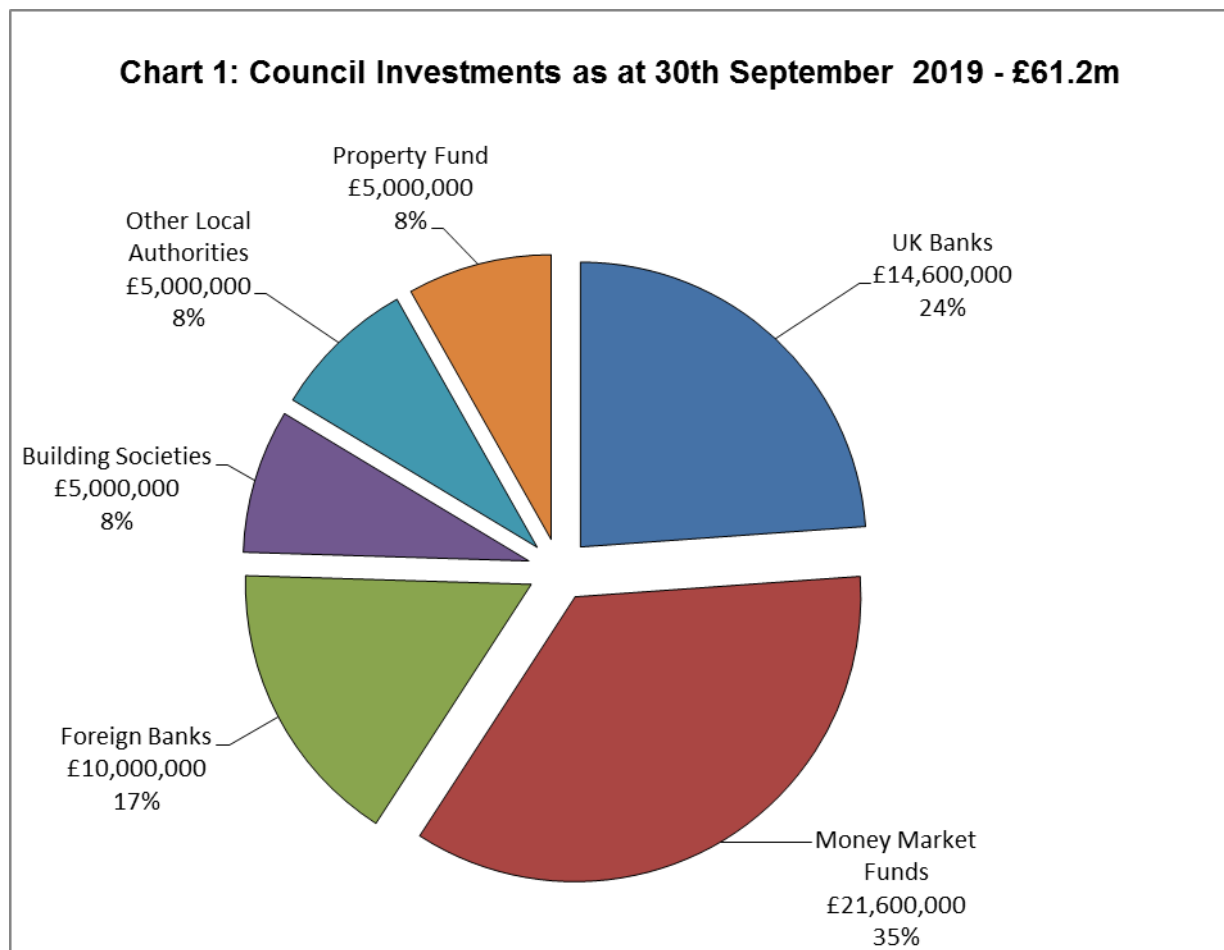


Chart 2: Council Investments as at 30th June 2019 (£48.6m)

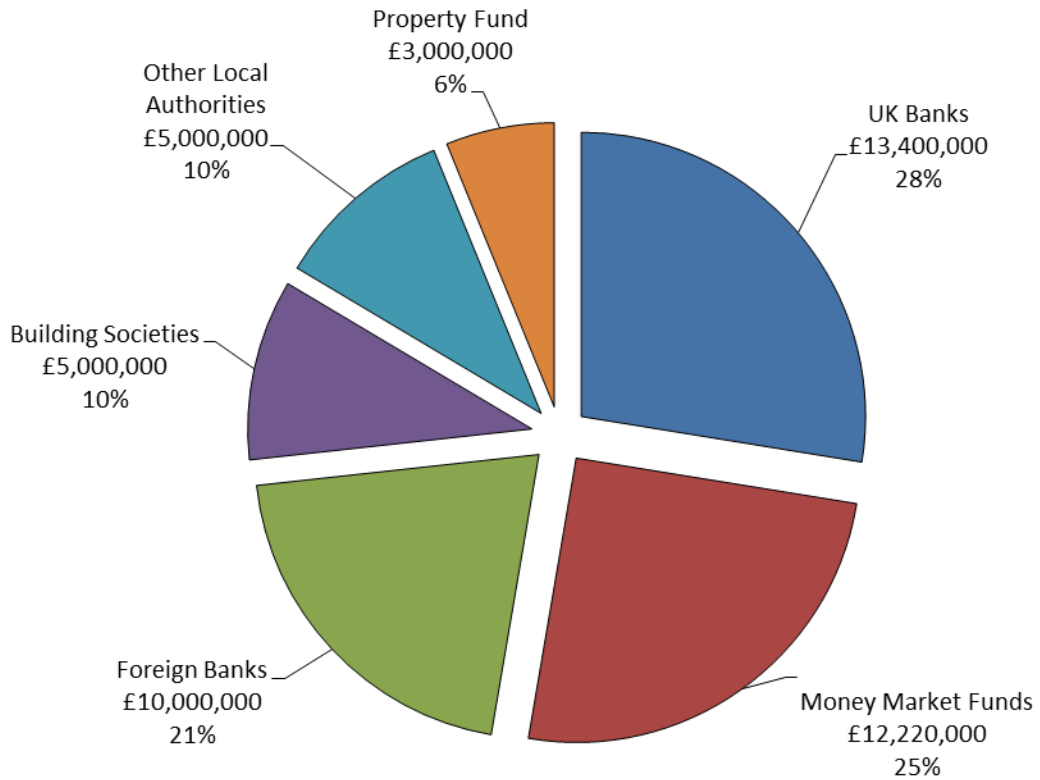


Chart 3: Council Investments Per Lowest Equivalent Long Term Credit Rating as at 30th September 2019 - £61.2m

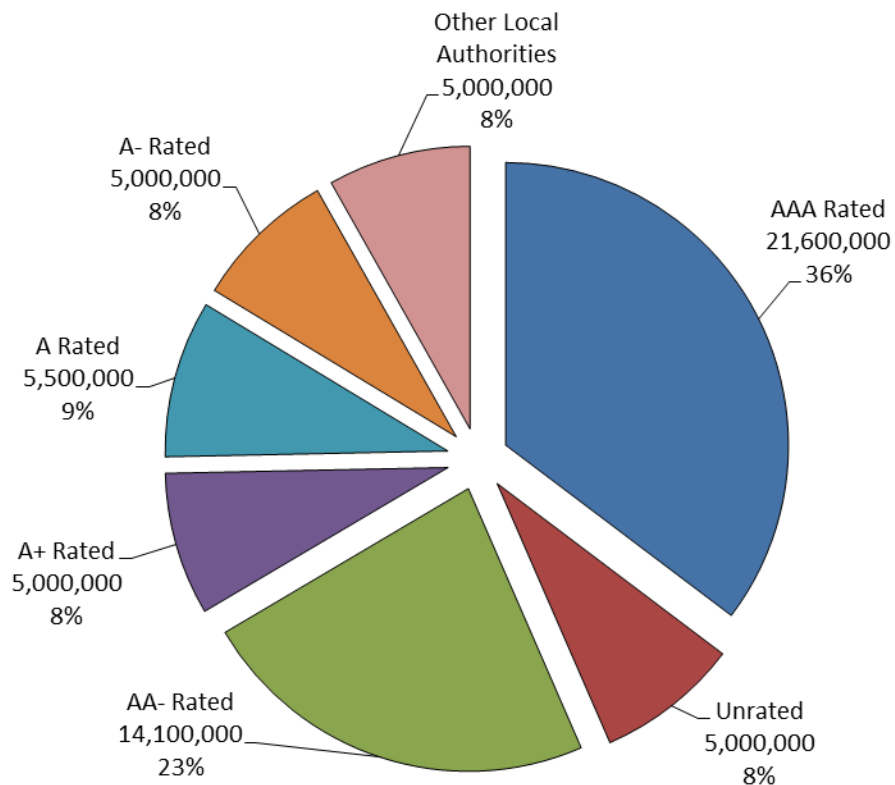
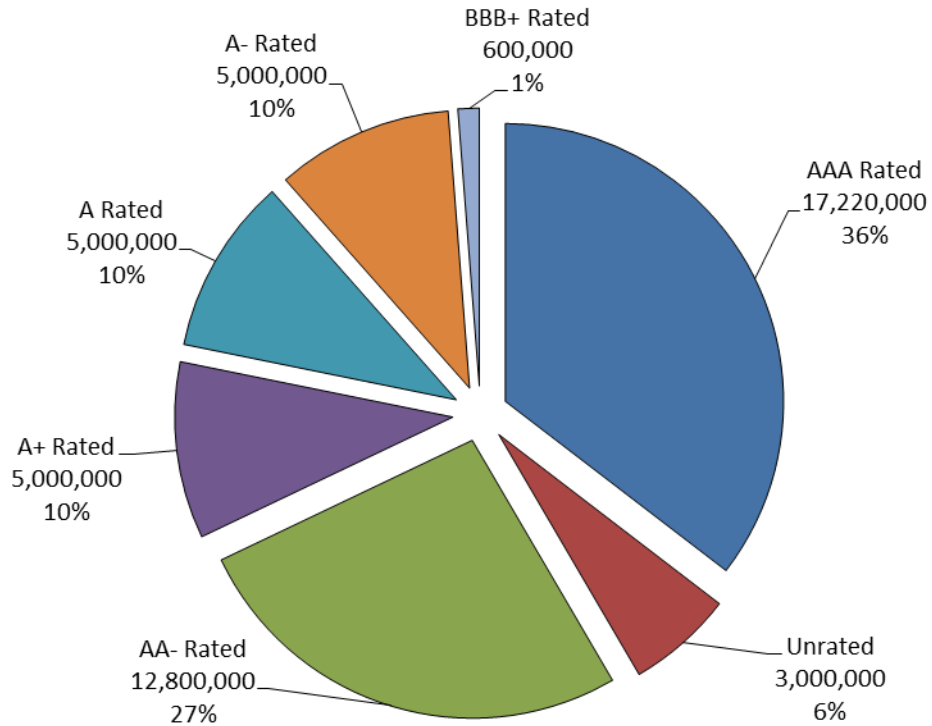


Chart 4: Council Investments Per Lowest Equivalent Long Term Credit Rating as at 30th June 2019 (£48.6m)



APPENDIX 3

Average rate of return on investments for 2019/20

	April %	May %	June %	July %	August %	Sept. %	Average for Period
Average rate of interest earned	0.83%	1.01%	1.02%	0.97%	1.07%	1.04%	0.99%
Benchmark = Average 7 Day LIBID rate +0.05% (source: Arlingclose)	0.62%	0.62%	0.62%	0.61%	0.61%	0.62%	0.62%
Performance against Benchmark %	+0.21%	+0.39%	+0.40%	+0.36%	+0.46%	+0.42%	+0.37%

APPENDIX 4

Council's External Borrowing at 30th September 2019

Amount Outstanding (£)	Start Date	Maturity Date	Interest Rate
------------------------	------------	---------------	---------------

LONG TERM

PWLB	10,000,000	15/10/04	15/10/34	4.75%
PWLB	5,000,000	12/05/10	15/08/35	4.55%
PWLB	5,000,000	12/05/10	15/02/60	4.53%
PWLB	5,000,000	05/08/11	15/02/31	4.86%
PWLB	10,000,000	05/08/11	15/08/29	4.80%
PWLB	15,000,000	05/08/11	15/02/61	4.96%
PWLB	5,300,000	29/01/15	08/04/34	2.62%
PWLB	5,000,000	29/01/15	08/10/64	2.92%
PWLB	18,171,857	20/06/16	20/06/41	2.36%
PWLB	9,123,689	24/02/17	16/02/40	2.28%
PWLB	9,233,416	04/04/17	16/02/43	2.26%
PWLB	7,847,604	08/05/17	15/02/42	2.25%
PWLB	6,860,955	10/08/17	10/04/67	2.64%
PWLB	9,550,430	13/12/17	10/10/42	2.35%
PWLB	9,560,139	06/03/18	10/10/42	2.52%
PWLB	9,704,754	10/09/18	20/07/43	2.42%
PWLB	9,663,545	06/03/18	10/10/47	2.62%
PWLB	9,703,206	06/12/18	20/06/43	2.38%
PWLB	9,900,534	12/12/18	20/06/68	2.59%
PWLB	4,849,066	13/12/18	20/06/43	2.25%
PWLB	19,897,321	11/02/19	20/07/68	2.52%
PWLB	10,000,000	04/09/19	20/07/44	1.40%
KBC Bank N.V*	5,000,000	08/10/04	08/10/54	4.50%
KBC Bank N.V*	5,000,000	08/10/04	08/10/54	4.50%
Eurohypo Bank*	10,000,000	27/04/05	27/04/55	4.50%
Sub Total - Long Term	224,366,515			

SHORT TERM

Gloucestershire C C	5,000,000	25/11/14	25/11/19	2.05%
Gloucestershire C C	5,000,000	19/12/14	19/12/19	2.05%
Sub Total - Short Term	10,000,000			

TOTAL BORROWING	234,366,515
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*All LOBO's (Lender Option / Borrower Option) have reached the end of their fixed interest period and have reverted to the variable rate of 4.50%. The lender has the option to change the interest rate at 6 monthly intervals. Should the lender use the option to change the rate, then at this point the borrower has the option to repay the loan without penalty.

APPENDIX 5

Economic and market review for Jul 2019 to September 2019

Economic background: UK Consumer Price Inflation (CPIH) fell to 1.7% year/year in August 2019 from 2.0% in July, weaker than the consensus forecast of 1.9% and below the Bank of England's target. The most recent labour market data for the three months to July 2019 showed the unemployment rate edged back down to 3.8% while the employment rate remained at 76.1%, the joint highest since records began in 1971. Nominal annual wage growth measured by the 3-month average excluding bonuses was 3.8% and 4.0% including bonuses. Adjusting for inflation, real wages were up 1.9% excluding bonuses and 2.1% including.

The Quarterly National Accounts for Q2 GDP confirmed the UK economy contracted by 0.2% following the 0.5% gain in Q1 which was distorted by stockpiling ahead of Brexit. Only the services sector registered an increase in growth, a very modest 0.1%, with both production and construction falling and the former registering its largest drop since Q4 2012. Business investment fell by 0.4% (revised from -0.5% in the first estimate) as Brexit uncertainties impacted on business planning and decision-making.

Politics, both home and abroad, continued to be a big driver of financial markets over the last quarter. Boris Johnson won the Conservative Party leadership contest and has committed to leaving the EU on 31st October regardless of whether a deal is reached with the EU. Mr Johnson prorogued Parliament which led some MPs to put forward a bill requiring him to seek a Brexit extension if no deal is in place by 19th October. The move was successful and, having been approved by the House of Lords, was passed into law. The Supreme Court subsequently ruled Mr Johnson's suspension of Parliament unlawful.

Tensions continued between the US and China with no trade agreement in sight and both countries imposing further tariffs on each other's goods. The US Federal Reserve cut its target Federal Funds rates by 0.25% in September to a range of 1.75% - 2%, a pre-emptive move to maintain economic growth amid escalating concerns over the trade war and a weaker economic environment leading to more pronounced global slowdown. The euro area Purchasing Manager Indices (PMIs) pointed to a deepening slowdown in the Eurozone. These elevated concerns have caused key government yield curves to invert, something seen by many commentators as a predictor of a global recession. Market expectations are for further interest rate cuts from the Fed and in September the European Central Bank reduced its deposit rate to -0.5% and announced the recommencement of quantitative easing from 1st November.

The Bank of England maintained Bank Rate at 0.75% and in its August Inflation Report noted the deterioration in global activity and sentiment and confirmed that monetary policy decisions related to Brexit could be in either direction depending on whether or not a deal is ultimately reached by 31st October.

Financial markets: After rallying early in 2019, financial markets have been adopting a more risk-off approach in the following period as equities saw greater volatility and bonds rallied (prices up, yields down) in a flight to quality and anticipation of more monetary stimulus from central banks. The Dow Jones, FTSE 100 and FTSE 250 are broadly back at the same levels seen in March/April.

Gilt yields remained volatile over the period on the back of ongoing economic and political uncertainty. From a yield of 0.63% at the end of June, the 5-year benchmark gilt yield fell

to 0.32% by the end of September. There were falls in the 10-year and 20-year gilts over the same period, with the former dropping from 0.83% to 0.55% and the latter falling from 1.35% to 0.88%. 1-month, 3-month and 12-month LIBID (London Interbank Bid) rates averaged 0.65%, 0.75% and 1.00% respectively over the period.

Recent activity in the bond markets and PWLB interest rates highlight that weaker economic growth remains a global risk. The US yield curve remains inverted with 10-year Treasury yields lower than US 3-month bills. History has shown that a recession hasn't been far behind a yield curve inversion. Following the sale of 10-year Bunds at -0.24% in June, yields on German government securities continue to remain negative in the secondary market with 2 and 5-year securities currently both trading around -0.77%.

Credit background: Credit Default Swap (CDS) spreads rose and then fell again during the quarter, continuing to remain low in historical terms. After rising to almost 120bps in May, the spread on non-ringfenced bank NatWest Markets plc fell back to around 80bps by the end of September, while for the ringfenced entity, National Westminster Bank plc, the spread remained around 40bps. The other main UK banks, as yet not separated into ringfenced and non-ringfenced from a CDS perspective, traded between 34 and 76bps at the end of the period.

There were minimal credit rating changes during the period. Moody's upgraded The Co-operative Bank's long-term rating to B3 and Fitch upgraded Clydesdale Bank and Virgin Money to A-.

APPENDIX 6

Interest & Capital Financing Costs – Budget Monitoring 2019/20

April 2019 to March 2020	YEAR END POSITION			ADV/FAV
	Budgeted Spend or (Income) £'000	Forecast Spend or (Income) £'000	Forecast over or (under) spend £'000	
Interest & Capital Financing				
- Debt Costs	9,106	7,915	(1,191)	FAV
- Internal Repayment of Loan Charges	(11,271)	(9,992)	1,279	ADV
- Ex Avon Debt Costs	1,100	1,100	0	
- Minimum Revenue Provision (MRP)	8,403	6,145	(2,258)	FAV
- Interest on Balances	(620)	(636)	(16)	FAV
Total	6,718	4,532	(2,186)	FAV

APPENDIX 7

Summary Guide to Credit Ratings

Rating	Details
AAA	Highest credit quality – lowest expectation of default, which is unlikely to be adversely affected by foreseeable events.
AA	Very high credit quality - expectation of very low default risk, which is not likely to be significantly vulnerable to foreseeable events.
A	High credit quality - expectations of low default risk which may be more vulnerable to adverse business or economic conditions than is the case for higher ratings.
BBB	Good credit quality - expectations of default risk are currently low but adverse business or economic conditions are more likely to impair this capacity.
BB	Speculative - indicates an elevated vulnerability to default risk, particularly in the event of adverse changes in business or economic conditions over time.
B	Highly speculative - indicates that material default risk is present, but a limited margin of safety remains. Capacity for continued payment is vulnerable to deterioration in the business and economic environment.
CCC	Substantial credit risk - default is a real possibility.
CC	Very high levels of credit risk - default of some kind appears probable.
C	Exceptionally high levels of credit risk - default is imminent or inevitable.
RD	Restricted default - indicates an issuer that has experienced payment default on a bond, loan or other material financial obligation but which has not entered into bankruptcy filings, administration, receivership, liquidation or other formal winding-up procedure, and which has not otherwise ceased operating.
D	Default - indicates an issuer that has entered into bankruptcy filings, administration, receivership, liquidation or other formal winding-up procedure, or which has otherwise ceased business.

Bath & North East Somerset Council		
MEETING:	Corporate Audit Committee	
MEETING DATE:	21st November 2019	AGENDA ITEM NUMBER
TITLE:	Internal Audit Annual Plan – Six Month Performance Update	
WARD:	ALL	
AN OPEN PUBLIC ITEM		
List of attachments to this report:		
Appendix 1- Audit Reviews Position Statement (as at 30th September 2019)		

1 THE ISSUE

1.1 The Annual Internal Audit Plan for 2019/20 was presented to the Corporate Audit Committee on the 30th July 2019. This report has been compiled to provide an update to the Committee on progress against the Plan and the results of Internal Audit work completed.

2 RECOMMENDATION

2.1 The Corporate Audit Committee is asked to note progress made against the Internal Audit Plan for 2019/20.

3 FINANCIAL IMPLICATIONS

3.1 There are no direct financial implications relevant to this report.

4 THE REPORT

4.1 The chart overleaf shows that as at halfway through the year:

- Delivery of the plan in terms of 'Audit Plan Completed' is below target;
- Of the five audits at 'Final' Report stage, one audit exceeded the number of audit days allocated;
- Customers continue to rate the service provided as either 'good' or 'excellent';
- For the five audits 'followed-up', management have implemented less than half of the High Risk Weakness Recommendations by the time scale agreed;
- Two out of the five audits finalised in the period were reports which provided an assurance rating for inclusion in the chart. One was excellent (Early Years) and one was 'Weak' (Parks Traded Services). The three other reports were Briefing Reports which do not provide a control environment assurance rating;
- Unplanned work took 35.2 days.

PERFORMANCE DASHBOARD - INTERNAL AUDIT

Client - Bath & North East Somerset

Period - April 2019 - September 2019

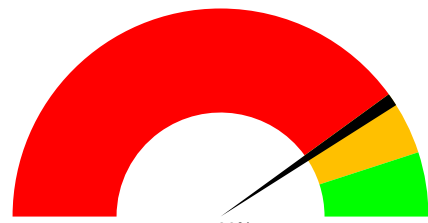
1. AUDIT PLAN COMPLETED



31%

Green Target = >80% of annual plan
Amber Target = >90% of annual plan

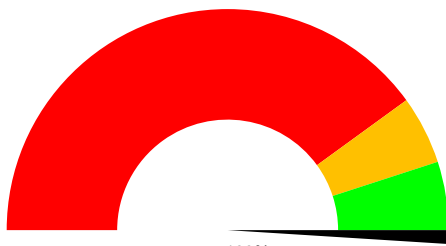
2. AUDITS COMPLETED IN PLANNED TIME



80%

Green Target = >90%
Amber Target = >80%

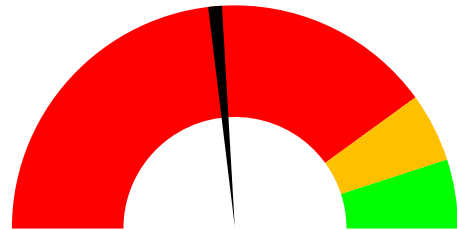
3. CUSTOMER SATISFACTION



100%

Green Target = >90%
Amber Target = >80%

4. IMPLEMENTATION OF RECOMMENDATIONS

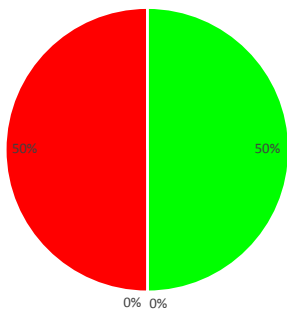


46%

Green Target = >90%
Amber Target = >80%

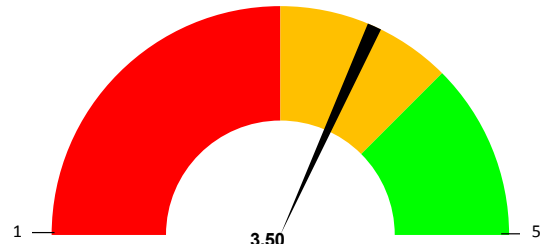
5. AUDIT OPINION - ASSURANCE LEVEL PROVIDED

Current Position



- Excellent
- Good
- Satisfactory
- Weak
- Poor

Current Average Assurance Level



3.50

Previous Years Average Assurance

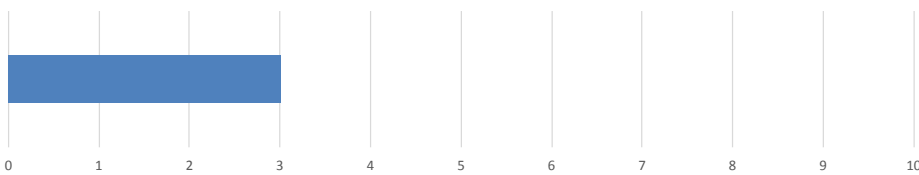
2018/19	3.73
2016/17	3.88

6. WHISTLEBLOWING CASES IN CURRENT FINANCIAL YEAR



Number of New Cases

7. INVESTIGATIONS - CASES UNDER INVESTIGATION DURING REPORTING PERIOD



Equating to
26.2
Audit Days
2018/19

8. NEW UNPLANNED WORK



Equating to
9.0
Audit Days
2018/19

4.2 COMPLETION OF THE INTERNAL AUDIT PLAN

4.2.1 The performance dashboard shows that at the half-way point of the year, 31% of the plan is substantially completed. This includes work that is either finalised, at reporting stage, or at the end of fieldwork (see Appendix 1). Five audits had been completed ('Draft' or 'Final' report issued), and another six were 'in progress'.

4.2.2 Reasons for completing less of the plan than expected at the financial year half way point are:

2018/19 Work Carried Forward. Work on 6 audit reviews had to be completed in 2019/20 financial year.

Level of Unplanned Work. The Performance Dashboard records that a total of 35.2 days has been used on 'Unplanned Work / Investigations'. Audit West have been involved in three investigations in the first six months of the year (see 4.6 below).

Staffing. A restructure of the service took place earlier in the year leading to a number of staff leaving the wider team. Following a number of recruitment campaigns we have now been successful in recruiting high quality replacements and the wider service will be fully staffed by January 2020.

Seasonal use of annual leave. Staff tend to take a larger proportion of their annual leave entitlement during the summer months.

4.2.3 In consultation with the Council's S151 Officer and Directors it has been agreed to place two audits recorded in the 2019/20 Plan 'on hold' – Visit Bath (Payroll) and Companies Governance. Internal audit work related to Visit Bath will be discussed with the Director of Economy and Growth. This is linked to the governance processes still being developed for Council companies.

4.2.4 To help manage the shortfall in available audit days caused by the staff vacancy we are continuing to work with our strategic partner - Devon Audit Partnership. They will be delivering a total of four audit reviews before the end of the year.

4.3 AUDIT REVIEWS COMPLETED IN ASSIGNED DAYS

4.3.1 The percentage of audits (included in 2019/20 Plan) completed within the initial allocated days is recorded at 80%. As stated earlier in this report this is based on the five 'finalised' audits. The single audit that exceeded time initially allocated was linked to one of the investigations carried out during the year and Audit Management agreed to more resources being allocated to the scheduled audit.

4.4 CUSTOMER SERVICE

4.4.1 The relevance / importance of the 'Customer Service' performance measure, (based on completion of Audit Quality Questionnaires), has been subject of discussion at previous Committee meetings. It is important that Committee Members are aware that Audit Management doesn't just rely on the completion of

questionnaires to monitor 'client satisfaction', we continually monitor client feedback to ensure the quality of the internal audit service is maintained. Feedback remains very positive. Examples of some of the comments received include:

"Process was completely unobtrusive taking up very little of the teams time."

"We are fortunate in having no actions. Previous reports have been really helpful in getting us to this position."

"Fully involved"

4.5 IMPLEMENTATION & FOLLOW UP OF RECOMMENDATIONS

4.5.1 The dashboard records implemented critical/high risk rated recommendations at the time the audit was 'Followed-Up' at 46%. The 5 audits 'Followed-Up' during the first half of the financial year recorded 13 high risk rated weaknesses / recommendations. Of the 13, 7 recommendations had not been implemented within the agreed timescale and this matter was therefore reported to the responsible Group Manager and Director to ensure agreed actions were monitored and implemented. Internal Audit were satisfied that work was either on-going to implement recommended actions or the agreed actions had to be put on hold and / or potentially amended based on organisational / system changes which happened after the internal audit review.

4.6 INVESTIGATIONS/ WHISTLEBLOWING

4.6.1 As stated in 4.2.2, during the first half of 2019/20 the service has been involved in three investigations. Two of these resulted from internal whistleblowing action.

4.6.2 One of these investigations has been completed. Internal Audit liaised with the Council's Monitoring Officer during this work and it was concluded that the individual under investigation had declared a pecuniary interest as required, and a situation had not occurred whereby a personal interest (bias) would have been disclosable. Therefore, further action was not necessary

4.6.3 The other two investigations are on-going. As part of the Fraud Update paper being presented to this Committee meeting, Members will receive a verbal update by the Head of Audit & Assurance in relation to one of these investigations. This will provide Members with an understanding of the work carried out by the Internal Audit Team.

4.7 ASSURANCE LEVEL PROVIDED

4.7.1 It has been agreed that any audits recording a 'Poor' or 'Weak' Assurance Level will be reported to the Committee. The single audit recording a 'weak' assurance rating was Parks – Traded Services. This audit involved a high level review of concessions granted by the Parks Service and a detailed review of the income generating activity at Parade Gardens.

4.7.2 The control environment related to parks concessions and plant sales were considered 'satisfactory', however, it was the auditor's opinion that the overall assurance rating was 'weak' based on the findings related to the operation of the kiosk (collecting income from visitors to the park) and the On-Parade Café.

4.7.3 Service management have responded very positively to the actions recommended by Internal Audit and it has been agreed that all 10 recommendations (5 High Risk) will be implemented by February 2020 when the operations commence trading in 2020.

5 RISK MANAGEMENT

5.1 A risk assessment related to the issue and recommendations has been undertaken, in compliance with the Council's decision making risk management guidance.

6 EQUALITIES

6.1 A proportionate equalities impact assessment has been carried out in relation to this report. There are no significant issues to report to the Committee.

7 CONSULTATION

7.1 The report was distributed to the S151 Officer for Consultation.

Contact person	<i>Andy Cox (01225 477316) Jeff Wring (01225 477323)</i>
Background papers	<i>Report to Corporate Audit Committee – 30th July 2019 – Internal Audit Plan - 2019/20</i>
Please contact the report author if you need to access this report in an alternative format	

Ref	Topic	Status	Assurance Level	Recommendations	
				Made	Agreed
19-001B	Avon Pension Fund - Scheme of Delegations	Scheduled Quarter 3	N/A	N/A	N/A
19-002B	Avon Pension Fund- COP14	Scheduled Quarter 4	N/A	N/A	N/A
19-003B	Visit Bath - Payroll	Not yet started	N/A	N/A	N/A
19-004B	Community Care - Data Management	In Progress	N/A	N/A	N/A
19-005B	Financial Ledger - Key Systems Interface	In Progress	N/A	N/A	N/A
19-006B	Property Disposals	Final - Briefing	N/A	N/A	N/A
19-007B	IT - User & Access Management	In Progress	N/A	N/A	N/A
19-008B	Companies Governance	Not yet started	N/A	N/A	N/A
19-009B	Mental Health - Section 117 Funding (CCG)	Final - Briefing	N/A	3	Awaited
19-010B	Virgin Care Community Care Contract	Scheduled Quarter 4	N/A	N/A	N/A
19-011B	Car Parking Income	In Progress	N/A	N/A	N/A
19-012B	Avon Pension Fund - Brunel Governance - Investments	In Progress	N/A	N/A	N/A
19-013B	Community Infrastructure Levy - Allocation, Recording and Reporting	In Progress	N/A	N/A	N/A
19-014B	Acquisitions - Achieving Corporate Objectives	Scheduled Quarter 4	N/A	N/A	N/A
19-015B	Care Assessments	Scheduled Quarter 4	N/A	N/A	N/A
19-016B	Governance - Single Panel	In Progress	N/A	N/A	N/A
19-017B	Street Lighting Procurement	Scheduled Quarter 4	N/A	N/A	N/A
19-018B	Car Parking Income - Permits	Scheduled Quarter 3	N/A	N/A	N/A
19-019B	Council Recharges to CCG	In Progress	N/A	N/A	N/A
19-020B	Passenger Transport	Scheduled Quarter 3	N/A	N/A	N/A
19-021B	IT Provision - Cloud & Hosted System Security	Scheduled Quarter 4	N/A	N/A	N/A
19-022B	Special Ed Needs - High Needs Top Ups	Final - Briefing	N/A	N/A	N/A
19-023B	Threat Management (Cyber Security) Network Security - Firewalls	Scheduled Quarter 3	N/A	N/A	N/A
19-024B	Sundry Debtor & Debt Recovery	Scheduled Quarter 4	N/A	N/A	N/A
19-025B	Data Back Up & Recovery	Scheduled Quarter 4	N/A	N/A	N/A
19-026B	Parks - Traded Services	Final	2	10	10
19-027B	Threat Management (Cyber Security) Malware Prevention	Scheduled Quarter 4	N/A	N/A	N/A
19-028B	Early Years Grants	Final	5	0	0
19-029B	Safer Recruitment	Draft	2	6	Awaiting
19-030B	Music Traded Service	Scheduled Quarter 3	N/A	N/A	N/A
19-031B	Licensing Income	Scheduled Quarter 4	N/A	N/A	N/A
19-032B	Incident Management	Scheduled Quarter 3	N/A	N/A	N/A
19-033B	Property - Corporate Planned Maintenance Budget	Scheduled Quarter 4	N/A	N/A	N/A
19-034B	Payments – Data Analytics	Scheduled Quarter 4	N/A	N/A	N/A
19-035B	CCTV - Business Operation	Scheduled Quarter 3	N/A	N/A	N/A
19-036B	Avon Pension Fund - iConnect	Scheduled Quarter 3	N/A	N/A	N/A

Bath & North East Somerset Council		
MEETING:	Corporate Audit Committee	
MEETING DATE:	21 st November 2019	AGENDA ITEM NUMBER
TITLE:	Audit & Assurance - Anti- Fraud & Corruption - Strategy & Policies Consultation & Fraud Update	
WARD:	ALL	
AN OPEN PUBLIC ITEM		
List of attachments to this report:		
Appendix 1 Draft Anti-Fraud & Corruption Strategy 2019		
Appendix 2 Draft Whistle Blowing Policy 2019		
Appendix 3 Draft Anti-Money Laundering Policy & Guidance 2019		
Appendix 4 Draft Anti-Bribery & Corruption Policy 2019		

1 THE ISSUE

- 1.1 This is periodic update report to the Committee on the Council's position in relation to Fraud & Corruption. This includes a refresh of key policy and strategy documents and the revised versions are being presented to the Committee for consultation purposes. This report also provides the Committee with an update on the National Fraud Initiative (NFI) and information related to investigations carried out by the Internal Audit function.

2 RECOMMENDATION

- 2.1 The Corporate Audit Committee is asked to:
- a) Review and comment on the updated Anti-Fraud & Corruption Strategy (Appendix 1)
 - b) Review and comment on the updated Whistle Blowing Policy (Appendix 2)
 - c) Review and comment on the updated Anti-Money Laundering Policy & Guidance (Appendix3)
 - d) Review and Comment on the updated Anti-Bribery & Corruption Policy (Appendix 4)
 - e) Note work carried out by the Internal Audit Team related to Anti-Fraud & Corruption

3 FINANCIAL IMPLICATIONS

- 3.1 There are no direct financial implications relevant to this report.

4 THE REPORT

Strategy & Policies

- 4.1 The latest edition of the annual CIPFA Tracker Report 2018 was published in December 2018 and detailed the main themes for national fraud indicators within Local Government. This can be accessed via the CIPFA website - (<https://www.cipfa.org/services/counter-fraud-centre/fraud-and-corruption-tracker>). The Tracker Report is supported by the National Crime Agency (NCA), the National Audit Office (NAO) and the Local Government Association (LGA). The annual financial loss to fraud in the UK is estimated at £200 Billion with £7.8 Billion (19%) linked to public sector fraud.
- 4.2 Known fraud risk areas in Local Authorities include:
- Council Tax Single Person Discount Fraud
 - Disabled Parking Concessions (Blue Badge)
 - Business Rates
 - Procurement Fraud
- 4.3 Information regarding known and emerging fraud risks are obtained from a number of organisations and professional bodies. One of these is the National Anti-Fraud Network (NAFN). It is the largest shared service in the country managed by, and for the benefit of its members, and is hosted by Tameside MBC. Its members including B&NES Council share information and NAFN disseminate this to Councils and relevant teams in Councils.
- 4.4 With the increased reliance on IT, exposure to fraud has changed and its necessary to regularly assess risks and the framework of internal controls. It is important for Councils to be aware of the rapidly changing environment of fraud and corruption.
- 4.5 The Chartered Institute of Public Finance & Accountancy (CIPFA) Counter Fraud Centre has produced a Local Government Counter Fraud and Corruption Strategy. This strategy promotes three key themes 'Acknowledge, Prevent and Pursue'. We have adopted these themes in this Council's Anti-Fraud & Corruption Strategy.
- 4.6 The Council's Anti-Fraud & Corruption Strategy is the "umbrella strategy" to bring together all the fraud related policies. The Strategy document and policies have been reviewed during this financial year with the objective of ensuring that the Council is proactive in preventing and detecting fraudulent activities and corrupt practices and take the necessary action to punish those involved and recover losses.
- 4.7 The format of the strategy has been redefined from previous versions to improve its visual appearance, making it easier to read and understand.
- 4.8 The Strategy includes an Action Plan linked to the CIPFA principles- 3 key themes headed Strategic Objectives 2019-20. It will be for the Corporate Audit Committee to monitor implementation of the recorded activities.
- 4.9 Policies linked to the Strategy have been reviewed and the 3 policy documents have been amended as recorded below:
- Whistle Blowing Policy 2019 – updated contact details; Prescribed Persons updates (linked to the Public Interest Disclose Order) i.e. those organisations and

individuals a worker may approach outside of their workplace to report wrongdoing; revised reporting form linked to online reporting through the Council's website.

- b) Anti-Money Laundering Policy & Guidance 2019 –updated contact details; updated legislation to include amendments under the Money Laundering Regulations 2017 which recommended that councils maintain internal procedures to prevent the use of services for money laundering and adopting a risk-based approach, particularly in the conduct of due diligence.
- c) Anti-Bribery & Corruption Policy 2019 – Changes limited to amending contact details.

Anti-Fraud & Corruption and the Internal Audit Function

4.10 The risk of fraud and misappropriation is considered during all internal audit planning activity. Firstly, whilst compiling the Annual Audit Plan, i.e. the audit reviews planned to be carried out during the financial year; and, secondly whilst planning the objectives and focus of each audit to be carried out, i.e. the individual audit work programme.

4.11 During Internal Audit Investigations the themes of prevent and pursue as recorded in the Anti-Fraud & Corruption Strategy are the focus of the work of the auditor. The key objectives are to:

- a) Identify the breakdown in controls and correct this to avoid further losses.
- b) Collect evidence to be able to pursue responsible individuals, i.e. through criminal prosecution or a disciplinary route.

4.12 The Internal Audit Function also carry out other anti-fraud activity such as co-ordinating the National Fraud Initiative (NFI) on behalf of the Council's S151 Officer.

4.13 The NFI is a Cabinet Office initiative matching data from a large number of public and private sector organisations. These organisations provide data from their systems as prescribed by the Cabinet Office. The data is then processed and data matching reports are made available to each participating organisation to review. It is for each organisation to make the necessary enquiries and any identified fraud is recorded within the NFI system to enable the effectiveness of the initiative to be monitored. The current initiative (2018/19) is on-going. For Local Authorities such as B&NES Council example data sets for matching purposes are: council tax single person discount, housing benefit, adult social care personal budgeting and disabled parking (blue badges).

4.14 For the 2018/19 initiative the main data sets were extracted during October and November 2018 and then made available to the Cabinet Office representatives for the data to be matched. Data matching involves comparing sets of data electronically against other records held either by the council itself or another body. The data is personal information, for example, date of birth, full name, address, telephone number(s) and national insurance number. The output of the data matching, i.e. each report, is then assigned a rating (High, Medium, Low) based on the quality of the data matched and the likelihood of the report highlighting fraudulent activity. For example, high risk reports would be those where there is a high level of confidence that the data is matched. A low risk match could be where the individual records have matched a similar date of birth.

- 4.15 In total, 7,151 matches between datasets were included in reports received by the Council. Through the secure network, matches have been allocated to named officers in the council for review. For example, personal budgets matches have been allocated to the Care Finance Team for review. The priority is to examine those matches assigned as High Risk. Sample testing (e.g. 10% of matches) will be carried out initially and then the testing sample will be increased if the matches are substantiated as valid matches worthy of further investigations.
- 4.16 By utilising this initiative, it increases the likelihood of fraud and error being detected. It provides the Council with access to data held by other bodies which is of great value in the fight against fraud. As a result of the 2018/19 initiative we can state that at the time of writing this report, Council Tax related investigations has identified potential recoveries of £89,477.66.
- 4.17 Other areas where the initiative has been of value is in Blue Badge Fraud investigation. The NFI has used a mortality screening data set, provided by the Department of Works & Pensions and the General Register Office. The data is high quality and allows the Council to detect if Disabled Parking badges are still being used following the death of the Blue Badge holder. The data matching recorded 219 badges still in circulation after the date of death. It is interesting to note that for the purpose of estimating the cost of fraud, the NFI assume a loss of parking income of £575 for each badge that remains in issue. The estimated cost would seem high but it does provide a basis for estimating the cost of fraud.

Investigations – Financial Irregularity

- 4.18 It is a requirement of the Council's Financial Regulations that Internal Audit are informed of any financial irregularity identified. As stated in 4.11, it is the responsibility of internal audit to investigate any matter reported to ensure system weaknesses are identified and corrected and action is taken against individuals involved.
- 4.19 An example of an investigation carried out during the current financial year will be verbally presented at the meeting. The background to the losses incurred and action taken resulting from the Internal Audit investigation will be presented at the Committee meeting.

5 RISK MANAGEMENT

- 5.1 As the Council continues to seek efficiencies and cost savings to manage services against funding available it is essential that the Council maintains a strong defence against fraud and irregularity. Waste and losses through fraud and other illegal activity results in less resources being available to deliver key services to residents and visitors.

6 EQUALITIES

- 6.1 Embedded within the audit process is consideration of compliant with statutory guidance and regulations which includes those relating to equality and diversity.

7 CONSULTATION

7.1 The report was distributed to the S151 Officer for Consultation.

Contact person	<i>Andy Cox (01225 477316) Jeff Wring (01225 477323)</i>
Please contact the report author if you need to access this report in an alternative format	

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Anti-Fraud and Corruption Strategy 2019

Anti-Fraud and Corruption Strategy

1. Introduction and Context

What is Fraud?

“Fraud is a form of dishonesty, involving false representation, failing to disclose information or it’s abuse of position, undertaken in order to gain or cause loss to another” and “Theft is dishonestly appropriating property belonging to another with the intention of permanently depriving the other of it ¹”.

For the purpose of this strategy, fraud may be defined as the use of deception with the intention of:

- Corruption- gaining an advantage, financial or otherwise, personally and for family or friends; or abuse of position – abusing the council’s resources for personal gain
- Theft – removal or misuse of funds, assets or cash causing a financial loss to the Council or,
- False accounting - dishonestly destroying, defacing, concealing or falsifying any account, record or document required for any accounting purpose, with a view to personal gain or gain for another.

We have a duty to protect the public purse and the council’s assets, and the aim of the Strategy is to maintain and improve prevention, detection, awareness and response to fraud and corruption. To build on the organisational culture in the fight against fraud and corruption by raising the awareness and encourage staff to raise any issue or suspicion of malpractice at the earliest stage.

Fraud and Corruption amounts to unnecessary cost which the council would prefer to avoid. Finding fraud and corruption early will allow the council to deal with the issue in an efficient and robust way.

Bath and North East Somerset Council is determined to pursue a strategy of bringing to account those involved in fraud and corruption through its robust HR Policies, i.e. it applies a Zero tolerance approach in relation to Fraud and Corruption.

In certain types of investigation, the Council may (where necessary) apply for authorisation to complete covert surveillance under the Regulatory Investigations Powers Act. For internal fraud, disciplinary action will be taken. In addition to this, where appropriate, the case may be referred to the Police for criminal investigation and sanction.

It will take all appropriate action to prevent fraud and corruption and respond (**pursue**) when cases of attempted or committed fraud are identified. The Council will always seek to reduce any such risk of fraud.

The Council controls millions of pounds of assets and therefore employees, Members and Council partners need to be vigilant to the risk of fraud and corruption in everyday business.

¹ Fraud Act 2006 (<http://www.legislation.gov.uk/ukpga/2006/35/contents>)

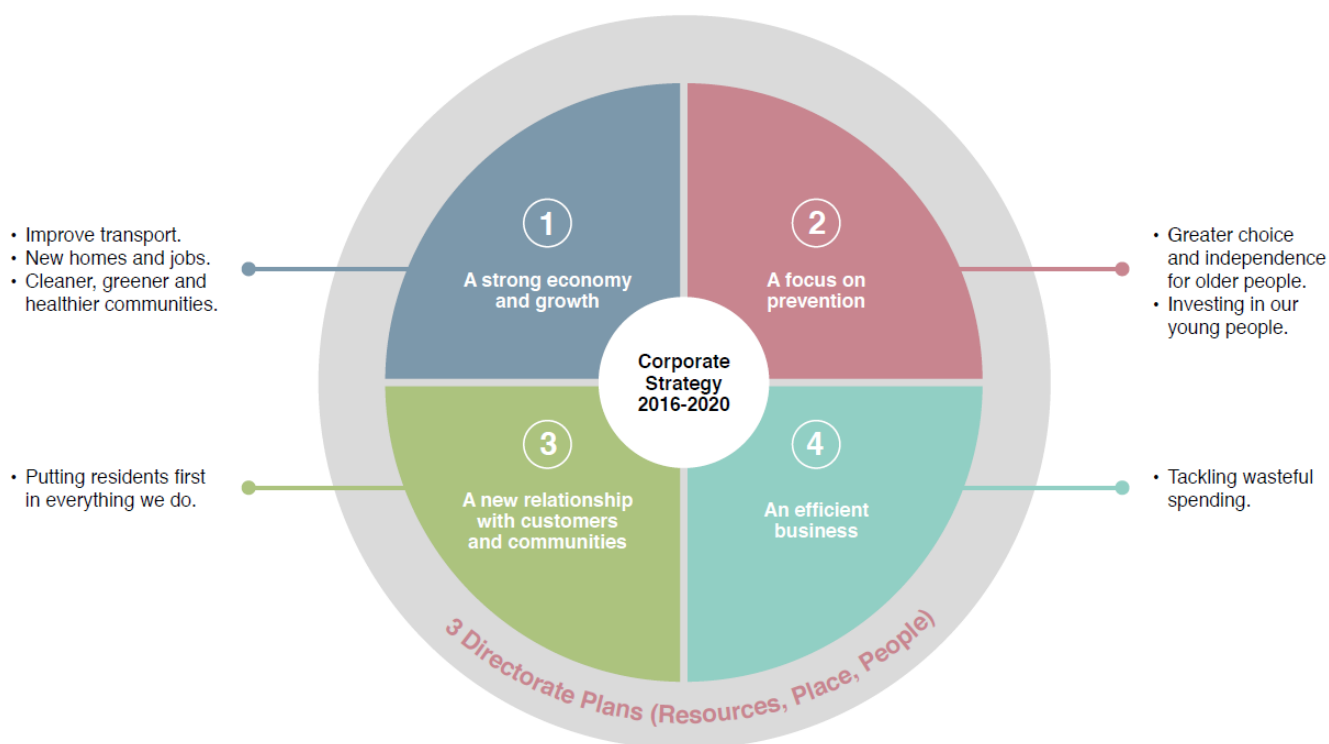
The services provided by a Unitary Council are varied and of significant financial value and volume and therefore the risk is high. The main conditions that are commonly found when fraud occurs are:-

- Incentive / pressure
- Opportunity
- Attitude / rationalism

Fraud costs the UK economy around £200 billion a year. It dwarfs previous estimates produced by the UK Government which put the figure at around £50 billion in 2013. Fraud in the public sector is around £40.4 billion and in local government £7.8 billion is lost to fraud and corruption².

Within the Council's Corporate Strategy, priorities include tackling wasteful spending. For example, the national increase in procurement fraud requires extra vigilance in how contracts are awarded and how the Council spend money. Prevention is the best and most efficient way to tackle fraud and prevent losses to the Council.

Corporate Strategy Priorities



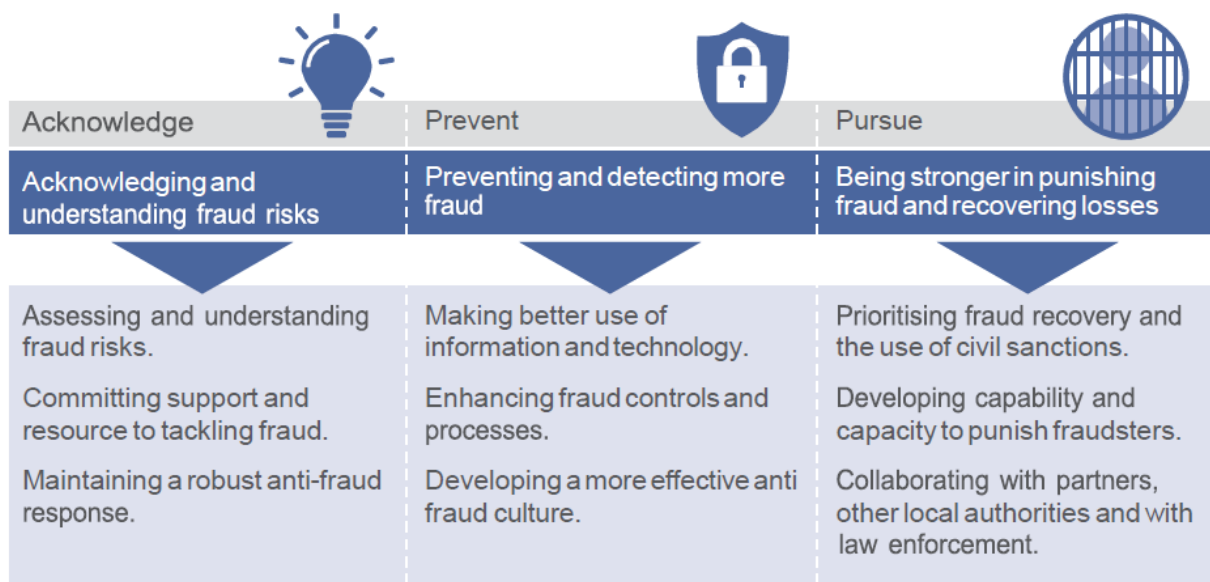
² Experian University of Portsmouth (<https://www.port.ac.uk/news-events-and-blogs/news/uk-foots-190bn-annual-fraud-bill>)

2. What Constitutes our Strategy

Scope - The Strategy applies to any individual undertaking Council specific activity, i.e.

- All employees whether full or part time, permanent or temporary
- Elected Members
- All staff working in maintained schools (Local Education Authority)
- All contractors, agencies and partners working within the Council

The Anti-Fraud & Corruption Strategy is based upon three key themes: **Acknowledge**, **Prevent** and **Pursue** and adheres to the Local Government Counter Fraud and Corruption Strategy 2016 - 2019: Fighting Fraud and Corruption Locally, which is supported by the Chartered Institute of Public Finance and Accountancy (CIPFA) Counter Fraud Centre.³



3. Acknowledge

CIPFA has highlighted the issue nationally in the Fraud and Corruption Tracker with the largest growing area of fraud as **business rates** fraud with an estimated £10.4 m lost in 2017/18 (compared to £4.3m in 2016/17). This is closely followed by disabled parking concessions (Blue Badges) and Council Tax fraud. In terms of volume, Council Tax accounted for two thirds of the number of fraud cases with a value of £9.8m.

³ CIPFA Fighting Fraud and Corruption Locally <https://www.cipfa.org/services/counter-fraud-centre/fighting-fraud-and-corruption-locally>

Nationally, **Procurement Fraud** is on the increase in a constantly changing environment and can occur anywhere within the council. The amount of loss can be significant and nationally it is reported as circa £400m.

The impact of identified fraud and corruption can also be intangible including:

- Lowered morale of the colleagues of the fraudster
- Reduced levels of performance of the colleagues of the fraudster while the case is being investigated.
- Reputation and relationships with other Council Services and service users, i.e. 'trust'

Our objectives:

- Ensure on-going effectiveness and resilience of anti-fraud arrangements
- Ensure all senior staff within their respective services are aware of and comply with the anti-fraud & corruption Strategy and effectively disseminate guidance to all relevant staff.
- Whistle Blowing Policy and referral system in place to internal and external reporting
- Contractors/ third parties informed of the strategy and procedures
- Members & employees are aware of the need to disclose gifts, hospitality & conflicts of interest



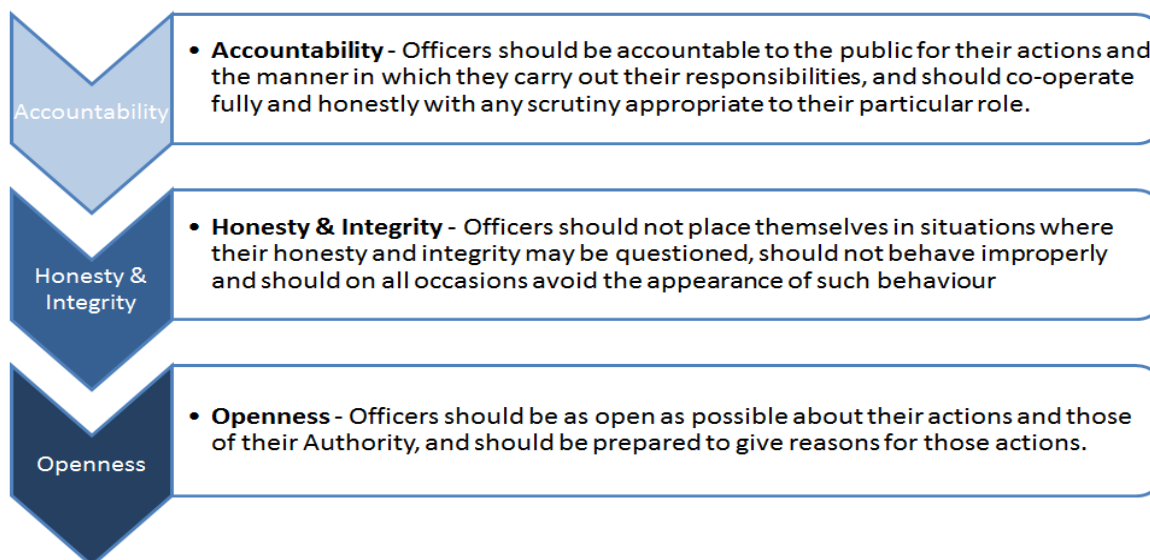
4. **Prevent**

Fraud continues to pose a major financial threat to councils and any losses are magnified based on the severe financial constraints and challenges on council finances. Therefore it is important to have the resilience and innovation within the council to ensure all staff, stakeholders and the public are aware of the fraud prevention threats and solutions to the ongoing fraud challenge to enable strong defences against fraud to be maintained.

Fraud attacks are becoming more complex and sophisticated and it is imperative that we have an effective response. Understanding that irregularities are promptly reported so allowing assigned Officers to investigate and pursue sanctions when deemed appropriate.

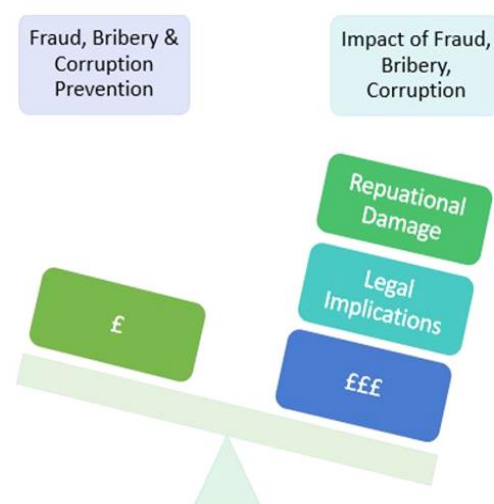
The best defence against fraud, corruption and bribery is to create a strong anti-fraud culture within the organisation. We promote the 'seven principles of public life' put forward by the Nolan Committee and expect all our staff and partners (including contractors), and councillors to be aware of and to follow principles, legal rules, procedures and practices, to protect legitimate interests at all times. (Nolan Principles⁴). Bath and North East Somerset Council is committed to these principles of good governance and confirms this through the adoption, monitoring and development of the Council's Local Code of Corporate Governance.

⁴ <http://intranet/ethical-governance>



Balancing the cost of control (**PREVENTION**) against the impact (**COST**) of fraud, bribery and corruption within Bath and North East Somerset Council and the need to protect the public purse, requires the Council to have **zero** tolerance to fraud and corruption and take all the necessary steps to investigate all allegations of fraud or corruption and pursue sanctions.

Comprehensive fraud prevention strategies combined with appropriate HR procedures must be the cornerstone of the Council's work. By providing guidance and maximising awareness it will help instil our zero tolerance attitudes to fraud and corruption, meaning that staff, contractors and our volunteers neither have the motivation nor the opportunity to commit fraud.



Our objectives:

- Maintain an effective internal audit function to assist the organisation in maintaining a robust framework of internal control.
- Provide guidance and training to staff, Councillors and partners to identify and report attempted or actual fraud.
- Effective use of data matching and sharing e.g. participation in the National Fraud Initiative (NFI).
- Implement robust audit/control procedures to respond to issues identified through investigation of irregularities.
- Publicise anti-fraud issues across the organisation.
- Recruitment vetting is maintained to highlight issues with potential employees.
- Continuously review national research documentation to keep informed of emerging fraud risks.
- Continue to provide fraud awareness sessions to staff working in areas of increased risk of fraud.

5. Pursue

The Council will be proactive in combatting fraud and responding to attempted or actual incident of fraud. The information below details our fraud response plan, and offers guidance on what to do if a wrong doing is suspected.

How to report Fraud & Corruption

DO	DON'T
<p><u>Make a note of your concerns</u></p> <p>Write down the nature of your concerns Make a note of all the relevant details, such as what is said over the telephone or any other conversations Note the names and, if known, the position of those involved Notes do not need to be overly formal, but should be timed, signed and dated Notes should be held in a secure place Timeliness is most important. The longer you delay writing up, the greater the chances of recollections becoming distorted and the case being weakened Note the date and time when the suspicion was reported onwards</p>	<p><u>Don't be afraid of raising your concerns</u></p> <p>The Public Interest Disclosure Act provides protection to employees who raise reasonably held concerns through the appropriate channels. The Council's Confidential Reporting Codes provides guidance on how to do this. You will not suffer discrimination or victimisation as a result of following these procedures and the matter will be treated sensitively and confidentially. The Public can report concerns in confidence to the Internal Audit Team Audit West through the online portal.</p>
<p><u>Report your concerns promptly</u></p> <p>In the first instance, for internal fraud report your suspicions to your line manager. If this action is inappropriate further guidance on disclosure can be found in the Confidential Reporting Code.</p> <p>If you are unsure who to report to, contact the Internal audit team for advice. All concerns must be reported to the Head of Audit and Assurance External fraud concerns should be reported to the Internal Audit Team</p>	<p><u>Don't convey your concerns to anyone other than authorised persons</u></p> <p>There may be a perfectly reasonable explanation for the events that give rise to your suspicions. Spreading unnecessary concerns may harm innocent persons and the reputation of the Council. Don't discuss your suspicions with anyone other than the officer you formally raised the issue with. Don't report the matter to the police unless you have been authorised to do so by internal audit.</p>
<p><u>Retain any evidence you may have</u></p> <p>The quality of evidence is crucial and the more direct and tangible the evidence, the better the chances of an effective action. Retain and keep all relevant records/evidence that may have been handed over or discovered as a result of the initial suspicion in a secure and confidential location.</p>	<p><u>Do not approach the person you suspect or try and investigate the matter yourself</u></p> <p>There are special rules relating to the gathering of evidence for use in criminal cases and to protect human rights. Any attempt to gather evidence by persons who are unfamiliar with these rules may prevent appropriate action being taken.</p> <p>Don't interfere with or alter any documentary or computer based evidence as a result of any suspicion Don't attempt to interview or question anyone unless authorised to do so.</p>

Under the guidance of the Whistle Blowing Policy, reporting a wrong doing is straightforward and the online reporting tool on the public facing website pages or the staff intranet site is

easily accessed using this link <https://beta.bathnes.gov.uk/report-whistleblowing-concern>)

The Council will regularly review its approach to tackling fraud, with a focus on emerging risks (themes and trends) in local government and other public and private sectors.

The Council is committed to the highest ethical standards. High standards of corporate and personal conduct is essential and explicitly stated through the Council's Employee Code of Conduct and the Code of Conduct for Members and Co-Opted Members.

Our Objectives:

- deliver financial benefits in terms of efficiency savings or increased revenue whilst utilising data analytics
- effective sanctions including appropriate legal action against anyone found guilty of committing fraud and corruption
- determine the appropriate action against fraudsters
- Investigate issues and weaknesses of instances of proven fraud and corruption,
- Scrutinise and feed back to relevant departments to ensure robust systems are in place for the future
- Full reporting of all cases of fraud and corruption to the Audit Committee
- Instil effective methods for seeking recovery of money defrauded

References:

(CIPFA Counter Fraud Centre, 2014; CIFA Counter Fraud Centre, 2018)

Strategic Objectives 2019 - 2020

CIPFA principles	Objectives	Goals & 6C's	Activities	Timeframe	Progress
Page 61 Knowledge	Ensure on-going effectiveness and resilience of anti-fraud arrangements	Fraud is acknowledged as a risk to the Council CULTURE	The Council has in place an Anti-Fraud & Corruption Strategy The Council has a fraud response plan and action plan	Nov-19	scheduled
	ensure all senior staff within their respective services are aware of and comply with the anti-fraud & corruption Strategy	Share risks and action plans in a timely fashion with the audit committee and leadership teams COMMUNICATON	AuditWest will provide fraud reporting tools Provide fraud alerts to appropriate staff and / officers/services	April 19- March 20	Ongoing
	Whistle Blowing Policy and referral system in place to internal and external reporting	The Council has a robust Policy which demonstrates its commitment to prevent fraud. COMMUNICATION	Audit West will provide a robust on-line reporting mechanism which complies with the 1998 Public Interest Disclosure Act	Jul-19	Complete
	Contractors/ third parties informed of the strategy and procedures	Joint responsibility for anyone acting on our behalf to adhere to the Council's strategy COLLABORATION	We will seek out opportunities to share details of our Strategy to mitigate the consequences of risk of fraud Working across all areas of services means fraud enablers will be highlighted and may lead to fraud being uncovered	Jan - March 20	scheduled
	members & employees are aware of the need to disclose gifts, hospitality & conflicts of interest	Creating a culture in which beating fraud and corruption is part of daily business CULTURE	there are clear policies that are applied consistently across the Council to encourage the register of interests reports are made available to members detailing themes, sanctions and strategy updates Managers at a minimum of annually, review DOI and hospitality within teams	Annually	Ongoing

Strategic Objectives 2019 - 2020

Prevent Page 62	Effective use of data matching and sharing .	→	Co-ordinated approach to data analytics across West of England COLLABORATION	→	develop the data hub to investigate the use of NFI App Check and Recheck products There is a programme of data matching exercises which looks at Fraud, efficiencies, income generation, assurance	Jan - March 20	scheduled
	Participate in the National Fraud Initiative(NFI) data matching exercise	→	Participate in the sophisticated data matching exercise which takes data from 1200 participating organisations across private and public sector COLLABORATION	→	Continue to participate in the annual exercise providing data to highlight error or fraud in service areas such as Payroll, pensions, Ctax, Blue Badge etc.	Annually	Ongoing
	Develop robust audit/control procedures following investigations	→	The council has arrangements in place through its audit reporting to highlight fraud thematic CULTURE	→	Auditors are equipped with fraud awareness and expertise when conducting routine assurance audits to identify fraud and corruption and take the necessary steps	Annually	Ongoing
	Publicise anti-fraud issues across the organisation	→	Raising awareness to help promote probity and propriety in the conduct of the Council's business CULTURE	→	Deliver a programme of work to ensure a strong counter fraud culture across all departments and deliver counter fraud training and awareness. Promote awareness through continued publicity such as newsletters, case studies, attendance at team meetings etc..	Jan- March 20	scheduled

Strategic Objectives 2019 - 2020

Pursue	deliver financial benefits in terms of efficiency savings or increased revenue whilst utilising data analytics	➔	Provide detailed analytical reporting which highlights areas of savings, efficiency and maximising income generation & errors CAPACITY	➔	the delivery of analysis of data across the Council's services will provide evidence of duplication of payments, through to procurement and financial risk	Quarterley activity	Ongoing
	determine the appropriate action against fraudsters	➔	Having a Zero tolerance to fraud & corruption means that the council will take sanctions against any perpetrators CULTURE	➔	The Council will respond to all reports of fraud and / or irregularity and where appropriate, carryout a full investigation. Where appropriate, the case will be referred to the police for criminal investigation/ sanction.	reactive	Ongoing

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**Bath & North East
Somerset Council**

Whistleblowing Policy 2019



Whistleblowing Policy 2019

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If you require clarification on any aspect of the Whistleblowing Policy or require this document in a different format, please contact the Internal Audit function of the Council.

Telephone: 01225 477000 (switchboard) or 477316

E-Mail: Audit_West@bathnes.gov.uk

The Council's Corporate Audit Committee has recorded in its Terms of Reference that it will review periodically the Council's key financial governance procedures, i.e. Financial Regulations, Contract Standing Orders, Anti-Fraud & Corruption Strategy and recommend any necessary amendments.

Audit West

Whistleblowing Policy 2019

1. Introduction

What is Whistleblowing?

Someone blows the whistle when they tell someone in authority about a dangerous, illegal or unethical activity that they are aware of through their work. This can include health and safety risks, environmental issues, fraud, poor standards of care and other problems.

Why is Whistleblowing important?

This Council is committed to the highest possible standards of service and being open, fair and honest. It recognises that all staff, Members and others associated with the Council are often the first to realise that there may be something seriously wrong. Whistleblowing, enabled by this policy, provides a structured way for this important information to come to light.

Why does the Council need a Whistleblowing policy?

Under the requirements of the Public Interest Disclosure Act 1998, it will:

- a) Encourage employees, Members and others who have serious concerns about any aspect of the Council's work to voice them;
- b) Recognise that certain cases have to proceed on a confidential basis;
- c) Enable participation without fear of reprisals;
- d) Enable employees, Members and others to raise serious concerns within the Council rather than overlook a problem.
- e) Allow for the general public to report wrong doing

2. Scope of Policy

Who does the Whistleblowing policy apply to?

The Policy applies to any individual undertaking Council specific activity, i.e.

- All employees whether full or part time, permanent or temporary
- Elected Members
- All staff working in maintained schools (Local Education Authority)
- All contractors, agencies and partners working within the Council

Whistleblowing Policy 2019

What is covered by the Whistleblowing policy?

The Policy:

- provides avenues for the raising of concerns;
- provides procedures for how action taken will be reported back to the whistle blower;
- allows for the matter to be taken further if there is dissatisfaction with the Council's decision;
- underpins the Anti-Fraud and Corruption Strategy and will aim to reassure anyone whistleblowing that they will be protected from reprisals or victimisation for acting in good faith.

The Policy **does not** replace:

- the Council's complaints procedure;
- the Council's grievance procedure;
- the Employees' Code of Conduct;
- specific Council procedures (e.g. those specific to Adult and Children Services);
- Managerial responsibilities.

3. Reporting a Concern

When should I raise a concern?

If you find out about, or have suspicion of, any activity that could be detrimental to the Council. These activities may include:

- conduct which is an offence or a breach of law;
- disclosures relating to miscarriages of justice;
- health & safety risks to public or employees;
- damage to the environment;
- unauthorised use of public funds;
- possible fraud and corruption;
- breaches of the Council's policies, rules and regulations including Financial Regulations, Contract Standing Orders;
- falling below established professional standards or practices;
- improper or unethical conduct; or
- the abuse or neglect of service users. (This list is not exhaustive).

Whistleblowing Policy 2019

How do I go about raising a concern?

The easiest way of reporting is to use the online facility providing as much information as possible. The link can be found here [Whistle Blowing Report Form](#). You can provide the details anonymously if you want to, but we encourage people to leave their details so we can ask, where appropriate, for more information to help in any investigation.

If you decide to report the allegation to a Prescribed Persons instead of the Council, the table below records the most relevant 'Prescribed Persons' related to the work of a Unitary Council.

<u>Work Area of Unitary Council</u>	<u>Prescribed Person</u>
General responsibilities	Council's External Auditor
Social Care	Care Quality Commission
Social Services & Child Welfare	Her Majesty's Chief Inspector of Education, Children's Services and Skills ('the Chief Inspector')

The Government issues an up-to-date list of Prescribed Persons and they can be found here: www.gov.uk/government/publications/blowing-the-whistle-list-of-prescribed-people-and-bodies--2/whistleblowing-list-of-prescribed-people-and-bodies as specified Prescribed Persons Order 2014).

The decision on who to contact does depend on the seriousness and sensitivity of the issue(s) and who is thought to be involved in the issue(s) to be reported.

If the allegation relates to a contractor or partner organisation, the council will refer allegations direct to the contractor/ partner for them to consider the issues being raised because the council only has jurisdiction for council staff.

If the allegation of misconduct or complaint relates to a Member it must be submitted through to the Monitoring Officer Maria Lucas Councillor.Complaints@bathnes.gov.uk who will make the decision if it should be referred for investigation or other action.

Where a complaint is referred for investigation, an Investigating Officer will be appointed to provide a report, which may then be presented to the Standards Committee at a Hearing. If their decision is that there is a case to answer and that the Code had been breached, then they will decide on an appropriate sanction. The full procedure is set out in the Arrangement for Dealing with Complaints about the Code of Conduct for Members.

Whistleblowing Policy 2019

If the matter is more serious or it is not appropriate to raise with Line Management then any of the following can be contacted :-

- a) Senior Management: i.e. an independent Director to the Service area or the Chief Executive – [Will Godfey@bathnes.gov.uk](mailto:Will_Godfey@bathnes.gov.uk)
- b) Concerns around Fraud and Misuse of Council Resources;
E-mail: jeff_wring@bathnes.gov.uk
- c) Concerns around the treatment and safety of staff and partners;
E-mail: Cherry_Bennett@bathnes.gov.uk
- d) Concerns around the application of legislation and lawful practice;
E-mail: maria_lucas@bathnes.gov.uk

Where there are local specific procedures relating to the raising of concerns (e.g. Adult & Children Health and Social Care) then these procedures will apply.

Outside agencies and partners should raise concerns with the appropriate Senior Manager or Director. Where this is not appropriate they should contact the Council Solicitor or the Chief Executive.

Who will be told about my concern?

There are also certain officers with delegated responsibilities who will need to be contacted on certain matters. However they will not be advised of your identity without your approval. They are:

- a) Council Solicitor:

In respect of actual/potential unlawful conduct, maladministration, breach of the Bath & North East Somerset Local Code of Conduct for Members or breach of law:

- b) Chief Internal Auditor:

In respect of any actual/potential financial irregularity, misuse of council resources or breach of council rules and regulations.

- c) Head of Human Resources and Org. Development:

In respect of any matters relating to treatment and safety of staff/partners.

How should I raise my concern?

Concerns should be raised as soon as possible, when you have a reasonable suspicion even if the allegation is in the past.

Concerns are better raised using the online reporting tool; the link can be

Whistleblowing Policy 2019

found here [Whistle Blowing Report Form](#).

It will allow you to incorporate relevant information about specific incidents. The background and history of the concern including names, dates and places where possible and the reason why you are particularly concerned about certain situations should also be provided. If you are unable to express your concerns using the tool, then you should contact the appropriate officer / person by telephone or arrange to meet them.

It might be appropriate to discuss with a colleague first and you may find it easier to raise the issue if there are two or more of you who have had the same experience or concerns.

What if I don't want to reveal my identity?

The Council and / or the Prescribed Person (Prescribed Persons Order 2014) will respect the confidentiality of anyone raising a concern and will do everything in its power to protect the identity of that individual whether they are an employee, Member or an external source.

However, as a result of an investigation process a statement may be requested to contribute to the evidence collected. In all such cases the provision of a statement will be discussed with you.

Can I raise my concern anonymously?

Yes. However the Council would encourage you to put your name to an allegation. Formal statements do help to build a case and add credibility to allegations.

The key factors to be taken into account when investigating allegations are:

- Seriousness of the issues raised;
- Credibility of the concern and
- Likelihood of confirming the allegation from attributable sources.

Will I be protected from possible harassment or victimisation?

The Council recognises that the decision to report a concern can be a difficult one to make, not least because of the fear of reprisal from those responsible for malpractice. The Council will not tolerate harassment or victimisation and will take action to protect anyone raising a concern in good faith.

If an employee is the subject of disciplinary or redundancy procedures when they raise their concerns, then those procedures will not automatically be affected. The information provided would be assessed in the light of the new circumstances and a decision taken as to how, if at all, those proceedings should be affected.

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Will I be subject to any sanctions if the allegation is not proven?

When an allegation is made in good faith, but is not confirmed by the investigation, no action will be taken against the person voicing the concern.

If, however, an employee or Member makes a malicious or vexatious allegation, disciplinary action may be taken. The conduct of the Member may be the subject of consideration by the Standards Committee under the provisions of the Bath & North East Somerset Code of Conduct for Elected Members & Co-opted Members which forms part of the Council's Constitution. The conduct of employees may be subject to the Council's Disciplinary Process.

Do I have to provide proof of the allegation?

Although you are not expected to provide evidence of an allegation, you will need to demonstrate to the appropriate officer contacted that there are sufficient grounds for raising the concern.

4. What happens next

How will the Council respond to my concern?

The action taken by the Council will depend on the nature of the concern. The matters raised may be :

- a) Resolved without the need for investigation;
- b) Investigated internally;
- c) Referred to the Police;
- d) Referred to the External Auditor; or
- e) Form the subject of an independent inquiry.

In order to protect individuals and the Council, initial enquiries will be made to decide whether an investigation is appropriate and, if so, what form it should take. Concerns or allegations, which fall under the scope of specific procedures (e.g. Adult & Children Health and Social Care), will be referred for consideration under those procedures.

As soon as possible after a concern has been raised (normally within 10 working days) the Council will write to the individual concerned to acknowledge the issue that has been raised and to indicate the future course of any action.

Will I be involved with the investigation?

The amount of contact between the individual raising the concern and the officers considering the issue will depend on the nature of the matters raised.

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The individual may be approached to provide further information.

If a meeting is arranged then the individual concerned has the right to be accompanied by an appropriate person of their choice, for example a work colleague or Trade Union representative or Group Leader if you are a Member.

The Council will take steps to minimise any difficulties which you may experience as a result of raising a concern, for instance, if you are required to give evidence in any form of proceeding, then the Council will arrange for you to receive advice and help with preparation of statements.

Will I be informed of the outcome of the investigation?

The person raising a concern will need to be assured that the issue has been appropriately addressed. Therefore the Council, subject to legal constraints, will inform them in writing about the outcomes of any investigations.

5. Further information

For further guidance on public interest disclosure:-

<https://www.gov.uk/whistleblowing/who-to-tell-what-to-expect>

An independent charity, PROTECT, formally Public Concern at Work, can offer independent and confidential advice and they can be contacted on ☎020 3117 2520 or <https://protect-advice.org.uk/advice-line-2/>

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Anti-Money Laundering Policy and Guidance 2019



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If you require clarification on any aspect of the Anti-Money Laundering Policy or require this document in a different format, please contact the Internal Audit function of the Council.

Telephone: 01225 477000 (switchboard) or 477316

E-Mail: Audit_West@bathnes.gov.uk or contact Andy.Cox@bathnes.gov.uk

The Council's Corporate Audit Committee has recorded in its Terms of Reference that it will review periodically the Council's key financial governance procedures, i.e. Financial Regulations, Contract Standing Orders, Anti-Fraud & Corruption Strategy and recommend any necessary amendments

Introduction

The Proceeds of Crime Act 2002 (The POCA Act) amended by the Criminal Finance Act 2017 ([2017](#)). The Terrorism Act [2000](#) & [2006](#), and the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 ([MLR 2017](#)) place obligations on the Council and its employees with respect to suspected money laundering.

MLR 2017 commenced on 26 June 2017 and impacts on certain areas of local authority business. As under the previous regulations of 2007, it requires local authorities to maintain internal procedures to prevent the use of their services for money laundering. A key difference of the 2017 Regulations is that it requires relevant persons to adopt a more risk-based approach towards anti-money laundering, particularly in the conduct of due diligence. Determining the appropriate level of due diligence requires analysis of risk factors based on the EU Directive and which are set out in MLR 2017.

Scope of Policy

This Policy applies to all employees of the Council and aims to maintain the high standards of probity which currently exist within the Council by preventing criminal activity through money laundering.

- All employees whether full or part time, permanent or temporary
- Elected Members
- All staff working in maintained schools (Local Education Authority)
- All contractors, agencies and partners working within the Council

This Policy is closely aligned to the Council's Anti-Fraud & Corruption Strategy 2019 and the Whistle Blowing Policy 2019.

Failure by a member of staff to comply with the procedures set out in this Policy may lead to disciplinary action under the Council's Disciplinary Procedure and/or prosecution.

What is Money Laundering?

Money laundering is the disguising of the source of money, either in cash, paper or electronic form including Bitcoins. This may be in order to conceal that the money has originated from crime, or it may be to conceal the source of money that is to be used in the pursuit of future crime.

Money laundering is highly sophisticated. The conversion of cash in to a non-cash form of money is only the first step. In itself it is not sufficient disguise for the launderer. There will follow a complex series of transactions intended to hide the trail from any

investigator. Consequently those on the lookout for money laundering should not restrict themselves to looking for cash transactions.

The following acts constitute money laundering:

- Concealing, disguising, converting, transferring criminal property or removing it from the UK ([Section 327 of the Proceeds of Crime Act 2002](#));
- Entering into or becoming concerned in an arrangement which you know or suspect facilitates the acquisition, retention, use or control of criminal property by or on behalf of another person ([Section 328](#));
- Acquiring, using or possessing criminal property ([Section 329](#)).

What are the obligations on the Council?

Organisations conducting “relevant business” must:

- Appoint Money Laundering Reporting Officers (MLROs) to receive disclosures from employees, of money laundering activity (their own or anyone else’s);
- Implement risk sensitive policies and procedures relating to customer due diligence, reporting, record keeping, internal control, risk assessment and management, the monitoring and management of compliance and the internal communication of such policies and procedures.

Not all of the Council’s business is “relevant” for the purposes of the legislation: it is mainly the accountancy and audit services carried out by the Corporate Services Directorate and the financial, company and property transactions undertaken by Legal Services. It should also be a consideration for any large cash payments received in connection with Council Tax, Business Rates, rents etc.

While the risk to the Council of contravening the legislation is low, it is important that all employees are familiar with their responsibilities: serious criminal sanctions may be imposed for breaches of the legislation. The key requirement on employees is to promptly report any suspected money laundering activity to the Money Laundering Reporting Officers.

Personal Liability

It is an offence under the Proceeds of Crime Act 2002 if an employee enters into or becomes concerned in an arrangement, which a person knows, or suspects facilitates the acquisition, retention, use or control of criminal property by or on behalf of another person.

These offences are punishable by a maximum term of imprisonment for 14 years at the Crown Court and an unlimited fine. At the Magistrates Court it is a 6 months maximum term of imprisonment and £5,000 fine.

A new criminal offence was created in 2017; any individual who recklessly makes a statement in the context of money laundering which is false or misleading commits an offence punishable by a fine and/or up to 2 years imprisonment.

The Money Laundering Reporting Officers (MLROs)

All employees and members are obliged to report any suspicion of money laundering or terrorist financing to the Council's nominated officer. The officer nominated to receive disclosures about money laundering activity within the Council is:

Andy Cox - Head of Audit and Assurance (Andy_Cox@bathnes.gov.uk)

Reporting to the Money Laundering Reporting Officers

Where you know or suspect that money laundering activity, as described in "What is Money Laundering?" above, is taking/has taken place, or become concerned that your involvement in a matter may amount to a prohibited act under sections 327-329 of the Act, you must disclose this as soon as practicable to the MLROs. The disclosure should be within "hours" of the information coming to your attention, not weeks or months later.

SHOULD YOU NOT DO SO, THEN YOU MAY BE LIABLE TO PROSECUTION

Offence of Tipping Off

If an employee has a concern they should ask questions or seek information/documentation, which would allay any suspicions they may have and negate the need to make a report.

Once a report has been made to the nominated officer or the person the Council is dealing with suspects that a report has been made the potential criminal offence of "tipping off" arises.

"Tipping off" is where someone informs the person who has approached the financial institution, such as the Council, that they are suspected of being involved in money laundering, in such a way as to prejudice any investigation.

Any person found guilty of tipping off or prejudicing an investigation offence is liable to imprisonment (maximum 5 years), a fine or both.

How You Might Recognise Money Laundering

The key slogan is “Know Your Customer” or “K.Y.C”.

For any transaction, cash or otherwise you should ask yourself: -

“Given my knowledge of this person, is it plausible that they can pay this amount for this service by this means?”

If they are paying more than would be reasonable or more than they could afford or by a means that would not normally be used the answer would be No. Then action will be required.

More specific possible indicators of Money Laundering are:

- If the Source or Destination of funds differ from the original details given by the client;
- If the client cancels a transaction without good reason and requests a cheque refund for previously deposited funds;
- Any large cash deposits;
- Large overpayments of fees or money on account;
- If information about the client reveals criminality or association with criminality;
- If there is more than one Solicitor/Conveyancer used in the sale or purchase of a property or land or if there is an unexplained and unusual geographic use of a Solicitor in relation to a property’s location;
- If the buyer or seller’s financial profile does not fit, particularly in relation to property transactions;
- If there are over complicated financial systems;
- If the client enters into transactions which make little or no financial sense or which go against normal practice;
- If the client is happy to enter into an apparent bad deal for them;
- If the client enters into arrangements beyond their apparent financial means;
- Any odd behaviour by any of the parties involved.

Further information can be obtained from the MLRO and the following sources:

- <http://www.nationalcrimeagency.gov.uk/about-us/what-we-do/nationaleconomic-crime-centre> – website of the National Crime Agency
- Anti Money Laundering Guidance for the accountancy sector , published by CCAB www.ccab.org.uk
- Anti Money Laundering Guidance for the legal sector at www.lawsociety.org.uk
- The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 at: <https://www.legislation.gov.uk>

Procedures – Appendix 1

Cash Payments

The Council will risk assess all cash payments in line with the regulatory guidance.

Reporting

Any employee who suspects money laundering activity must report their suspicion promptly to the MLROs, using the attached **Disclosure Report** form (Appendix A). If you would prefer, you can discuss your suspicions with the MLROs first.

The employee must follow any subsequent directions of the MLROs, and must not themselves make any further enquiries into the matter. They must not take any further steps in any related transaction without authorisation from the MLROs.

The employee must not disclose or otherwise indicate their suspicions to the person suspected of the money laundering. They must not discuss the matter with others or note on the file that a report has been made to the MLROs in case this results in the suspect becoming aware of the situation.

The MLROs must promptly evaluate any Disclosure Report, to determine whether it should be reported to the National Crime Agency (NCA).

The MLROs must, if they so determine, promptly report the matter to NCA in the prescribed manner by submitting a Suspicious Activity Report (SAR) via the [SAR online system](#).

You will be informed if the MLROs make a SAR report to NCA. Officers should not complete any transactions **until clearance has been given by NCA, or seven days have elapsed since the disclosure was made to NCA.**

The MLROs will commit a criminal offence under POCA if they know or suspect, or have reasonable grounds to do so, through a disclosure being made to them, that another person is engaged in money laundering and they do not disclose this as soon as practicable to NCA.

Customer Due Diligence

Where the Council is carrying out certain 'regulated activities' then extra care needs to be taken to check the identity of the customer or client; this is known as carrying out Customer Due Diligence.

Regulated activity is defined as the provision 'by way of business' of: advice about tax affairs; accounting services; treasury management, investment or other financial services; audit services; legal services; estate agency; services involving the formation, operation or arrangement of a company or trust or; dealing in goods wherever a

transaction involves a cash payment of €10,000 or more (approximately £8,750). The limit is specified by the MLR 2017.

The Regulations regarding customer due diligence are detailed and complex, but there are some simple questions that will help you decide if it is necessary:

- Is the service a regulated activity?
- Is the Council charging for the service i.e. is it 'by way of business'?
- Is the service being provided to a customer other than a UK public authority?

If the answer to any of these questions is **NO** then you do not need to carry out customer due diligence.

If the answer to all these questions is **YES** then you must carry out customer due diligence **BEFORE** any business is undertaken for that client. If you are unsure whether you need to carry out customer due diligence then you should contact the MLROs.

Where you need to carry out customer due diligence then you must seek evidence of identity, for example:

- Checking with the customer's website to confirm their business address;
- Conducting an on-line search via Companies House to confirm the nature and business of the customer and confirm the identities of any Directors / beneficial owners;
- Seeking evidence from the key contacts of their personal identity, for example their passport and position within the organisation.

The requirement for customer due diligence applies immediately for new customers and should be applied on a risk sensitive basis for existing customers. Ongoing customer due diligence must also be carried out during the life of a business relationship but should be proportionate to the risk of money laundering and terrorist funding, based on the officer's knowledge of the customer and a regular scrutiny of the transactions involved.

If, at any time, you suspect that a client or customer for whom you are currently, or are planning to carry out a regulated activity is carrying out money laundering or terrorist financing, or has lied about their identity then you must report this to the MLROs.

In certain circumstances enhanced customer due diligence must be carried out for example where:

- The customer has not been physically present for identification;
- The customer is a politically exposed person. A politically exposed person is an individual who at any time in the preceding year has held a prominent public function

- outside of the UK, and EU or international institution/body, their immediate family members or close associates;
- There is a beneficial owner who is not the customer. A beneficial owner is any individual who holds more than 25% of the shares, voting rights or interest in a company, partnership or trust.

Enhanced customer due diligence could include any additional documentation, data or information that will confirm the customer's identity and/or the source of the funds to be used in the business relationship/transaction. If you believe that enhanced customer due diligence is required then you must consult the MLROs prior to carrying it out.

Record Keeping

Where 'relevant business' is carried out then the customer due diligence records and details of the relevant transaction(s) for that client **must be retained for at least five years after the end** of the business relationship.

An electronic copy of every customer due diligence record must be sent to the MLROs to meet the requirements of the Regulations and in case of inspection by the relevant supervising body.

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

External Clients: For external clients of the Council, appropriate evidence of identity will be written instructions on the organisation's official letterhead at the outset of the matter or an email from the organisation's e-communication system. Such correspondence should then be placed in the Council's client file along with a prominent note explaining which constitutes the evidence and where it is located.

With instructions from new clients, or further instructions from a client not well known to you, you may wish to seek additional evidence of the identity of key individuals in the organisation and of the organisation itself.

In all cases, the evidence should be retained for at least five years from the end of the business relationship or one-off transaction(s).

If satisfactory evidence of identity is not obtained at the outset of the matter then the business relationship or one-off transaction(s) cannot proceed any further.

You need to be satisfied as to the identity of the client before any business is undertaken for that client. The client's identity can be verified on the basis of documents, data or information obtained from a reliable and independent source.

The following checklist should be used for the **identification** of a private individual:

- Name;
- Address;
- Date of Birth;
- National Insurance Number;
- Telephone number;
- E-mail address.

The following checklist should be used for the **verification** of a private individual:

- Passport;
- Driving Licence;
- Birth Certificate;
- Current Council Tax and/or Utility Bill;
- Marriage Certificate.

In the case of a representative of an organisation, this can include measures such as:

- Checking the organisation's website to confirm the business address;
- Attending the client at their business address;
- Asking the key contact officer to provide evidence of their personal identity and position within the organisation.

Where the client is acting on behalf of a third party, reasonable steps should be taken to establish the identity of that other person.

If satisfactory evidence of identity is not obtained at the outset of the matter then the business relationship or one off transactions cannot proceed any further.

Methods to Safeguard Yourself

Customer due diligence measures is a key part of the Anti-Money Laundering requirements and to adequate measures should be in place. Therefore to safeguard staff in their normal business administration the following are key points to remember when engaging in business transactions.

- Obtain sufficient evidence/knowledge to ascertain the true identity of the person(s) you are dealing with.
 - Who is the ultimate owner of the business
 - Has their Identity been verified
 - Who do they report to e.g. company director, chair of a board or head of department

- Does the company exist? Can you locate them through a normal internet search
- Where the business is located and the ability to visit and verify them.
- Retain evidence for a period of 5 years

Further information can be obtained from the MLRO and the following sources:

- National Crime Agency (NCA) – <http://www.nationalcrimeagency.gov.uk>
- CCAB - Anti-Money Laundering (Proceeds of Crime and Terrorism) – Guidance for Accountants – www.ccab.org.uk
- The Law Society - Anti-Money Laundering Guidance and Advice - <http://www.lawsociety.org.uk/advice/anti-money-laundering>

CONFIDENTIAL

REPORT TO MONEY LAUNDERING REPORTING OFFICERS

To: Andy Cox Head of Audit & Assurance

From:

Contact details:

Department:

DETAILS OF SUSPECTED OFFENCE:

Name(s) and address(es) of person(s) involved:
(If a company/public body please include details of nature of business)

Nature, value and timing of activity involved and cause of suspicion:
(Please include full details e.g. what, when, where, how.)

Has any investigation been carried out (as far as you are aware)?

(Please circle appropriate answer) **Yes/No**

If yes, please include details below:

Have you discussed your suspicions with anyone else?

(Please circle appropriate answer) **Yes/No**

If yes, please specify below whom the discussion took place with, when and why such discussion was necessary:

Please set out below any other information you feel is relevant:

Signed..... Dated.....

Please do not discuss the content of this report with anyone you believe to be involved in the suspected money laundering activity described. To do so may constitute a tipping off offence, which carries a maximum penalty of 5 years' imprisonment.

When completed, please print off the form and put it in a sealed envelope, marked "**Strictly Private and Confidential**" and **hand deliver to Andy Cox.**

Your report will be treated in the strictest confidence.

THE FOLLOWING PART OF THIS FORM IS FOR COMPLETION BY THE MLROs

Date report received:

Date receipt of report acknowledged:

CONSIDERATION OF DISCLOSURE

Action Plan:

OUTCOME OF CONSIDERATION OF DISCLOSURE

Are there reasonable grounds for suspecting money laundering activity?

If there are reasonable grounds for suspicion, will a report be made to the NCA?

(Please circle appropriate answer) **Yes/No**

If yes, please confirm date of SARS report to the NCA: _____ and complete the details below:

Details of liaison with the NCA regarding the report:

Notice Period: _____ to _____

Moratorium Period: _____ to _____



Is consent required from the NCA to any ongoing or imminent transactions which would otherwise be prohibited acts?

(Please circle appropriate answer) **Yes/No**

If yes, please confirm full details below:

Date consent received from the NCA: _____

Date consent given by you to employee: _____

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:

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

____ / ____ / _____

Other relevant information:

Signed: _____ Date: _____

THIS REPORT TO BE RETAINED FOR AT LEAST FIVE YEARS



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Anti – Bribery & Corruption Policy 2019

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If you require clarification on any aspect of the Anti-Bribery & Corruption Policy or require this document in a different format, please contact the Internal Audit function of the Council.

Telephone: 01225 477000 (switchboard) or 477316

E-Mail: Audit_West@bathnes.gov.uk

[Or contact Andy.Cox@bathnes.gov.uk](mailto:Andy.Cox@bathnes.gov.uk)

The Council's Corporate Audit Committee has recorded in its Terms of Reference that it will review periodically the Council's key financial governance procedures, i.e. Financial Regulations, Contract Standing Orders, Anti-Fraud & Corruption Strategy and recommend any necessary amendments.

Anti – Bribery & Corruption Policy 2019

1. Introduction

What is Bribery & Corruption?

The Bribery Act 2010 came into force in the UK on 1st July 2011. The Act applies both to individual staff and the Council corporately.

The Bribery Act contains two general offences of bribery, covering the offering, promising or giving of a bribe (**ACTIVE BRIBERY**) and the requesting, agreeing to receive or accepting of a bribe (**PASSIVE BRIBERY**) (Sections 1 and 2).

As well as a discrete offence of bribing a foreign public official in order to obtain or retain business or an advantage in the conduct of business (Section 6).

It also introduced an offence that can be committed by commercial organisations that fail to prevent bribery committed on their behalf (Section 7).

The guidance states that a “commercial organisation” is any body formed in the United Kingdom and “...it does not matter if it pursues primarily charitable or educational aims or purely public functions. It will be caught if it engages in commercial activities, irrespective of the purpose for which profits are made.” Whether or not the Council is a “commercial organisation”, it is committed to meeting the standards set by the Bribery Act 2010.

Why is it important?

Bribery is a criminal offence. Bath and North East Somerset Council **do not** and **will not** tolerate bribery. It will **not** tolerate the paying of bribes or offers of improper inducements to anyone for any purpose.

It is unacceptable and a criminal offence to use third parties as conduits to channel bribes and the Council will not engage indirectly or otherwise which encourages bribery.

The Council is committed to the prevention, deterrence and detection of bribery.

Why does the Council need an Anti-Bribery & Corruption policy?

The Council commits to:

- Setting out a clear anti-bribery policy and keeping it up to date
- Making all employees aware of their responsibilities to adhere strictly to this policy at all times.
- Training all employees so that they can recognise and avoid the use of bribery by themselves and others
- Encouraging employees to be vigilant and to report any suspicions of bribery, providing them with suitable channels of communication and ensuring sensitive information is treated appropriately

Anti – Bribery & Corruption Policy 2019

- Rigorously investigating instances of alleged bribery and assisting police and other appropriate authorities in any resultant prosecution
- Taking firm and vigorous action against any individual(s) involved in bribery
- Providing information to all employees to report breaches and suspected breaches of this policy
- Dealing appropriately with bribery prevention as part of its procurement and contract monitoring processes.

2. Scope of Policy

Who does the Anti-Bribery & Corruption Policy apply to?

The Policy applies to any individual undertaking Council specific activity, i.e.

- All employees whether full or part time, permanent or temporary
- Elected Members
- All staff working in maintained schools (Local Education Authority)
- All contractors, agencies and partners working within the Council

What is unacceptable behaviour within the Policy framework?

It is unacceptable to:

- Give, promise to give, or offer a payment, gift or hospitality with the expectation or hope that a business advantage will be received, or to reward a business advantage already given
- Give, promise to give, or offer a payment, gift or hospitality to a government official, agent or representative to “facilitate” or expedite a routine procedure
- Accept payment from a third party that you know, or suspect is offered with the expectation that it will obtain a business advantage for them
- Accept a gift or hospitality from a third party if you know or suspect that it is offered or provided with an expectation that a business advantage will be provided by us in return
- Retaliate against or threaten a person who has refused to commit a bribery offence or who has raised concerns under this policy
- Engage in activity in breach of this policy.

3. Reporting a Concern

Staff responsibilities:

The prevention, detection and reporting of bribery and other forms of corruption are the responsibility of all those working for the Council or under its control. All staff must avoid activity that breaches this policy. Staff must comply with their terms and conditions of employment including the Employees' Code of Conduct.

Staff must:

- Read, understand and comply with this policy
- Raise concerns as soon as possible if they believe or suspect that a conflict with this policy has occurred, or may occur in the future.

As well as the possibility of civil and criminal prosecution, any member of staff that breaches this policy will face disciplinary action, which could result in dismissal for gross misconduct.

Raising a concern

The Council is committed to ensuring that all of us have a safe, reliable, and confidential way of reporting any suspicious activity. We want each and every member of staff to know how they can raise concerns. We all have a responsibility to help detect, prevent and report instances of bribery.

If you have a concern regarding a suspected instance of bribery or corruption, please speak up – your information and assistance will help. The sooner you act, the sooner it can be resolved. The Council's Whistleblowing Policy provides information about how to report a concern. Under the guidance of the Whistle Blowing Policy, reporting a wrong doing is straightforward and the online reporting tool is easily accessed using this link <https://beta.bathnes.gov.uk/report-whistleblowing-concern>

This policy and the whistle blowing policy relates to council employees but if a report is received detailing allegations that relate to an employee of our contractors/partners, the issue will be referred to the relevant contractor/partner and associated client manager.

Any reports received which relate to an elected member will be referred to the monitoring officer who will make the decision to investigate.

4. Penalties

An individual guilty of an offence under sections 1, 2 or 6 is liable:

- On conviction in a magistrates court, to imprisonment for a maximum term of 12 months (six months in Northern Ireland), or to a fine not exceeding £5,000, or to both
- On conviction in a crown court, to imprisonment for a maximum term of ten years, or to an unlimited fine, or both
- Organisations guilty of an offence under section 7 are liable to an unlimited fine

5. Additional Policies and Procedures

In addition to the Anti-Bribery & Corruption Policy the Council has a number of policies (linked to the Council's Anti-Fraud & Corruption Strategy 2019) which provides proposed or adopted actions and guidance to all stakeholders. The following policies and related guidance are available through the Councils intranet and internet site : <https://beta.bathnes.gov.uk/report-whistleblowing-concern>

- Anti- Money Laundering policy 2019
- Whistleblowing Policy 2019
- Employees' Code of Conduct <http://intranet/code-conduct>
- Gifts and Hospitality [Gifts & Hosp](#)
- Declaration of Interests [Declaration of Interests \(Employees & Members\)](#)
- Promote awareness with our outsourced partners