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Cherwell District Council

Accounts, Audit and Risk Committee

Minutes of a meeting of the Accounts, Audit and Risk Committee held at Virtual meeting, on 29 July 2020 at 6.30 pm

Present: Councillor Mike Kerford-Byrnes (Chairman)
Councillor Hugo Brown (Vice-Chairman)

Councillor Hannah Banfield
Councillor Nathan Bignell
Councillor Conrad Copeland
Councillor Nicholas Mawer
Councillor Tom Wallis

Substitute
Members: Councillor Barry Richards
Mark Watkins, Head of Internal Audit – CW Audit Services
Maria Grindley, Associate Partner, Ernst & Young (external
audit)
Sue Gill, Ernst & Young (external audit)

Also
Present: Councillor Barry Wood, Leader of the Council

Apologies
for
absence: Councillor Sean Woodcock

Officers: Lorna Baxter, Director of Finance & Section 151 Officer
Michael Furness, Assistant Director Finance
Dominic Oakeshott, Assistant Director (Interim) - Finance
Louise Tustian, Head of Insight and Corporate Programmes
Sarah Cox, Chief Internal Auditor
David Spilsbury, Systems Support and Development Officer
Celia Prado-Teeling, Performance Team Leader
Shaista Moughal, Strategic Business Partner
Sharon Hickson, Democratic and Elections Officer
Natasha Clark, Governance and Elections Manager

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Welcome

The Chairman welcomed Members, officers and external guests to the first virtual meeting of the Committee, in particular welcoming Councillor Copeland, the Assistant Director Finance, Chief Internal Auditor and Performance Team Leader to their first meeting of the Committee.

The Chairman reminded Members of the virtual meeting etiquette.

2 **Declarations of Interest**

There were no declarations of interest.

3 **Petitions and Requests to Address the Meeting**

There were no petitions or requests to address the meeting.

4 **Minutes**

The Minutes of the meeting of the Committee held on 22 January 2020 were confirmed as a correct record, to be signed by the Chairman in due course.

5 **Chairman's Announcements**

The Chairman made two announcements:

1. The Housing Benefit Subsidy Report originally on the March meeting agenda would now be presented at the September meeting of the committee.
2. An additional informal committee meeting would be arranged for August to discuss the Accounts in more detail.

6 **Urgent Business**

There were no items of urgent business.

7 **Monthly Performance, Risk and Finance Monitoring Report - Quarter 4 / March 2020**

The Assistant Director of Finance and Head of Insight and Corporate Programmes, presented a report which summarised the Council's Performance, Risk and Finance monitoring position as at the end of each month.

In presenting the report the Head of Insight and Corporate Programmes explained how the Risk Management Strategy linked in and worked alongside the Business Plan. The Head of Insight and Corporate Programmes highlighted score changes in the Leadership Risk Register including : L10, Safeguarding the vulnerable, which had increased from 8 to 12 due to the impact of the Covid-19 pandemic but had now returned back to a score of 8; L17, Separation, had increased and L20, Covid19 Business Continuity, had decreased in June from 20 to 16.

The Applications and Web Team Manager gave a short presentation on Cyber Security. The Committee was advised of the steps IT had taken to ensure increased home working was as secure as possible, including a two factor authentication used to login remotely. The Committee was advised, that a Cyber Security Officer had recently been appointed. This was a new joint post in the IT Team working across both Cherwell District Council and Oxfordshire County Council and would enable each authority to be more proactive in Cyber security.

The Applications and Web Team Manager informed the members that an Internal Audit was carried out on Cyber Security earlier in the year and no high risks were identified. An action plan had been developed to respond to the recommendations from the audit.

Resolved

- (1) That the monthly Performance, Risk and Finance Monitoring Report be noted.

8 Internal Audit Annual Report and Opinion 2019/20

The Director of Finance submitted the Internal Audit Annual Report, which provided the Head of Internal Audit's opinion and summarised the activities of Internal Audit for the period 1 April 2019 to 31 March 2020.

In presenting the report the Head of Internal Audit – CW Audit Services confirmed that his overall opinion was that significant assurance could be given that there was a generally sound system of internal control, designed to meet the organisation's objectives and that controls were generally being applied consistently.

The Head of Internal Audit – CW Audit Services advised the Committee that reported that due to the significant impact on workload within CSN Resources due to the Covid-19 Pandemic they were unable to complete an audit of the systems in this area and this work would therefore be undertaken in 2020/21. The Chairman advised the Committee that this is the last meeting that CW Audit would be attending as the council's internal auditor. Members thanked CW Audit for the internal audit work they had carried out.

Resolved

- (1) That the Head of Internal Audit's Annual Report and opinion (annex to the Minutes as set out in the Minute Book), be noted

9 Internal Audit Strategy and Plan 2020/21

The Director of Finance submitted a report which presented the Internal Audit Strategy and Plan for 2020/21.

The Chairman welcomed the Chief Internal Auditor to her first meeting of the Committee, who explained that from 1 April 2020 the Internal Audit team had commenced a joint working approach providing the internal audit services across both Cherwell District Council and Oxfordshire County Council

In presenting the report, the Chief Internal Auditor informed Members that the audit planning process for 2020/21 had been completed and a draft annual plan produced and presented to the senior leadership team. Due to the Covid-19 pandemic and additional workloads in areas such as Small Business Grants, the plan had been reviewed and the workplan for quarter 1 re-prioritised.

Resolved

(1) That, having given due consideration the Internal Audit Strategy and Plan for 2020/21 be noted.

10 **Internal Audit Charter 2020/21**

The Director of Finance submitted a report which presented the Internal Audit Charter and Internal Audit Quality Assurance Programme for 2020/21.

The Chief Internal Auditor advised of a typographical error in the Internal Audit Charter under the heading Authority. The text "All employees are requested to assist" should read "All employees are required to assist".

Resolved

(1) That, having given due consideration the Internal Audit Charter (annex to the Minutes as set out in the Minute Book), be approved.

(2) That the Quality Assurance and Improvement Programme be noted.

11 **Counter Fraud Progress Update**

The Director of Finance submitted a report which provided an update of the activity being undertaken to prevent and counter fraud across the Council's services, along with seeking approval of three related and updated policy statements.

The Senior Investigation Officer reported that the Whistle Blowing Policy, Money Laundering Policy and Anti-Fraud and Corruption Policy had been revised and the policies were aligned with the Oxfordshire County Council policies.

Resolved

(1) That the progress of the work of the Corporate Fraud team be noted.

(2) That the future work plans and arrangements during 2020/21 and beyond be noted

- (3) That, having given due consideration the updated Whistle Blowing Policy, Money Laundering Policy and Anti-Fraud and Corruption Policy (annexes to the Minutes as set out in the Minute Book), be approved.

12

Accounts and External Audit Update including Audit Fees 2019/20 (Verbal Update_

The Associate Partner - Ernst & Young gave a verbal update on the accounts and external audit work, advising the committee that due to the Covid-19 Pandemic the plan presented to the Committee in March 2020 had been revised.

The Associate Partner - Ernst & Young informed the Committee that the audit of the accounts had not been completed and new dates had been agreed.

The Director of Finance reported on the revised timeline for the accounts explaining that the Finance Team would prepare the accounts for the external auditor by the end August 2020. The audit completion date would now be 30 November 2020.

The Director of Finance explained that whilst the deadline for the preparation of the accounts was the end of August, the Finance Team would prepare them by the end of July to allow internal, including Member , review.

In response to Members' questions to the delay and potential costs incurred around the revision of the timeline, the Director of Finance and the Associate Partner - Ernst & Young explained that the accounts were close to being completed on time but due to the significant amount of additional work in relation to Covid-19, it had been agreed to set a revised audit completion date.

The Associate Partner - Ernst & Young informed the Committee that additional abortive costs would be incurred in relation to the work and time Ernst & Young had spent working on the Accounts audit which had now been rescheduled. A full breakdown of these fees would be produced.

Committee members commented that it was unfortunate the way the matter had been handled and that additional costs had been incurred.

Resolved

- (1) That the verbal update be noted.

13

2019/20 Treasury Management Annual Report

The Director of Finance submitted a report which provided an update on treasury management performance and compliance with treasury management policy during 2019/20 as required by the Treasury Management Code of Practice.

In response to Members' questions regarding non-treasury investments and if the risk levels would be changed due to the Covid-19 pandemic, the Director of Finance and Assistant Director Finance explained that it was not expected that the risk levels would change.

Resolved

- (1) That the contents of the report in line with the Treasury Management Strategy be noted.

14 **Work Programme**

As reported under the Chairman's announcements, the Housing Benefit Subsidy would be submitted to the September meeting and an informal briefing would be arranged in August as a workshop on the Accounts for committee members.

Resolved

- (1) That, subject to the addition of Housing Benefit Subsidy report being added to the September agenda and an informal briefing on the Statement of Accounts in August, the work programme be noted.

15 **Assistant Director Finance (Interim)**

The Chairman advised the Committee that this was the last meeting the Assistant Director Finance (interim), Dominic Oakeshott, would be attending as a permanent appointment to the post had been made. On behalf of the Committee, the Chairman thanked the Assistant Director Finance (Interim) for his hard work and support to the Committee and wished him well in the future.

The Chairman of the Budget Planning Committee, Councillor Mawer, echoed the comments and thanked the Assistant Director of Finance (Interim) for his hard work and support for the Budget Planning Committee and wished him well for the future.

The meeting ended at 7.45 pm

Chairman:

Date:

Cherwell District Council

Internal Audit Annual Report & Opinion 2019/2020

June 2020



cw audit

audit and assurance services

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1 Introduction

This annual report provides my opinion (see section 2) as the Head of Internal Audit to Cherwell District Council. It also summarises the activities of Internal Audit for the period 1st April 2019 to 31st March 2020.

The Council is required by the Accounts & Audit Regulations 2015 to “to undertake an adequate and effective internal audit of its accounting records and of its system of internal control, taking into account public sector internal auditing standards or guidance”. The Public Sector Internal Audit Standards (PSIAS) require the Head of Internal Audit to provide a written report to those charged with governance, to support the Annual Governance Statement, AGS), setting out:

- An opinion on the overall adequacy and effectiveness of the organisation’s control environment ;
- Disclose any qualifications to that opinion, together with the reasons for that qualification;
- Present a summary of the work carried out by Internal Audit during the year from which the opinion is derived, including any reliance that is being placed upon third party assurances;
- Draw attention to any issues the Head of Internal Audit deems particularly relevant to the Annual Governance Statement (AGS)
- Consider delivery and performance of the Internal Audit function against that planned;
- Comment on compliance with these Standards and the results of any quality assurance programme.

The Council should consider my opinion, together with management assurances, its own knowledge of the organisation and assurances received throughout the year from other review bodies (such as External Audit) when producing its AGS.

My opinion takes into account the range of individual opinions arising from risk-based audit assignments that have been reported throughout the year. An internal audit plan was developed to provide you with independent assurance on the adequacy and effectiveness of systems of control across a range of financial and organisational areas. **A summary of the work we have performed and delivery against the plan is provided in section 3.**

Alongside the delivery of the operational internal audit work, we have met regularly with Council management to ensure any issues regarding our performance can be highlighted and any necessary action taken to resolve these. Following each audit, management are also requested to provide feedback on the service received. No significant issues or concerns regarding the internal audit service have been raised to date.

I have discussed and agreed this Annual Report and Head of Internal Audit Opinion with the Section 151 Officer. Further detailed findings, conclusions and recommendations in the areas covered by our internal audit plan are detailed within the progress reports and individual assignment reports that have been issued to the Committee during the year.

2 Annual Head of Internal Audit Opinion

Roles and responsibilities

The organisation is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements.

Internal Audit provides an independent and objective opinion to the organisation on the control environment and plays a vital part in advising the organisation whether these arrangements are in place and operating correctly.

In accordance with PSIAS, the Head of Internal Audit (HoIA) is required to provide an annual opinion, based upon and limited to the work performed, on the overall adequacy and effectiveness of the organisation's risk management, control and governance processes (i.e. the organisation's system of internal control). This is achieved through a risk-based plan of work, agreed with management and approved by the Audit Committee, which should provide a reasonable level of assurance, subject to the inherent limitations described below.

The opinion does not imply that Internal Audit have reviewed all risks and assurances relating to the organisation. The opinion is substantially derived from the conduct of risk-based plans. As such, it is one component that the organisation takes into account in making its AGS.

The Head of Internal Audit Opinion

My opinion is set out as follows:

1. Overall opinion;
2. Basis for the opinion;

My **overall opinion** is that **significant** assurance can be given that there is a generally sound system of internal control, designed to meet the organisation's objectives, and that controls are generally being applied consistently. However, some weakness in the design and/or inconsistent application of controls put the achievement of particular objectives at risk. The basis for forming my opinion is as follows:

1. An initial assessment of the design and operation of the underpinning risk management framework and supporting processes; and
2. An assessment of the range of individual opinions arising from risk-based audit assignments contained within internal audit risk-based plans that have been reported throughout the year. This assessment has taken account of the relative materiality of these areas and management's progress in respect of addressing control weaknesses.
3. Any reliance that is being placed upon third party assurances.

3 Work undertaken during the year

Summary of assurances provided

During the course of the year we have conducted work to provide assurance over financial, governance and operational systems. Appendix One summarises the assurance levels we have given.

Delivery of the plan

A summary of work undertaken is included below:

- During the year we have undertaken reviews of the key controls operating in your core financial systems and your risk management system and were generally able to provide full or significant assurance for each system reviewed. The exception to this was in respect of Creditor Payments, where a moderate assurance opinion was provided. The key issues that contributed to this opinion relate to the requirement to introduce regular reporting on orders raised retrospectively and invoices paid without an order and take action to ensure that orders are placed at the point when commitment to incur expenditure is made. A recommendation was also made to strengthen the checks put in place to confirm the validity of requests received from suppliers to amend bank accounts.
- The COVID-19 pandemic that began in March 2020 had a significant impact on the workload of CSN Resources, who deliver the Business Rates, Council Tax, Benefits and Debtors systems for the Council. We were therefore unable to complete our audit of these systems and it was agreed that the Council's new Internal Audit Provider, Oxfordshire County Council will conduct expanded audit reviews during 2020/21.
- Our audits did not highlight any weaknesses that we deem sufficiently serious to be highlighted as a Significant Control issue in the Council's Annual Governance Statement.

Whilst not related to the work we have completed during 2019/20, we are recommending to all our clients that the impact/potential impact of the COVID-19 pandemic (for instance on HR, service delivery/capacity, existing systems/controls and budgets) be strongly considered for disclosure as a Significant Internal Control Issue.

Third party assurances

In arriving at our overall Annual Head of Internal Audit Opinion, we have not sought to place reliance on any third party assurances.

Following up of actions arising from our work

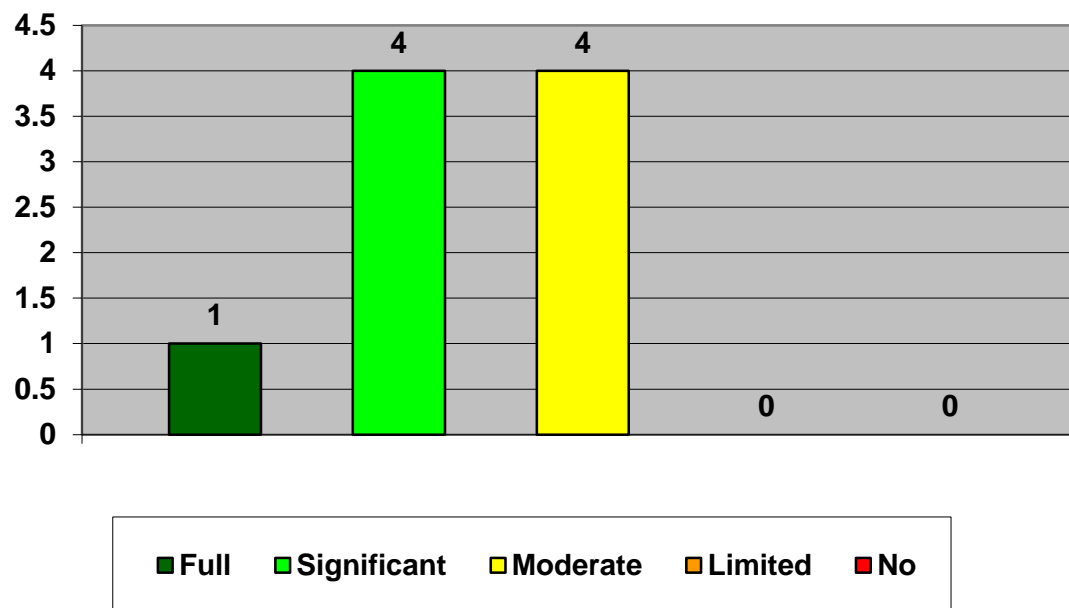
All recommendations and agreed actions are subject to an ongoing recommendation tracking process that is facilitated by CW Audit Services, but completed by the relevant managers responsible for implementing the recommendations. This is undertaken on a self-assessment basis, but is supplemented by our independent follow-up reviews where this is deemed necessary (for example following the issuance of a limited or moderate assurance report). A summary of the recommendation tracking results for the 2019/20 year is included as Appendix 2 to this report. In addition elements of our work involve annual coverage of key areas of control for the organisation, such as in relation to key financial systems, and in such cases we also routinely follow up previously-agreed actions at each review.

4 Quality Assurance

All audits have been conducted in accordance with the requirements of the Public Sector Internal Audit Standards (PSIAS), which includes evidenced review by senior management of all audit files and reports produced. I can confirm that there have been no issues of non-compliance with the PSIAS during the course of the year. CW Audit's systems and processes for complying with PSIAS were confirmed as appropriate by an external assessment that was carried out in April 2018. I can confirm that all audits completed during 2019/20 were carried out in accordance with these systems and processes.

Levels of Assurance – Individual Audit Assignments

Description of audit	Assurance level
Risk Management	Significant
MOT Income	Moderate
Commercial Waste Income	Moderate
Budget Management & Reporting	Significant
Payroll	Significant
General Ledger	Significant
Creditor Payments	Moderate
Treasury Management	Full
Anti-Fraud & Corruption	Moderate
DFG Certification	N/A
Homes England Grant Certification	N/A

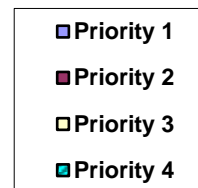
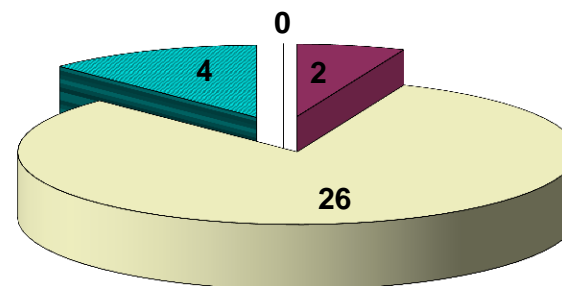


Level of assurance	Criteria
Full	No significant risk issues identified.
Significant	Exposure to levels of risk that may only impair the effectiveness of the system or process under review.
Moderate	Exposure to levels of risk that render some elements of the system's control environment undeliverable.
Limited	Exposure to unacceptable level of risk that could have a serious impact upon the system or process under review.
No	Exposure to unacceptable levels of risk that could have a serious impact upon the organisation as a whole.

Summary of Internal Audit Recommendations

Recommendations made in 2019/20

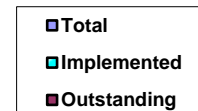
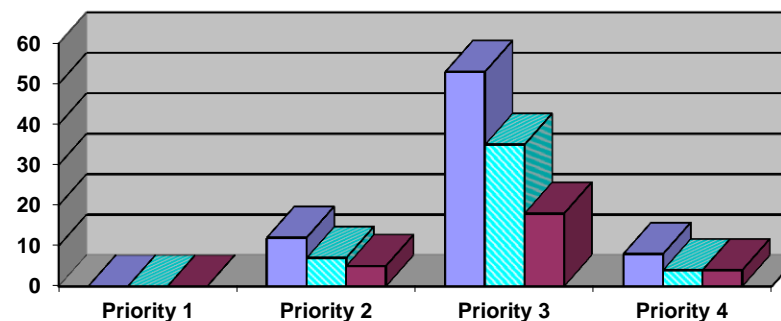
Priority	Number
1	0
2	2
3	26
4	6
Total	34



Current status of all recommendations due for implementation by 31st March 2020

(N.B. including recommendations made from 2017/18 to 2019/20, but excluding 2019/20 recommendations that fall due for implementation after 31st March 2020)

Priority	Number	Implemented	Outstanding
1	0	n/a	n/a
2	12	7	5
3	53	35	18
4	8	4	4
Total	73	46	27



Definition of our risk rankings

Risk ranking	Assessment rationale
1	The system has been subject to high levels of risk that have, or could, prevent the system from meeting its objectives, and which may also impact on the delivery of one or more of the organisation's strategic objectives.
2	The system has been subject to high levels of risk that have, or could, prevent the system from meeting its objectives, but which are unlikely to impact on any of the organisation's strategic objectives.
3	The system has been subject to medium levels of risk that have, or could, impair the system from meeting its objectives.
4	The system has been subject to low levels of risk that have, or could, reduce its operational effectiveness.

APPENDIX 1:

Cherwell District Council Internal Audit Charter

Introduction

The Public Sector Internal Audit Standards (PSIAS) came into force on 1 April 2013. (Updated 1 April 2017). These are the first Internal Audit standards to apply across the whole public sector. The PSIAS requires that an Internal Audit Charter is in place for each local authority.

The Standards form part of the wider mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF) which includes the mission, core principles, definition of Internal Audit and Code of Ethics which define the way in which Internal Audit should be established and undertake its functions

This Charter sets out the purpose, authority and responsibility of Cherwell District Council's Internal Audit function, in accordance with the PSIAS and additional requirements for Local Government which are published via the Chartered Institute of Public Finance and Accountancy (CIPFA)

This Internal Audit Charter has been drawn up in line with the PSIAS requirements and replaces all previous Internal Audit Terms of Reference.

This Internal Audit Charter is subject to approval by the Accounts, Audit and Risk Committee of Cherwell District Council on an annual basis, in line with PSIAS requirements.

Definition of Internal Audit

Internal Audit has adopted the PSIAS definition of internal auditing as follows:

"Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisations operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes".

Mission of Internal Audit

The mission of Internal Audit is to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.

Core Principles

To achieve Internal Audit's mission the following core principles for the professional practice of Internal Auditing are present and applied by Internal Audit:

- Demonstrates integrity.
- Demonstrates competence and due professional care.
- Is objective and free from undue influence (independent).
- Aligns with the strategies, objectives, and risks of Cherwell District Council.
- Is appropriately positioned and adequately resourced.
- Demonstrates quality and continuous improvement.
- Communicates effectively.
- Provides risk-based assurance.
- Is insightful, proactive, and future-focused.
- Promotes organisational improvement.

Code of Ethics

The Internal Audit function for Cherwell District Council has adopted the PSIAS Code of Ethics:

Integrity

- The integrity of internal auditors establishes trust and thus provides the basis for reliance on their judgement

Objectivity

- Internal Auditors exhibit the highest level of professional objectivity in gathering, evaluating and communicating information about the activity or process being examined. Internal Auditors make a balanced assessment of all the relevant circumstances and are not unduly influenced by their own interests or by others in forming judgements.

Confidentiality

- Internal Auditors respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal obligation to do so.

Competency

- Internal auditors apply the knowledge, skills and experience needed in the performance of internal auditing services.

Internal Audit will also have a regard to the Committee on Standards of Public Life's Seven Principles of Public Life as contained within Cherwell District Councils Constitution and Officer's Code of Conduct

- Selflessness
- Integrity
- Objectivity
- Accountability
- Openness
- Honesty
- Leadership

Statutory Requirement

Section 151 of the Local Government Act 1972 requires that authorities "make arrangements for the proper administration of their financial affairs and shall ensure that one of their officers has responsibility for the administration of those affairs." In Cherwell District Council, that officer is the Director of Finance.

Specific requirements are detailed in the Accounts and Audit Regulations 2015, in that a relevant body must undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control. Any officer or member of a relevant body must, if the body requires:

- a. make available such documents and records as appear to that body to be necessary for the purposes of the audit; and
- b. supply the body with such information and explanation as that body considers necessary for that purpose.

In accordance with these regulations, internal audit staff should have access to any financial or non-financial records maintained by the council, or its partners in delivering council services, that are relevant to the audit activity being performed.

Definition of the Chief Audit Executive (CAE)

Chief Audit Executive describes a person in a senior position responsible for effectively managing the internal audit activity in accordance with the internal audit charter and the mandatory elements of the International Professional Practices Framework. Within Cherwell District Council the Chief Internal Auditor is the designated 'Chief Audit Executive'

Definition of the Board

The PSIAS lays out the role of a Board in relation to specific standards. In a local authority the role of the Board may be satisfied by an Audit Committee. In Cherwell District Council the Accounts, Audit and Risk Committee, for the purposes of the key duties laid out in the PSIAS, is the Board.

The key duties of the Board (Accounts, Audit and Risk Committee) as laid out in the PSIAS are as follows:

- Approve the Internal Audit charter
- Receive the risk based Internal Audit plan including the Internal Audit resource plan
- Receive communications from the Chief Internal Auditor on internal audit's performance relative to its plan and other matters
- Receive an annual confirmation from the Chief Internal Auditor with regard to the organisational independence of the internal audit activity
- Receive the results of the Quality Assurance and Improvement Programme from the Chief Internal Auditor.
- Make appropriate enquiries of the management and the Chief Internal Auditor to determine whether there are inappropriate scope or resource limitations.

Definition of Senior Management

The PSIAS anticipates the role of Senior Management includes the following:

- Input to the risk based Internal Audit plan
- Receive periodic reports from the Chief Internal Auditor on internal audit activity, that includes follow up reports
- Receive the results of the Quality Assurance and Improvement Programme from the Chief Internal Auditor

Within Cherwell District Council 'Senior Management' is defined as the Section 151 Officer (Director of Finance)

Professionalism

The Internal Audit function for Cherwell District Council will govern itself by adherence to The Institute of Internal Auditors' mandatory guidance including the Definition of Internal Auditing, the Code of Ethics, and the International Standards for the Professional Practice of Internal Auditing (Standards). This mandatory guidance constitutes principles of the fundamental requirements for the professional practice

of internal auditing and for evaluating the effectiveness of the internal audit activity's performance.

The Internal Audit function for Cherwell District Council maintains an Audit Procedures Manual which is consistent with PSIAS requirements. These procedures are applied for all audit engagements.

Authority

The Internal Audit function for Cherwell District Council, with strict accountability for confidentiality and safeguarding records and information, is authorised full, free, and unrestricted access to any and all of the organisation's records, physical properties, and personnel pertinent to carrying out any engagement. All employees are requested to assist the internal audit activity in fulfilling its roles and responsibilities. The internal audit activity will also have free and unrestricted access to, and communicate and interact directly with, the Accounts, Audit and Risk Committee.

Organisation

The Chief Internal Auditor will report functionally to the Accounts, Audit and Risk Committee, for example approving the charter and internal audit plan, and administratively to the Director of Finance, such as approving the internal audit activity's HR administration and budgets.

The Chief Internal Auditor will communicate and interact directly with the Accounts, Audit and Risk Committee, including in executive sessions and between meetings as appropriate.

Independence and objectivity

The internal audit function within Cherwell District Council will remain free from interference by any element in the organisation, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of a necessary independent and objective mental attitude.

Internal auditors will have no direct operational responsibility or authority over any of the activities audited within Cherwell District Council. Accordingly, they will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair internal auditor's judgment.

Internal Audit will ensure through the planning and resourcing process that any potential conflicts of interest are recognised and addressed through internal audit

staff not undertaking an audit for at least two years in an area where they have had previous operational roles and/or undertaken consulting activity and that responsibilities for audit assignments are rotated periodically within the internal audit team.

Internal auditors must exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors must make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgments. Internal auditors will disclose any impairment of independence or objectivity, in fact or appearance, to the appropriate parties.

The Chief Internal Auditor will confirm to the Accounts, Audit and Risk Committee, at least annually, the organisational independence of the internal audit activity.

The Chief Internal Auditor will disclose to the Accounts, Audit and Risk Committee any interference and related implications in determining the scope of internal auditing, performing work, and communicating results.

Responsibility- Scope & Objectives

Internal audit is an assurance service that provides an independent and objective opinion to the council on the entire control environment comprising risk management, performance, control and governance by evaluating the effectiveness in achieving the organisation's objectives. Internal Audit objectively examine, evaluate and report on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.

Internal Audit is accountable to the Director of Finance (Section 151 Officer) for the terms of reference, scope and coverage of its audit activities. In addition there is a responsibility to those charged with corporate governance being the council (through the Accounts, Audit and Risk Committee) and the Head of Paid Service to give an annual opinion on the whole system of internal control and to support the Monitoring Officer in respect of matters of standards/ legality.

The council's external auditor relies on Internal Audit to undertake a continuous programme of audits of key corporate controls. Also, due priority needs to be given to the key strategic risks of the council including the requirements of the Section 151 Officer. Audit work is included to ensure an opinion can be given on the whole of the control environment. These priorities constitute most of the Annual Plan the balance being risks identified by Internal Audit. The Chief Internal Auditor collates an annual report on the effectiveness of the council's internal control environment.

Internal audit may perform consulting and advisory services related to governance, risk management and control as appropriate for the organisation. It may also evaluate specific operations at the request of the Accounts, Audit and Risk Committee or management, as appropriate.

Based on its activity, Internal audit is responsible for reporting significant risk exposures and control issues identified to the Accounts, Audit and Risk Committee and to Senior Management, including fraud risks, governance issues, and other matters needed or requested.

Internal audit plan

At least annually, the Chief Internal Auditor will submit to the Accounts, Audit and Risk Committee an internal audit plan for review and approval. The Chief Internal Auditor will communicate the impact of resource limitations and significant interim changes to senior management and the Accounts, Audit and Risk Committee.

The internal audit plan will be developed based on a prioritisation of the audit universe using a risk-based methodology, including input of senior management, including the Chief Executive, Director of Finance, Directors and Deputy Directors. It will be developed in accordance with the Internal Audit Charter and will link to the strategic objectives and priorities of Cherwell District Council. Prior to submission to the Accounts, Audit and Risk Committee for approval, the plan may be discussed with appropriate senior management. Any significant deviation from the approved internal audit plan will be communicated through the periodic activity reporting process.

The audit plan is dynamic in nature and will be reviewed and realigned on a regular basis to take account of new, emerging and changing risks and priorities. It will be based on a risk assessment that covers financial materiality and business risks as well as any suspected or detected fraud, corruption or impropriety that has come to the attention of the Chief Internal Auditor.

Internal Audit will consult with the Council's external auditor and with other relevant inspection/assurance and review bodies, as required, in order to co-ordinate effort, ensure adequate coverage and minimise any duplication.

As part of the planning process, the Chief Internal Auditor will identify other potential sources of assurance and will include in the risk-based plan the approach to using other sources of assurance and any work required to place reliance upon those other sources.

For each audit assignment, Internal Auditors will develop and document a plan including the objectives of the review, the scope, and timing and resource allocations. In planning the assignment, auditors will consider, in conjunction with the auditees, the objectives of the activity being reviewed, significant risks to the activity and the adequacy and effectiveness of the activity's governance, risk management and control processes.

Reporting and monitoring

A written report will be prepared and issued by the Chief Internal Auditor or designee following the conclusion of each internal audit engagement and will be distributed as appropriate. Internal audit results will also be communicated to the Accounts, Audit and Risk Committee. The internal audit report will include an opinion on the adequacy of controls in the area that has been audited.

The draft report will be discussed with the auditees and management actions agreed for the weaknesses identified, along with timescales for implementation. The final report will be issued to the relevant Director, Director of Finance and other officers in line with directorate protocols.

The internal audit activity will be responsible for appropriate follow-up on engagement findings and monitoring and reporting on the implementation of management actions.

Arrangements for appropriate resourcing

Internal Audit must be appropriately staffed in terms of numbers, grades, qualification levels and experience, having regard to its objectives and to the standards. All Internal Auditors will hold a professional qualification or be training towards a professional qualification.

In the event that the risk assessment, carried out to prepare the annual plan, identifies a need for more audit work than there are resources available, the Chief Internal Auditor will identify the shortfall and advise the Director of Finance followed by the Accounts, Audit and Risk Committee as required to assess the associated risks or to recommend additional resources are identified.

The audit plan will remain flexible to address unplanned work including responding to specific control issues highlighted by senior management during the year.

Internal audit work is prioritised according to risk, through the judgement of the Chief Internal Auditor, informed by the Council's risk registers and in consultation with senior management and External Audit.

All internal auditors have a personal responsibility to undertake a programme of continuing professional development (CPD) to maintain and develop their competence. This is fulfilled through the requirements set by professional bodies and through the Council's appraisal and development programme.

Fraud and Corruption

In administering its responsibilities; the Council has a duty to prevent fraud and corruption, whether it is attempted by someone outside or within the Council such as another organisation, a resident, an employee or Councillor. Internal Audit fully considers the risk of fraud and corruption when undertaking its activities by promoting high ethical standards and encouraging the prevention and detection of fraudulent activities.

The Council's Anti-Fraud and Corruption Strategy, sets out responsibilities in this area.

Definition of Assurance Services

The PSIAS defines assurance services as follows: *"An objective examination of evidence for the purpose of providing an independent assessment on governance, risk management and control processes for the organisation."*

Internal Audit provide this assurance across all parts of the Council reviewing the Council's "control environment" comprising risk management, control and governance, this enables the Chief Internal Auditor to provide an annual opinion on the effectiveness of these arrangements. This opinion supports the Council's Annual Governance Statement.

Definition of Consulting Services

The PSIAS defines consulting services as follows: *"Advisory and client related service activities, the nature and scope of which are agreed with the client, are intended to add value and improve an organisation's governance, risk management and control processes without the internal auditor assuming management responsibility. Examples include counsel, advice, facilitation and training."*

The PSIAS requires that approval must be sought from the Accounts, Audit and Risk Committee for any significant additional consulting services not already included in the audit plan, prior to accepting the engagement.

Quality assurance and improvement programme

The internal audit activity will maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity, and evaluates the activity's conformance with the Standards and application of the Code of Ethics. As

such, the programme assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement.

The Chief Internal Auditor will communicate to senior management and the Accounts, Audit and Risk Committee on the internal audit activity's quality assurance and improvement programme, including results of ongoing monitoring at least annually, internal assessments upon completion and external assessments conducted at least every five years. Disclosure will include:

- The scope and frequency of both internal and external assessments.
- The qualifications and independence of the assessor(s) or assessment team, including potential conflicts of interest.
- Conclusions of assessors.
- Corrective action plans.

The results of the quality assurance and improvement programme and progress against any improvement plans must also be included in the annual report.

Signed by:

Sarah Cox, Chief Internal Auditor

Lorna Baxter, Director of Finance

Councillor Mike Kerford-Byrnes, Chairman of the Accounts, Audit and Risk Committee

Date approved: 29 July 2020 – Accounts, Audit and Risk Committee
Date of next review: July 2021

APPENDIX 2

Internal Audit - Quality Assurance and Improvement Programme

Introduction

Internal Audit's Quality Assurance and Improvement Program (QAIP) is designed to provide reasonable assurance to the various stakeholders of Cherwell District Council Internal Audit function that Internal Audit:

- Performs its work in accordance with its Charter, which is consistent with the Public Sector Internal Audit Standards, Definition of Internal Auditing and Code of Ethics;
- Operates in an efficient and effective manner;
- Is adding value and continually improving the service it provides.
- The Chief Internal Auditor is ultimately responsible for maintaining the QAIP, which covers all types of Internal Audit activities. The QAIP must include both internal and external assessments. Internal assessments are both ongoing and periodical and external assessments must be undertaken at least once every five years.

Internal Assessments

Internal Assessment is made up of both ongoing reviews and periodic reviews.

Ongoing Reviews

Ongoing assessments are conducted through:

- Supervision of audit engagements
- Regular, documented review of work papers during engagements by appropriate Internal Audit staff
- Applying relevant audit policies and procedures, including those set out in the Internal Audit Manual, to ensure applicable audit planning, fieldwork and reporting quality standards are met
- Review of all audit reports and agreed management actions by the Chief Internal Auditor prior to formal circulation.
- Feedback from Customer Satisfaction Questionnaires (CSQs) on individual audit assignments
- Established key performance indicators (KPIs) designed to improve Internal Audit's effectiveness and efficiency. These are signed off each year by the Accounts, Audit & Risk Committee.
- Corporate performance monitoring

- In assigning audit work to an individual auditor consideration is given to their level of skills, experience and competence and an appropriate level of supervision exercised
- Feedback from CSQs, performance against KPIs and reviews of working papers and audit reports will form part of the discussion during regular meetings / 121 discussions.

Periodic Reviews

Periodic assessments are designed to assess conformance with Internal Audit's Charter, the Standards, Definition of Internal Auditing, the Code of Ethics, and the efficiency and effectiveness of internal audit in meeting the needs of its various stakeholders. Periodic assessments will be conducted through:

- Chief Internal Auditor / Audit Manager file reviews to ensure performance in accordance with Internal Audit's Quality Procedures Manual.
- Review of internal audit Key Performance Indicators by the Chief Internal Auditor on a monthly basis, including elapsed time between start of audit and exit meeting, elapsed time between exit meeting and issue of draft report, elapsed time between issue of draft report and issue of final report, % of planned activity completed and % of management actions implemented.
- Quarterly activity and performance reporting to the Accounts, Audit & Risk Committee and Section 151 officer.
- Annual self-review of conformance with the Public Sector Internal Audit Standards. Any resultant action plans will be monitored by the Chief Internal Auditor on a quarterly basis.
- Independent annual review of the effectiveness of Internal Audit by the Council's Monitoring Officer, with results reported to and reviewed by the Accounts, Audit & Risk Committee.

External Assessment

External assessments will appraise and express an opinion about Internal Audit's conformance with the Standards, Definition of Internal Auditing and Code of Ethics and include recommendations for improvement, as appropriate.

An external assessment will be conducted every 5 years by a qualified, independent assessor from outside the Council. The assessment will be in the form of a full external assessment, or a self-assessment with independent external validation. The format of the external assessment will be discussed with the Accounts, Audit & Risk Committee.

Reporting

Internal Assessments – Quarterly activity and performance reporting to the Accounts, Audit & Risk Committee and Section 151 officer.

External Assessments – results of external assessments will be reported to the Accounts, Audit & Risk Committee and Section 151 officer at the earliest opportunity following receipt of the external assessors report. The external assessment report will be accompanied by a written action plan in response to significant findings and recommendations contained in the report.

Follow Up - the Chief Internal Auditor will implement appropriate follow-up actions to ensure that action plans developed are implemented in a reasonable timeframe.

Signed by:

Sarah Cox, Chief Internal Auditor

Lorna Baxter, Director of Finance

Date approved: July 2020

Date of next review: July 2021

Minute Item 11

Accounts, Audit and Risk Committee

29 July 2020

Appendix A - Progress Update

Results

As there has not been a committee meeting since January 2020 I have included all of the figures since that date. Between 01 April 2020 and the 15 July 2020, the corporate fraud team has achieved the following results:

Directly Attributable Savings

Type	Fraud Loss Avoidance*	Income Generated	Comment
Council Tax Reduction Scheme	£2,665.78	£2,530.86	Loss avoidance is based on the Oxford model of 104 weeks future entitlement
Council Tax Single Person Discount / Other exemptions	£3,648.10	£2,914.70	Achieved through reactive investigation casework

Indirectly Attributable Savings

Type	Fraud Loss Avoidance*	Income Generated	Comment
Housing Benefit	£10,235.68	£13,710.13	Although no longer tasked with investigating Housing Benefit, these values are the by-product of Council Tax Reduction scheme and tenancy fraud investigations

Totals

	£16,549.56	£19,155.69	
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*Future savings are calculated based on a nationally accepted model, devised by the former Audit Commission and updated by the Oxford Investigation Service. The rationale behind the calculations show that, without intervention from the Counter-Fraud Team, a fraudulent or irregular payment would have continued for a period of time before being detected in another way. For Housing Benefit and Council Tax Reduction, this period has been determined as an average of 104 weeks.

Grant Schemes

With the advent of Covid-19 CDC, along with all other Councils were asked to administer a grants scheme to small businesses, which sought to make payments to the local businesses from a total allocation of £26.7m. Currently the Council has provided support to over 2,000 businesses having allocated just over £26m of the funding allocated. A team approach has been deployed including staff from CSN Resources Limited, Finance, Growth and Economy and the County Council Finance and Audit teams. The work of the audit team has prevented the Council making inappropriate payments of approximately £350k and has also seen a number of fraud referrals.

The OIS Fraud Team have assisted the Audit team who have identified 10 applications that may be fraudulent. These applications range from companies that were not trading at the time of the process opening, have made duplicate applications or do not appear to have ever occupied a business premises. As there was a robust application process adopted this has prevented fraudulent payments being made. Applications that have been questioned by the process team have then been passed to the Fraud Team to investigate. There are a number of options open to the Fraud Team to manage these cases. To prove any criminal intent the offenders will have to be interviewed under Caution, which due to the Covid 19 crisis has proved to be problematic. Measures have now been put in place to address this so that interviews can take place. There are a number of cases that could potentially lead to prosecutions but at the present time the Fraud Team is still gathering evidence before interviews are conducted.

COUNTER FRAUD TRAINING AND INFORMATION

During the Counter Fraud Week the Executive Director of Finance and the Director of Finance at Oxfordshire County Council highlighted the importance of fraud prevention and awareness with a combined video across both Councils via their intranet and communications processes. The importance looking to the future of highlighting the need to prevent and avoid fraud in ways that engage staff across the Council in a creative manner.



WHISTLE BLOWING POLICY

It is important to know the difference between a 'Whistle blow' and a 'grievance.' A Whistle blow has a public interest aspect to it, for example because the issue raised puts others at risk. A grievance by contrast has no public interest factors, as it is a complaint about a particular employment situation. A grievance should be reported using the Grievance policy, not this policy. For example, a member of staff being formally interviewed on capability grounds, without previously having had any indication that their performance was not acceptable, may lead to a grievance complaint being made. Whilst a member of staff who observes colleagues sharing/selling confidential data to which they have access, to unauthorised party, should lead to a Whistle Blow.

- 1. Introduction**
- 2. Who can use this policy?**
- 3. What does this policy apply to?**
- 4. Purpose of whistle blowing policy**
- 5. Protecting the identity of whistle blowers**
- 6. How will the Council protect whistle blowers?**
- 7. Anonymous allegations**
- 8. Untrue allegations**
- 9. Role of trade unions and professional associations**
- 10. How do workers blow the whistle?**
- 11. How will the Council respond to whistle blowing?**

12. Taking concerns further

13. Monitoring and reporting

14. Responsibility for this policy

15. How to respond to a Whistleblowing Concern – Flow Chart

1. Introduction

1.1 Employees are often the first to realise that there may be something seriously wrong within a local authority. However, they may not express their concerns because they feel that speaking up would be disloyal to their colleagues or to the Council. They may also fear harassment or victimisation. In these circumstances employees may feel that it is easier to ignore the concern, rather than report what may just be a suspicion of malpractice.

1.2 Cherwell District Council (CDC) are committed to the highest possible standards of openness, probity and accountability. In line with that commitment CDC encourage employees and others with serious concerns about any aspect of either Council's work to come forward and voice those concerns. It is recognised that certain cases will have to proceed on a confidential basis.

1.3 Whistle blowing is the term used when someone who works in or for an organisation raises a concern about a possible fraud, crime, danger or other serious risk that could threaten customers, colleagues, the public or the organization's own reputation. For example, instances of theft from the Council, accepting or offering a bribe, and failure by colleagues to adhere to Health & Safety directives could all be the subject of a Whistle blow.

1.4 The Government expects public bodies to have a policy in place and the Whistle blowing policies and procedures in local authorities are assessed regularly as part of their external audit and review. The Council is committed to the highest possible standards of openness, probity and accountability, and so has developed and endorsed this policy. In line with that commitment it expects and encourages employees, and others that it deals with, who have serious concerns about any aspect of the Council's work to come forward and voice those concerns. It is recognised that most cases will have to proceed on a confidential basis.

1.5 This policy document makes it clear that concerns can be raised without fear of victimisation, subsequent discrimination or disadvantage. This Whistle blowing policy is intended to encourage and enable employees to raise concerns within either Council in person, rather than overlooking a problem or using other methods to report concerns.

2. Who can use this policy?

2.1 This policy is for Council officers whether they be full or part-time employees, secondees, casual workers or volunteers, or contractors. Members of the public can use the Council's complaints procedure or complain to the ombudsman.

3. What does this policy apply to?

3.1 This policy applies to anything illegal, improper, unethical or wrong that is done by:

- officers
- Councillors
- co-opted committee members
- anyone representing the Council
- partner organisations
- contractors, consultants or other suppliers.

3.2 Examples would include a criminal offence, fraud or corruption, damage to the environment, safeguarding concerns, theft or misuse of public money, breach of a legal obligation, a failure to follow the Council's finance, contract or other rules or a deliberate attempt to conceal any of these things.

3.4 The Council has other policies and procedures, for example on recruitment and selection, discipline, grievances, bullying and harassment and diversity. The whistle blowing policy should only be used when other policies are inappropriate.

3.5 If an employee raises a disclosure whilst they are subject to another of the Council's procedures, for example, Staff Disciplinary and dismissal policy and procedures , , or Sickness Absence Management Procedure, parallel investigations may be conducted. The Procedures already instigated will not, in most cases, be suspended. However, the employee's right to raise a concern under this Procedure will not be affected.

4. Purpose of whistle blowing policy

4.1 Officers with serious concerns about any of the Council's work or activities are expected to blow the whistle. This policy document makes it clear that an employee can do so without fear of victimisation, subsequent discrimination or disadvantage. This policy:

- encourages officers to blow the whistle within the Council rather than say nothing or take their concerns elsewhere
- protects whistle blowers from reprisals as long as they have acted honestly and in the public interest
- provides a procedure for whistle blowing
- ensures whistle blowers get a response
- gives advice on what to do if the response is not good enough.

5. Protecting the identity of whistle blowers

5.1 The Council cannot guarantee to protect the identity of whistle blowers as it may, during an investigation, have to say where it got its information from and disclose the original complaint. The whistle blower may also have to act as a witness in any subsequent hearing.

6. How will the Council protect whistle blowers?

6.1 The Council will protect whistle blowers from reprisals as long as they had a reasonable belief that the allegations were true and made them in good faith. Reprisals will be treated seriously as a disciplinary offence and dealt with through the disciplinary procedure. Where workers blow the whistle but do not cite the policy they will still be protected under it.

6.2 The Council will try to minimise any difficulties resulting from whistle blowing. For example, it will advise whistle blowers about the procedure if they have to act as witnesses.

7. Anonymous allegations

7.1 This policy encourages workers to put their names to allegations but the Council may investigate allegations made anonymously. In deciding whether to investigate an anonymous allegation, the Council will consider how serious it is, whether it is believable and whether evidence can be obtained from a non-anonymous source.

8. Untrue allegations

8.1 Workers will not suffer reprisals for making allegations that turn out to be untrue, as long as they had a reasonable belief that the allegations were true and made them in the public interest. Allegations that are made without a reasonable belief as to their truth or not made in the public interest are likely to be treated as a disciplinary offence and dealt with through the disciplinary procedure.

9. Role of trade unions and professional associations

9.1 Workers can raise concerns themselves or ask their trade union or professional association to act on their behalf. Whistle blowers can bring a trade union or professional association representative or a friend with them to meetings.

10. How do workers blow the whistle?

10.1 Saying that the whistle blowing procedure is being used

The whistle blower should wherever possible make it clear from the start that they want to use the whistle blowing procedure.

10.2 Putting concerns in writing

Whistle blowers should wherever possible put their concerns in writing, giving as much detail and including relevant dates. Whistle blowers are not expected to prove that their allegations are true

but they need to show that there are reasons for raising their concern and it was made in the public interest. If a whistle blower does not feel they can put their concerns in writing, they can be interviewed instead.

10.3 Who should whistle blowers go to with their allegations?

Whistle blowers should normally go to their line manager or head of service but if the whistle blower does not want to go to their line manager or head of service, they can go to the Chief Executive, a Director, the Monitoring Officer or the Director of Finance. If the whistle blower suspects fraud or corruption, they can also go to the Council's Corporate Fraud Team/internal auditors.

11. How will the Council respond to whistle blowing?

11.1 Notification of allegation Upon receipt of an allegation under this policy the person receiving the allegation must immediately notify the Monitoring Officer, the Head of Financial Services and the Head of Business Improvement (unless the allegation relates to one or more of them).

11.2 Appointment of an officer to investigate

The person receiving the complaint will agree, in consultation with the Monitoring Officer, the Director of Finance and the Head of Insight and Corporate Programmes how (unless the allegation relates to one or more of them) the allegation will be investigated and write to the whistle blower within 10 working days. The letter should:

- acknowledge that the whistle blower has used the whistle blowing policy
- say how their concern will be dealt with and how long they think this will take
- tell them whether any initial enquiries have been made
- say what further action will be taken (or say why no further action will be taken)

Tell them they have the right to bring someone with them to any meetings they have to attend about the allegation.

11.3 Interviews

If the whistle blower has not put their concerns in writing, they may be interviewed. A summary of the interview will be made which should be signed by the person conducting the interview and the whistle blower.

11.4 Further action

After preliminary investigation the Council will take further action if the investigation officer decides it would be in the public interest to do so. Further action may include:

- Arranging an investigation by management or Corporate Fraud Team/Internal auditors
- Arranging a disciplinary process
- Referring allegations to the police

- Referring allegations to the external auditor
- Arranging an independent inquiry if the allegations are very serious or complicated

11.5 Response to whistle blowers at the end of the investigation

If the law allows, the Council will tell the whistle blower the outcome of any investigation within 10 working days of it ending.

11.6 Support

Whistle blowers are encouraged to obtain support and advice that may include their trade union representative or HR team contact, a designated representative for bullying and harassment or the charity Public Concern at Work, the whistleblowing charity, which provides a confidential independent helpline for whistleblowers. Contact details are shown below.

Public Concern at Work

(Independent whistleblowing charity)

Helpline: (020) 7404 6609

E-mail: whistle@pcaw.co.uk

Website: www.pcaw.co.uk

12. Taking concerns further

12.1 If a worker has sought advice and feels it is right to raise their concerns outside the Council, people they could approach include their local Council, their local councillor, the external auditor, the health and safety executive, a government department, a solicitor, the police, an MP or a relevant professional body or regulatory organisation. If a worker does raise their concerns outside the Council, they must do it without passing on confidential information. The Monitoring Officer can give advice on this.

13. Monitoring and reporting

13.1 The Director of Finance (or their nominated deputy) will report to each meeting of the Audit and Governance Committee on the number (if any) of whistle blowing complaints made as part of the Council's anti-fraud and corruption awareness framework.

14. Responsibility for this policy

14.1 The Monitoring Officer has overall responsibility for this policy and how it is used and how the policy is working.

15. How to respond to a Whistleblowing Concern – Flow Chart

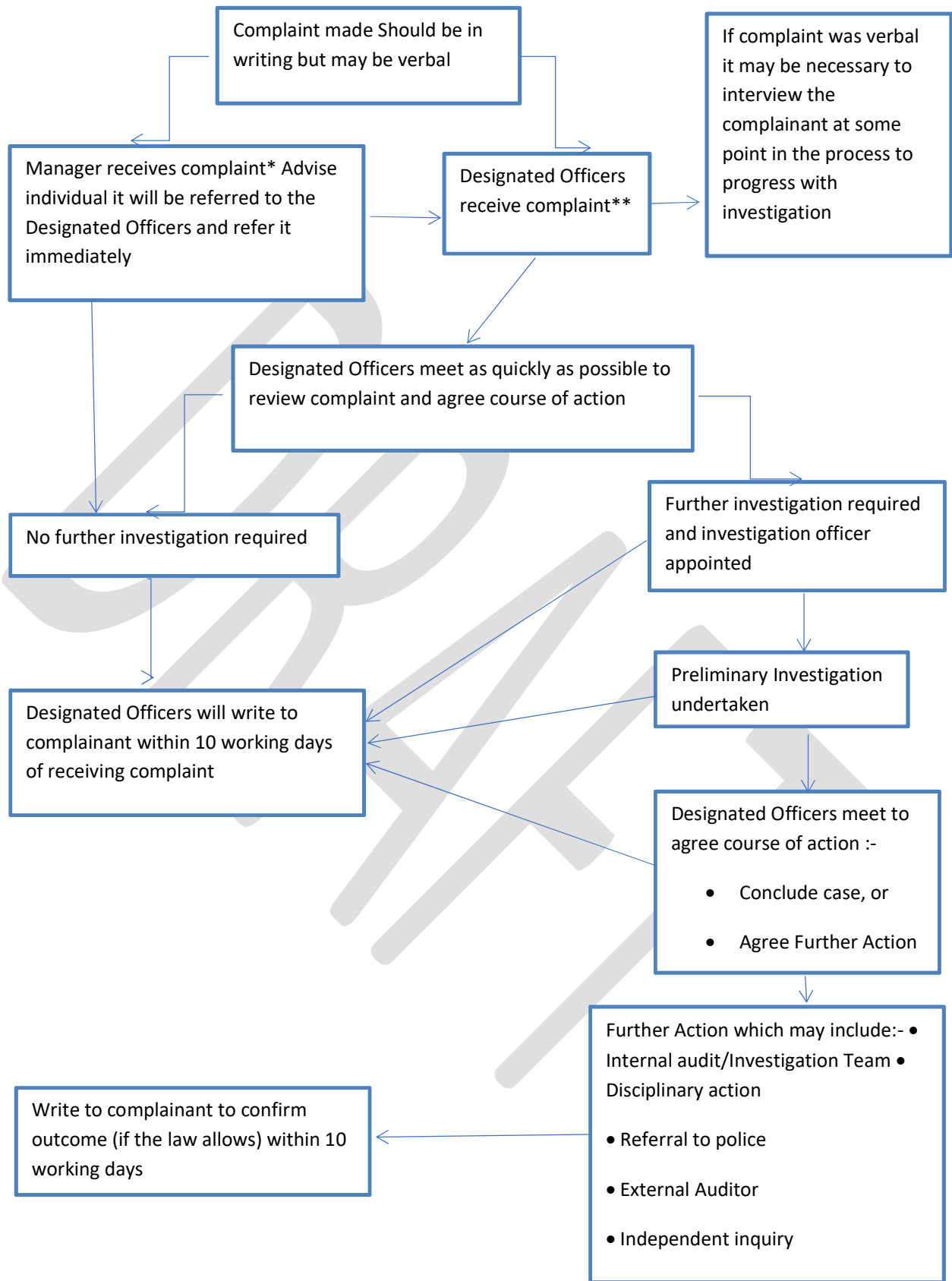
15.1 This is an overview only and should be used in conjunction with the Whistleblowing Policy.

Designated Officers are Head of Business Improvement, Head of Financial Services and Monitoring Officer.

* If there is any doubt as to whether the complaint could be considered to be whistleblowing the manager must refer it as such.

** Unless the complaint is about one or more of the Designated Officers when it should be referred to an Executive Director or the Chief Executive.







Anti-Money Laundering
Policy and Procedures

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Section A – Anti-Money Laundering Policy

1. Introduction

- 1.1 In carrying out their functions and responsibilities, Cherwell District Council wishes to promote a culture of openness and fairness and expect all those who work for and with the Council to adopt the highest standards of propriety and accountability.
- 1.2 The purpose of this policy is to clearly state the duty and responsibilities of all Cherwell District Council employees, members and volunteers working for or on behalf of Council in relation to anti-money laundering.
- 1.3 This policy supports the Cherwell District Council Corporate Plan objective for an efficient and effective council.

2. Aims

Through this policy and associated procedures, Cherwell District Council aims to;

- Meet anti-money laundering legal requirements and associated regulations.
- Ensure staff are aware and understand the Anti-Money Laundering legal requirements, offences, background, process and expectations set down in this policy – with appropriate support to ensure that the policy is complied with.
- Ensure the Council has robust, risk-based processes that are effectively and consistently followed, to understand with whom we are dealing and any money laundering risks they may represent.
- Ensure money laundering suspicions are proactively and immediately reported.
- Maintain comprehensive records of anti-money laundering checks and concerns.
- Guard against Cherwell District Council becoming involved in money laundering, thereby ensuring the safeguarding of public money.

3. Objectives & Duties

Not all of the Cherwell District Council's business is "relevant" as set out in legislation, which is aimed primarily at the regulated sector. It applies mainly to the accountancy and audit services carried out by Financial Services and the risk may be at its greatest in regard to certain property transactions. However, all Council employees should have due regard to this policy, particularly those involve in any type of financial transaction. The purpose of the policy to protect both employees and the organisation, and minimise legislation.

In order to achieve the aims of this policy, and to ensure compliance with legislation, Cherwell District Council has established internal processes, procedures and duties to prevent the use of its services for money laundering. These include:

- Clear lines of accountability within the Council for anti-money laundering
- The appointment of a Money Laundering Reporting Officer ("MLRO") to receive disclosures from employees, contractors and Members of suspected money laundering activity.
- A documented process to require the reporting of suspicions of money laundering.
- The establishment and maintenance of client identification requirements in certain circumstances
- The establishment and maintenance of record keeping requirements.
- Communication with all employees, members and volunteers to ensure they are aware of their responsibilities and how to act in ways that protects them from money laundering.
- The training of relevant staff in how to recognise and deal with transactions which may be related to money laundering.

4. Policy Scope

- 4.1 This policy and procedures apply to all council employees, which include contractors and agency staff.
- 4.2 This policy and procedures apply to all elected Councillors, also known as Members.

- 4.3 This policy and procedure also applies to any person volunteering for Cherwell District Council.
- 4.4 This policy does not cover companies which are wholly owned by Cherwell District Council. In these scenarios, separate policies exist which are specifically tailored to those entities.

5 Legal Framework

- 5.1 This policy has been developed in accordance with the principles established by relevant legislation and guidance.
- 5.2 New obligations were imposed by
- The Sanctions and Anti-Money Laundering Act 2018
 - Criminal Finances Act 2017
 - The Proceeds of Crime Act 2002
 - The Terrorism Act
 - The Money Laundering, Terrorist Financing and Transfer of Funds (Information on Payer) Regulations 2017
 - The Money Laundering and Terrorist Financing (Amendment) Regulations 2019
- 5.3 This legislation sets out the definition of money laundering and the range of activities caught by the statutory control framework. In particular, the legislation imposes a duty to report suspicions of money laundering and sets out the criminal sanctions imposed for failure to do so.

6 Interaction with other council policies and external documents

The Policy should be read alongside

- Anti-Bribery, Fraud and Corruption Policy
- Employee Code of conduct
- Member's Code of Conduct
- Whistle Blowing Policy

7 Roles & Responsibilities

- 7.1 All Employees, members and volunteers are responsible for carrying out their duties in a way that prevents money laundering as follows:

- To be alert to where the CDC may be targeted by individuals or businesses trying to launder the proceeds of crime;
- To avoid alerting anyone dealing with CDC that you have a suspicion they may be attempting to launder, or have laundered, the proceeds of crime; and
- To report any suspicions of money laundering to CDC's MLRO using the specified documentation

7.2 It is not your responsibility to decide whether a suspicious transaction actually constitutes money laundering.

7.3 Failure to comply with the procedures set out in this Policy may lead to disciplinary action being taken in accordance with the Council's Disciplinary Policy.

7.4 **The Designated MLRO**

Cherwell District Council has nominated the Section 151 Officer to be the MLRO, and to be responsible for anti-money laundering measures within CDC. This includes responsibility for:

- a) Compliance with legislation and regulatory guidance;
- b) Ensuring compliance with CDC Anti-Money Laundering Policy;
- c) Ensuring relevant staff receive training;
- d) Deciding whether a suspicious activity report requires disclosure to the National Crime Agency ("NCA") and ensuring that all necessary disclosures to the NCA are made as quickly as possible.

7.5 The current MLRO is the Sect 151 Officer.

7.6 In the absence of the MLRO, or in instances where it is suspected that the MLRO themselves are involved in suspicious transactions, concerns should be raised with the Deputy MLRO who will be the Deputy Sect 151 Officer.

7.7 It is the MLRO's (or their deputy) sole responsibility to ensure that CDC is compliant with the relevant legislation and regulatory guidance. No responsibility for this will at any time be delegated to any other Officer

Other Responsible Officers

7.8 **The Investigations Team Manager**

Responsible for ensuring this policy is up to date and that a system is in place to ensure that managers are informed about their duties in relation to this policy.

7.9 **All Heads of Service**

Must ensure that their employees, members and volunteers comply with the Anti-Money Laundering Policy and Procedures and attend relevant training sessions

7.10 All Line Managers

Are responsible for ensuring that their contractors, employees, members and volunteers dealing with the receipt of funds or having contact with the public are aware of this policy and given appropriate support and training to fulfil the requirements of this policy.

7.11 Audit & Governance Committee

To acknowledge and approve the policy as fit for purpose.

8 Monitoring & Review

8.1 The risk to the council of contravening the anti-money laundering legislation will be assessed on a periodic basis, or as required by legislative updates

8.2 The adequacy and effectiveness of the Anti-Money Laundering Policy will be reviewed in light of such assessments.

8.3 This policy will be reviewed every 2 years, with significant revisions subject to the Council's Audit & Governance Committee clearance process.

8.4 A periodic review of compliance will be undertaken as part of the provision of the Internal Audit function, as determined by a strategic risk assessment, and appropriate work plan response.

Section B –Definitions

9 Anti-Money Laundering definition

9.1 Money laundering describes offences involving the integration of the proceeds of crime, or terrorist funds, into the mainstream economy.

9.2 Such offences are defined under the Proceeds of Crime Act 2002 as the following 'prohibited acts':

- Concealing, disguising, converting, transferring or removing criminal property from the UK
- Becoming involved in an arrangement which an individual knows or suspects facilitates the acquisition, retention, use or control of criminal property by or on behalf of another person
- Acquiring, using or possessing criminal property
- Doing something that might prejudice an investigation e.g. falsifying a document
- Failure to disclose one of the offences listed above, where there are reasonable grounds for knowledge or suspicion

- Tipping off a person(s) who is or is suspected of being involved in money laundering in such a way as to reduce the likelihood of or prejudice an investigation.
- 9.3 The Terrorism Act 2000 made it an offence of money laundering to become concerned in an arrangement relating to the retention or control of property likely to be used for the purposes of terrorism, or resulting from acts of terrorism.
- 9.4 Although the term 'money laundering' is generally used to describe the activities of organised crime, for most people it will involve a suspicion that someone they know, or know of, is benefiting financially from dishonest activities. Potentially very heavy penalties (unlimited fines and imprisonment up to fourteen years) can be handed down to those who are convicted of one of the offences above.
- 9.5 Money laundering is the process of channelling 'bad' money into 'good' money in order to hide the fact the money originated from criminal activity. Money laundering often occurs in three steps: first, cash is introduced into the financial system by some means ("placement"), the second involves a financial transaction in order to camouflage the illegal source ("layering"), and the final step entails acquiring wealth generated from the transactions of the illicit funds ("integration").
- 9.6 Most money laundering offences concern far greater sums of money since the greater the sum of money obtained from a criminal activity, the more difficult it is to make it appear to have originated from a legitimate source or transaction.
- 9.7 Whilst the risk to CDC of contravening the legislation is low, it is extremely important that all employees, contractors and Members are familiar with their legal responsibilities: serious criminal sanctions may be imposed for breaches of the legislation. A key requirement is for employees and contractors to promptly report any suspected money laundering activity to the MLRO.

Section C – Anti-money laundering procedures - what you need to do

This section sets out the range of work that supports the implementation of the policy

10 Reporting Suspicions of Money Laundering

- The concept of a 'suspicion' of money laundering features a number of times in the legislation and regulatory guidance but is not defined. The courts have defined it as being beyond mere speculation, being based on some foundation. For a transaction to be suspicious, the exact nature of the criminal offence need not be certain.

- Where you know or suspect that money laundering activity 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 Proceeds of Crime Act 2002 (as amended), you must disclose this as soon as practicable to the MLRO. 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.**
- Advice for both employee and the MLRO are attached at **Appendix1**. A flow chart illustrating the procedure for reporting money laundering is at **Appendix 2**. The Report to Money Laundering Reporting Officer form is at **Appendix 3**

11 Record Keeping Procedures

Each service area conducting relevant business must maintain records of:

- Client identification evidence obtained
- Details of all relevant business transactions carried out for clients for at least five years.
- This is so that they may be used as evidence in any subsequent investigation by the authorities into money laundering.
- The precise nature of the records is not prescribed by law however they must be capable of providing an audit trail during any subsequent investigation, for example distinguishing the client and the relevant transaction and recording in what form any funds were received or paid. In practice, all areas of OCC will be routinely making records of work carried out for clients in the course of normal business and these should suffice in this regard.

12 Guidance for cash payments.

- No payment to CDC should automatically be accepted in cash (including notes, coins or travellers cheques in any currency) if it exceeds £5,000. This does not, however, mean that cash transactions below this value will be valid and legal and should not arise any suspicion. Professional scepticism should remain at all times.
- Employees who collect cash payments are asked to provide the details of any cash transaction over £5,000 to the MLRO so that precautionary checks can be performed.
- CDC, in the normal operation of its services, accepts payments from individuals and organisations. If an employee has no reason to suspect or know that money laundering activity is taking/has taken place and if the money offered is less than £5,000 in cash as payment or part payment for goods/services offered by the Council then there is no need to seek guidance from the MLRO.

- If a member of staff has reasonable grounds to suspect money laundering activities or proceeds of crime, or is simply suspicious, the matter should still be reported to the MLRO. If the money offered is £5,000 or more in cash then payment must not be accepted until guidance has been received from the MLRO even if this means the person has to be asked to wait.
- Any officer involved in a transaction of this kind should ensure that the person provides satisfactory evidence of their identity personally, through a valid passport/photo driving licence plus one other document providing evidence of current address in the form of a bank statement, credit card statement, mortgage or insurance details or a utility bill which is no more than three months old. Where the other party is a company, this can be done through company formation documents or a business rates bill plus online checks.
- Any transactions that involve an offshore company or are one of the following- the transactions are complex or unusually large, unusual pattern of transactions or transactions have no apparent economic or legal purpose, the MLRO must be informed

13 Further Information

- Further information can be obtained from the MLRO, the Corporate Fraud Team, and the following sources:
- National Crime Agency (NCA) – <http://www.nationalcrimeagency.gov.uk/>
- CIPFA - <http://www.cipfa.org/members/members-in-practice/anti-money-laundering>
- CCAB - Anti-Money Laundering (Proceeds of Crime and Terrorism) – Guidance for Accountants – www.ccab.org.uk (main site) or [Anti-money laundering guidance for the accountancy document](#)
- The Law Society - Anti-Money Laundering Guidance and Advice - <http://www.lawsociety.org.uk/support-services/risk-compliance/anti-money-laundering/>

Appendix 1

Reporting Advice

Your disclosure should be made to the MLRO using the Report to Money Laundering Reporting Officer form at Appendix 3. The report must include as much detail as possible, for example:

- Full details of the people involved (including yourself, if relevant), e.g. name, date of birth, address, company names, directorships, phone numbers, etc.
- Full details of the nature of their/your involvement - If you are concerned that your involvement in the transaction would amount to a prohibited act under sections 327 – 329 of the Act, then your report must include all relevant details, as you will need consent from the NCA, via the MLRO, to take any further part in the transaction - this is the case even if the client gives instructions for the matter to proceed before such consent is given. You should therefore make it clear in the report if such consent is required and clarify whether there are any deadlines for giving such consent e.g. a completion date or court deadline
- The types of money laundering activity involved - if possible, cite the section number(s) under which the report is being made e.g. a principal money laundering offence under section 327 – 329 of the Act, or general reporting requirement under section 330 of the Act, or both
- The dates of such activities, including whether the transactions have happened, are on-going or are imminent
- Where they took place
- How they were undertaken
- The (likely) amount of money/assets involved
- Why, exactly, you are suspicious.

The MLRO will require full reasons along with any other available information to enable them to make a sound judgement as to whether there are reasonable grounds for knowledge or suspicion of money laundering and to enable them to prepare a report to the NCA, where appropriate. You should also enclose copies of any relevant supporting documentation.

Once you have reported the matter to the MLRO you must follow any directions they may give you. You must NOT make any further enquiries into the matter yourself; any necessary investigation will be undertaken by the NCA. Simply report your suspicions to the MLRO who will refer the matter on to the NCA if appropriate. All employees and contractors will be required to co-operate with the MLRO and the authorities during any subsequent money laundering investigation.

At no time and under no circumstances should you voice any suspicions to the person(s) whom you suspect of money laundering, even if the NCA has

given consent to a particular transaction proceeding, without the specific consent of the MLRO; **otherwise you may commit a criminal offence of “tipping off”**.

Do not make any reference on a client file to a report having been made to the MLRO – should the client exercise their right to see the file, then such a note will obviously tip them off to the report having been made and may render you liable to prosecution. The MLRO will keep the appropriate records in a confidential manner.

Consideration of the Disclosure by the MLRO

Upon receipt of a disclosure report, the MLRO must note the date of receipt on his section of the report and acknowledge receipt of it. They should also advise you of the time-scale within which they expects to respond to you.

The MLRO will consider the report and any other available internal information they think relevant e.g.:

- Reviewing other transaction patterns and volumes;
- The length of any business relationship involved;
- The number of any one-off transactions and linked one-off transactions;
- Any identification evidence held.

The MLRO will undertake such other reasonable inquiries they think appropriate in order to ensure that all available information is taken into account in deciding whether a report to the NCA is required (such enquiries being made in such a way as to avoid any appearance of tipping off those involved).

The MLRO may also need to discuss the report with you.

Once the MLRO has evaluated the disclosure report and any other relevant information, they must make a timely determination as to whether:

- There is actual or suspected money laundering taking place; or
- There are reasonable grounds to know or suspect that is the case; and
- Whether they needs to seek consent from the NCA for a particular transaction to proceed.

Where the MLRO does so conclude, then they must disclose the matter as soon as practicable to the NCA on their standard report form and in the prescribed manner, unless they has a reasonable excuse for non-disclosure to the NCA (for example, if you are a lawyer and you wish to claim legal professional privilege for not disclosing the information).

Where the MLRO suspects money laundering but has a reasonable excuse for nondisclosure, then they must note the report accordingly; they can then immediately give their consent for any ongoing or imminent transactions to proceed.

In cases where legal professional privilege may apply, the MLRO must liaise with the legal adviser to decide whether there is a reasonable excuse for not reporting the matter to the NCA.

Where consent is required from the NCA for a transaction to proceed, then the transaction(s) in question must not be undertaken or completed until the NCA has specifically given consent, or there is deemed consent through the expiration of the relevant time limits without objection from the NCA.

Where the MLRO concludes that there are no reasonable grounds to suspect money laundering then they shall mark the report accordingly and give their consent for any ongoing or imminent transaction(s) to proceed.

All disclosure reports referred to the MLRO and reports made by them to the NCA must be retained by the MLRO in a confidential file kept for that purpose, for a minimum of five years.

The MLRO commits a criminal offence if they know or suspect, or has reasonable grounds to do so, through a disclosure being made to them, that another person is engaged in money laundering and they does not disclose this as soon as practicable to the NCA.

Further information on how to make a report to the NCA is available from <http://www.nationalcrimeagency.gov.uk/about-us/what-we-do/economic-crime/ukfiu/how-to-report-sars>

Client Identification Procedures

It would be impossible for CDC to identify all of the people with whom it has business dealings. However, it is important for CDC to identify individuals and organisations where there may be a higher risk of receiving the proceeds of crime. For example, where CDC:

- Forms an ongoing business relationship with an individual/business; or
- Undertakes a one-off transaction involving payment by or to the individual/business of approximately £10,000 or more; or
- Undertakes a series of linked one-off transactions involving total payment by or to the individual/business of £10,000 or more; or
- It is known or suspected that a one-off transaction (or a series of them) involves money laundering.

In the above circumstances, staff must obtain satisfactory evidence of the identity of the prospective customer/business prior to any relationship being entered into.

- In all matters, a risk based approach should be taken. If you are unsure of the evidence required advice can be sought from the Council's Corporate Fraud Investigation Team.

For individuals, appropriate identification documents would be an original current passport or driving licence with a photograph together with correspondence from a recognised government department or utility provider showing the individual's name and postal address and which is no more than three months old. ID Scanners can be used to validate any identification documents that are presented. Scanners are located in Bodicote House Customer Service Centre Reception.

For businesses, personal identification should be obtained for the representatives of the business together with proof of their authority to act on behalf of the business. In addition:

For companies, checks should be made with a reputable online source to confirm:

- That the company is trading and has a legitimate trading purpose;
- Who the company directors are;
- Who the company shareholders are;
- Who ultimately owns or controls more than 25% of the shares or voting rights; and
- Who otherwise exercises control over the management of the company.

For charities, a check should be made with the Charities Commission to:

- Check the charity is registered with the Charities Commission;
- Check the correspondence address;
- Check the identity of any signatories; and
- Verify the purpose of the charity and its address (if different from the correspondence address).

For partnerships or unincorporated businesses confirm:

- The name of the partnership or trading name;
- The registered address, if any;
- The trading address;
- The nature of business

For Local Authorities or Government agencies:

- Full name of the entity;
- Nature and status of the entity;
- Address of the entity;
- Name of the home state authority; and
- Name of the directors or equivalent.

For any other organisation, contact the MLRO to establish which checks should be carried out.

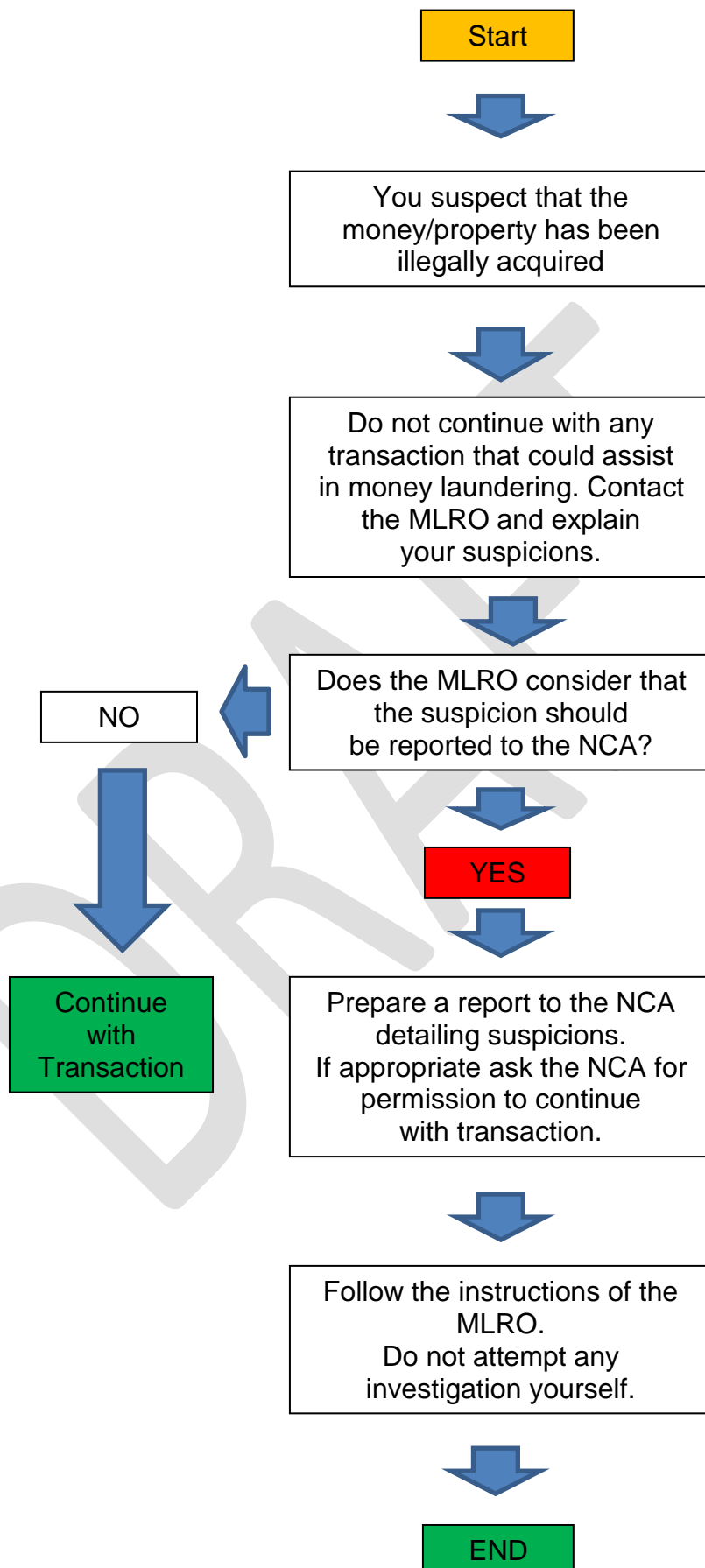
- The above circumstances, employees or contractors in the relevant service area of CDC must obtain satisfactory evidence of the identity of the prospective client, as soon as practicable after instructions are received (unless evidence of the client has already been obtained). This applies to existing clients, as well as new ones.

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

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).

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Appendix 2 –



Appendix 3

STRICTLY CONFIDENTIAL – To be shared with the MLRO only

Do not save a copy of this form on any database or client file

Report to Money Laundering Reporting Officer	
Staff Members name	
Title/Department	
Phone	
E Mail	
Details of Suspected Offence	
Names and addresses of the persons involved (if a company the nature of their business).	
Nature, value, timing of activity involved.	
Nature of suspicions regarding such activity.	
Has any investigation been undertaken? (as far as you are aware)	Yes/No Delete as necessary. (If yes further details)
Have you discussed your suspicions with anyone else?	Yes/No Delete as necessary. (If yes further details)
Have you consulted any supervisory body guidance re money laundering? (e.g. the Law Society)	Yes/No Delete as necessary. (If yes further details)
Do you feel you have a reasonable excuse for not disclosing the matter to the NCA?	Yes/No Delete as necessary. (If yes further details)
Signed	
Dated	

For Completion by the MLRO	
Date received	
Date acknowledged	
Outcome of Consideration of Disclosure	
Are there reasonable grounds for suspecting money laundering?	Yes/No Delete as necessary. (If yes further details)
If there are reasonable grounds for suspicion, will a report be made to NCA?	Yes/No Delete as necessary.
Confirm date of report to NCA	
Details of liaison with the NCA regarding the report	
Is consent required from the NCA for any ongoing or imminent transactions, which would otherwise be prohibited acts?	Yes/No Delete as necessary. (If yes further details)
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 reasonable excuse for non-disclosure	
Date given by you to employee for any prohibited act transactions to proceed	
Other relevant information	
Signed	
Dated	



CHERWELL DISTRICT COUNCIL

Anti-Fraud and Anti-Corruption Strategy.

1. INTRODUCTION

1.1 The Council is responsible for millions of pounds worth of taxpayer's money, ensuring it is spent in a way that best serves the people of Cherwell. In administering its responsibilities, the Council has a duty to prevent fraud and corruption, whether it is attempted by someone outside or within the Council such as another organisation, a resident, an employee or Councillor. The Council is committed to a zero-tolerance approach to fraud, corruption and theft.

1.2 The Director of Finance as the "Section 151 Officer" has a statutory responsibility under section 151 of the Local Government Act 1972 to ensure the proper arrangements for the Council's financial affairs and has developed financial codes of practice and accounting instructions. The Director of Finance exercises a quality control on financial administration through delegation of responsibilities to the Assistant Director of Finance and the Finance Business Partners.

1.3 The Director of Law and Governance (Monitoring Officer) has a statutory responsibility to advise the Council on the legality of its decisions and to ensure that the Council's actions do not give rise to illegality or maladministration. It is therefore essential for employees to follow the Council's policies and procedures to demonstrate that the Council is acting in an open and transparent manner.

1.4 Cherwell District Council will thoroughly investigate all suggestions of fraud, corruption or theft, both from within the Council and from external sources, which it recognises can:

- Undermine the standards of public service that the Council is attempting to achieve.
- Reduce the level of resources and services available for the residents of Cherwell.
- Result in consequences which reduce public confidence in the Council.

1.5 Any proven fraud will be dealt with in a consistent and proportionate manner. Appropriate sanctions and redress will be pursued against anyone perpetrating, or seeking to perpetrate fraud, corruption or theft against the Council.

1.6 The Council is committed to the highest possible standards of openness, probity, honesty, integrity and accountability. The Council expects all staff, Councillors and partners to observe these standards which are defined within the Code of Conduct, underpinned by its values and help achieve the Council's vision of thriving communities for everyone in Cherwell.

2. DEFINITIONS

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

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

Fraud by false representation; that is if a person:

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

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

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

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

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

The Fraud Act 2006 repeals certain offences that are detailed in the Theft Acts of 1968 and 1978. The term "fraud" is usually used to describe depriving someone of something by deceit, which might

either be misuse of funds or other resources, or more complicated crimes like false accounting or the supply of false information. In legal terms, all of these activities are the same crime, theft, examples of which include deception, bribery, forgery, extortion, corruption, theft, conspiracy, embezzlement, misappropriation, false representation, concealment of material facts and collusion.

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

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

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

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

2.5 Any Service that receives money from an external person or body is potentially vulnerable to a money laundering operation. The need for vigilance is vital and if there is any suspicion concerning the appropriateness of the transaction then advice must be sought. The Council's Money Laundering Reporting Officer (MLRO) is the Sect 151 Officer. To report any incidents contact the MLRO or the designated Deputy MLRO.

2.6 Legal Services also have their own professional guidance in relation to money laundering which places a duty on solicitors to report any suspicions and these may override their legal professional privilege and confidentiality. All such suspicions must be reported to the Director of Law and Governance (Monitoring Officer) and the Money Laundering Reporting Officer.

2.7 BRIBERY: Prior to the Bribery Act 2010, bribery had been viewed within the definition of corruption, as defined within the Council's Anti-Fraud and Corruption Strategy. The Bribery Act 2010 introduces four main offences, simplified as the following:

- **Bribing another person:** a person is guilty of an offence if he/she offers, promises or gives a financial or other advantage to another person.

- **Offences relating to being bribed:** a person is guilty of an offence if he/she requests, agrees to receive, or accepts a financial or other advantage. It does not matter whether the recipient of the bribe receives it directly or through a third party, or whether it is for the recipient's ultimate advantage or not.

- **Bribery of a foreign public official:** a person who bribes a foreign public official is guilty of an offence if the person's intention is to influence the foreign public official in their capacity, duty or role as a foreign public official.

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

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

2.8 For more information on exactly what constitutes bribery and the Council's policy towards it, please refer to the Bribery Act Policy.

2.9 Prior to entering into any business arrangements, all Council officers and/or business units should ensure that they have taken all reasonable steps to identify any potential areas of risk relating to bribery or corruption. For further information contact internalaudit@oxfordshire.gov.uk

3. SCOPE

3.1 This document applies to:

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

4. AIMS AND OBJECTIVES

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

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

5. PRINCIPLES

5.1 The Council will not tolerate abuse of its services or resources and has high expectations of propriety, integrity and accountability from all parties identified within this policy. The Council will ensure that the resources dedicated to “counter-fraud” activity are sufficient and all those involved are trained to deliver a professional “counter-fraud” service to the highest standards.

5.2 All fraudulent activity is unacceptable and will result in consideration of legal action being taken against the individual(s) concerned. The Council will also pursue the repayment of any financial gain from individuals involved in malpractice and wrongdoing. The Council will ensure consistency, fairness and objectivity in all its “counter-fraud” work and that everyone is treated equally.

5.3 This strategy encourages those detailed in section 3.1 to report any genuine suspicions of fraudulent activity. However, malicious allegations or those motivated by personal gain will not be tolerated and, if proven, disciplinary or legal action may be taken. Sections 8.3 and 8.4 detail the reporting arrangements in relation to incidents of fraud or irregularity.

5.4 The Council will work with its partners (such as the Police, other Councils and other investigative bodies) to strengthen and continuously improve its arrangements to prevent fraud and corruption.

6. RESPONSIBILITIES

STAKEHOLDER	SPECIFIC RESPONSIBILITIES
Chief Executive	Ultimately accountable for the effectiveness of the Council’s arrangements for countering fraud and corruption.
Director of Finance (Section 151 Officer)	To ensure the Council has adopted an appropriate anti-fraud strategy, there is an effective internal control environment in place and there is an adequately resourced and effective Counter Fraud Team to deliver “counter-fraud” work.
Director of Law and Governance (Monitoring Officer)	To advise Councillors and Officers on ethical issues, standards and powers to ensure that the Council operates within the law and statutory Codes of Practice.
Accounts, Audit and Risk Committee	To monitor the Council’s strategies and policies and consider the effectiveness of the arrangements for Raising Concerns at Work, Whistle-blowing Procedures, Anti-Fraud and Corruption and the Complaints Process.

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

7. APPROACH TO COUNTERING FRAUD

7.1 Cherwell District Council will fulfil its responsibility to reduce fraud and protect its resources by completing work in each of the following key areas:

7.2 DETERRENCE: The Council will promote and develop a strong “counter-fraud” culture, raise awareness and provide information on all aspects of its “counter fraud” work. This includes

dedicated fraud web pages, a fraud e-learning tool for all staff, publicising the results of proactive work, investigating fraud referrals and seeking the recovery of any losses due to fraud.

7.3 PREVENTION: The Council will strengthen measures to prevent fraud. The Corporate Fraud Team will work with managers and policy makers to ensure new and existing systems, procedures and policy initiatives consider any fraud risks. Audit activity will also consider fraud risks as part of each review.

7.4 DETECTION: The Corporate Fraud Team maintains a case management log of all fraud referrals. The log helps to establish those areas within the Council most vulnerable to the risk of fraud. This also enables a Council wide fraud profile to be created which then informs any detailed work in areas throughout the Council aimed at detecting existing and new types of fraudulent activity. Internal controls are established for financial and other systems within the Council. They are designed to discourage fraud and provide indicators of any fraudulent activity. The Council also relies on employees, Councillors and the public to be alert and to report suspicion of fraud and corruption.

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

7.5 INVESTIGATION: The Council will investigate all reported incidents of fraud or irregularity. Please see Appendix A for the Protocol for Investigating Irregularities.

7.6 SANCTIONS: The Council will apply realistic and effective sanctions for individuals or organisations where an investigation reveals fraudulent activity. This will include legal action in addition to criminal and disciplinary action, where appropriate.

7.7 REDRESS: A crucial element of the Council's response to tackling fraud is seeking financial redress. The recovery of defrauded monies is an important part of the Council's strategy and will be pursued, where appropriate.

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

8. REPORTING, ADVICE AND SUPPORT

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

8.2 The Council recognises that the primary responsibility for the prevention and detection of fraud rests with management. It is essential that employees of the Council report any irregularities, or suspected irregularities to their line manager and if this is not appropriate then to the Head of Service or Service Manager. The Council will provide all reasonable protection for those who raise genuine concerns in good faith, in accordance with the Raising Concerns at Work, Grievances and Whistle-blowing policies.

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

- Director of Finance (Section 151 Officer)
- Director of Law and Governance (Monitoring Officer)
- Relevant Director
- Chief Internal Auditor
- Chief HR Officer
- HR Manager
- HR and Finance Business Partners

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

8.5 The Investigating Officer will follow the Protocol for Investigating Irregularities (Appendix A), which includes the need to:

- Deal promptly with the matter
- Record all evidence received
- Ensure that evidence is sound and adequately supported
- Ensure security of all evidence collected
- Contact other agencies if necessary, e.g. Police (see appendix A, section f -Police Involvement)
- Notify the Council's insurers
- Implement Council disciplinary procedures where appropriate

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

- Local Government Ombudsman
- External Audit – Relationship Manager
- National Fraud Initiative and related Audit Networks
- Central Government Departments

- HM Revenue and Customs
- UK Border Agency
- Department for Work and Pensions
- Police

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

- Corporate Fraud Team – Tel 01865 252180
- Chief Internal Auditor – Tel: 07393 001 246
- Audit Manager and Counter-Fraud Lead – Tel: 07393 001 217
- Confidential e-mail: Corporatefraud@cherwellandsouthnorthants.gov.uk

8.8 Other Council means for raising concerns:

Chief Executive Officer	Write to
Director of Finance (Section 151 Officer)	Cherwell District Council, Bodicote House, Bodicote, Banbury, OX15 4AA
Director of Law and Governance (Monitoring Officer)	
Relevant Director	
Accounts, Audit and Risk Committee	

8.9 External means of raising concerns:

External Audit (Ernst & Young)	0118 928 1234
Citizens Advice Bureau Website:	www.citizensadvice.org.uk
Police Website:	www.thamesvalley.police.uk
Your Local Councillor Website:	Website: www.cherwell.gov.uk

8.10 Attached are the following Appendices:

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

9. FURTHER INFORMATION

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

- The Constitution
- Codes of Conduct (Councillors and Officers)
- Whistle-Blowing Procedure
- Policy on Declaring and Registering Interests
- Financial Regulations
- Money Laundering Policy
- Regulation of Investigatory Powers Act (RIPA)

10. STRATEGY REVIEW

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

Responsible Officer: Chief Internal Auditor

Date: July 2020

Review Date: July 2021

APPENDIX A

PROTOCOL FOR INVESTIGATING IRREGULARITIES

a) Fraud Referral / Allegation

The primary responsibility for the prevention and detection of fraud, corruption and theft rests with Corporate Fraud Team/Internal Audit. Internal controls have been established for financial and other systems within the Council. They are designed to discourage fraud and provide indicators of any fraudulent activity. Employees, Councillors and other groups are encouraged to report suspected irregularities.

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

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

If it is agreed that an internal investigation is required, this protocol details the stages that should be followed. It is the Corporate Fraud Teams/Internal Audit responsibility to initiate and manage the investigation in potential cases of fraud, corruption or theft.

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

b) The Investigation

The Corporate Fraud Team/Internal Audit should appoint a senior manager, independent of the activity, to head the investigation. The investigation team will take specialist professional advice and investigation skills from The Corporate Fraud Team, Internal Audit, the HR Business Partner and a legal adviser from Legal Services. The team will also have open access to service management to ensure all appropriate enquiries can be undertaken.

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

c) Evidence

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

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

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

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

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

- Police and Criminal Evidence Act 1984 (PACE).
- Regulation of Investigatory Powers Act 2000 (RIPA).
- Human Rights Act 1998.
- Data Protection Act 1998.
- Criminal Procedures and Investigation Act 1996

Specialists trained in investigation and interviewing could be made available to the investigation team. The Corporate Fraud Team/Internal Audit, Legal Services and Trading Standards Officers might be able to assist if this is required. The need for specialist advice would be a part of the discussion when an investigation is initiated.

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

d) Reporting

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

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

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

e) Disciplinary and Criminal Proceedings

Deputy Directors/Heads of Service and Service Managers will be expected to take action in accordance with the Council's Disciplinary and Capability Procedures, where the outcome of the investigation indicates improper behaviour.

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

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

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

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

f) Police Involvement

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

Continuous liaison with the Police is vital as there may be parallel enquiries undertaken by the Police in addition to those by the in-house team. Also, the Police have specialist skills to interview under caution that will be needed if evidence is to be used in court.

Normally, any internal disciplinary process can take place at the same time as the Police investigation. However, this should be agreed in advance by both the Police and the Council to ensure both investigations are not compromised.

g) Investigation Costs

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

h) Post Investigation

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

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

i) Training

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

To facilitate this, the Council has introduced a Fraud Awareness e-learning package that has been rolled out across the organisation and is encouraged to be included as part of

officer induction arrangements. The subject is also included as part of Councillor training. Corporate Fraud Team/Internal Audit also delivers anti-fraud awareness sessions as required, or as a result of their Internal Audit / internal control reviews.

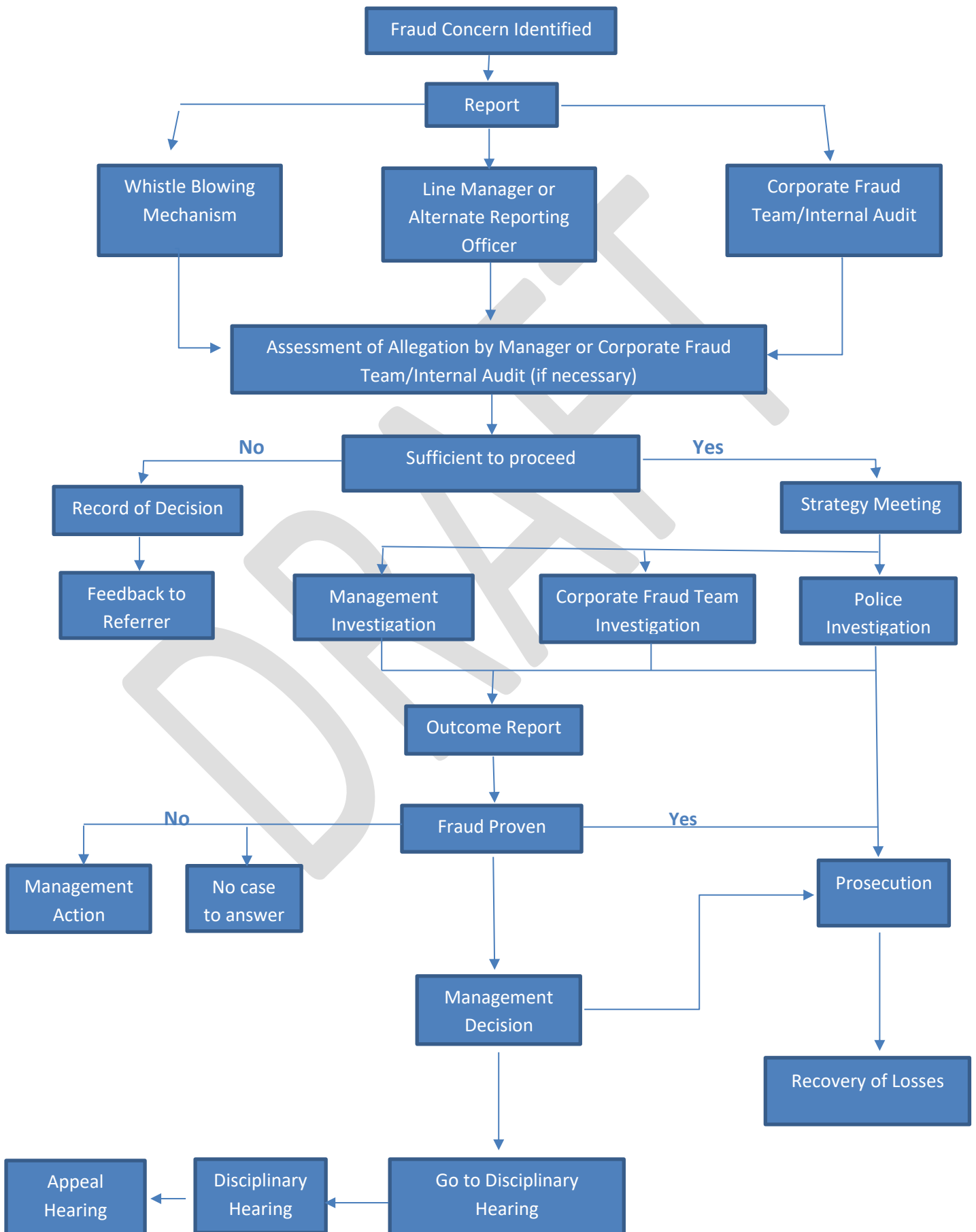
Investigation of fraud and corruption may require specialist training, not only for the Council's Corporate Fraud Team/Internal Audit Service, but also employees within Directorates. Directorate and Internal Audit staff training plans will reflect this requirement.

The Corporate Fraud Team/Internal Audit maintains a log of allegations and their status, including any recovery or sanctions applied. This is reported on a regular basis to the respective Directorate Leadership Team meetings, Audit Working Group and the Audit & Governance Committee.

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APPENDIX B

Fraud Response Plan



APPENDIX C

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

- **Unusual employee behaviour:** Refusal to comply with normal rules and practices, fails to take leave, refusing promotion, managers by-passing subordinates, subordinates by-passing managers, living beyond means, regularly working long-hours, job dissatisfaction/unhappy employee, secretiveness or undue defensiveness.

- **Financial irregularities:** Key documents missing (e.g. invoices, contracts); absence of controls and audit trails; missing expenditure vouchers and official records; general ledger out of balance; bank and ledger reconciliations are not maintained or cannot be balanced; excessive movements of cash or transactions between accounts; numerous adjustments or exceptions; constant overdue pay or expense advances; duplicate payments; ghost employees on the payroll; large payments to individuals; excessive variations to budgets or contracts.

- **Bad procurement practice:** Too close a relationship with suppliers/contractors; suppliers/contractors who insist on dealing with only one particular member of staff; unjustified disqualification of any bidder; lowest tenders or quotes passed over with minimal explanation recorded; defining needs in ways that can be met only by specific contractors; single vendors; vague specifications; splitting up requirements to get under small purchase requirements or to avoid prescribed levels of review or approval.

- **Disorganisation:** Understaffing in key control areas; consistent failures to correct major weaknesses in internal control; inadequate or no segregation of duties.

- **Inadequate supervision:** Policies not being followed; lack of senior management oversight; inadequate monitoring to ensure that controls work as intended (periodic testing and evaluation); low staff morale, weak or inconsistent management.

- **Lax corporate culture:** Management frequently override internal control; climate of fear or a corporate culture; employees under stress without excessive workloads; new employees resigning quickly; crisis management coupled with a pressured business environment; high employee turnover rates in key controlling functions.

- **Poor work practices:** Lack of common sense controls; work is left until the employee returns from leave; post office boxes as shipping addresses; documentation that is photocopies or lacking essential information; lack of rotation of duties; unauthorised changes to systems or work practice