



## ANTI-TAX EVASION POLICY



January 2021

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**ANTI-TAX EVASION POLICY**

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## 1. Introduction

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- 1.1 The Government believes that relevant bodies should be criminally liable where they fail to prevent those who act for, or on their behalf, from criminally facilitating Tax Evasion.
- 1.2 The Criminal Finances Act 2017 (the '2017 Act') became law in the summer of 2017 and Part 3 of the 2017 Act introduced new offences which sets out how those organisations categorised as 'relevant bodies' under the Act will be considered criminally liable where they fail to prevent those who act for, or on their behalf from criminally facilitating Tax Evasion. The act applies to both tax evaded which is owed in the UK or in a foreign country.
- 1.3 This statement sets out Bridgend County Borough Council's (the Council) policy in relation to anti-tax evasion and sets out the procedures that must be followed to enable the Council to comply with its legal obligation.
- 1.4 This policy statement is supplementary to the Council's wider Anti-Fraud and Bribery Strategy which sets out the key responsibilities with regard to fraud prevention and what to do if fraud or financial irregularity is suspected and the action that will be taken by management.
- 1.5 The Council aims to conduct its financial affairs in a law abiding way and does not tolerate either the commitment or facilitation of Tax Evasion. The Council has a zero tolerance approach to all forms of Tax Evasion, whether under UK law or under the law of any foreign country.
- 1.6 The Council already has a range of policies, procedures and guidance that underpins its financial activities including the Anti-Money Laundering Policy and Anti-Fraud and Bribery Policy.
- 1.7 We request all our officers and all who have, or seek to have, a business relationship with the Council, to familiarise themselves with our Anti-Tax Evasion Policy and to act at all times in a way which is consistent with the procedures and reporting arrangements therein.

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## 2. Scope of the policy

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- 2.1 This policy applies to all persons working for the Council or any subsidiary, including employees at all levels, directors, officers and associates (as defined below), including, but not limited to, agency workers, seconded workers, volunteers, apprentices, contractors, external consultants, third party representatives and business partners, sponsors or any other person associated with us, wherever located.
- 2.2 This policy is adopted by the Council. Officers in leadership positions are responsible for ensuring those reporting to them understand and comply with the policy.

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## 3. What is the facilitation of tax evasion?

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- 3.1 Part 3 of the Criminal Finances Act 2017 (“the Act”) created the corporate criminal offence of failure to prevent the facilitation of Tax Evasion. Under this offence the Council, if found to be facilitating Tax Evasion, could face an unlimited fine and consequent damage to reputation. The Council could be found guilty if a third party committed Tax Evasion which a member of Council staff or an associate helped to assist in any way.
- 3.2 This legislation aims to overcome the difficulties in attributing criminal liability to relevant bodies for the criminal acts of employees, agents or those that provide services for or on their behalf. Under the Act the new offence does not radically alter what is criminal, it simply focuses on who is held to account for acts contrary to the current criminal law. It does this by focussing on the failure to prevent the crimes of those who act for or on behalf of a corporation, rather than trying to attribute criminal acts to that corporation.
- 3.3 The legislation applies to any form of tax including employment taxes and indirect taxes such as VAT, national insurance, landfill tax, custom tax and excise duties e.g. road fund licence and tax on the sale of alcohol and tobacco, capital gains and employment taxes. This list is not exhaustive.
- 3.4 A person is “**associated**” with a relevant body if that person is an employee, agent or other person who performs services for or on behalf of the relevant body e.g. contractors, professional advisors and back office outsourced service suppliers such as IT or payroll providers.
- 3.5 Only a “**relevant body**” can commit the offences contained in the ‘2017 Act’. This means that only incorporated bodies (typically companies) and partnerships can commit the new offences, including local authorities. Individuals cannot commit these offences.

- 3.6 **Tax Evasion** is the illegal non-payment or under-payment of taxes, usually as the result of making a false declaration (or no declaration) of taxes due to the relevant tax authorities, which results in legal penalties if the perpetrator is caught.
- 3.7 **Tax Avoidance**, by contrast, is seeking to minimise the payment of taxes without deliberate deception. This is often legitimate but is sometimes contrary to the spirit of the law, e.g. involving the exploitation of loopholes. Importantly the corporate criminal offence of facilitation only applies to Tax Evasion.
- 3.8 There are two stages to assessing whether an offence has been committed under the Act and these apply to both UK and overseas Tax Evasion offences:
- Stage 1:** A criminal Tax Evasion by the taxpayer (either by an individual or legal entity) must have occurred under existing law. A prosecution is not a pre-requisite for tax evasion, however where there is no criminal conviction of the taxpayer, the prosecution in respect of the corporate offence would still have to prove to the criminal standard of beyond reasonable doubt that the taxpayer's offence had been committed.
- Stage 2:** The criminal facilitation of the offence by a person associated with the Council with a view to aiding, abetting, counselling or procuring the evasion of tax by the taxpayer.
- 3.9 Liability is strict - if stages 1 and 2 are satisfied, the Council will have committed an offence unless it shows that it has put in place reasonable measures and procedures to prevent the criminal facilitation of Tax Evasion or that it was not reasonable in the circumstances to expect it to have prevention procedures in place.
- 3.10 If a relevant body is found guilty of a facilitation of Tax Evasion it could face unlimited financial penalties. Tax based fraud or evasion is generally investigated by Her Majesty's Revenue and Customs (HMRC) with prosecutions brought by the Crown Prosecution Service (CPS).
- 3.11 The foreign Tax Evasion facilitation offence can only be committed by an organisation that has a connection with the UK, namely:
- it is a body incorporated, or partnership formed, within the UK, or;
  - it carries on business, or part of a business, within the UK, or;
  - through any conduct constituting part of the foreign Tax Evasion facilitation offence takes place in the UK.

## 4. Examples of tax evasion

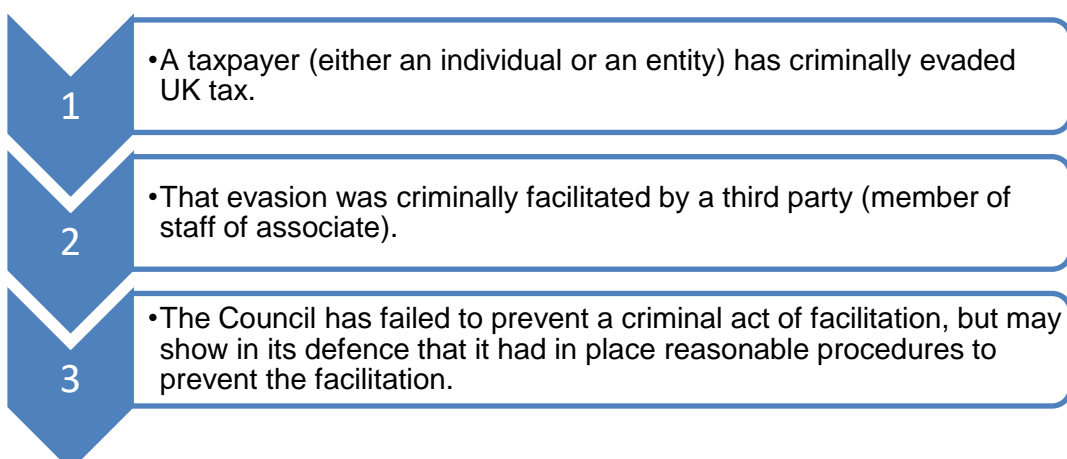
- 4.1 It is not possible to give examples covering every possible scenario, however, some 'red flag' indicators are detailed below to give a flavour of the scope of the legislation:

<i>INDICATORS OF POSSIBLE TAX EVASION:</i>
<i>You become aware, in the course of your work, that a third party has made or intends to make a false statement relating to tax; has failed to disclose income or gains to, or to register with, HMRC; has delivered or intends to deliver a false document relating to tax; or has set up or intends to set up a structure to try to hide income, gains or assets from a tax authority.</i>
<i>You become aware, in the course of your work that a third party has deliberately failed to register for VAT or failed to account for VAT.</i>
<i>Someone who works for a third party supplier offering you what seems like a discount because they tell you they don't need to charge you VAT – without giving a reason.</i>
<i>Someone asking you to do something that does not match up or 'feel right' and does not adhere to policy documentation – for example, paying into a different account than that which is specified on the invoice.</i>
<i>A third party requests payment in cash and/or refuses to provide an invoice or receipt for a payment made.</i>
<i>You become aware, in the course of your work that a third party working for us as an employee asks to be treated as a self-employed contractor, but without any material changes to their working conditions.</i>

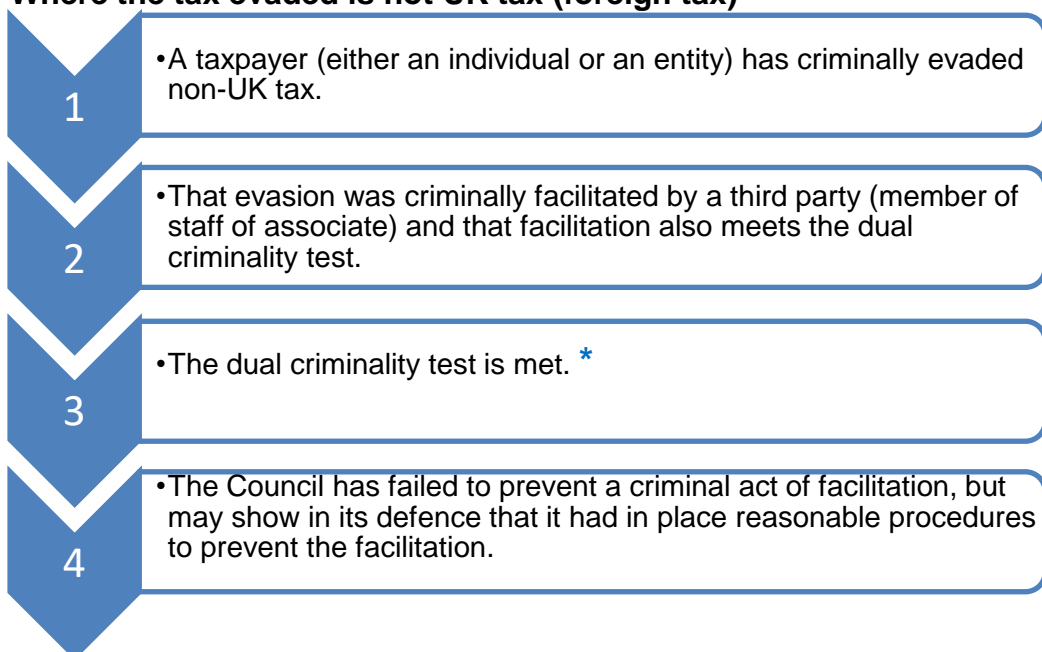
## 5. Defences

- 5.1 For the corporate offence to be committed there must be criminal facilitation of the taxpayer evasion by a person acting in the capacity of a person associated with the relevant body. The associated person must deliberately and dishonestly take action to facilitate the taxpayer-level evasion. If the associated person is only proved to have accidentally, ignorantly or even negligently facilitated the Tax Evasion offence then the offence is not committed by the relevant body.
- 5.2 It is a defence to the corporate criminal offence of facilitating Tax Evasion if the Council can prove that it has in place such prevention procedures as it is reasonable to expect in the circumstances. The diagram below summarises the stages of the offence for both UK and foreign Tax Evasion:

### Where the tax evaded is UK tax



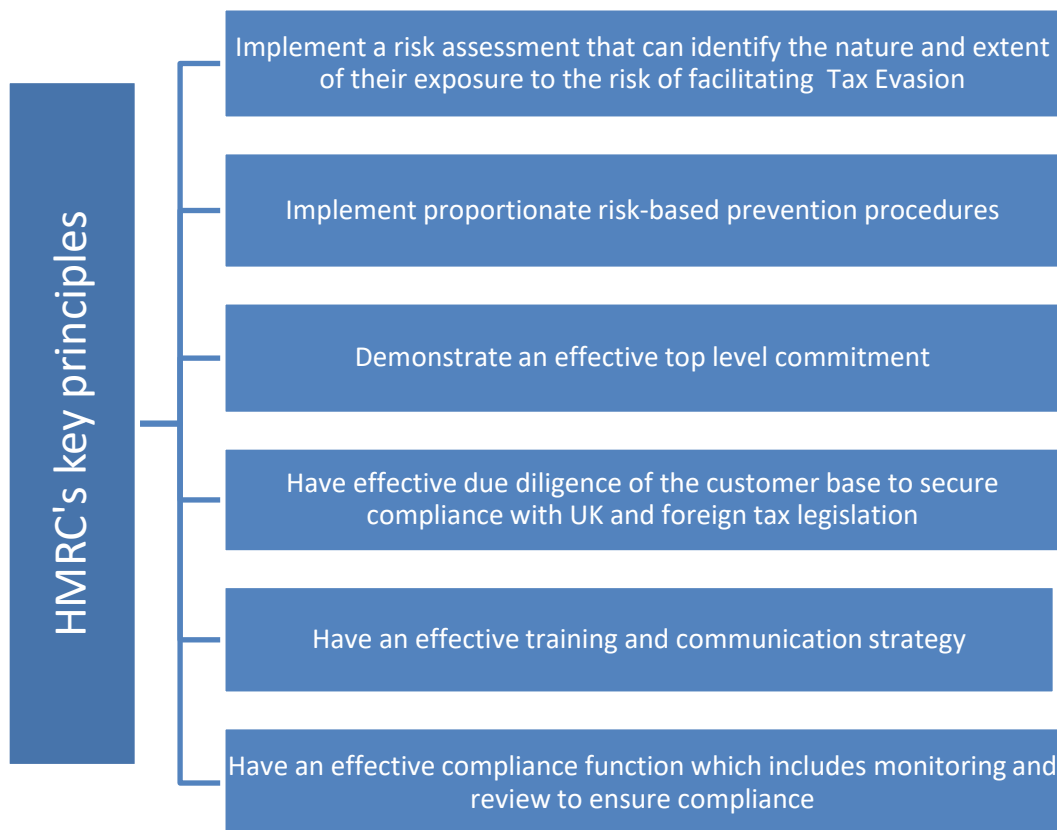
### Where the tax evaded is not UK tax (foreign tax)



\* *An organisation must have a connection with the UK and there must also be so-called “dual criminality”. In effect this broadly means equivalence between both the taxpayer’s Tax Evasion offence and the “associated person” facilitator’s offence with regard to the UK and the foreign jurisdiction:*

- For the taxpayer Tax Evasion offence: e.g. a French taxpayer evades French income tax (i.e. this is an offence in France) – Income Tax Evasion is a criminal offence in the UK, so there is “dual criminality”;
- For the “associated person” facilitator’s offence: e.g. an “associated person” commits a French offence of aiding and abetting Tax Evasion – aiding and abetting Income Tax Evasion is a criminal offence in the UK, so there is “dual criminality”.

- 5.3 HMRC has produced guidance on the appropriate set of prevention measures (six core principles) which could be put in place by a relevant body to prevent associated persons from criminally facilitating Tax Evasion are:




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## 6. Responsibilities of staff & other associated persons

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- 6.1 The prevention, detection and reporting of all forms of financial irregularity, including suspected Tax Evasion, are the responsibility of all those working for the organisation or under its control (“associated person”). All staff are required to avoid activity that breaches this policy.
- 6.2 To prevent Tax Evasion, Council staff (and associates, so far as relevant) should:
- always follow Council policies, procedures and guidance;
  - tell management if any criminal activity is suspected;
  - attend any appropriate training offered.



- 6.3 Failure to comply with these policies, procedures and guidance, including in particular failure to comply with the obligations detailed in this policy, may result in disciplinary action for staff and the termination of arrangements with associates.
- 6.4 Should staff or associates be concerned that another employee or associate is facilitating a third party's Tax Evasion, they should report this (*please see section 10 on how to raise your concerns*).
- 6.5 Specifically, staff and associates must not knowingly do anything that helps someone else to evade tax. Note in this context that the Council is only responsible for the actions of associates in respect of things they do for, or on behalf of, the Council. Other than this the Council is not responsible for the way associates manage their business.
- 6.6 It is not acceptable for officers and associates to:
- engage in any form of facilitating Tax Evasion or Foreign Tax Evasion.
  - aid, abet, counsel or procure the commission of a Tax Evasion offence or Foreign Tax Evasion offence by another person.
  - fail to promptly report any request or demand from any third party to facilitate the fraudulent Evasion of Tax by another person, in accordance with this policy;
  - engage in any other activity that might lead to a breach of this policy;
  - threaten or retaliate against another individual who has refused to commit a Tax Evasion offence or a Foreign Tax Evasion offence or who has raised concerns under this policy.
  - commit an offence under the law of any part of the UK consisting of being knowingly concerned in, or taking steps with a view to, the fraudulent evasion of tax.

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## 7. Risk assessment

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- 7.1 The Council should assess the nature and extent of its exposure to the risk of those who act for or on its behalf engaging in activity during the course of business to criminally facilitate Tax Evasion, analysing whether they have the motive, opportunity and means to do so and how that risk might be managed. The Council should keep the risks under review.
- 7.2 The Council's systems of control are designed to aid compliance. In addition, the Council's Internal Audit Team conducts regular compliance checks paying specific attention to areas of high risk and reporting back to Governance and Audit Committee.
- 7.3 Examples of the type of exposure the Council faces in relation to the prevention of the facilitation of Tax Evasion and how the risk is managed is attached as **Appendix A**.
- 7.4 The Council has governance processes and procedures to address specific risks. This includes both this policy and a "whistle blowing" policy. The Council also has procedures in place on the segregation of duties, budget holder's guidance, Anti Money Laundering Policy and Anti-Fraud and Bribery Strategy.
- 7.5 There is not an exhaustive list of Tax Evasion opportunities. At a more general level, the best defence of Tax Evasion and facilitation of Tax Evasion remains the vigilance of our officers and the adoption of a common sense approach supported by our clear whistleblowing procedures.

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## 8. Senior management commitment

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- 8.1 The top-level management of a relevant body should be committed to preventing persons associated with it from engaging in the criminal facilitation of Tax Evasion. Those at the most senior levels of a relevant body are best placed to foster a culture where actions intended to facilitate Tax Evasion are considered unacceptable.
- 8.2 This policy has been approved by Cabinet and complements the Anti-Fraud and Corruption Strategy.
- 8.3 Once adopted the policy will be reported to the Governance and Audit Committee for monitoring and review.

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## 9. Due diligence

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- 9.1 A relevant body should apply due diligence procedures, taking an appropriate risk based approach, to identify the risk of criminal facilitation of Tax Evasion by associated persons, in order to mitigate such risks.
- 9.2 Reasonable care and caution is exercised when processing all transactions particularly high value/high risk area payments. Regular monitoring takes place and particular caution is exercised when making payment to new suppliers.
- 9.3 In applying a common sense approach, officers must be aware of the following:
- Is there anything unusual about the manner in which an associate of the Council is conducting their relationship with the third party (usually a customer)?
  - Is there anything unusual about the customer's or associate's conduct or behaviour?
  - Are there unusual payment methods?
- 9.4 An example of high risk factors are listed below:
- Private banking.
  - Anonymous transactions (which may include cash).
  - Non face-to-face business relationships or transactions.
  - Payment received from unknown or associated third parties.
  - The business relationship is conducted in unusual circumstances.
  - Non-resident customers.
  - Businesses that are cash intensive.
  - The ownership structure of the company appears unusual or excessively complex.
  - Countries identified by credible sources as not having adequate anti-money laundering and counter-terrorism financing approaches.
  - Countries subject to sanctions, embargoes, or similar measures issued by, for example, the UN
  - Countries identified by credible sources as providing support for terrorist activities, or that have designated terrorist organisations operating within their country
- 9.5 Unusual payment methods and unusual conduct of third parties with Council associates can be indicative that a transaction may not be as it seems – please refer to section 5 of the Council's 'Anti-money Laundering Policy' for further guidance on unusual payment methods and unusual conduct. Likewise, the Council procedures outlined in the aforementioned policy for identifying the customer are also an important part of the Councils' policy against Tax Evasion.

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## 10. How to raise a concern

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- 10.1 The Council is committed to ensuring that there is a safe, reliable, and confidential way of reporting any suspicious activity, and wants each and every member of staff to know how they can raise concerns.
- 10.2 All have a responsibility to help detect, prevent and report instances of Tax Evasion. If you have a concern regarding a suspected instance of Tax Evasion, please speak up – your information and assistance will help. The sooner it is brought to attention, the sooner it can be resolved. You do NOT need to be certain that Tax Evasion is taking place to report it.
- 10.3 The Council has clear guidance in its Whistleblowing Policy in relation to how employees can raise their concern. However as this policy relates to specifically to Tax Evasion any concerns or suspicions should be directed to the:
- Chief Officer – Finance, Performance and Change, and
  - Interim Deputy Head of Finance
- 10.4 Officers are encouraged to raise concerns about any issue or suspicion of Tax Evasion as soon as possible. If there is any suspicions of any intention that a staff member, associate or third party is attempting to commit Tax Evasion, the details of the parties and the transaction must be reported to the Chief Officer – Finance, Performance and Change using the confidential form at **Appendix B**, who may report the circumstances to HMRC.
- 10.5 Concerns expressed anonymously may, at the Council's discretion, be considered but are much less powerful. It is better to raise your concerns in writing but you may equally express your concerns verbally and have the detail recorded for you. Whilst you will not be expected to prove the truth of any allegations you make, you will need to demonstrate sufficient grounds for your concerns.
- 10.6 In the event that an incident of suspected wrong doing is reported, the Council will act as soon as possible to evaluate the situation. It has clearly defined procedures for investigating fraud, misconduct and non-compliance issues and these will be followed in any investigation of this kind. This is easier if and quicker if concerns raised are not anonymous.

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## 11. What happens if an officer prefers not to report their suspicions?

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- 11.1 This should never happen. If there is any suspicion of any intention to evade tax and the transaction is nevertheless finalised, the Council can be criminally prosecuted, subject to a large fine and be publically named and shamed.

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## 12. Self reporting

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- 12.1 If an organisation suspects that one of the two offences may have taken place it may wish to undertake an internal investigation and (voluntarily) self-report; self-reporting can be done via an online form. The official UK HM Revenue & Customs guidance states that “In order to encourage relevant bodies to disclose wrongdoing, timely self-reporting will be viewed as an indicator that a relevant body has reasonable procedures in place” (so an organisation may have a defence).

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## 13. Communication & training

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- 13.1 To ensure that the policy against engaging in activities to help clients commit tax fraud is communicated, embedded and understood throughout the organisation to help deter those providing services on behalf of the relevant body from engaging in such activities, all new staff, especially those involved in processing and approving financial transactions, will be made aware of this policy via their induction.
- 13.2 All staff will also be able to access this information on the Council’s intranet.
- 13.3 It will be the responsibility of Chief Officers for ensuring compliance with the policy.

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## 14. Monitoring & review

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- 14.1 Monitoring and reviews of the Council’s prevention procedures will form part of audit programmes with regular reports back to the Governance and Audit Committee.
- 14.2 The Chief Officer – Finance, Performance and Change will be responsible for the continuous review and amendment of this policy document, to ensure that it remains compliant with good practice and legislative requirements. The next review date is scheduled for December 2022 and biennial thereafter.

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## 15. Other relevant policies

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- 15.1 Further information on the relevant Council policy and practice can be found in the following internal documents:

- The Council's [Constitution](#), incorporating the Members' Code of Conduct, Officers' Code of Conduct, Contract Procedure Rules, Financial Procedure Rules;
- [Anti-Money Laundering Policy](#);
- [Anti-Fraud and Bribery Policy](#);
- [Whistleblowing Policy](#);
- [Gifts & Hospitality Policy for Officers](#);

## APPENDIX A

### Example of risk exposure within the Council in relation to the facilitation of tax evasion & how the risk is managed

#### 1. Construction Industry Scheme

- 1.1 There is a risk of suppliers purposely submitting artificially low labour breakdowns on their invoices to avoid tax being deducted on the labour element or no tax being deducted at all.
- 1.2 There is a risk that staff have a lack of understanding as to what work comes within the scope of the scheme or the implications of not applying the scheme.
- 1.3 The member of staff would have had to act deliberately and dishonestly to facilitate the taxpayer-level evasion for the Council to be considered as having committed a criminal offence in assisting in a third party in Criminal Tax Evasion.
- 1.4 The Council has in place adequate Construction Industry Scheme (CIS) procedure documents, and undertakes a daily check of all CIS payments input into the financial information system to ensure that they have been correctly included or excluded from the CIS scheme and that labour has been recorded and flagged as such, if expected. In addition all new data entry inputters receive full training about the scheme and their responsibilities, and are provided with the rules of the scheme on an annual basis. All staff centrally supporting the payment of CIS transactions have also received internal training and are familiar with the HMRC guidance on CIS.

#### 2. Direct Payments (for Care & Support Services)

- 2.1 There is a risk that there is a deliberate failure to ensure deduction of Income Tax and National Insurance from payments made to personal assistants by recipients of Direct Care Payments.
- 2.2 There is a risk that the Council makes payments to people who have over-stated their requirements at the needs assessment stage.
- 2.3 A member of staff would have had to act deliberately and dishonestly to facilitate the taxpayer-level evasion for the Council to be considered as having committed a criminal offence in assisting in a third party in Criminal Tax Evasion. To achieve such evasion, it would require collusion by a number of parties involved in the Direct Payments process.
- 2.4 The Council has adequate Direct Payments Protocol and Guidance documents in place. The Council has a contract in place with a Direct Payments Support

Organisation, who offer support to Direct Payment recipients, by providing a fully comprehensive payroll service in accordance with HMRC regulations. Direct Payments bank accounts are monitored and reconciled, to ensure that the money is being used appropriately. All payments calculated by the Council to Direct Payment recipients are checked and authorised by a second member of staff.

### 3. Grants

- 3.1 There is a risk that an organisation purposely fails to ensure that grant funding provided by the Council is used for its intended purpose.
- 3.2 There is a risk that the Council gives a grant to an organisation for a specific project or service which may include the employment of staff. Staff are paid without the appropriate deduction of Income Tax and National Insurance.
- 3.3 The member of staff would have had to act deliberately and dishonestly to facilitate the taxpayer-level evasion for the Council to be considered as having committed a criminal offence in assisting in a third party in Criminal Tax Evasion.
- 3.4 The Council has in place a number of controls to mitigate the risk including a robust process in place in relation to the financial management of grants via its grant procedure rules, strong segregation of duties, due diligence and financial procedure rules which assists in mitigating the risk of collusion.

### 4. Off Payroll Working – IR35

- 4.1 There is a risk that a member of staff fails to identify workers and associates that should be paid via the payroll system rather than the creditors system. If the member of staff did not deliberately and dishonestly take action to facilitate the taxpayer-level evasion and are proved to have accidentally, ignorantly or even negligently facilitated the Tax Evasion offence then an offence has not been committed by the Council.
- 4.2 There is a risk that a supplier wishes to be treated as a self-employed contractor so that payments to them are paid gross and they can evade paying the appropriate income tax and national insurance liabilities. There is a risk that a Council officer helps the supplier by deliberately falsifying information on the Employment Status Questionnaire so the worker is treated as a contractor rather than deducting PAYE at source. By supplying false information in this way, the Council employee is committing a criminal offence as they have assisted a third party in Criminal Tax Evasion.



4.3 The Council has in place a number of controls to mitigate risk. Control procedures are in place so that all new suppliers are set up centrally and are reviewed to ensure that off payroll working is identified and treated appropriately. All sundry suppliers are reviewed daily and investigated where necessary to identify if they meet the criteria for off payroll working. Although there are central controls to diligently review that off payroll working is identified, it does rely on the manager completing the IR35 self-assessment correctly.

5. PAYE- Income Tax & National Insurance

5.1 There is a risk that a member of staff fails to deduct the tax and NI at the correct rate. If there is no collusion and the member of staff did not deliberately and dishonestly take action to facilitate the taxpayer-level evasion and are proved to have accidentally, ignorantly or even negligently facilitated the Tax Evasion offence then an offence has not been committed by the Council.

5.2 The Council has in place a number of controls to mitigate this risk, Tax and National Insurance details are system generated on the payroll system so the only potential issue could be where these are manually overwritten. If this should happen then this would be picked up in the monthly real time submission to HMRC which provides information about tax and other deductions under the PAYE system.

6. Value Added Tax

6.1 There is a risk of suppliers adding VAT to their invoices when they are not registered for VAT. Payment would be made to the supplier and recovered from HMRC. The expense would not fall as a cost to anyone's budget so would be difficult to spot.

6.2 There is a risk that an officer pays a fraudulent VAT only invoice. The expense would not fall as a cost to anyone's budget as the money would be recovered from HMRC.

6.3 Both instances would have to be in collusion with officers for there to be an offence of assisting a third party in Criminal Tax Evasion.

6.4 The Council has in place a number of controls to mitigate risk. The Council's Constitution - Part 4 Rules of Procedure requires that each Chief Officer be responsible for examining, verifying and authorising invoices and any other payment vouchers or accounts arising from sources in their Directorate. Before authorising an account, the authorising officer shall be satisfied that invoices satisfy VAT regulations and that prices, extension, calculations etc. are correct. A similar responsibility exists for schools where the checking of invoices for

accuracy and that VAT has correctly been charged is the responsibility of the Finance Officer or Bursar. Additionally, VAT only invoices are costed separately and are easily identifiable and as such are reviewed by a member of the VAT team to ensure VAT has correctly been applied.

## 7. Payment To Suppliers

- 7.1 There is a risk that a supplier seeks to evade tax by asking to be paid into an offshore account, to deliberately and dishonestly hide their income which will not be declared in the UK for UK tax purposes, and that they send an invoice to the Council asking to be paid into this bank account which is not the same as the one set up within our supplier database.
- 7.2 There is a risk that an officer of the Council (who in this example is the 'associated person') facilitates this Tax Evasion by deliberately and dishonestly paying this invoice into the offshore account at the request of the supplier. This could be as a result of collusion (such as taking a bribe), or could be simply turning a blind eye to the Tax Evasion of which they are aware.
- 7.3 Both instances would have to be in collusion with officers for there to be an offence of assisting a third party in Criminal Tax Evasion
- 7.3 The Council has in place a number of controls to reduce the risk and prevent the facilitation of Tax Evasion including managing all supplier creation at a central point, a verification process for changing supplier bank details, the on-line authorisation of invoices and all supplier transactions must be supported by relevant invoice(s) / documentation and independently signed off as approved to pay. For payments over a certain financial value there is an additional tier of authorisation before payment is processed. Financial Procedure Rules also apply to all payments made by Corporate Purchasing Cards which should mitigate the risk of fraud and error. Planned Internal Audit reviews of payments also ensure that procedures are in place and being followed.

## 8. Cash

- 8.1 There is a risk that cash received from a supplier or service recipient by a member of staff is retained by the individual and not paid into the Authority's bank account.
- 8.2 Whilst this would be considered a criminal activity, for a Criminal Tax Evasion Offence to be committed under the Act collusion would also have had to have taken place.
- 8.3 The Council has in place a number of controls to reduce the risk of the theft or facilitation of tax evasion in respect of cash transactions including financial procedure rules. Cash high risk areas also have additional controls in place to ensure the safety of cash as it progresses internally to the point of collection by our external secure cash collection service providers. For example all our metric car parking machines can be interrogated from the back office system to establish which machines need emptying, two officers are allocated for collection and

counting of the cash & collection and there is dual supervision when counting monies. Receipt of cash is supported by a full audit trail and coins bagged in readiness for collection by our courier service is reconciled back to machine receipts which is then signed for by the cash collection courier before onward transmission to a specialist sorting office for banking. The system supporting metric car parking also has functionality which can identify any discrepancies very early so we can check machines to minimise and protect potential financial losses. A number of newer machines also have card payment facilities and as a result the use of coin is falling considerably, additionally most car parks have a paybyphone system and this usage has also increased.

## 9. Outsourcing

9.1 There is a risk that an outsourced service provide colludes with a member of staff to facilitate tax evasion.

9.2 The Council has in place a number of controls to mitigate this risk of staff colluding with outsourced services as officers have to adhere to internal rules such as contract procedure rules and financial procedure rules. Additionally outsourced service providers have other rules that they need to comply with. For example:

- I. Our leisure services provider are a registered charity and a company limited by guarantee and therefore have to comply with company law as well as charity law and intrinsically are required to submit externally audited accounts and statutory reports to both annually. The leisure services provider have in place financial procedures and controls that support budget setting, financial performance review and operational controls that would be expected of an established charity, as well as an internal audit function. Financial performance is scrutinised at their board level and discussed as part of client monitoring approaches. An advisory board mechanism is available in Bridgend and quarterly reports present financial and other performance information. The leisure services provider provides their accounts to the charity commissioners and share the details with Bridgend County Borough Council. They also manage any food and beverage related services themselves – there is no outsourcing – which falls under the internal controls and processes established by the leisure services provider.
- II. Our cultural trust services provider also has in place financial procedures and controls that support budget setting, financial performance review and operational controls that would be expected of an established charity. Financial performance is scrutinised at the cultural trust services board level and discussed as part of client monitoring approaches. They also provide their accounts to the charity commissioners and share the details with Bridgend County Borough Council. Cultural Trust Services Trading is in place to operate services that have a level of commerciality (Bryngarw House, Bryngarw Café, Pavilion Café and bars) and to donate any profits to the Trust as the parent organisation-standard practice for Trust based models. The services referenced such as food and beverage are now directly operated by

the Trust as opposed to being sub contracted. As well as the external audit, the Trust also have an internal audit function which assists in creating financial controls, ensuring they are adhered to, indicating where they need improving and ensuring that those improvements are actioned as required.

**APPENDIX B**

**Report of tax evasion activity**

**Report to the Chief Officer – Finance, Performance and Change**

To: Chief Officer – Finance, Performance and Change

From: \_\_\_\_\_

[Insert name of employee]

Directorate: \_\_\_\_\_

[Insert post title and team]

Ext/Tel No: \_\_\_\_\_

**Urgent**      Yes/No

Date by which response needed: \_\_\_\_\_

**Details of suspected offence:**

<b>Name(s) and address(es) of person(s) involved:</b>
[If a company/public body please include details of nature of business, please supply as many details as possible]

<b>Nature, value and timing of activity involved:</b>
[Please include full details e.g. what, when, where, how. Continue on a separate sheet if necessary]

<b>Nature of suspicions regarding such activity:</b>
[Please continue on a separate sheet if necessary]

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<b>Has any investigation been undertaken (as far as you are aware)? [Delete as appropriate]</b>
Yes / No

<b>If yes, please include details below:</b>

<b>Have you discussed your suspicions with anyone else? [Delete as appropriate]</b>
Yes / No

<b>If yes, please specify below, explaining why such discussion was necessary:</b>

<b>Please set out below any other information you feel is relevant:</b>

Signed: \_\_\_\_\_ Dated: \_\_\_\_\_

**Please do not discuss the content of this report with anyone and particularly those you believe to be involved in the suspected tax evasion activity described.**