

**AGENDA ITEM: 12**

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Meeting	Audit Committee
Date	11 March 2010
<b>Subject</b>	<b>Annual Workplan of the Corporate Anti Fraud Team 2010/11, revised Counter Fraud Framework and new Anti Money Laundering Framework.</b>
Report of	Acting Corporate Anti Fraud Team Manager Director of Corporate Governance
Summary	To note the Annual Workplan of the Corporate Anti Fraud Team 2010/11, the revisions of the Counter Fraud Framework and the new Anti Money Laundering Framework.

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Officer Contributors	Clair Green, Acting Corporate Anti Fraud Team Manager Jeff Lustig, Director of Corporate Governance
Status (public or exempt)	Public
Wards affected	Not applicable
Enclosures	Appendix A - Corporate Anti Fraud Team Annual Work Plan 2009/10 Appendix B - Revised Counter Fraud Framework Appendix C - Anti Money Laundering Framework
For decision by	Audit Committee
Function of	Council
Reason for urgency / exemption from call-in (if appropriate)	Not applicable

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Contact for further information: Clair Green 0208 359 7791 Jeff Lustig 0208 359 2008

## **1. RECOMMENDATIONS**

- 1.1 That the Committee note the contents of the Corporate Anti Fraud Team (“CAFT”) Annual Work Plan for 2010/11.**
- 1.2 That the Committee note the contents of the revised Counter Fraud Framework.**
- 1.3 That the Committee note the contents of the new Anti Money Laundering Framework.**

## **2. RELEVANT PREVIOUS DECISIONS**

- 2.1 The Corporate Anti Fraud Team (CAFT) was launched on 7th May 2004 (delegated powers report, ref: BT/2004-05 -2 March 2004)
- 2.2 On 10 March 2009, the Audit Committee included in the work programme for 2009/10, that an annual work plan of the Corporate Anti Fraud Team be produced to this meeting.

## **3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS**

- 3.1 The Council’s Corporate Plan 2009/10 has set six key objectives to achieve ‘More Choice Better Value’. The council also has a responsibility to protect the public purse through proper administration and control of the public funds and assets to which it has been entrusted. The work of the Corporate Anti Fraud Team supports this by delivering value for money through better use of resources, and through effective prevention, detection, investigation and deterrent measures and a cohesive approach to the reflect best practice.

## **4. RISK MANAGEMENT ISSUES**

- 4.1 The failure to adopt a Counter Fraud Framework and Anti Money Laundering Framework, Policy and Procedures may result in poor decisions being taken in tackling fraud, corruption and money laundering activity. This would adversely affect the Councils reputation.

## **5. EQUALITIES AND DIVERSITY ISSUES**

- 5.1 The Corporate Anti Fraud Team is committed to promoting equality, challenging discrimination and developing community cohesion. This will be demonstrated through the Annual Work Plan and our service delivery.
- 5.2 Our Annual Work Plan, revised Counter Fraud Framework and Anti Money Laundering Framework will have no adverse impact upon equalities or diversity issues.
- 5.3 CAFT offer free interpretation service to all staff members or residents who are required to attend an interview with us. CAFT ensure that all our publicity leaflets and posters are modified and adapted to includes equalities actions

so that all members of the community, especially vulnerable groups, have an understanding of the services provided and reduce the likelihood of intentional or other fraud being committed as identified in the CAFT work plan.

## **6. USE OF RESOURCES IMPLICATIONS (Finance, Procurement, Performance & Value for Money, Staffing, IT, Property, Sustainability)**

6.1 None.

## **7. LEGAL ISSUES**

7.1 None identified outside the context of this report.

## **8. CONSTITUTIONAL POWERS**

8.1 The Constitution, Part 3, Paragraph 2, details the functions of the Audit Committee including, "To monitor Council policies on Raising Concerns at Work" and the anti-fraud and anti-corruption strategy and the Council's complaints process".

## **9 BACKGROUND INFORMATION**

9.1 CAFT is a specialist investigative unit which was established in May 2004 to investigate allegations of Housing Benefit, Council Tax Benefit and General Fraud within the London Borough of Barnet. Our aim is to assist the Council in protecting the public purse through the facilitation of sound strategies, procedures and controls in the prevention, detection, investigation and deterrence of fraud and corruption. The team continues to operate within the Counter Fraud Framework which consists of a set of comprehensive documents which details the Council's Fraud Response Plan, Fraud Reporting Toolkit, Prosecution Policy and the Whistle Blowing Policy.

9.2 CAFT is part of the Corporate Governance Directorate; this directorate was launched on 1<sup>st</sup> December 2006 to "promote the highest standards of conduct, accountability, and transparency in the way the Council and its partnerships operate".

9.3 The CAFT Work Pan for 2010/11 sets out the key objectives, priority Improvement Initiatives and Tasks for the year. These are in addition to CAFT continuing to deal with all allegations of Fraud and Corruption, Money laundering Suspicions and requests for Advice and Assistance within the Council. The areas that are specifically mentioned within the work plan take into account current good practice advice national areas of concern for fraud in public sector.

9.4 The Counter Fraud Framework was last reviewed in November 2008. This document is revised annually by CAFT. The Counter Fraud Framework is a set of procedural guidelines and processes which regulate how the council deals with Fraud. This document has been revised to take into account new legislation and updated in accordance with the current working practices of the CAFT.

- 9.5 The London Borough of Barnet is committed to zero tolerance of Money Laundering within the organisation and the community it serves; it believes that it should embrace the underlying principles behind UK law on money laundering and that in doing so its response should be appropriate and proportionate.
- 9.6 Legislation concerning Money Laundering (the Proceeds of Crime Act 2002 and the Money Laundering Regulations 2007) has broadened the definition of Money Laundering. Local Authorities do not have a statutory duty to comply with these regulations; however is it deemed as best practice that Local Authorities put in place procedures and policies to prevent and protect their services from being used for potential money laundering activities.
- 9.7 The Council has particular responsibility to protect the public purse through proper administration and control of the public funds and assets to which it has been entrusted. The proposed introduction of a new Anti Money Laundering Framework will provide the appropriate policies and guidelines to ensure that Money Laundering is minimised through effective prevention, detection, investigation, deterrent and awareness measures. We will also provide training and support to all staff as required.
- 9.8 Money Laundering as defined by the Serious Organised Crime Agency (SOCA) as: “any action taken to conceal, arrange, use or possess the proceeds of any criminal conduct. Criminals try to launder 'dirty money' in an attempt to make it look 'clean' in order to be able to use the proceeds without detection and to put them beyond the reach of law enforcement and taxation agencies”

## **10. LIST OF BACKGROUND PAPERS**

10.1 None

Legal: DA/JEL

Finance: KB

**Appendix A**

**Corporate Governance  
Directorate  
Group Work Plan for  
CAFT  
2010/2011**

## 1. Introduction

The key purpose of this group work plan is to clearly set out the group/team objectives, priority improvement initiatives, the measures against which performance can be monitored and managed, and the mechanism for achieving that. This is in line with corporate guidance which states that in moving towards self organisation, services should produce Service Delivery Plans and/or team plans below the Corporate Plan which direct progress against Corporate Plan work'.

The plan should be viewed in the context of the overriding plans and strategies that govern the direction and focus of the Directorate, and the wider Council. They are:

- The Corporate Plan
- Medium Term Financial Strategy, Forward Plan and Budget Process
- LAA's and other external indicators/standards

The Group Work Plans should also work in parallel with a number of other directorate plans and frameworks. They are:

- The Corporate Governance Directorate (CGD) Service Plan
- The CGD Learning and Development Plan
- The Mini SIC (and AGS), ICC and Risk Register/s
- The Business Continuity Plan/s
- Equalities Initiatives

## 2. Group/Team Description

The Corporate Anti Fraud Team is part of the Corporate Governance Directorate.

The role of the team is to assist the Council in protecting the public purse through the facilitation of sound strategies, procedures and controls in the prevention, detection, investigation and deterrence of fraud and corruption.

Key Responsibilities of the Corporate Anti Fraud Team are:

- To investigate all allegations of Internal Fraud and corruption.
- To provide the specialist skills of accredited financial investigators, which will assist and protect the authority in the investigation of any allegations of money laundering offences.
- To co-ordinate the Audit Commissions National Fraud Initiative Data Matching exercise, including the subsequent investigation of any identified fraudulent activity.

- To investigate all allegations of Housing Benefit (HB) and Council Tax Benefit (CTB) Fraud, and to provide assistance to the benefits service in identification of incorrect HB/ CTB Awards.
- The administration and investigation of the Housing Benefit Data Matching Service (HBDMS) data-matches
- To assist in solving the problem of the misuse of Disabled Blue Badges within the London Borough of Barnet, including ongoing joint working with the Police on Blue Badge Operation Days and the prosecution of persistent offenders.
- Provide a dedicated Intelligence service to support the work of CAFT.
- Provide Fraud Awareness & Money Laundering Awareness training to all staff & members.

The CAFT Manager is also the London Borough of Barnet's:

- Designated Whistleblowing Officer, undertaking the responsibilities of the role as described within the Council's Whistleblowing Policy.
- Nominated Money Laundering Reporting Officer (MLRO) to undertake the duties as detailed within the Council's Anti Money Laundering Framework.
- Designated Authorised Officer for the authorisation of covert surveillance powers in accordance with Regulation of Investigative Powers Act 2000 (RIPA) (alongside the Head of Legal)
- Designated officer by the Secretary of State under the provisions of the Social Security & Administration Act 2001 to act as the Authorised Officer in the obtaining of data prescribed within the Act which may otherwise be protected, in connection with the prevention and/or detection of a crime.
- 'Senior Appropriate Officer' for the authorisation of production orders, restraint orders, customer information orders and account monitoring orders as described within section 453 of the Proceeds of Crime Act 2000

### 3. Corporate Plan Priorities

The vision and direction of the CGD and the CAFT is set in the Council's Corporate Plan. This plan forms the basis for planning and performance at Directorate and team level. Below are the relevant extracts from the 2009/10 plan.

<b>Corporate Plan Theme: More Choice, Better Value</b>
<b>Key Priorities</b>
<u>Customer care</u> – making sure we remember who we are working for, and giving our customers the service we would want ourselves
<u>Managing well</u> – everyone should make sure whatever resources they have to do

their job, whether staff, money or equipment – is properly managed

Partnerships – we need to work with people in other organisations to do our jobs well. Getting these working relationships right is vital to our success

Value for money – we’re spending taxpayers’ money. Everyone should be looking for more efficient ways of delivering high quality services as an everyday part of their jobs

Safeguarding - we all have a role to play in ensuring our most vulnerable residents are safe. Everyone needs to think about safeguarding as part of everything we do.

Priority Improvement Initiatives:	Milestones:	Lead:	Progress:
<ul style="list-style-type: none"> <li>• Promote and raise awareness of the Council’s revised Counter Fraud Framework, develop new protocols and liaison with all directorates, to include a assessment of working arrangements/processes against high risk of fraud for service areas within each directorate.</li> <li>• To raise the awareness of the CAFT with each directorate ensuring that all suspected frauds are reported to CAFT for further investigation.</li> <li>• Promote and raise awareness of the Council’s new Anti Money Laundering Framework, develop new protocols and liaison with all directorates, to include a assessment of working arrangements/practices against risk of money laundering for high risk service areas within each directorate.</li> <li>• To raise the awareness of potential Money Laundering activity within each directorate to ensure that any suspicious activity is reported to the MLRO for further action.</li> </ul>	<p>Audit Committee March 2010</p> <p>Senior Officers April 2010</p> <p>New agreed Directorate Protocols Quarter 2</p> <p>New service area protocols Quarter 3</p> <p>Attend meetings with Directorates Senior Management Meetings Quarter 2</p> <p>Attend meetings with Service Area Management Teams Quarter 3</p>	<p>CAFT Manager</p>	<p>Ongoing</p>



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<b>Key Performance Indicators:</b>	<b>Baseline / 08/09 outturn</b>	<b>Target 09/10</b>	<b>Target 10/11</b>
CAFT contribute, along with the Benefit Service towards the National Performance Indicator NI 180 “The Right Benefit Indicator” as it is agreed that counter fraud activity makes a vital contribution towards this indicator by deterring fraudsters and encouraging customer compliance with their reporting responsibilities. CAFT also ensure that all reassessments are in line with the Benefit Service’s National Performance Indicator NI 181 “The Right Time Indicator”	Outturn: 61%	No baseline set by the DWP.  Internal target of 65% outturn set for 09/10.  Outturn achieved: 77%	No baseline has been set by the DWP.  The year 2010/11 will see the Benefits Service introduce a new HB system CIVICA and the DWP CIS Prompts system. Taking into account the working implications of these two new systems CAFT have set a reduced target of 35% outturn.

#### 4. Group/Team Level Priorities

In addition to the Corporate Plan priorities that govern the work of the CAFT, the following priorities have been identified as critical to the success of the group:

<b>Key Priority Tasks:</b>			
<b>Priority Actions/Tasks:</b>	<b>Milestones:</b>	<b>Lead:</b>	<b>Progress:</b>
CAFT Corporate Investigators and Managers have now completed their	Ongoing; Protocols in this	CAFT Management	

<p>training in financial investigation and aim to continue with the investigation and management of financial intelligence and investigations in relation to Money Laundering offences. We aim to work more closely with all services of the Council were Money Laundering offences are more likely to be committed to ensure that those offenders do not profit from the proceeds of crimes.</p> <p>To develop a Fraud Awareness module to the current on line corporate induction programme to advance the delivery of Fraud Awareness Training for new starters in the authority through E Learning.</p> <p>To further develop our partnership with the UK Border Agency by extending the pilot for a further year. This will continue to support the corporate priority of partnerships, and ensure that only those eligible to work , reside and receive services and benefits from the Council, receive it.</p> <p>To review and assess the current arrangements against the good practice guidance as set out in the Audit Commission 'Protecting the Public Purse, and CFIPA's red book 'Managing the risk of Fraud'.</p> <p>To develop and implement a ongoing CAFT Pro-Active Fraud Programme based on the outcomes from previous CAFT Investigations, high risk areas identified within each directorate protocols and national areas of concern as detailed in the above good practice, working jointly with the DWP and UKBA.</p>	<p>area will be finalised by Quarter 3 as above.</p> <p>Quarter 2</p> <p>Quarterly Reviews</p> <p>Quarter 1</p> <p>Agree plan by Quarter 1, then review quarterly.</p>	<p>Team.</p> <p>CAFT Management Team.</p> <p>CAFT Management Team.</p> <p>CAFT Management Team.</p> <p>CAFT Management Team.</p>	
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<p>To continue to combat the ongoing issue of Blue Badge misuse within Barnet. Embarking on a publicity campaign to heighten awareness and act as a deterrent to all Barnet Blue badge holders, residents and service users of Barnet to the offences that can be committed. To review and update all procedures in this area in accordance with Transport for London guidance.</p>	<p>Ongoing Quarter 2</p>	<p>CAFT Management Team.</p>	
<p><b>Internal Control Checklist Actions:</b></p>	<p><b>Milestones:</b></p>	<p><b>Lead:</b></p>	<p><b>Progress:</b></p>
<p>For the first time 2010/11 sees the inclusion in the ICC process of questions on Anti Fraud &amp; Money Laundering Awareness and Risks. CAFT will review the responses for each directorate once the process is complete and offer appropriate training were required and ongoing advice and assistance.</p>	<p>Quarter 2</p>	<p>CAFT Manager</p>	
<p><b>Equalities Actions (against Level 4 criteria):</b></p>	<p><b>Milestones:</b></p>	<p><b>Lead:</b></p>	<p><b>Progress:</b></p>
<p>CAFT offers a free interpretation service to everyone who attends interviews to ensure that all members of the community have equality of access and understanding. Investigation cases in CAFT are reviewed by the CAFT Management Team to ensure compliance with Barnet's Equality Policy.</p> <p>CAFT have worked closely with the Benefits Service in ensuring that forms and leaflets have been modified and adapted so that all members of the community, especially vulnerable groups, have an understanding of the services provided, thus reducing the likelihood of intentional or other fraud being committed.</p>	<p><i>CAFT's Equalities Actions will be reviewed quarterly.</i></p>	<p>CAFT Management Team</p> <p>CAFT Management Team.</p> <p>CAFT</p>	

The CAFT revised the current CAFT leaflet to include Equalities Actions in July 2009, and all new leaflets publicity materiel also includes Equalities actions.		Management Team	
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Local Performance Indicators:	Baseline / 08/09 outturn	Target 09/10	Target 10/11
NI 180 "The Right Benefit Indicator - Changes in HB/CTB entitlement within the year."	As above - Not Applicable. This indicator was introduced by the DWP and no baseline set for 2008/09. The indicator was based on good practice only.	No baseline was set by the DWP for 2009/10 Internal target of 65% was set based on previous years outturn.  Outturn: 77%	As Above the internal target has been set at 65%

Progress against group/team level priorities is monitored through the CAFT Management Team and Corporate Governance Senior Management.

## 5. Partnership Arrangements/Contracts

- Department of Work and Pensions (DWP) Fraud Partnership Agreement
- Metropolitan Police Information Sharing Partnership Protocol
- Metropolitan Police Finchley 'Payback' Unit
- UKBA Partnership

## 6. Managing Risk

Risks associated with delivery against objectives and priority improvement initiatives are managed via the group/team risk register.

Risks identified for 10/11 as having a high likelihood and a high impact are:-

None identified for CAFT at present although all risks are regularly reviewed throughout the year.

2009/10 Service Risk Register for [group/team name]											
Number	Corporate Priority	Objective	Risk Type	Risk Description	Risk Raised by	Date Raised	Controls in place	Initial Assessment		Mitigating Action Plan	Lead Officer
								Likelihood	Impact		
	N/A							H	H		

These risks will be monitored regularly at CAFT Management Team Meetings and updated on a quarterly basis. High High risks will be escalated to SMB, also on a quarterly basis.

**Appendix A**

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Directorate  
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								Likelihood	Impact		
	N/A							H	H		

These risks will be monitored regularly at CAFT Management Team Meetings and updated on a quarterly basis. High High risks will be escalated to SMB, also on a quarterly basis.

# Counter Fraud Framework Manual

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## Whistleblowing Policy

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Prepared for:            The London Borough of Barnet

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Author(s):                Clair Green  
                                  Corporate Anti Fraud Team

## Document Control

<b>Document Name</b>	Counter Fraud Framework Manual – Whistleblowing Policy		
<b>Project Name</b>	Corporate Fraud Project		
<b>Client</b>	The London Borough of Barnet		
<b>Reference</b>			
<b>Version</b>	V4		
<b>Date Created</b>	11 <sup>th</sup> February 2010		
<b>Status</b>	Issued		
<b>Filename</b>	Y:\COUNTER FRAUD FRAMEWORK\Revised Counter Fraud FrameworkV4.Doc		
<b>Template</b>			
<b>Authorisation</b>	Name	Signature	Date
<b>Prepared By:</b>	Clair Green		
<b>Ratified By:</b>	Jeff Lustig		
<b>Ratified By:</b>	Nick Walkley		
<b>Distribution List</b>	Name		Date Distributed
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## Version Control

Version number	Date	Author	Reason for New Version
Version 3	September 2008	Val Lambe	Link attached to item 4.1 and Deletion of After Reporting Item.
Version 4	February 2010	Clair Green	All references of Val Lambe amended to CAFT Manager
	February 2010	Clair Green	Chief Executive Officer amended to Nick Walkley.
	February 2010	Clair Green	Deletion of Director of Resources
	February 2010	Clair Green	3.1 Reference to Safeguarding Policy included.



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# Counter Fraud Framework Manual – Whistleblowing Policy

Doc Ref:

Filename [http://sharepointds/democratic services/Non Executive Functions/2009-2010/Audit\\_Ctte/Agendas/4.](http://sharepointds/democratic services/Non Executive Functions/2009-2010/Audit_Ctte/Agendas/4.11_March_2010/CAFT Report - Appdx Bii_Whistleblowing.doc)

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## 1 Introduction

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- 1.1 This whistleblowing policy has been drawn up in conjunction with the Public Interest Disclosure Act 1998. The Act establishes a framework for responsible whistleblowing and is intended to encourage employees and the public to report any concerns that they may have of improper conduct or malpractice or abuse within the Council or to any of its service users. The London Borough of Barnet strongly endorses this policy; promoting how committed we are as an authority, in being open, honest and accountable.
- 1.2 The essence of a whistleblowing system is that staff should be able to by-pass their direct management line, as this may be the area about which their concerns arise. They should be able to go outside the organisation if they feel the overall management is engaged in an improper course.
- 1.3 The role of the whistleblowing policy is to assist with the deterrent and detection of wrongdoing. The Policy explains how concerns should be raised and eradicate any fear that it is not safe to raise concerns inside or with a prescribed regulator for fear of being victimised, discriminated against or disadvantaged in any way as a result.
- 1.4 To give assurance that there is a safer alternative than your silence and that as a whistleblower you will be perceived as a witness and not as a complainant.
- 1.5 To give assurance that all concerns, regardless of their nature, raised under this procedure will be treated seriously and sensitively by highly trained and experienced officers.
- 1.6 Employees are encouraged to report wrongdoing and have the right to be heard and taken seriously when they do so. The Council will take all reasonable steps to protect people who make such disclosures from any detriment action which may occur as a result of making the disclosure.
- 1.7 The Council neither tolerates improper conduct by its employees, Council members or its contractors, nor the taking of reprisals against those who come forward to disclose such conduct. We are committed to the highest possible standards of openness, probity and the aims and objectives of the Public Interest Disclosure Act 1998.
- 1.8 The Council recognises the value of both confidentiality and accountability in its core functions and fully supports the making of disclosures to reveal corrupt conduct, mismanagement of public resources, or conduct which involves risk to service users, public health and safety, or the environment.

## 2 Purpose

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- 2.1 Members of staff may be the first to identify inappropriate conduct within the Council. They may not say anything because they believe that this would be disloyal, that their suspicions are not justified or they may have fears of victimisation or reprisal if they do come forward. This is why the Council has produced this whistleblowing policy to help staff raise their concerns at an early stage.
- 2.2 We encourage staff to say something when it is a concern rather than wait for proof. This will allow us the opportunity to address a potentially serious problem before it is too late.

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- 2.3 All employees of the Council and the public may use this policy. This includes permanent and temporary staff; it also covers agency staff and staff seconded to a third party. Any concerns relating to the third party, if relevant to the staff's secondment, can also be raised under this policy.
- 2.4 This policy is also recommended to school governing bodies, the public and people linked to the business of the Council.
- 2.5 This policy provides:
- A framework that ensures that the Council and those that act on its behalf conduct themselves in a proper manner.
  - Intends to establish a system for reporting the disclosure of improper conduct or detriment action by London Borough of Barnet employees, Council members and its contractors. This procedure is not designed to inhibit staff or members from seeking advice from relevant professionals (e.g. Chief Executive, Director of Corporate Governance – Monitoring Officer, Chief Finance Officer, Human Resources, Health & Safety etc). This procedure is designed as an alternative to a less formal approach.
  - Aims to encourage employees to feel confident in raising their concerns and to act upon them. Instilling confidence that the disclosure will be reported to someone that actually has the ability to act upon it. **Helps everyone to separate the “message from the messenger”.**
  - Reassures employees that if they raise any concerns in good faith, that they believe to be true, that they will be protected from possible reprisals or victimisation.
- 2.6 This policy is designed to complement normal communication channels between staff members and management. All employees are encouraged to continue to raise matters via their respective Line Managers, however sometimes employees may feel more comfortable making disclosure of improper conduct using this procedure.

## **3 Scope**

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- 3.1 It is impossible to provide an exhaustive list of the activities that constitute misconduct or malpractice within the Council, we would expect you to report:
- A criminal offence (Fraud, Corruption or Theft)
  - Misconduct
  - Miscarriages of justice
  - Unauthorised use of public funds
  - False insurance claims against the Council
  - Abuse or ill treatment of any member of staff or service recipient
  - Abuse or ill treatment of vulnerable adults or children. *(In such cases a Whistleblowing referral may evoke a 'Safeguarding' investigation. The investigation will then be dealt with in accordance with the London Borough of Barnet's 'Safeguarding Policy', whilst still offering the whistleblower the confidentiality and support of the Whistleblowing policy.)*
  - Danger to Health and Safety

## Counter Fraud Framework Manual – Whistleblowing Policy

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- Substantial Damage to the Environment
  - Serious failure to deliver service
  - Deliberate non compliance to a Council policy, an official code of practice, law or regulation
  - Deliberate concealment of information relating to any of the above
- 3.2 The Council offers many different channels for raising concerns and the whistleblowing system has a specific purpose and is not to be confused with any others. This policy is not about reporting:
- Issues affecting you as an employee (these should be raised through the Council's Grievance Procedure)
  - Service requests or complaints from the public about Council services
  - Lobbying for or against Council policy
  - Trade union or staff consultation

## **4 Methods of Reporting**

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- 4.1 At present there are four different methods that may be used to whistleblow.
- The London Borough of Barnet has established a whistleblowing telephone hotline, which ensures that staff can report their concerns in a confidential and secured environment. The whistleblowing hotline number is **0208 359 6123**.
  - Concerns can also be raised in writing, addressed to the Whistleblowing Officer:

CAFT Manager

Corporate Anti Fraud Team

2<sup>nd</sup> Floor, Building 4

North London Business Park

Oakleigh Road South

London N11 1NP

- Concerns can be made on the attached Whistleblowing Referral Form (WB1) Link attached completed WB1 may be either posted or emailed to the Whistleblowing Officer.

<..\..\DOCUMENT TEMPLATES\FORMS\WB1.doc>

- Concerns can also be sent to a secured e mail address:  
**whistleblowing @ barnet.gov.uk**

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## 5 Reporting

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5.1 All members of staff should follow the reporting procedure below. However all staff have the additional option that in the first instance they may report wrongdoing to their line manager, this will depend on the seriousness and sensitivity of the matter, and who is suspected of the wrongdoing.

**Members of the public and Staff should report wrongdoing to either:-**

- The Whistleblowing Officer, the Corporate Anti Fraud Team Manager (CAFT), has a duty to the Council to deal with cases of fraud within the authority and is responsible for the overall operation and maintenance of the whistleblowing policy. This is independent of all service areas within the Council and thus, the person reporting the wrongdoing can be assured that the concerns raised are addressed appropriately.
  - If the wrongdoing involves a member of CAFT, then concerns should be raised with the Monitoring Officer, Jeff Lustig or the Chief Executive, Nick Walkley.
  - Alternatively, for independent advice, the person making the report may also contact Public Concern at Work, an independent charity providing free advice for employees who want to express their concerns on 0207 404 6609.
  - The person making the report could also contact the Audit Commission Public Interest Disclosure Act telephone hotline on 0207 630 1019.
- 5.2 Whenever someone reports a wrongdoing that they believe to be true, appropriate action will be taken under the Public Interest Disclosure Act 1998 to protect them from harassment, victimisation or bullying.
- 5.3 Everything possible will be done to respect confidentiality. We will keep your concerns confidential if this is what you want, your name and position will not be revealed without your permission, unless we have to do so by law. This will all be explained at the time, you can then decide whether you wish to proceed or not.
- 5.4 We encourage you to give your name when you make an allegation. Concerns raised anonymously tend to be far less effective. If you feel that you cannot reveal your identity, our whistleblowing officer will then need to decide whether or not to consider the matter. This will be based on the seriousness of the matter, whether the concern is believable and whether we can carry out an investigation based on the information you have provided.
- 5.5 Sometimes, however, it is necessary for a statement to be taken as part of an investigation into the allegation. In this case, the implications will be discussed before a statement is made.
- 5.6 All persons making a report will be asked to provide as much detail as possible so that the allegation can be investigated appropriately. It is far better to do this in writing, but as an alternative staff can speak to someone in a meeting.
- 5.7 All persons making the report will be allocated a specialist who will deal with them throughout the period of the investigation and will meet with them outside of their workplace where applicable.

## Counter Fraud Framework Manual – Whistleblowing Policy

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- 5.8 Persons reporting wrongdoing may worry that reporting will lead to confidential information being disclosed. It may well be possible to pass on information covered by the Data Protection Act, however there are occasions where the need to blow the whistle overrides other legal issues. If persons reporting the wrongdoing have concerns, they can explore this with the CAFT Manager, or for staff his/her representative.

## 6 Protection from reprisal

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- 6.1 The Public Interest Disclosure Act 1998 gives statutory protection for employees who report in good faith on crime, illegality, miscarriages of justice, danger to health or safety, damage to the environment, or on deliberate concealment of these. The protection covers reports to the employer or to a regulating authority; otherwise the statutory protection depends on the circumstances.
- 6.2 Any person who makes a report in good faith will be protected from victimisation or reprisal. The Act protects the employee from being subjected to discipline, dismissal or any other detriment from making the report.
- 6.3 In addition, the Council will treat any victimisation or harassment of an employee who has made the report in good faith under this procedure as a serious disciplinary offence.
- 6.4 No action will be taken against any person if a report has been made in good faith but is not confirmed by the investigation.
- 6.5 **Conversely, any person should not make a report, which they do not reasonably believe to be true, or which are malicious. Disciplinary proceedings may be taken against an employee of Barnet Council who makes a malicious report.**
- 6.6 If an employee making a report is already the subject of disciplinary, capability or redundancy procedures they will not necessarily be halted as a result of a whistleblowing allegation.

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# Counter Fraud Framework Manual

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## Prosecution Policy

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Prepared for:                    The London Borough of Barnet

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Author(s):                      Clair Green  
   Corporate Anti Fraud Team



## Document Control

<b>Document Description</b>	Counter Fraud Framework Manual - Prosecution Policy		
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Version number	Date	Author	Reason for New Version
Version 2	September 2008	Val Lambe	Amendments to 2.1 - New Legislation
Version 3	February 2010	Clair Green	Further Amendments to 2.1 - New Legislation
Version 3	February 2010	Clair Green	Inclusion of CAFT Deputy Manager throughout.
Version 3	February 2010	Clair Green	2.3 Inclusion of CPS & DWP
Version 3	February 2010	Clair Green	3.2 Amendments to the Level of Loss
Version 3	February 2010	Clair Green	Deletion of section 4 – prosecution options (4.2 – 4.5)
Version 3	February 2010	Clair Green	2.6 insertion of previous 4.1 – prosecution options.

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### **1 Introduction**

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- 1.1 The purpose of this policy is to ensure the London Borough of Barnet has a set of guidelines in place that will assist in the decision making process when appropriate sanction action necessary as a result of an investigation.
- 1.2 This policy does not intend to be prescriptive as a number of factors will need to be considered on a 'case-by-case' basis before appropriate sanction action can be decided upon.
- 1.3 This policy centres around the core principles found in the Crown Prosecution Service (CPS) guidelines for prosecuting criminal matters. Specifically, consideration will be given to the circumstances of each case, the seriousness of the offence and the person involved in the matter.
- 1.4 A procedure has also been developed to support this policy as part of a Procedure Manual which is followed by all officers responsible for investigating fraud based within the Corporate Anti Fraud Team (CAFT). The Procedure Manual is not available for general publication.
- 1.5 All overpayments or monetary loss, which result from proven fraud, will be pursued rigorously and, where necessary, legal action will be taken to effect recovery.
- 1.6 In the event of a successful prosecution the decision to publicise the outcome will take into account the following criteria:
  - Interest of Barnet Council.
  - Deterrent value to others.
- 1.7 This policy will be continually updated as a result of new case decisions, legislation and case law.

### **2 Sanction / Prosecution Options**

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- 2.1 A person involved in perpetrating fraud may commit an offence which could relate to any of the following Acts:
  - Social Security Administration Act 1992 as amended by the Social Security (Fraud) Act 2001
  - Theft Act 1968 & 1978
  - Forgery & Counterfeiting Act 1987
  - Criminal Justice Act 1987
  - Fraud Act 2006
  - Proceeds of Crime Act 2002
  - Data Protection Act 1998
  - Computer Misuse Act 1990
  - Identity Card Act 2006

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- 2.2 The CAFT will investigate all types of fraud committed against the London Borough of Barnet and in relevant cases will take appropriate sanction action against the individuals responsible. The final decision as to what action will be taken will rest with the CAFT Manager/Deputy Manager.
- 2.3 The following options will be considered where a prima facie case exists:
- Take no further action
  - Issue a Formal Caution (Local Authority, DWP or Police)
  - Issue an Administrative Penalty
  - Prosecute (Local Authority, DWP or CPS),
    - The London Borough of Barnet may issue a formal caution or an administrative penalty cases where benefit fraud is proven.
- 2.4 A Police formal caution may be issued where a matter has been referred to Police by the London Borough of Barnet where appropriate circumstances exist.
- 2.5 In cases where prosecution is considered most appropriate, the London Borough of Barnet, the Department for Work and Pensions, and the Crown Prosecution Service (via the Police) may prosecute any of these offences.
- 2.6 Where the CAFT Manager/ Deputy Manager decides a case should be prosecuted, there are a number of ways the matter can then be pursued:
- The case can be prosecuted by the London Borough of Barnet Legal Service
  - The case can be referred to the Police for subsequent prosecution action by the CPS
  - The Department for Work and Pensions (DWP) may prosecute in some cases if a joint investigation involves losses of both Housing/Council Tax Benefits and DWP benefit.

### **3 Sanction Guidelines**

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- 3.1 Each case will be considered on individual circumstances, however guidelines have been developed to assist in the decision making process. These guidelines relate to all cases of fraud including, employee fraud, general fraud and benefit related fraud.
- 3.2 Consideration when deciding on an appropriate course of action will be given to:
- The Public Interest Test (based on CPS guidelines)
  - The level of loss
  - Circumstances of the offence
  - Factors relating to the offender
  - Other factors

#### **Public Interest Test**

Where the decision is made that a matter is not in the public interest to prosecute the following factors will be considered:

- The loss is under £500

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- The offender has not previously offended
- There was no planning involved
- There was no other person involved

### Level of loss

The following levels of loss will be used as a guide when deciding on appropriate sanction action:

#### *Level of loss*

#### *Action*

*£00.00 - £500.00*

*Recovery of overpayment*

*£500.00 - £2000.00*

*a) Recovery of overpayment*

*b) Administrative Penalty of 30%*

*c) Formal Caution (Local Authority ,DWP or Police)*

*£2000.00 – Over*

*a) Administrative Penalty*

*b) Prosecution by either the London Borough of Barnet, DWP & CPS*

### Circumstances of the offence

The following factors will be considered where prosecution is the most likely course of action:

- The deterrent value of a prosecution.
- The length of time the fraud has continued.
- Whether the offence was calculated and premeditated.
- Sufficient evidence leading to a reasonable prospect of conviction and there are no serious errors in benefit assessment or the investigation.
- Evidence of collusion (with landlord, employer or family member etc)
- Administrative penalty has been declined
- Offender holds a position of trust
- Previous history relating to fraud

If any of the following factors exist, it may be unlikely that prosecution will be pursued:

- Serious errors in investigation or assessment of loss
- Unacceptable delay in investigation
- Poor publicity may be attracted, or low deterrent factors exist
- Vulnerable person may be put at risk

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- Evidence is poor
- Case is 'out of time' for prosecution under certain time limited legislation
- Voluntary disclosure of the offence by the offender before the fraud was uncovered, and true remorse is shown
- Evidence that the person has committed the offence under duress

### **Factors relating to the offender**

Some factors relating to the offender may exist where the London Borough of Barnet may not wish to prosecute or impose another type of sanction. These factors are as follows:

- Poor health, either mental or physical, of the offender likely to be considerably and permanently worsened by prosecution
- Young or vulnerable person
- Single parent or pensioner
- Old age or terminal illness
- Whether the offender has reasonable command of English and whether that may affect his or her ability to understand the offence committed.

### **Other factors**

In all cases, the following other factors should also be considered:

- Whether the penalty will be substantial or minimal.
- Attitude of the offender
- Character of the offender
- Attitude of the local community
- Prevalence of the offence
- Any other case where it appears that severe hardship or suffering is a contributory factor.

# Counter Fraud Framework Manual

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## Fraud Policy

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Prepared for:                    The London Borough of Barnet

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Author(s):                    Clair Green  
                                      Corporate Anti Fraud Team

## Document Control

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Version number	Date	Author	Reason for New Version
Version 2	September 2008	Val Lambe	<p>Amendment to 2.1 – Definition of Fraud.</p> <p>Amendment to 4.5 – Deputy Director of Corporate Governance is the Authorised Officer to approve surveillance requests in accordance to the Regulation of Investigatory Powers Act (RIPA)</p> <p><i>All references made to Head of CAFT amended to CAFT Manager. All references made to Internal Audit amended to Internal Audit &amp; Ethical Governance.</i></p>
Version 3	February 2010	Clair Green	Amendment 2.1.2 Deletion of Director of resources – Amendment to Director of Finance.
Version 3	February 2010	Clair Green	3.5 Various Amendments under employee section.
Version 3	February 2010	Clair Green	4.1 Amendment to IA EG referrals to CAFT.
Version 3	February 2010	Clair Green	4.5 Deletion of Deputy Director of Corporate Governance – Amendment to CAFT Manager 7 Head of Legal.
Version 3	February 2010	Clair Green	4.6 Insertion of CAFT Deputy Manager.
Version 3	February 2010	Clair Green	5.5 Inclusion of UKBA & DWP as Partners.

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### **1 Background**

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- 1.1 The London Borough of Barnet is committed to fighting fraud with high ethical and moral standards, and recognises that any fraud perpetrated against the Council is costly, both in financial terms and reputation. The London Borough of Barnet is therefore committed to a program of zero tolerance.
- 1.2 The London Borough of Barnet already has a set of processes in place, which aim to contribute to an effective Counter Fraud Framework. These include the presence and/or planned development of:
- Documented systems of Internal Control
  - Risk Assessment/Management
  - Contract Code's of Practice
  - Codes of Conduct for Members and Officers
  - Council Constitution
  - Council Disciplinary Procedures
  - Internal and External Audit
  - Effective Recruitment Procedures
  - Induction & Training
  - Documented procedures for the investigation of fraud
  - Confidential Whistleblowing Hotline
  - Union Charter
- 1.3 The London Borough of Barnet is committed to nurturing a strong anti-fraud culture within the organisation, which is key to the prevention and detection of fraud. The Corporate Anti Fraud Team (CAFT) has made a commitment to continue in the development and facilitation of Fraud Awareness Training throughout the Council to ensure this culture becomes engrained in the minds of all staff.
- 1.4 The Corporate Anti Fraud Team is dedicated to investigating all instances of fraud committed against the London Borough of Barnet and will ensure cases are appropriately sanctioned where applicable.

### **2 Policy Statement**

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- 2.1 This policy applies to all cases of fraud. The Fraud Act 2006 defines that fraud requires
1. Deceit, the intention to deceive or secrecy: and
  2. (a) an actual loss or gain;  
(b) the intent to cause loss to another or expose them to the risk of it;
  3. Dishonesty.

Offences of fraud can include deception, theft, misappropriation, embezzlement, forgery, corruption, bribery, extortion, false accounting, false representation, concealment of material facts and acts of conspiracy, collusion and aiding and abetting any act of dishonesty.

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- 2.2 The London Borough of Barnet will ensure probity in local administration and governance by taking positive action against all forms of fraud affecting Council business whether it be from internal or external sources, or benefit related fraud.
- 2.3 The Council aims to minimise fraud and loss through effective prevention and detection measures and is committed to supporting its employees and members in deterring fraud. Where fraud is discovered and investigated, the Council is dedicated to reassessing controls and systems in place and will take all reasonable steps to prevent the same happening again.
- 2.4 The Council will in all cases take necessary steps to recover any funds lost through fraudulent behaviour.
- 2.5 All members of staff are expected to share this commitment to help the London Borough of Barnet protect the public funds to which it has been entrusted.
- 2.6 This policy has been established to facilitate the continued development of fraud detection and prevention procedures, which will ensure the London Borough of Barnet takes an effective and holistic approach to the prevention, detection, investigation and deterrence of fraud and corruption.
- 2.7 This policy applies to all employees of the London Borough of Barnet and has the full support of the elected Councillors, Directors, Chief Officers and Trade Unions representing Council employees. It also applies to:
- Consultants
  - Temporary staff
  - Contractors
  - Vendors
  - And/or any other parties with a business relationship with the London Borough of Barnet.
- Customers of the Council or beneficiaries of public funds within the borough are expected to be honest in their dealings with the Council.
- 2.8 All allegations of benefit related fraud will be dealt with in the same strict manner as internal cases that may arise.
- 2.9 There is a specific duty expected of the elected Councillors of the London Borough of Barnet to set an example to the employees of the Council and also the community by acting with integrity, honesty and in a trustworthy manner befitting the Council.
- 2.10 In line with this, all Directors, Heads of Service, Managers and senior members of staff are expected to set high examples of conduct in their day to day work which are beyond reproach. All staff are expected to be fully accountable during their employment with the London Borough of Barnet and to comply with all laws and regulations applicable to the Council's business.
- 2.11 The Council's responsibilities are to develop and maintain effective controls to prevent fraud occurring and to ensure that, if it does occur, it will be detected promptly. If fraud is suspected, the Corporate Anti Fraud Team will carry out a vigorous and prompt investigation
- 2.12 The responsibilities for individual systems of control fall directly on line management and many involve all of the Council's staff. The Director of Finance / Chief Finance Officer bears overall responsibility for financial systems and may be liable to be called to account for specific failures.

## **Counter Fraud Framework – Fraud Policy**

Doc Ref:

Filename [http://sharepointds/democratic services/Non Executive Functions/2009-2010/Audit\\_Ctte/Agendas/4.](http://sharepointds/democratic%20services/Non%20Executive%20Functions/2009-2010/Audit_Ctte/Agendas/4.11_March_2010/CAFT%20Report%20-%20Appdx%20Biv_Fraud%20Policy.doc)

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- 2.13 The Corporate Anti Fraud Team has full right of access to examine any documents or contents of Council property. This also includes examination of staff computers, and related equipment.
- 2.14 This document is not exhaustive, therefore other matters arising will be subject to scrutiny under this fraud policy.

### **3 Prevention**

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- 3.1 Prevention is the most desirable factor in dealing with any fraud. Unfortunately, not all systems are always foolproof in stopping the committed fraudster.
- 3.2 The Corporate Anti Fraud Team is committed to a dedicated fraud education programme throughout the Council, which intends to provide detailed fraud awareness, updates on fraud trends and legislation. All staff of the Council will be required to participate in this programme fully.
- 3.3 The Council has a legal responsibility to ensure a sound system of internal control is in place. A system of Risk Management has been documented and implemented to ensure fraud and inaccuracies are minimised or prevented.
- 3.3 Internal Audit are available to advise managers on best practice and independently monitor the existence and effectiveness of control systems.
- 3.4 The Corporate Anti Fraud Team are available to advise on fraud prevention measures and provide fraud awareness training on a regular basis to management and their staff.
- 3.5 The following are key measures the Council has implemented to help prevent the occurrence of fraud:

#### **Members (Councillors)**

- All members have a duty to the citizens of the borough to protect the authority from all forms of abuse.
- Members of the Council set the standard for the entire organisation and therefore give their full support to all systems and controls in place to assure probity. In particular, members have a personal responsibility to abide by the Council's Constitution, Standing Orders, the Members Code of Conduct, and act within the law in an open, honest and trustworthy manner.

#### **Managers**

- All managers are responsible for ensuring an effective system of risk management and internal control exists within their service areas and that those controls operate effectively. Managers must recognise that they must take a lead in terms of fraud prevention and will be held accountable for not undertaking this as part of their position of trust and area of responsibility.
- Specifically, managers must assess the types of risk involved in the operations for which they are responsible; to review and test the control systems regularly, and to ensure that controls are being complied with properly by undertaking regular checks.

## **Counter Fraud Framework – Fraud Policy**

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- Management are also responsible for ensuring the Council's commitment to fraud is communicated to all staff responsible to them, and will be held accountable for failing to do so.

### **Employees**

- The London Borough of Barnet has recruitment procedures which have been established to ensure all staff are vetted correctly prior to commencing their employment. This includes undertaking correct background checks on new recruits, permanent and temporary, and ensuring satisfactory written professional references are received prior to making an offer of appointment.
- All employees are required to follow the Council's Staff Code of Conduct and any other relevant professional code.
- All staff have a duty to assist the Council in the prevention of fraud and are expected to alert their line manager where they believe the opportunity for fraud exists because of poor procedures or lack of appropriate supervision.
- All employees are expected to report any cases of suspected fraud, no matter how trivial they may seem, using agreed procedures and guidelines.
- As stewards of public funds, officers must have, and be seen to have, high standards of personal integrity. Staff should not accept personal gifts, hospitality, or benefits of any kind from a third party that may be seen to compromise that integrity.
- Disciplinary procedures are in place to deal any acts of misconduct by Council employees.
- Where a criminal offence is suspected the matter will be investigated fully by the Corporate Anti Fraud Team. Further action and possible criminal prosecution may be taken by the Corporate Anti Fraud Team in conjunction with the Councils Legal Department or the Police/Crown Prosecution Service. Further to this, recompense will be sort from those found guilty of any such offence.

## **4 Detection**

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- 4.1 Internal Audit carry out internal audits of all service areas based on an assessment of the risk management applied within the Council as a whole and within individual directorates. . Internal Audit regularly liaises with External Audit and will refer any suspected Fraud or irregularity to the Corporate Anti Fraud Team.
- 4.2 A Fraud Response Plan has been developed for all staff to be aware of and abide by and is part of the Counter Fraud Framework Manual. In short, all staff are expected to report any suspicions of fraud to their Line Manager or to the Corporate Anti Fraud Team as soon as possible following the protocols that have been agreed.
- 4.3 A Whistleblowing Hotline has been established for cases where staff feel it is necessary to report their suspicions in a confidential manner. The Whistleblowing Policy is contained in the Counter Fraud Framework Manual.
- 4.4 The Corporate Anti Fraud Team is committed to a programme of regular proactive investigations in order to detect instances of benefit fraud, internal and external fraud in identified high risk areas within the Borough.

## **Counter Fraud Framework – Fraud Policy**

Doc Ref:

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- 4.5 The CAFT Manager and the Head of Legal are jointly designated as Authorised Officers to approve surveillance requests in accordance to the Regulation of Investigatory Powers Act (RIPA).
- 4.6 The CAFT Manager / Deputy is also designated as the Authorised Officer in accordance with the Social Security Administration Act 1992. This enables the Authorised Officer to require certain parties to provide information under the act in relation to benefit related fraud.
- 4.6 The London Borough of Barnet has established a Prosecution Policy which has been designed to clarify the authority's position with regard to prosecutions and to deter those who may attempt to commit offences against the authority. The Prosecution Policy is contained within the Counter Fraud Framework Manual.
- 4.7 The London Borough of Barnet views fraud as a serious offence against the authority and employees will face disciplinary action if there is evidence to support any allegation of fraud. Disciplinary action will be taken in addition to, any criminal proceedings, depending on the circumstances of each case.
- 4.8 Members will face appropriate action in accordance with these guidelines if evidence supports any allegation of fraud and matters will be reported to the Standards Committee if and when appropriate.
- 4.9 Members of the public are liable to prosecution if benefit fraud or any other general fraud is committed against the London Borough of Barnet.

## **5 Investigation**

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- 5.1 The Corporate Anti Fraud Team are responsible for investigating all allegations of suspected fraud. This applies to internal, general and benefit related allegations.
- 5.2 The Corporate Anti Fraud Team has been designated this responsibility to ensure consistency in dealing with all allegations of fraud, to ensure a detailed and proper investigation is carried out by skilled investigators, and to ensure the Council assets and interests are protected and/or recovered where applicable.
- 5.3 The Corporate Anti Fraud Team have a complete set of procedures based on current legislation that investigators must abide by for benefit related investigations, disciplinary and criminal investigations.
- 5.4 The Corporate Anti Fraud Team will also work closely with Human Resources in fraud related cases involving disciplinary investigation, action and hearings. Where fraud is proven, this constitutes gross misconduct and cases will be dealt with appropriately, according to Council disciplinary procedures.
- 5.5 The Corporate Anti Fraud Team will also work closely with other key internal / external partners to ensure all cases are investigated appropriately and efficiently, thus maximising outcomes, including recovery of any loss incurred. These partners include:
  - Internal Audit
  - Legal Services
  - Housing & Council Tax Benefit Services

## **Counter Fraud Framework – Fraud Policy**

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- Heads of Service/Members
- Police
- Crown Prosecution Service
- UKBA
- DWP
- Trade Unions
- Other outside agencies

5.6 It is recognised that being subject to an investigation can be a stressful experience, therefore all investigations will be handled quickly and confidentially to ensure the person under investigation is dealt with in an appropriate and timely manner.

## **6 Deterrence**

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6.1 The London Borough of Barnet is committed to deterring potential cases of fraud through the implementation of robust systems and procedures and will act quickly and efficiently where fraud is alleged, leading to the most appropriate outcome. In addition to this the Council will:

- Publicise the Council commitment to fighting fraud in any way possible, including: providing information on the Council website, adding information and contact numbers on outgoing Council correspondence where applicable and making press releases where appropriate.
- Ensure all employees are made aware of the Councils commitment through statements of contract, detailed induction packages including fraud awareness information and the counter fraud framework document, and continued training and awareness sessions to develop a strong anti-fraud culture.
- Take all steps possible to ensure appropriate penalties are sought in cases where fraud is proven, strenuously attempt recovery of any monies lost as a result of fraud and thoroughly assess the systems and processes to ensure fraud is minimised in the future.
- Following investigations changes to systems and processes may be made where necessary.



# Counter Fraud Framework Manual

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## Reporting Toolkit

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Prepared for:            The London Borough of Barnet

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Author(s):                Clair Green  
                                  Corporate Anti Fraud Team

## Document Control

<b>Document Name</b>	Counter Fraud Framework Manual - Reporting Toolkit		
<b>Project Name</b>	Corporate Fraud Project		
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<b>Reference</b>			
<b>Version</b>	V3		
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## Version Control

Version number	Date	Author	Reason for New Version
Version 2	September 2008	Val Lambe	Link attached to item 1.2 and Amendments to Appendix A
Version 3	February 2010	Clair Green	2.3 Reference to Environment & Transport updated to Enviroment & Operations.

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# Counter Fraud Framework Manual – Reporting Toolkit

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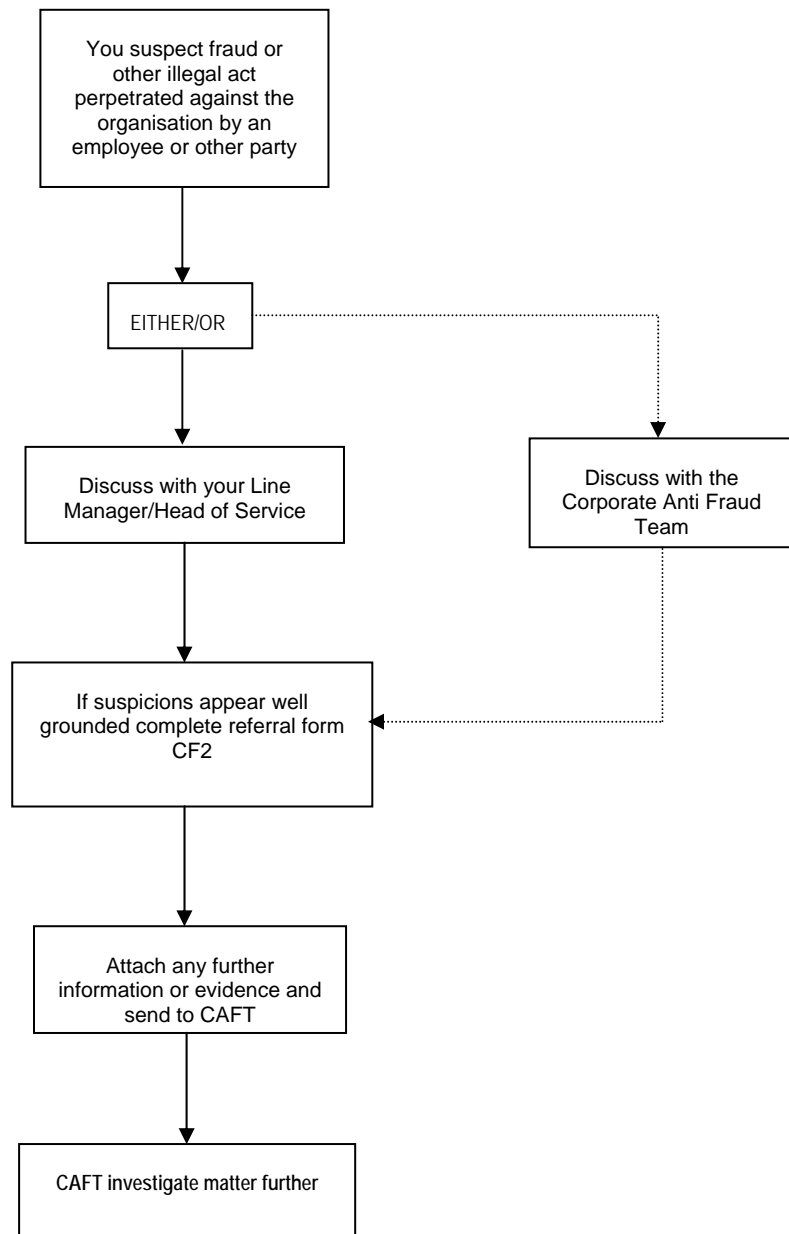
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## 1 Introduction

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- 1.1 To assist those wishing to report fraud or illegal acts in accordance with the London Borough of Barnet Fraud Policy or Whistleblowing Policy the flowchart below should be followed:



- 1.2 Please use the CF2 form for written referrals where possible (A Link to the CF2 form is attached) The following guidelines should be used when completing the CF2 form.

<Y:\DOCUMENT TEMPLATES\FORMS\CF2.doc>

## **Counter Fraud Framework Manual – Reporting Toolkit**

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Filename [http://sharepointds/democratic services/Non Executive Functions/2009-2010/Audit\\_Ctte/Agendas/4.](http://sharepointds/democratic services/Non Executive Functions/2009-2010/Audit_Ctte/Agendas/4.11_March_2010/CAFT Report - Appdx Bv_Toolkit.doc)

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### **CF2 Form Guidelines**

- 2.1 The 'CF2: FRAUD ALLEGATION – REFERRAL TO CORPORATE ANTI FRAUD TEAM (CAFT)' form has been developed to ensure that all London Borough of Barnet service areas have an appropriate form when referring matters to the Corporate Anti Fraud Team.
- 2.2 The CF2 form is available in electronic format so typewritten referrals can be made. Please contact the Corporate Anti Fraud Team if you do not have access to the electronic version.
- 2.2 This form is intended to be in generic format so it can be used by any service area in referring an allegation to the Corporate Anti Fraud Team. If you are unsure about completing the referral form, or just need some advice, please contact the *Corporate Anti Fraud Team direct on 0208 359 2007* or any other extension listed on the Corporate Anti Fraud Team Contact List contained in Appendix A.
- 2.3 All fields on the CF2 form are mandatory. Therefore it is important that you follow the guidance set out below for correct completion of the fields:

#### **Source of Referral:**

Please state here the service area where the referral is from eg: Right to Buy, Benefits Team 1, Environment & Operations etc.

#### **How did you hear about CAFT?**

Self explanatory – but try to be specific eg: Fraud Awareness Training, know someone on the team, etc

#### **To, From, Allegation Concerning, Address Details etc:**

Self Explanatory – always complete each applicable field in full please.

#### **Allegation:**

State the type of allegation as clearly as possible and in a manner that best describes it eg: Undeclared non-dependant, Working whilst claiming, Computer Misuse, Altered mileage claim etc.

#### **Reason for Referral:**

Please take your time to complete this section and outline the circumstances of the allegation as clearly as possible in chronological, factual order. Include descriptions of people, vehicles, locations etc where relevant, as these always help to corroborate the information being referred. Be as specific as possible. Try to avoid including your opinion on the form. Remember, the information you are able to give us will assist in our Risk Assessment and Intelligence grading of the information which will ensure the referral gets the appropriate attention. The more information you give us, the better! NOTE: If you do not have enough room to write or type on the form, please continue on a separate continuation sheet and attach to the back of the CF2.

#### **Any other Special Circumstances:**

Please add here any other special information you may have regarding the claimant/suspect eg: 'The claimant/suspect is alleged to be a drug user', The claimant/suspect is known to me by

## **Counter Fraud Framework Manual – Reporting Toolkit**

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sight and I could identify him if required', 'The claimant/suspect has hearing difficulties. I know this because....' etc.

### **Documents attached:**

Please add any additional evidence or other information you feel is relevant to the referral. If in doubt send it anyway and we will assess its relevance. Please add the number of pages you are attaching so we can be sure we have received the complete set.

## **Counter Fraud Framework Manual – Reporting Toolkit**

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### **Appendix A: CAFT Contact Details**

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To be inserted.

# Counter Fraud Framework Manual

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## Fraud Response Plan

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Prepared for:                    The London Borough of Barnet

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Author(s):                    Clair Green  
                                      Corporate Anti Fraud Team



## Document Control

Document Description	Counter Fraud Framework Manual - Fraud Response Plan		
Project Name	Corporate Fraud Project		
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## Version Control

Version number	Date	Author	Reason for New Version
Version 2	September 2008	Val Lambe	Amendment to 2.1 – Definition of Fraud. <i>All references made to Head of CAFT amended to Corporate Anti Fraud Team Manager. All references made to Chief Internal Auditor amended to Head of Internal Audit &amp; Ethical Governance.</i>
Version 3	February 2010	Clair Green	2.1 Amended, deletion and added new definitions o types of frauds.
Version 3	February 2010	Clair Green	Deletion of 5.1-5.3 – other matters to be reported, renumbered 5.4 – 5.1
			7.3 Amended

Version 3	February 2010	Clair Green	7.4 previous (7.4) Deleted.
Version 3	February 2010	Clair Green	7.6 Amended – Included CAFT Deputy
Version 3	February 2010	Clair Green	7.7 Amended – supervision requirements.
Version 3	February 2010	Clair Green	7.10 Grammar Amendment
Version 3	February 2010	Clair Green	7.11 deleted 'civil' action
Version 3	February 2010	Clair Green	7.12 Amendment to report types & circulation list – deletion Deputy Director Corporate governance.
Version 3	February 2010	Clair Green	7.14 previous (7.14) deleted.
Version 3	February 2010	Clair Green	7.14 Amendment to CAFT reporting.

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## Counter Fraud Framework – Fraud Response Plan

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### 1 Introduction

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- 1.1 This document intends to provide direction and help to staff and managers who find themselves in the position of having to deal with cases of suspected fraud, theft or corruption which involves misappropriation of Council funds or assets. (Please see Reporting Toolkit in the Counter Fraud Framework for further guidelines)
- 1.2 The key objective of the Fraud Response Plan is to ensure that suspicions of alleged dishonesty, fraud or control weaknesses are placed into independent hands as quickly as possible, and investigated legally and ethically thereafter. This will in turn determine the likely outcome and most appropriate course of action.
- 1.3 This document details a framework of procedures that allow information to be collated and decisions to be made, which ensures appropriate specialist action can be taken in preparation for any future criminal or civil actions.
- 1.4 This document does not include guidance for cases of burglary or robbery. These cases must be reported to Police following normal procedures.
- 1.5 It is imperative that Managers and Heads of Service familiarise themselves with this document.

### 2 Fraud definition

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- 2.1 The Fraud Act 2006 defines that fraud requires
  1. Deceit, the intention to deceive or secrecy: and
  2. (a) an actual loss or gain;  
(b) the intent to cause loss to another or expose them to the risk of it;
  3. Dishonesty.
- 2.2 Fraud can be further divided into the following categories, which outline some more specific examples. Please be aware this list is not exhaustive, for example, conflicts of interest can also be classed as fraud under certain circumstances – if in doubt contact the Corporate Anti Fraud Team for further guidance.

#### **Housing Benefit and Council Tax Benefit Fraud**

- Working whilst claiming
- Living together
- Non residence
- Undeclared income
- Undeclared capital

#### **Theft of assets**

- Theft, embezzlement, false accounting and deception
- Theft or misuse of information
- Commercial deception theft by suppliers, customers and others

#### **Corruption**

- Acceptance by an employee of an inducement for influencing a decision made on behalf of his employer

## Counter Fraud Framework – Fraud Response Plan

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- Entertaining of or by an employee with the intentions of influencing a decision

### Malfeasance

- Wrongful conduct of a public official whilst in office.
- A public official failing to carry out their obligations.

### Technological abuse

- Accessing computer files without authority
- Unauthorised internet browsing
- Computer related fraud

## 3 Whistleblowing & Fraud Hotline

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- 3.1 The London Borough of Barnet recognises there may be circumstances where an employee may not wish to reveal his/her identity in reporting cases of suspected fraud.
- 3.2 It has therefore established a Whistleblowing Hotline where suspicions can be reported anonymously. *The Whistleblowing Hotline number is 0208 359 6123.* (Further guidance for using this number can be found in the Whistleblowing Policy contained in the Counter Fraud Framework Manual).
- 3.3 A general hotline for reporting fraud has also been established, where the Corporate Anti Fraud Team can be contacted in a confidential manner to report suspicions of fraud. *The Fraud Hotline number is: 0208 359 2007.*

## 4 Reporting fraud

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- 4.1 A reporting protocol has been agreed and is detailed fully below. The protocol applies to all types of fraud including benefit related, internal or general fraud. (Further guidance on reporting methods can be found in the Reporting Toolkit in the Counter Fraud Framework Manual).
- 4.2 The following is the reporting protocol in detailed format and should be referred to in order to clarify specific questions. If still unsure, please contact the Corporate Anti Fraud Team for further clarification.
- 4.3 Every employee is expected to remain alert to the possibility that fraud can occur. When concerns are first aroused Council employees must:
  - Treat his/her suspicions with the utmost care and must not discuss them with anyone who does not have an immediate and obvious need to know.
  - Report suspicions immediately to their Line Manager, or those employees who do not feel they are able to report to their Line Manager must contact the Corporate Anti Fraud Team on telephone number 0208 359 2007. In this case, no employee will be criticised for not first informing his/her Line Manager.
  - In all cases the employee reporting their suspicions should secure any obvious initial relevant information on which suspicions are based – providing this will not alert the person/s under suspicion – to ascertain the basic facts of the allegation.

## **Counter Fraud Framework – Fraud Response Plan**

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- All actions taken by the employee and/or the Line Manager must be noted down with dates and times recorded for each action.
- Once informed of any allegation by an employee, Line Managers must not undertake disciplinary action, embark on a full investigation, attempt to access contents of personal computers, undertake surveillance or search any place without contacting the Corporate Anti Fraud Team for further direction and guidance.
- Once initial suspicions have been confirmed, the matter should be reported directly to the Corporate Anti Fraud Team as soon as practicable.
- Initial reporting should usually be via telephone and or face to face meeting. The use of reporting via email is discouraged.
- The Corporate Anti Fraud Team will provide guidance to Line Managers on further steps to be taken, which may include completing an appropriate referral form, attaching all relevant information and sending the referral to the Corporate Anti Fraud Team.
- All fraud allegations will be logged by the Corporate Anti Fraud Team and will be subject to a process of detailed risk analysis.
- In some cases, the allegation may be referred back to the service area for further investigation. Where this occurs, the Corporate Anti Fraud Team will provide specific support and direction where appropriate.
- The Corporate Anti Fraud Team will conduct a full investigation in accordance with relevant and appropriate legislation, the Council's disciplinary code and in liaison with Police, Human Resources and Legal services where applicable.

## **5 Other matters to be reported**

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- 5.1 Any employee approached (either directly or through a nominee) to act in any way which could be to the Council's disadvantage, or who have been offered a bribe or personal inducement, must report the facts immediately to their Line Manager and/or the Corporate Anti Fraud Team.

## **6 Protection of employees**

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- 6.1 All employees who report fraud acting in good faith are protected under the Public Interest Disclosure Act 1998 and will not face any detrimental action as a result. (Further information can be found in the Whistleblowing Policy contained in the Counter Fraud Framework Manual)

## **7 Response plan**

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- 7.1 Fraud referrals received by the Corporate Anti Fraud Team will be subject to a detailed risk analysis, which will determine if there is sufficient evidence to proceed with an investigation before being allocated to a specialist investigator.
- 7.2 The referral will be assigned a case number and tracked on an auditable computer system for the duration of the investigation.

## Counter Fraud Framework – Fraud Response Plan

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- 7.3 Once the referral is allocated, the investigation officer will complete a preliminary investigation assessment. All internal fraud investigation costs may be subject to recharging to the relevant service area.
- 7.4 If the initial assessment suggests there are reasonable grounds for suspecting an offence has occurred involving an employee of the London Borough of Barnet, if necessary, the Corporate Anti Fraud Team Manager will decide on measures to prevent continued loss to the council.
- 7.5 Measures to prevent continued loss may include the immediate suspension of any suspect. The timing of the suspension will be considered to prevent loss of necessary evidence to be used in support of any disciplinary or criminal proceedings.
- 7.6 Under these circumstances, the suspect/s will be approached as agreed by the Corporate Anti Fraud Team Manager, Deputy or the appropriate Head of Service or Manager.
- 7.7 All suspects will be required to return all London Borough of Barnet Property including any keys, identity badges, security passes and IT equipment including Mobile Phones, laptops & blackberry's etc. They will be allowed to collect personal property under supervision and must not be able to remove any property belonging to the London Borough of Barnet.
- 7.8 Should it be required, provision shall be made for continued security of the Council facilities such as changing locks, access codes etc. If necessary, access permissions for all IT systems will be suspended at the request of the Corporate Anti Fraud Team Manager.
- 7.9 Any other requirements that may arise as a result of the investigation that are not mentioned in this plan shall be decided on by the Corporate Anti Fraud Team Manager.
- 7.10 The Corporate Anti Fraud Team Investigation Officer responsible for undertaking the investigation will:
- Secure and exhibit all relevant evidential material
  - Familiarise themselves with relevant service area systems and processes
  - Obtain witness statements from relevant people
  - Establish and maintain regular contact with Police Liaison Officers (where appropriate)
  - Follow all regulations and legislative requirements throughout the investigation in order to prepare the matter for the most appropriate course of action
  - Quantify any losses established as a result of the fraud by preparing detailed schedules so recovery can be attempted and to ensure the Council's insurers are fully and accurately informed.
  - Prepare interim and final reports detailing the investigation
  - Attend every court hearing relevant to the matter under investigation.
- 7.11 Where a loss is discovered to be substantial, Police and legal advice will be sought about the need to freeze any funds or assets belonging to the suspect. Where appropriate, financial asset tracing will be undertaken in order to locate and recover any proceeds of crime.
- 7.12 The Corporate Anti Fraud Team Manager will decide the appropriate format for reporting. This could be either a summary report, interim report or in disciplinary cases a full report which will be approved by either the Corporate Anti Fraud Team Manager or the Deputy Manager and then circulated to the relevant officers which may include the Head of Service, Head of Internal Audit, and any other person as appropriate. Feedback may be sought.

## **Counter Fraud Framework – Fraud Response Plan**

Doc Ref:

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- 7.13 The Head of Internal Audit will report cases of relevance to the Audit Committee on a quarterly basis or if required more frequently, on an as and when basis in consultation with the Corporate Anti Fraud Team Manager.
- 7.14 Internal Audit will be responsible for undertaking any urgent special audits as a result of findings of any CAFT investigation, and/or follow up Audits as a result of a CAFT investigation.
- 7.15 This Fraud Response Plan will be maintained and updated on an annual basis, or as and when the need arises.



## Appendix C

# Anti Money Laundering Framework Manual

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## Introduction - Legislation

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Prepared for:                      The London Borough of Barnet

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Author(s):                      Debra Allday  
    Advocacy Legal Services

## Anti-Money Laundering Framework Manual – Introduction

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### 1 Introduction

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- 1.1 The London Borough of Barnet is committed to zero tolerance of money laundering within the organisation and also the community it serves. The Council also has particular responsibility to protect the public purse through proper administration and control of the public funds and assets to which it has been entrusted. Legislation concerning Money Laundering (the Proceeds of Crime Act 2002 and the Money Laundering Regulations 2007) has broadened the definition of Money Laundering. Local Authorities do not have a statutory duty to comply with these regulations, however it is deemed as best practice that Local Authorities put in place procedures and policies to prevent and protect their services from being used for potential money laundering activities.
- 1.2 This Anti-Money Laundering Framework has been developed to ensure the London Borough of Barnet has appropriate policies and guidelines in place in order to ensure money laundering is minimised through effective prevention, detection, investigation and deterrent measures and a unified cohesive approach to fraud and to reflect best practice. This framework is a living document that has been separated into specific parts to enable modification to some areas as legislation and procedural requirements vary over time.
- 1.3 The Anti-Money Laundering Framework forms part of a comprehensive manual, which also covers procedural guidelines and processes which regulate how the London Borough of Barnet deals with money laundering. Some parts of this manual will therefore remain confidential in order to prevent aiding potential fraud offenders.
- 1.4 This framework must be adhered to by all Council officers (including external appointment and those named in section 3.1) and elected members of the Council. The framework sets out the procedures which must be followed to enable the Council to comply with its legal obligations. Within this framework the term employees refers to all employees and elected members.
- 1.5 Failure by an employee to comply with the procedures set out in this framework may lead to disciplinary action being taken against them. Any disciplinary action will be dealt with in accordance with the London Borough of Barnet's Disciplinary Policies and Procedure.

### 2. Objectives

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- 2.1 To provide a clear statement of commitment which encourages ethical business behaviour throughout the London Borough of Barnet.
- 2.2 To ensure that through a strong anti-fraud culture, all employees and members of the London Borough of Barnet know they are expected to actively support and follow the policies and procedures in place, and that they are honest in their dealings with the Council.
- 2.3 To reassure the public that the London Borough of Barnet is committed to the fight against money laundering, and want to become a market leader in anti-money laundering, and accepts this responsibility wholeheartedly by being fully accountable for all of its actions.

### 3. Scope

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- 3.1 The Barnet community want and expect the highest standards of conduct from all who provide services on their behalf. Therefore, this framework applies to all Council employees (both temporary and permanent), members, school governors and staff, staff and members of Council funded voluntary organisations, consultants, partners, contractors, suppliers and/or any other organisation with a business relationship with the London Borough of Barnet.
- 3.2 This framework also applies to the citizens of Barnet. Just as the council expect its employees to be honest with public funds, so to it is expected that people using council services be honest in their dealings with the council. This means the Council will investigate individuals who are suspected of money laundering against the London Borough of Barnet, whether it be internally or externally.

### 4 Definition

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- 4.1 Public authorities such as the London Borough of Barnet and their staff are subject to the full provisions of the Terrorism Act 2000 (TA) and may commit most of the principal offences under the Proceeds of Crime Act 2002 (POCA). CIPFA confirm that public authorities are not legally obliged to comply with Money Laundering Regulations 2007 which require organisations to implement specific policies and procedures. However, as a responsible best practice public authority. Barnet have stringent policies and procedures which reflect the essence of the UK's anti-terrorist financing and anti-money laundering regimes.
- 4.2 Legislation concerning money laundering (the Proceeds of Crime Act 2002 and the Money Laundering Regulations 2007) has broadened the definition of money laundering and increased the range of activities caught by the statutory framework that impact on areas of local authority business and require local authorities to establish internal procedures to prevent the use of their services for money laundering.
- 4.3 **Money laundering** as defined by the Serious Organised Crime Agency (SOCA) as: "any action taken to conceal, arrange, use or possess the proceeds of any criminal conduct. Criminals try to launder 'dirty money' in an attempt to make it look 'clean' in order to be able to use the proceeds without detection and to put them beyond the reach of law enforcement and taxation agencies"
- 4.4 Money Laundering is therefore the process by which criminally obtained money or other assets (criminal property) are exchanged for 'clean' money or other assets with no obvious link to their criminal origins.
- 4.5 Criminal property may take any form, including money or money's worth, securities, tangible property and intangible property. It also covers money, however come by, which is used to fund terrorism.
- 4.6 Whilst the risk to the Council of contravening the legislation is perceived to be either medium or low, the Council may be used unknowingly in laundering money from criminal activities.
- 4.7 Money Laundering is the process whereby the proceeds of crime are laundering activity includes:

## **Anti-Money Laundering Framework Manual – Introduction**

- Acquiring, using or possessing criminal property
- Handling the proceeds of crimes such as theft, fraud and tax evasion
- Being knowingly involved in any way with criminal or terrorist property
- Entering into arrangements to facilitate laundering criminal or terrorist property
- Investing the proceeds of crimes in other financial products
- Investing the proceeds of crimes through the acquisition of property/assets
- Transferring criminal property.

Terrorism is the use or threat of action designed to influence government, or to intimidate any section of the public, or to advance a political, religious or ideological cause where the action would involve violence, threats to health and safety, damage to property or disruption of electronic systems.

The definition of 'terrorist property' means that all dealings with funds or property which are likely to be used for the purposes of terrorism, even if the funds are 'clean' in origin, is a terrorist financing offence.

## **5. Obligations**

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- 5.1 It is important that all members and employees (including those named in section 3.1) are familiar with their legal responsibilities as serious criminal sanctions may be imposed for breaches of the legislation. In addition, anyone who conspires with or assists someone to commit the offence is also guilty of an offence.
- 5.2 The London Borough of Barnet has nominated a Money Laundering Reporting Officer (MLRO) to receive disclosures from members and employees of money laundering activity (their own or anyone else's).
- 5.3 The London Borough of Barnet must and its employees must:
- Maintain robust record keeping procedures.
  - Make those members and employees who are likely to be exposed to or suspicious of money laundering activities, aware of the requirements and obligations placed on the London Borough of Barnet, and on themselves as individuals, by the various anti-money laundering legislation.
  - Provided targeted training to those considered most likely to encounter money laundering activities e.g. how to recognize and deal with potential money laundering offences.
  - Implement formal systems for members and employees to report money laundering suspicions to the MLRO.
  - Establish internal procedures appropriate to forestall and prevent money laundering and make relevant individuals aware of the procedures.
  - Report any suspicions of money laundering to National Criminal Intelligence Service (SOCA).
  - Put in place procedures to monitor developments in the 'grey' areas of the legislation and to keep abreast of further advice and guidance as it is issued by relevant bodies.
- 5.4 The safest way to ensure compliance with the requirements of these legislations is to apply them to all areas of work undertaken by the Council; therefore, all members and employees are

## **Anti-Money Laundering Framework Manual – Introduction**

required to comply with this framework. Failure to comply with the procedures set out in this framework may lead to disciplinary action being taken against them. Any disciplinary action will be dealt with in accordance with the London Borough of Barnet's Disciplinary Policies and Procedure

### **CLIENT IDENTIFICATION PROCEDURE**

- 5.4 Directors and managers will ensure that where the Council is carrying out 'relevant business' as described within the Money Laundering Regulations 2007 CIPFA Guidance 2009, and:
- Forms an ongoing business relationship with a client; or
  - Undertakes a one- off transaction involving payment by or to the client of agreed amount or more; or
  - Undertakes a series of linked one-off transactions involving total payment by or to the client(s) of agreed amount or more; or
  - It is known or suspected that a one-off transaction (or a series of them) involves money laundering;
- then this Client Identification Procedure must be followed before any business is undertaken for that Client.
- 5.5 The Council must obtain satisfactory evidence of the identity of a 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.
- 5.6 Directors and managers must maintain a client identification file of general client identification evidence. If the organisation is not included you should also then obtain the following additional evidence:
- 5.7 Additional evidence of the identity of key individuals in an organisation and of the organisation itself may be required on receipt of instructions from new clients, or further instructions from a client not known.
- 5.8 If satisfactory evidence of identity is not obtained at the outset of the matter then the business relationship or one off transactions(s) cannot proceed any further. If there is an unjustified delay in the evidence of identity being obtained from the client or where the client is deliberately not providing the evidence a disclosure will have to be made.
- 5.9 Each Service Area must maintain records of:
- 5.9.1 Details of all relevant business transactions.
- 5.9.2 The precise nature of the records are not prescribed by law, however, they must provide an audit trail during any subsequent investigation, e.g. distinguishing the client and the relevant transaction and recording in what form any funds were received or paid. In practice, each section of the Council will be routinely making records of work carried out for clients in the course of normal business and these should suffice in this regard.
- 5.10 At no time and under no circumstances should employees voice any suspicions to the person(s) whom you suspect of money laundering, even if the SOCA has given consent to a particular transaction proceeding, otherwise a criminal offence of "tipping off" may be committed.
- 5.11 No reference should be made 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 tip them off to the

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report having been made and may render the employee liable to prosecution. The MLRO will keep the appropriate records in a confidential manner.

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

### CUSTOMER DUE DILIGENCE

- 5.13 Extra care needs to be taken to check the identity of the customer or client – this is known as carrying out Customer Due Diligence. There are some simple questions that will help you decide if it is necessary:

- Is the service a regulated activity as described within the Money Laundering Regulations 2007 / CIFPA Guidance 2009.
- Is the Council charging for the service i.e. is it 'by way of business'?
- Is the service being provided to a customer other than a UK public authority?

- 5.14 If the answer to any of the questions in paragraph 5.10 (above) is **no** then there is no obligation to carry out customer due diligence.

- 5.15 If the answer to all the questions in paragraph 5.10 (above) is **yes** then customer due diligence **must** be carried out before any business is undertaken for that client.

- 5.16 Additional evidence of identity, is necessary to carry out customer due diligence then you must seek for example:

- checking with the customer's website to confirm their business address;
- conducting an on-line search via Companies House to confirm the nature and business of the customer and confirm the identities of any directors;
- seeking evidence from the key contact of their personal identity, for example their passport, and position within the organisation.

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

- 5.18 If, at any time, it is suspected that a client or customer for whom the Council is currently, or is planning to carry out, a regulated activity is carrying out money laundering or terrorist financing, or has lied about their identity then this must be reported to the MLRO.

## **6. The Money Laundering Reporting Officer**

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- 6.1 The Council's Constitution Financial Regulations states that 'The Director of Corporate Governance will nominate an officer to undertake the duties of the Council's Money Laundering Reporting Officer as detailed within the Council's Anti Money Laundering Framework'.
- 6.2 The current nominated MLRO is the Corporate Anti Fraud Team (CAFT) Manager and the current nominated Deputy MLRO is the Deputy CAFT Manager who will undertake the full duties of the MLRO in their absence.
- 6.3 The Corporate contact is the CAFT Manager.



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6.4 Legal Services are also available to give advice as required.

### **RECOGNITION/REPORTING OF SUSPICIOUS TRANSACTIONS**

6.5 The Council has a clear obligation to ensure that members and employees know to which person(s) they should report suspicions and that there is a clear reporting chain under which those suspicions will be passed without delay to the MLRO. Once a member or an employee has reported his/her suspicions to the MLRO, he/she has fully satisfied their personal statutory obligation.

6.6 All suspicious transactions irrespective of their values should be reported.

## **7. Reporting to The Money Laundering Reporting Officer**

7.1 When money laundering activity is suspected to be taking or has taken place, or an officer should become concerned that their involvement in a matter may amount to a prohibited act under the legislation, must be disclosed as soon as practicable to their Line Manager/Head of Service. The disclosure should be within "hours" of the information coming to an employee's attention, not weeks or months later.

### **OFFICERS THAT FAIL TO DISCLOSE THEIR SUSPICIONS MAY BE LIABLE TO DISCIPLINARY ACTION.**

7.2 Officers disclosure should be made to the MLRO using the proforma CF2ML found at the Reporting Toolkit of this policy Framework. The report should enclose copies of any relevant supporting (evidence) documentation and must contain as much detail as possible which should include the following:

- Why, exactly, you are suspicious of the activity – the MLRO will require full reasons along with any other available information to enable them to make a sound judgment as to whether there are reasonable grounds for knowledge or suspicion of money laundering.
- Full details of the people involved, i.e. name, date of birth, address, company names, directorships, phone numbers, etc
- The dates of such activities and a note stating whether the activity has happened, ongoing or imminent.
- Location where the activity took place i.e. department, section, depot, etc
- How the activities were undertaken
- The (likely) amount of money/assets involved (if known).
- Full details of the nature of the officer's involvement.
- The report must include all relevant details and state whether the report is historical and the event has already taken place or whether the officer is seeking consent to proceed with the action. As consent is obtained from the SOCA via the MLRO, officers should therefore make it clear in their report if consent is required and clarify whether there are any deadlines for giving such consent e.g. a completion date or court deadline.
- Any relevant supporting documentation should be included.

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- 7.3 Once the matter has been reported to the MLRO any directions given must be followed. **OFFICERS MUST NOT MAKE ANY FURTHER ENQUIRIES THEMSELVES:** any necessary investigation will be undertaken by the CAFT /SOCA/ Police.
- 7.4 Suspicions must simply be reported to the MLRO, who will decide whether a disclosure is required. The MLRO will in turn refer the matter on to SOCA if appropriate. All members of staff will be required to co-operate with the MLRO and the authorities during any subsequent money laundering investigation.
- 7.5 Upon receipt of a disclosure report, the MLRO must note the date of receipt on the relevant section of the report and acknowledge receipt of it. Officers will be advised of timescales within which the MLRO expects responses.
- 7.6 The MLRO will consider the report and any other available relevant internal information including (but not limited to):
- 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; and undertake such other reasonable inquiries believed appropriate in order to ensure that all available information is taken into account in deciding whether a report to the SOCA 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 the reporting officer.
- 7.7 Once the MLRO has evaluated the disclosure report and any other relevant information, a timely determination will be made 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 authorisation from the SOCA is required before for a particular transaction to proceed.
- 7.8 If the MLRO concludes that disclosure should be made to the SOCA then this must be made on their standard report form and in the prescribed manner, unless there is reasonable excuse for non-disclosure to the SOCA (for example, if you are a lawyer and you wish to claim legal professional privilege for not disclosing the information).
- 7.9 Where the MLRO suspects money laundering but has reasonable cause for non-disclosure, then the report will be noted accordingly (the MLRO must liaise with the legal adviser to decide whether there is a reasonable excuse for not reporting the matter to the SOCA). The MLRO can then immediately give consent for any ongoing or imminent transactions to proceed. Where the MLRO concludes that there are no reasonable grounds to suspect money laundering then the report will be marked accordingly and consent given for any ongoing or imminent transaction(s) to proceed.
- 7.10 Where consent is required from the SOCA for a transaction to proceed, then the transaction(s) in question must not be undertaken or completed until the SOCA has specifically given consent, or there is deemed consent through the expiration of the relevant time limits without objection from the SOCA.
- 7.11 All disclosure reports referred to the MLRO and reports made to the SOCA must be retained by the MLRO in a confidential file kept for that purpose, for a minimum of five years.

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- 7.12 The MLRO commits a criminal offence if he knows or suspects, or has reasonable grounds to do so, through a disclosure being made to him, that another person is engaged in money laundering and he does not disclose this as soon as practicable to the SOCA.

### **8. The Offences**

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- 8.1 There are 2 main types of offences which may be committed: money laundering offences and failure to report money laundering offences

#### **MONEY LAUNDERING OFFENCES**

- 8.2 Money laundering goes beyond the transformation of the proceeds of crime into apparently legitimate money/assets. It covers a range of activities:

- 8.2.1 Concealing, disguising, converting, transferring criminal property or removing it from the UK (section 327 of the 2002 Act).

- 8.2.2 Entering into or becoming concerned into an arrangement which you know or suspect facilitates the acquisition, retention, use or control of criminal property by or on behalf of another person (section 328).

- 8.2.3 Acquiring, using or possessing criminal property (section 329).

- 8.2.4 Becoming concerned in an arrangement facilitating concealment, removal from the jurisdiction, transfer to nominees or any other retention or control of terrorist property (section 18 of the Terrorism Act 2000).

- 8.3 These are the primary (principal) money laundering offences and are prohibited acts under the legislation.

- 8.4 Potentially any member or employee of the Council could be caught by the money laundering provisions if they suspect money laundering and become either involved with it in some way and/or do nothing about it.

#### **FAILURE TO REPORT MONEY LAUNDERING OFFENCES (WHICH MAY RESULT IN DISCIPLINARY ACTION BEING TAKEN AGAINST THE EMPLOYEE)**

- 8.5 Such actions are committed where in the course of conducting business an individual knows, suspects or has reasonable grounds to do so (even if they did not actually know or suspect), that another person is engaged in money laundering and this is not disclosed to the MLRO. (

- 8.6 The London Borough of Barnet's Anti-Money Laundering Framework makes it clear that all employees should report any concerns they may have of money laundering activity irrespective of their area of work.

- 8.7 Suspicions of money laundering must be reported to the MLRO even if it is believed that someone else has already reported the suspicions if the same money laundering. Such disclosures to the MLRO will be protected in that they will not be taken to breach any restriction on the disclosure of information.

#### **TIPPING-OFF OFFENCES (WHICH MAY RESULT IN DISCIPLINARY ACTION BEING TAKEN AGAINST THE EMPLOYEE)**

## **Anti-Money Laundering Framework Manual – Introduction**

- 8.8 Under s.333 of the 2002 Act there is a criminal offence of "tipping-off". Although this criminal offence cannot be committed by an employee. If a suspicion is either reported or not reported to the MLRO any employee who knows or suspects that such a disclosure has been made and thereafter mention it to another, could amount to a tipping-off offence. Officers believed to be involved in tipping off will be subject to disciplinary proceedings.

### **PREJUDICING AN INVESTIGATION OFFENCE**

- 8.9 If an employee knows or suspects that an appropriate officer is, or is likely to be conducting a money laundering investigation and the employee makes a disclosure to a third party that is likely to prejudice the investigation, disciplinary action will be taken.

## Anti-Money Laundering Framework Manual – Introduction

### Appendix

#### The Proceeds of Crime Act 2002 (PoCA) as amended by the Serious Organised Crime and Police Act 2005

- Establishes a series of criminal offences in connection with money laundering, failing to report knowledge or suspicions or reasonable grounds for knowledge or suspicions, tipping off a person to the fact that a report has been made, and prejudicing an investigation
- Sets out penalties for the various offences established under PoCA
- Establishes the Assets Recovery Agency (which will shortly merge with the Serious Organised Crime Agency (SOCA)), with power to investigate whether a person holds criminal assets, and if so, their location
- Creates five investigative powers for law enforcement.

#### The Terrorism Act 2000 (TA2000) as amended by the Anti-Terrorism, Crime and Security Act 2001

This Act:

- Establishes offences relating to involvement in facilitating, raising, possessing or using funds for terrorist purposes and for failing to report suspicions, tipping off and prejudicing an investigation
- Empowers authorities to make Orders on financial institutions in connection with terrorist investigations
- Establishes a list of proscribed organisations with which financial services firms may not deal.

#### The Money Laundering Regulations 2007 (MLR 2007)

These Regulations:

- Require firms to take measures to identify their customers
- Specify the policies and procedures that financial institutions and other relevant businesses must put in place in order to prevent and identify activities relating to money laundering and terrorist financing
- Require businesses in the regulated sector to appoint a Nominated Officer to receive internal reports from staff with knowledge or suspicion of money laundering or terrorist financing
- Set out the supervision and registration arrangements. Further information on the role of HMRC as a supervisory authority is available in MLR9 *Registration*.

#### Regulation EC 1781/2006 on information on the payer accompanying transfers of funds (commonly known as the Payments Regulation or the Wire Transfer Regulation)

The Regulation:

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- Is directly applicable in the UK. Supervisory and enforcement provisions and the creation of civil and criminal penalties are contained in the Transfer of Funds (Information on the Payer) Regulations 2007
- Applies to Payment Service Providers (PSPs), principally banks (supervised by the FSA), and money service businesses (supervised by HMRC)
- Aims to ensure that basic information on the originator of wire transfers is immediately available to law enforcement agencies to assist them in detecting and tracing the assets of terrorists or other criminals
- Applies to transfers of funds which are sent or received by a Payment Service Provider in the European Community
- Requires that transfers of funds are accompanied by information on the payer.

### **FURTHER INFORMATION**

Should you have any concerns whatsoever regarding any transactions then you should contact the MLRO or one of her deputies.

#### **The Money Laundering Reporting Officer**

Clair Green Acting CAFT Manager

Telephone: 020 8359 7168

Email: Clair.green@barnet.gov.uk

#### **The Deputy Money Laundering Reporting Officer**

Tony Nash Deputy CAFT Manager

Telephone: 020 8359 7255

Email: Tony.nash@barnet.gov.uk

Alternatively, further information can be obtained from the following sources:

[www.soca.gov.uk](http://www.soca.gov.uk) – website of the Serious Organised Crime Agency

Proceeds of Crime (Anti-Money Laundering) – Practical Guidance for Public Sector Organisations – CIPFA (July 2009)

[www.ccab.org.uk](http://www.ccab.org.uk) - Anti-Money Laundering (Proceeds of Crime and Terrorism) – Guidance for Accountants

[www.lawsociety.org.uk](http://www.lawsociety.org.uk) Money Laundering Guidance

# Anti Money Laundering Framework Manual

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## Reporting Toolkit

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Prepared for:                    The London Borough of Barnet

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                                      Corporate Anti Fraud Team Manager  
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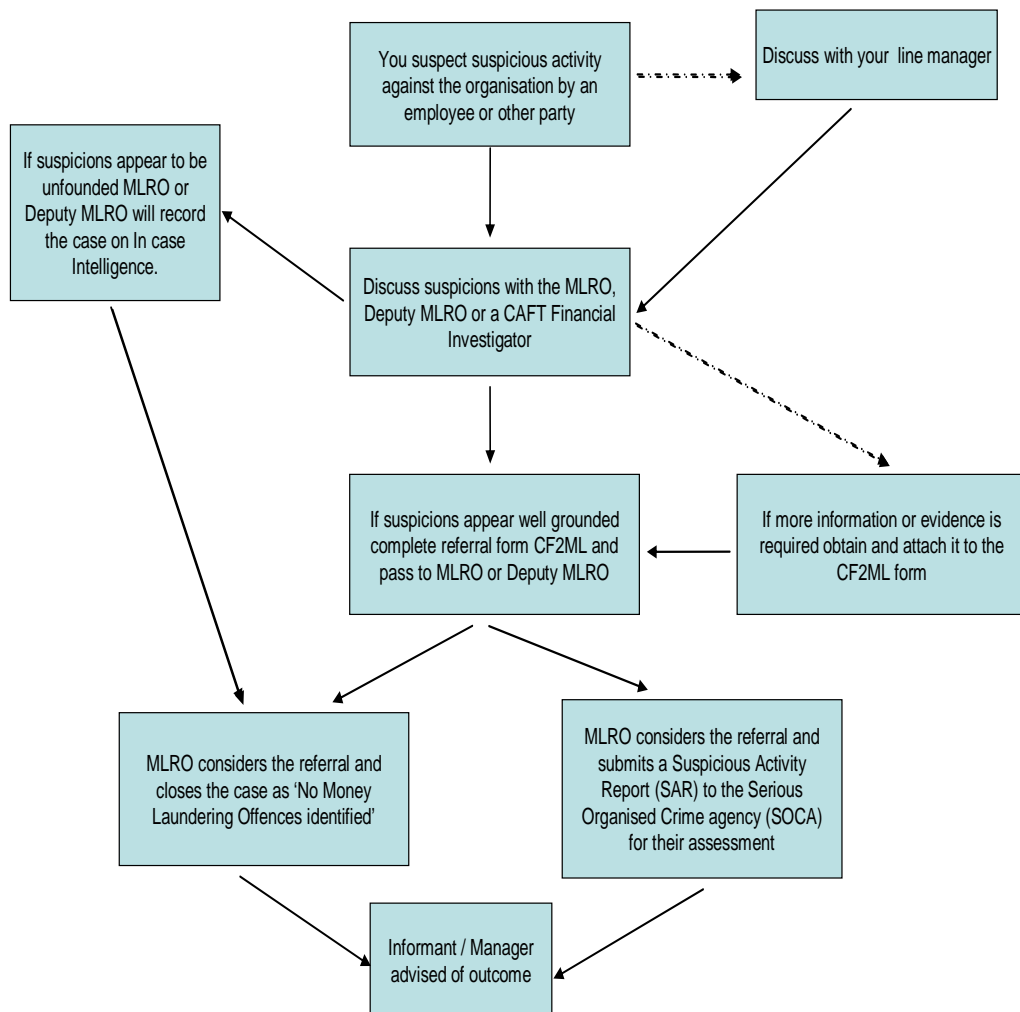
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## 1 Introduction

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- 1.1 To assist those wishing to report a suspicious activity report in accordance with the London Borough of Barnet Anti Money Laundering Framework Manual the flowchart below should be followed:



- 1.2 Please use the CF2ML form for written referrals where possible (A link to the CF2ML form is attached) The following guidelines should be used when completing the CF2ML form.

[CF2ML.doc](#)

## **2 CF2ML Form Guidelines**

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- 2.1 The 'CF2ML: SUSPICIOUS ACTIVITY REPORT – REFERRAL TO MONEY LAUNDERING REPORTING OFFICER' form has been developed to ensure that all London Borough of Barnet service areas have an appropriate form when referring matters to the Council's Money Laundering Reporting Officer (MLRO).
- 2.2 The CF2ML form is available in electronic format so type written referrals can be made. Please contact the MLRO if you do not have access to the electronic version.
- 2.3 This form is intended to be in generic format so it can be used by any service area in referring suspicious activity to the MLRO. If you are unsure about completing the referral form, or just need some advice, please contact the Council's nominated *Money Laundering Reporting Officer, 0208 359 7791*.
- 2.4 All fields on the CF2ML form are mandatory. Therefore it is important that you follow the guidance set out below for correct completion of the fields:

**Source of Referral:**

Please state here the service area where the referral is from e.g.: Right to Buy, Benefits Team 1, Procurement etc.

**To, From, Allegation Concerning, Address Details etc:**

Self Explanatory – always complete each applicable field in full please.

**Reason for Suspicion:**

Please state here why you believe the activity to be suspicious. You will need to include any details of previous transactions or dealings with the customer and how the customer is known to your department.

**Details of Transaction:**

Please take your time to complete this section and outline the circumstances of any transactions as clearly as possible in chronological, factual order. Include amounts, dates, people, vehicles, locations etc where relevant, as these always help to corroborate the information being referred. Be as specific as possible. Try to avoid including your opinion on the form. Remember, the information you provide will assist the MLRO in deciding whether to refer the matter to Serious Organised Crime Agency (SOCA). The more information you give us, the better!

NOTE: If you do not have enough room to write or type on the form, please continue on a separate continuation sheet and attach to the back of the ML1 form.

**Any other Special Circumstances:**

Please add here any other special information you may have regarding the claimant/suspect e.g.: 'The claimant/suspect is alleged to be a drug user', 'The claimant/suspect is known to me by sight and I could identify him if required', 'The claimant/suspect has hearing difficulties. I know this because... ' etc.

**Documents attached:**

Please add any additional evidence or other information you feel is relevant to the referral. If in doubt send it anyway and the MLRO will assess its relevance. Please add the number of pages you are attaching so the MLRO can be sure that they have received the complete set.

### **3 Contact Details**

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3.1 Clair Green

Corporate Anti Fraud Team Manager

Money Laundering Reporting Officer (MLRO)

0208 359 7791

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# Anti Money Laundering Framework Manual

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## Response Plan

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Prepared for:                      The London Borough of Barnet

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### 1 Introduction

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- 1.1 This document intends to provide direction and help to staff and managers who find themselves in the position of having to deal with cases of suspected money laundering.
- 1.2 The key objective of the 'Money Laundering Response Plan' is to ensure that suspicions of alleged money laundering are referred to the Council's nominated Money Laundering Reporting Officer (MLRO) or nominated officer as quickly as possible, and investigated legally and ethically thereafter.
- 1.3 This document details a framework of protocols and procedures that will allow information to be collated and decisions to be made, which ensures appropriate specialist action can be taken in preparation for any future criminal proceedings.
- 1.4 This money laundering response plan will be maintained and updated on an annual basis, or as and when the need arises by the MLRO.

### 2 Money Laundering Definitions

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- 2.1 **Money laundering** is the term used for a number of offences involving the integrating of 'dirty money' (i.e. the proceeds of crime) into the mainstream economy. The objective is to legitimise the possession of such monies through circulation and this effectively leads to 'clean' funds being received in exchange. The illegal activities often involve the proceeds of drug-dealing, human trafficking, fraud, theft or tax evasion through a succession of transfers and deals until the source of illegally acquired funds is obscured and the money takes on the appearance of legitimate or 'clean' funds or assets.

The Crown Prosecution Definition;

**Money Laundering** is the process by which criminal proceeds are sanitised to disguise their illicit origins. Acquisitive criminals will attempt to distance themselves from their crimes by finding safe havens for their profits where they can avoid confiscation orders, and where those proceeds can be made to appear legitimate.

The 'actus reus' of the offence under Section 327 of the Proceeds of Crime Act (POCA) is:

- Concealing criminal property;
- Disguising criminal property;
- Converting criminal property;
- Transferring criminal property;
- Removing criminal property from England and Wales.

*(property is defined as 'criminal property if it constitutes a persons benefit from criminal conduct or the alleged offender knows or suspects that it constitutes such a benefit)*



### 3 Types of Money Laundering

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- 3.1 Money laundering schemes can be very simple or highly sophisticated. Most sophisticated money laundering schemes involve three stages:

**Placement:** the process of transferring the proceeds of crime into the financial system, either directly through high cash business or through the purchase of high value goods, property, or other assets.

**Layering:** the process of separating the proceeds of crime from the criminal source by creating layers of financial transactions to disguise the audit trail and provide anonymity.

**Integration:** the process whereby the layered funds re-enter the financial systems as normal funds.

### 4 Reporting Money Laundering

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- 4.1 A reporting protocol has been agreed and is detailed fully below. The protocol applies to all types of suspicions of money laundering. Further guidance on reporting methods can be found in the Reporting Toolkit in the Anti Money Laundering Framework Manual.

- 4.2 The following is the reporting protocol in detailed format and should be referred to in order to clarify specific questions. If still unsure, please contact the MLRO for further clarification.

- 4.3 Every employee is expected to remain alert to the possibility that money laundering can occur. When concerns are first aroused Council employees must:

- Treat his/her suspicions with the utmost care and must not discuss them with anyone who does not have an immediate and obvious need to know.
- Report suspicions immediately to their Line Manager, or those employees who feel that their Line Manager may be involved or do not wish to discuss the matter with them, must contact the MLRO on telephone number 0208 359 7791 to report them. In this case, no employee will be criticised for not first informing his/her Line Manager.
- In all cases the employee reporting their suspicions should secure any obvious initial relevant information on which suspicions are based – providing this will not alert the person/s under suspicion – to ascertain the basic facts of the allegation.
- All actions taken by the employee and/or the Line Manager must be noted down with dates and times recorded for each action.
- Once informed of any allegation by an employee, Line Managers must not undertake disciplinary action, embark on a full investigation, attempt to access contents of personal computers, undertake surveillance or search any place without contacting the MLRO for further direction and guidance.
- Once initial suspicions have been confirmed, the matter should be reported directly to the MLRO as soon as practicable.
- Initial reporting should be made via a CF2ML form, however, initial contact can be made in person via telephone (refer to reporting toolkit)

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- All suspicious Money Laundering reports will be logged by the MLRO and be subject to a process of detailed risk analysis and backgrounds checks.
- In some cases, the allegation may be referred back to the service area for further investigation, where this occurs; the MLRO will provide specific support and direction where appropriate.

### **5 Money Laundering Response Plan**

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- 5.1 All suspicious money laundering referrals will be recorded on the Corporate Anti Fraud Team's case management system (InCase Intelligence) within 48 hours of receipt unless the referral is received outside normal working days.
- 5.2 The MLRO will contact the referee within 48 hours of receipt, unless the referral is received outside normal working days, and advise them of the next course of action.
- 5.3 InCase Intelligence is a secure, time controlled case management system where the MLRO or nominated officer will record the referral, the intelligence findings, decision log and all actions taken.
- 5.4 All referrals will be allocated with a unique reference number and only the MLRO, the Deputy MLRO and the Accredited Financial Investigators in the Corporate Anti Fraud Team will have authorisation to view these records.
- 5.5 Suspicious money laundering referrals received by the MLRO will be subject to a process of detailed risk analysis and background checks.
- 5.6 If the initial assessment suggests that there are reasonable grounds for suspecting a money laundering offence has occurred, the MLRO will complete a Suspicious Activity Report and send this to the Serious Organised Crime Agency (SOCA) for their assessment.
- 5.7 The SOCA require seven working days to either grant consent for the transaction to continue or not advise no consent and will give further directions, if no response is received within the prescribed time then consent can be assumed on the eighth working day.
- 5.8 If the initial assessment by MLRO suggests that a money laundering offence has not occurred, the MLRO will inform the referee and grant consent for transactions to continue.
- 5.9 The MLRO will record the decision and reasons on InCase Intelligence and close the case as per CAFT Money Laundering procedures.
- 5.10 All money laundering referrals will be secured in a confidential file and held for a minimum of seven years.

### **6 Contact Details**

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