



FRAUD POLICY

2009

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1 Background

- 1.1 The whole range of internal financial controls including standing orders, regulations and procedures, financial and non-financial, are set up to protect Northwards from risk of loss due to fraud, mismanagement, or other errors.
- 1.2 The primary responsibility for maintaining these systems lies with the Board and they are supported in this by reviews undertaken by Internal Audit. Members of staff are responsible for operating the systems so as to minimise the scope for errors or misuse including fraud.

2 Staff Responsibilities

- 2.1 Members of Northwards staff have an obligation to their employer to operate in accordance with approved procedures. This acts as a safeguard for the staff concerned as well as for the organisation as a whole.
- 2.2 Should staff in the course of their duties come across information which leads them to believe that a fraud or other misconduct is being attempted, they should immediately advise their line manager, except that in the event that the line manager may be involved in a possible fraud they should report to the Director of Business Services. In the event that the Director of Business Services may be involved, they should report to the Chief Executive or direct to the Chair of the Board.
- 2.3 The line manager shall form a view on the basis of the information provided and if fraud or misconduct is evident the line manager shall without delay advise the Director of Business Services, who shall be responsible for arranging for the matter to be formally investigated.
- 2.4 As soon as it is apparent that a fraud has been attempted or committed, the Director of Business Services shall (if in excess of £1,000, or if it involves a member of the Board, its Sub-Committees or a member of the Executive Management Team) immediately notify the Council's Representative, and shall in any case notify the External Auditor and the Chair of Audit Sub-Committee. Reports shall be made to the Audit Sub-Committee, the Chair of the Board and the Board if considered appropriate.
- 2.5 The Director of Business Services shall take legal advice on the issue if thought necessary.
- 2.6 The Director of Business Services shall enter details of the fraud in the Fraud register.
- 2.7 The lead officer for this policy is the Director of Business Services. In the event that they are implicated in a fraud, the Chief Executive shall carry out the relevant functions, responsibilities and investigations.

3 Personnel and Police

- 3.1 Where the results of any investigation suggest that a member of staff is implicated in misconduct the Director of Business Services shall arrange for them to be interviewed together with their line manager or such other staff as may be deemed appropriate, in order to confirm the evidence of the records. The Director of Business Services shall normally exercise the power to suspend the suspect and arrange for them to be escorted from the building, having collected their belongings and returned any keys they hold. This will enable further enquiries to be made. The individuals involved in any investigation and subsequent action should be different people.
- 3.2 The Director of Business Services shall be responsible for informing the police. The following guidelines may be helpful as to the best stage to do this:
- straight away if there are suspicions of corrupt practice.
 - before interviews take place where there is some evidence of systematic theft, but it needs to be confirmed by witnessed observation if the case is to proceed to prosecution.
 - as soon as fraud has been established if the defaulter cannot be identified from the accounting records.
 - probably after the first interview when the records indicate fraud by a particular person.
- 3.3 Where a member of staff is suspended under these procedures there will be a need to:
- arrange for access to offices to be suspended;
 - disable access to the computer system;
 - remove them from the list of bank signatories, if appropriate;
 - inform the insurers as appropriate.

4 Public Relations

- 4.1 The responsibility for dealing with the media shall be that of the Chief Executive. It is important that all staff are regularly reminded that media enquiries of any sort should be referred to the Chief Executive's office.
- 4.2 On each and every day that the Chief Executive is unavailable for comment, either the Director of Business Services or in their absence, another Director, should be nominated to deal with the media on that day.

5 Subsequent Considerations

- 5.1 Any internal considerations of the matter under question must be documented in such a way as to be capable of being used as evidence if required.
- 5.2 There will be considerations of the links between action by the police and internal disciplinary proceedings. It must be remembered that the burden of proof required by the police is more stringent, (i.e. beyond reasonable doubt).
- 5.3 Northwards is expected to take all appropriate steps to recover monies due in cases of fraud.
- 5.4 There will also be a need for a review of the Northwards' financial and control procedures to establish whether there are any necessary or desirable improvements. Any improvements needed should be implemented immediately.

MONEY LAUNDERING PROCEDURES

1. Northwards Housing is committed to effective Money Laundering procedures which:
 - encourages prevention;
 - promotes detection;
 - identifies a clear pathway for reporting;
 - takes positive action on suspected cases of money laundering.

Relevant Legislation

2. Money laundering is the term used by which criminals attempt to conceal the true origin and ownership of the proceeds of their criminal activities. The money laundering legislation applicable in the United Kingdom is contained within the Proceeds of Crime Act 2002 (the "PCA") and the Money Laundering Regulations 2003 (the "2003 Regulations").
3. Section 328 of the PCA provides that:

"A person commits an offence [money laundering offence] if he/she enters into or becomes concerned in an arrangement which he/she knows or suspects facilitates (by whatever means) the acquisition, retention, use or control of criminal property by or on behalf of another person".
4. This means that assisting a money launderer, tipping off a money launderer or simply failing to report a suspicion is a criminal offence.

Internal Control Policy

5. Northwards' money laundering procedures comprise the following points:
 - i. the identity of new clients is verified and evidence of identification for existing clients is maintained;
 - ii. records of client identification are maintained together with records of any transactions undertaken for each client;
 - iii. an internal money laundering reporting officer (a "MLRO") is appointed by the company (the Director of Business Services), and that internal reporting procedures are implemented;
 - iv. employees are trained to ensure that they know the relevant legislation, how to recognise and deal with any potential money laundering and how to report any suspicions to the MLRO;

- v. internal procedures designed to forestall and prevent money laundering are established and that the relevant individuals are aware of those procedures; and
- vi. all suspicions of money laundering are reported to the NCIS.

Identification Procedures

6. It is essential that detailed information is taken from tenants/prospective tenants at the outset. Identification is required at the time of the signing of the tenancy agreement.
7. Identification must always be in two parts comprising name/signature verification and confirmation of current permanent address including postcode. Separate documents must be obtained for each part of the identification (e.g. passport, driving licence, pension/allowance book and for an address, a utility bill).

Record Keeping Procedures

8. Copies of evidence obtained must be held for five years following the termination of the relationship.
9. Supporting evidence of customer transactions must be retained for five years.

Procedures for Recognising and Reporting

10. There are a number of signs which should raise concern. For example:
 - Someone is reluctant to provide information about themselves and their business, which is needed to complete verification procedures
 - They provide information which then proves difficult to verify
 - They suddenly operate with cash payments when they normally conduct their affairs with cheques and other non cash instruments
 - They unexpectedly pay off outstanding debts by cash or other means where the source of funds is unclear
 - They appear disinterested in reducing court or other costs
 - They make unexplained large payments
 - Cheques are drawn on foreign or offshore bank accounts
 - Payments are made in numerous small transactions so that the total of each is unremarkable but the total of all payments is significant
 - Payments include counterfeit notes
 - Problem rent accounts are repaid unexpectedly or when an account reaches a large arrears position

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11. Any suspicion of money laundering, involving a sum of £1,500 or more, should be reported to the Money Laundering Reporting Officer (MLRO) who will act as a contact point for reporting any suspicions to the National Criminal Intelligence Service (NCIS). Northwards' MLRO is Steve Wood, Director of Business Services, 6th Floor Hexagon Tower, Crumpsall Vale, Blackley, Manchester, M9 8ZS (0161 227 3018).
12. If you know or suspect a money laundering offence is being committed you must record this and pass the information to Northwards' MLRO (Steve Wood, Director of Business Services).

Training

13. Basic training will be given to all new staff.
14. More specialised training will be given to the MLRO and staff involved in transactions which could be affected by money laundering.