



**Approach to the Criminal
Finances Act 2017**

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Session Overview

- County Durham Housing Group
- Background
- CFA 2017 In Summary
- HMRC Guidance
- 6 Guiding Principles
- Our Approach / Action Plan



County Durham Housing Group

- Established on 13 April 2015;
- Registered Provider with 18,500 properties;
- G1 / V2 G&FV rating;
- Stock profile mapped across 862 square miles;
- Annual turnover of £68 million;
- Plan to build 300 new homes over the next 3 years.

Background

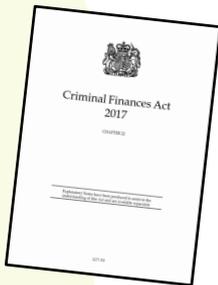


- The Criminal Finances Act (CFA 2017) became law in April 2017;
- The Act introduces 2 new corporate offences relating to the failure to prevent the facilitation of tax evasion;
- Modelled on 'failure to prevent bribery' offence in Bribery Act 2010;
- Both offences carry the risk of criminal prosecution, unlimited fines & a bar from public sector procurement.

CFA 2017 In Summary



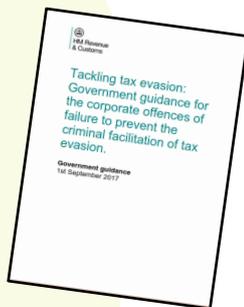
- Organisations liable for:-
 - the actions of their employees, and
 - other 'associated persons'
 - even where senior management were either uninvolved or unaware of the acts.
- Defence if a business has put in place 'reasonable prevention procedures' or it is unreasonable to expect the relevant body to have such procedures in place.



HMRC Guidance



- Finalised 1 September 2017;
- Formulated around 6 Guiding Principles:-
 - Risk assessment (RA);
 - Risk-based procedures;
 - Top level commitment;
 - Due diligence;
 - Communication & training;
 - Monitoring & review.



Risk Assessment (RA)



- Conduct a thorough, proportionate, “tax evasion” RA of the organisation, activities and contractual relationships;
- Ensure RA accurately identifies and prioritises the risks it faces;
- Oversight of RA by senior management;
- Allocation of resources to detection and monitoring of risk;
- Periodic review and update – changing circumstances / emerging risks.

Risk-Based Procedures



- RA drives implementation of reasonable risk-based ‘preventative procedures’
- Clear articulation of the approach to risk mitigation;
- Strategy and timetable to implement prevention policies;
- Monitoring and enforcing compliance with procedures;
- Review and refresh procedures ensuring effectiveness;
- Clear pathway for reports of any suspicions.

Top Level Commitment



- Board and senior management:-
 - Buy-in at RA stage is critical;
 - Involved in development and review of risk-based procedures;
 - Accountability / responsibilities should be defined and documented;
- Organisational culture is key;
- Active communication and commitment to zero tolerance.

Due Diligence 

- CDD procedures proportionate to the identified risk;
- Link back to organisation wide RA;
- Undertake a periodic review of the Preferred Supplier List (PSL) and due diligence of the PSL;
- Organisation's procedures reviewed and updated periodically.

Communication & Training 

- Staff training is essential:–
 - Zero tolerance policy;
 - How to identify 'red flags' tailored to your services / operations, services & clients;
 - Coaching staff to challenge information is critical;
 - Training - cover staff obligations, escalation processes and knowledge of the CFA 2017 itself.
- External communications of organisation's policy – act as a strong deterrent;
- Appropriate convey policy / stance to partners.

Monitoring & Review 

- Organisation's Risk Assessment;
- Staff training requirements;
- Appropriateness of MI escalated to senior management to monitor the implemented procedures;
- Seek feedback from staff re – process effectiveness;
- Formal periodic review – IA;
- Share best practice / work with other RPs.

Our Approach / Action Plan 

- Group-wide CFA 2017 RA;
- Controls assurance framework, EWIs, risk dashboard;
- Awareness at Board / Audit Committee level;
- Changes to AML, AFC, Whistleblowing & Disciplinary Policies;
- Update to Employee Code of Conduct;
- Procurement Tender Process / Disclaimer for existing supply chain;
- Review of procurement procedures;
- Review T's & C's own & suppliers;
- New supplier appraisal checklist – action (UK account);
- Training key staff – CTU document verification;
- Assurance via IA and quarterly reviews of GSRs.

Questions? 

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