

Anti-Money Laundering Policy and Guidance

Final Decision-Maker	Audit, Governance & Standards Committee
Lead Head of Service	Ellie Dunnet - Head of Finance
Lead Officer and Report Author	John Owen – Finance Manager
Classification	Public

Executive Summary

This report updates the Council's current Anti-Money Laundering Policy and guidance to various stakeholders of the Council on how to prevent, detect and report cases of fraud through money laundering. The first draft report was presented to this Committee on 13th January 2020, when it was agreed to review the document and return with an amended policy.

Purpose of Report

This report is for discussion and to adopt at this Committee.

This report makes the following recommendations to this Committee:

1. That the Council's updated Anti-Money Laundering Policy is adopted and the Director of Finance and Business Improvement (S151 Officer) is confirmed as the Council's Money Laundering Reporting Officer (MLRO).

Timetable

Meeting	Date
Audit, Governance & Standards Committee	16 th March 2020

Anti-Money Laundering Policy and Guidance

1. CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications	Sign-off
Impact on Corporate Priorities	We do not expect the recommendations will by themselves materially affect achievement of corporate priorities. However, awareness of money laundering will support the Council's overall achievement of its aims by detecting and reporting fraud.	Interim Head of Finance
Cross Cutting Objectives	We do not expect the recommendations will by themselves materially affect achievement of cross cutting objectives. However, awareness of money laundering will support the Council's overall achievement of its aims by detecting and reporting fraud.	Interim Head of Finance
Risk Management	Already covered in the risk section	Interim Head of Finance
Financial	There are no financial implications to accepting this policy, however through staff, Members and contractors of the Council's awareness, this will hopefully reduce the risk of fraud against the Council.	Section 151 Officer & Finance Team
Staffing	None.	Interim Head of Finance
Legal	This report is drafted in compliance with the requirements of the Proceeds of Crime Act 2002, the Terrorism Act 2000 and the Money Laundering, Terrorist Financing and Transfer of Funds Regulations 2017. The relevant obligations are referred to in the body of the report.	Team Leader (Corporate Governance), MKLS
Privacy and Data Protection	All information obtained for the purposes of money laundering checks and referrals must be kept (for at least five years) and processed in compliance with relevant Data Protection legislation.	Policy and Information Team
Equalities	The recommendations do not propose a change in service therefore will not require an equalities impact assessment	Policy & Information Manager
Public Health	We recognise that the recommendations will not negatively impact on population health or that of individuals.	Public Health Officer
Crime and	The recommendation seeks to reduce the risk of	Head of

Disorder	council services being used for money laundering. The Community Protection Team has been consulted regarding this.	Finance
Procurement	There are no procurement implications for this report, however procurement is at risk of infiltration from serious and organised crime and organised crime groups could be benefitting from public sector contracts.	Head of Finance Section 151 Officer

2. INTRODUCTION AND BACKGROUND

- 2.1 Money laundering involves the “cleaning” of illegal proceeds in order to disguise their criminal origin. The proceeds of criminal activity, usually cash, but also other illegally gained assets, are introduced into the organisation’s systems where they are processed, enabling them to leave the systems appearing to come from a legitimate source.
- 2.2 The Proceeds of Crime Act 2002, the Terrorism Act 2000 and Money Laundering Regulations 2017 place obligations on the Council to establish internal procedures to prevent the use of their services for money laundering and the prevention of terrorist financing. The Council must also appoint a Money Laundering Reporting Officer (MLRO) to receive disclosures of money laundering activity.
- 2.3 The previous policy drafted in October 2014 is required to be updated and adopted by this Committee due to the changes within the Money Laundering Regulations 2017. There is a more due diligence around checking perceived higher risk customers and where funds have been received, using a general risk based approach in respect to money laundering. These have been included within the updated policy as shown within **Appendix A**.
- 2.4 Accompanying this policy is a guidance document that sets out the procedures, which must be followed (for example reporting of suspicions of money laundering activity) to enable the Council to demonstrate compliance with its legal obligations.
- 2.5 The officer to receive disclosures about money laundering activity is the Money Laundering Reporting Officer (MLRO). The nominated officer must be someone within the Council, who
- can be trusted with the responsibility
 - is senior enough to have access to all your customer files and records
 - can decide independently whether or not they need to report suspicious activities or transactions - a decision that could affect your customer relations
- 2.6 It is recommended that the nominated person for this role is the Director of Finance & Business Improvement (Section 151 Officer).
- 2.7 Whilst Local Authorities are not directly covered by the requirements of the Money Laundering Regulations 2017, guidance from finance and legal

professions, including the Chartered Institute of Public Finance and Accounting (CIPFA), indicates that public service organisations should comply with the underlying spirit of the legislation and regulations.

- 2.8 The draft policy was previously taken to the Audit, Governance and Standards Committee on 13th January 2020, where it was agreed that the document would be reviewed in light of comments from committee members. The amended document can be found at Appendix A.
- 2.9 The main amendments to the policy following the review are as follows:
- 2.2 - Removing Mark Green's name as the MLRO and keeping it as the Director of Finance & Business Improvement. This means the policy will not need amending if there are subsequent staff changes.
 - 3.2 and 4.1 - Reducing the large volume/value cash transactions for single transactions and/or two or more transactions which appear to be linked from £10,000 to £5,000.
 - 4.2 - Keeping a register of all cash transactions over £2,000 to review who is making large cash payments to the Council. These individuals may then be contacted to ascertain the reasons of paying large amounts of cash and to find alternative ways to pay.

3. AVAILABLE OPTIONS

- 3.1 **Option 1:** The Committee could decide not to adopt the policy. However, the Chartered Institute of Public Finance and Accounting (CIPFA), indicates that public service organisations should comply with the underlying spirit of the requirements of the Money Laundering Regulations 2017 in establishing internal procedures to prevent the use of their services for money laundering and the prevention of terrorist financing. The Council must also appoint a Money Laundering Reporting Officer (MLRO) to receive disclosures of money laundering activity.
- 3.2 **Option 2:** Subject to any legal obligations placed upon the Council, the Committee could amend the draft policy.
- 3.3 **Option 3:** The Committee could agree the attached policy. The attached policy has been produced in line with current guidance from the Proceeds of Crime Act 2002, the Terrorism Act 2000 and Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017.

4. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS

- 4.1 The recommended option is Option 3, to adopt the Anti-Money Laundering Policy & Guidance and to appoint the Director of Finance and Business Improvement as the Money Laundering Reporting Officer (MLRO).
- 4.2 As stated above, the policy has been produced in line with current guidance from the Proceeds of Crime Act 2002, the Terrorism Act 2000 and Money Laundering Regulations 2017.

5. RISK

5.1 This report discusses the risk of money laundering within the Council and is designed to make all relevant stakeholders aware of what constitutes money laundering and the procedures for reporting such incidents.

6. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK

6.1 None.

7. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION

7.1 Once the policy has been adopted by this Committee, it will be communicated to all relevant staff within the Council.

8. REPORT APPENDICES

- Appendix A: Anti-Money Laundering Policy & Guidance
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9. BACKGROUND PAPERS

9.1 This report has been drafted from guidance from the following publications:

- The Proceeds of Crime Act 2002
<http://www.legislation.gov.uk/all?title=Proceeds%20of%20crime>
- The Terrorism Act 2000
<http://www.legislation.gov.uk/all?title=terrorism%20act>
- The Money Laundering Regulation 2017
<http://www.legislation.gov.uk/uksi/2017/692/made>
- HM Treasury <https://www.gov.uk/government/publications/anti-money-laundering-legislation-guidance-notes>
- Law Society <http://www.lawsociety.org.uk/advice/anti-money-laundering/>
- National Crime Agency <http://www.nationalcrimeagency.gov.uk/>