

11. Anti-Money Laundering Policy

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Purpose of the Report

This report introduces the Anti-Money Laundering Policy for South Somerset District Council. The Committee is asked to recommend its approval by District Executive.

Recommendation

That District Executive be recommended to approve the Anti-Money Laundering Policy.

Background

Legislation concerning money laundering (the Proceeds of Crime Act 2002 and the Money Laundering Regulations 2003) has broadened the definition of money laundering and increased the range of activities caught by the statutory framework. As a result, the obligations now 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.

The attached policy at pages 37-43 outlines the guidance and procedures to be followed whilst taking into account the assessment of the risk of money laundering in a local authority context.

Financial Implications

There are no financial implications in approving this policy.

Background Papers: None.

SOUTH SOMERSET DISTRICT COUNCIL ANTI-MONEY LAUNDERING POLICY

1.0 INTRODUCTION

1.1 Money laundering can be defined as “a process that makes money with an illegal origin appear legal so that it may be used”. Legislation concerning money laundering (the Proceeds of Crime Act 2002 and the Money Laundering Regulations 2003) has broadened the definition of money laundering and increased the range of activities caught by the statutory framework. As a result, the obligations now 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.

2.0 SCOPE OF THE POLICY

2.1 This Policy applies to all employees of the Council and aims to maintain the high standards of conduct which currently exist within the Council by preventing criminal activity through money laundering. The Policy sets out the procedures which must be followed (for example the reporting of suspicions of money laundering activity) to enable the Council to comply with its legal obligations. Within this policy the term employees refers to all employees and elected Members.

2.2 Anti money laundering legislation places responsibility upon Council employees to combat money laundering and covers a very wide area of financial transactions, including possessing, or in any way dealing with, or concealing, the proceeds of any crime. It applies to all employees involved with monetary transactions

2.3 Under the legislation it is a criminal offence to:

- assist a money launderer;
- "tip off" a person suspected to be involved in money laundering that they are suspected or that they are the subject of police investigations;
- fail to report a suspicion of money laundering and;
- acquire, use or possess criminal property.

3.0 PURPOSE

3.1 The legislative requirements concerning anti-money laundering procedures are extensive and complex. This Policy has been written so as to enable the Council to meet the legal requirements in a way which is proportionate to the very low risk to the Council of contravening this legislation.

3.2 The object of this policy is to make all employees aware of their responsibilities and the consequences of non compliance with this policy.

3.3 An employee could potentially be caught by the money laundering provisions if they suspect money laundering and either become involved with it in some way and /or do nothing about it.

3.4 Whilst the risk to the Council of contravening the legislation is low, it is extremely important that all employees are familiar with their legal responsibilities:

Employees contravening the regulations can be faced with imprisonment (up to 14 years), a fine or both.

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4.0 MONEY LAUNDERING REQUIREMENTS, FROM THIS COUNCIL'S POINT OF VIEW

4.1. Provision of training to relevant officers and staff (or contractors staff) on the requirements of the legislation, including the identification of suspicious transactions, identity verification and reporting procedures.

4.2. Establishment of procedures for employees to report any suspicions to the Money Laundering Reporting Officer ("MLRO") – i.e. the Group Auditor – South West Audit Partnership.

4.3. Designation of an officer as the Money Laundering Reporting Officer, who will receive any report, keep records and if considered appropriate, make reports to the National Criminal Intelligence Service (NCIS) - i.e. the Group Auditor.

4.4. Under the legislation employees dealing with money transactions will be required to comply with certain procedures.

5.0 PROCEDURES

When do I need to identify the person I am dealing with?

When the Council is carrying out relevant business and:-

- a) Forming a business relationship: or
- b) Considering undertaking a one off transaction

and :-

- a) Suspect a transaction involves money laundering; or
- b) A payment is to be made for a series of linked one off transactions involving total payment of £10,000 (15,000 Euro) or more.

Not all of the Council's business is "relevant" for the purposes of the legislation regarding client identification. Relevant services as defined by the legislation include investments, accountancy and audit services and the financial, company and property transactions undertaken by Property Services and Legal Services.

What Procedures do I use to identify the person?

5.1 Any employee involved in a relevant business should ensure the client provides satisfactory evidence of their identity personally, through passport/ photo driving license plus one other document with their name and address e.g. utility bill (not mobile) mortgage/building society/bank documents, card documents, pension/benefit book. Or corporate identity, this can be through company formation documents or business rates.

5.2 In circumstances where the client cannot be physically identified the employee should be aware:-

- a) That there is greater potential for money laundering where the client is not physically present when being identified;
- b) If satisfactory evidence is not obtained the relationship or the transaction should not proceed;

- c) If the client acts, or appears to act for another person, reasonable measures must be taken for the purposes of identifying that person.

6.0 RECORD KEEPING PROCEDURES

6.1. Each Service of the Council and contractors working for the Council conducting relevant business must maintain records of:-

- a) Client identification evidence obtained; which must be kept for five years after the end of the transaction or relationship;
- b) Details of all relevant business transactions carried out for clients for at least five years from the completion of the transaction. This is so that they may be used as evidence in any subsequent investigation by the authorities into money laundering.

The Head of Finance and the Group Auditor must be informed of the existence and location of such records.

6.2. 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.

7.0 THE MONEY LAUNDERING REPORTING OFFICER

7.1 The Officer nominated to receive disclosures about money laundering activity within the Council is Ian Baker, Group Auditor, SWAP i.e. The Money Laundering Reporting Officer.

7.2 The Deputy Money Laundering Reporting Officers are Donna Parham (Head of Finance) and Bob Brimley (Financial Systems Manager).

8.0 INTERNAL REPORTING PROCEDURE

8.1 Where an employee is aware, that money laundering may have taken place (or may be taking place), he or she must contact the MLRO for guidance as soon as possible regardless of the amount being offered. In such circumstance, no money may be taken from anyone until this has been done.

8.2 Any person knowing or suspecting money laundering, fraud or use of the proceeds of crime must report this to the MLRO on the form(s) as attached.

8.3 Upon receiving the report the MLRO will consider all of the admissible information in order to determine whether there are grounds to suspect money laundering.

8.4 If the MLRO determines that the information or matter should be disclosed it will be reported to the National Criminal Intelligence Service (NCIS)

8.5. During this process the client must not be tipped off.

8.6 At no time and under no circumstances should an employee voice any suspicions to the person(s) suspected of money laundering, even if the NCIS has given consent to a particular transaction proceeding, otherwise the employee may be committing a criminal offence of "tipping off". Therefore, 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

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such a note will obviously tip them off to the report having been made and may render the employee liable to prosecution. The MLRO will keep the appropriate records in a confidential manner.

9. OTHER PROCEDURES

9.1 The Council will establish other procedures of internal control and communication as may be appropriate for the purpose of forestalling and preventing money laundering:-

9.2 **Regular receipts** - The Council in the normal operation of its services accepts payments from individuals and organisations e.g. in relation to council tax, sundry debtors etc. For all transactions under £2,000 the Money Laundering regulations do not apply but if an employee has reasonable grounds to suspect money laundering activities or proceeds of crime or is simply suspicious, the matter should still be reported to the MLRO.

9.3 **Cash receipts** – If the money offered in cash is £10,000 or more, then payment must not be accepted until the employee has received guidance from the MLRO or the Head of Finance.

9.4 **Refunds** - Care will need to be taken especially with the procedures for refunds. For instance, a significant overpayment which results in a repayment will need to be properly investigated and authorised before payment. **Note – all refunds should be made only to the source of the payment and not a different account.**

In the event of any suspicious transactions, the MLRO will be contacted to investigate the case. The possible perpetrator should not be informed (i.e. not “tipped off”).

9.5 **Training** – The Council will take, or require its contractor to take, appropriate measures to ensure that relevant employees are :

- a) Made aware of the provisions of these regulations, (under the Proceeds of Crime Act 2002, and the Money Laundering Regulations 2003);
- b) Given training in how to recognise and deal with transactions which may be related to money laundering

10. GLOSSARY OF TERMS

AML Anti money laundering

MLRO Money laundering reporting officer as defined in the Money Laundering Regulations 2003 and the FSA (Financial Services Act)

NCIS National Criminal Intelligence Service. Provides strategic and tactical intelligence on serious and organised crime, nationally and internationally and is responsible, through its Economic Crime Unit, for receiving reports of money laundering suspicions.

11. MONEY LAUNDERING WARNING SIGNS

11.1 The following examples could indicate that money laundering is taking place:

- Transactions or trade that appear to make no commercial or economic sense from the perspective of the other party: A money launderer's objective is to disguise the origin of criminal funds and not necessarily to make a profit, A launderer may therefore enter into transactions at a financial loss if it will assist in disguising the source of the funds and allow the funds to enter the financial system;
- Large volume/large cash transactions; all large cash payments should be the subject of extra care and before accepting cash the reasons for such payments should be fully understood. Payments should be encouraged through the banking system to avoid problems.
- Payments received from third parties: Money launderers will often look to legitimate business activity in order to assist in 'cleaning' criminal funds and making payments on behalf of a legitimate company can be attractive to both parties. For the legitimate company it can be useful source of funding and for the launderer the funds can be repaid through a banking system.

11.2 Examples of tell tale signs of organised money laundering:-

1. Use of cash where other means of payment are normal
2. Unusual transactions or ways of conducting business
3. Unwillingness to answer questions/ secretiveness generally
4. Use of overseas companies
5. New companies
6. Overpayments of Council tax where refunds are needed.

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Disclosure Form to MLRO

Please complete and return to the Group Auditor – South West Audit Partnership

Date of disclosure

Date of event

Officer making disclosure:

Job title of officer:

Telephone details:

SUBJECT DETAILS

Title:

Surname:

Forename:

DoB:

IN THE CASE OF A LEGAL ENTITY (COMPANY)

Name:

Address:

Company Number (If known)

Type of Business:

VAT no (if known)

REASON FOR DISCLOSURE

Please provide an explanation of the activity and amounts. If you know or suspect what the offence behind the reported activity may be please provide details.

RECEIVED BY MLRO

Reference:

Date:

Signature: