

# Taunton Deane Borough Council

## Corporate Governance Committee – 19 May 2014

### Money Laundering Policy

#### Report of the Strategic Finance Officer

(This matter is the responsibility of Executive Councillor Vivienne Stock-Williams)

#### 1. Executive Summary

- Money laundering is any attempt to use the proceeds of crime for legitimate purposes. The Council and its individual Members and employees have obligations under the Terrorism Act 2000 and certain sections of the Proceeds of Crime Act 2002 relating to money laundering. Public authorities are not legally obliged to implement the provisions of the Money Laundering Regulations 2007, but as a responsible public body, the Council should have a policy and procedures designed to reflect the essence of the UK's antiterrorist financing and anti money laundering regimes.
- The proposed policy ensures that the Council has appropriate and proportionate measures in place to comply with the legal requirements, to implement relevant regulatory provisions and to protect its staff and Members.

#### 2. Background

- 2.1 Money laundering is any attempt to use the proceeds of crime for legitimate purposes and is generally defined as the process by which the proceeds of crime, and the true ownership of those proceeds, are changed so that the proceeds appear to come from a legitimate source. Anyone who becomes aware of an activity which they have reasonable grounds to suspect, is related to the proceeds of crime may be guilty of a money laundering offence.
- 2.2 The legal and regulatory framework for the UK's anti-terrorist financing and anti money laundering arrangements comprises:

- The Terrorism Act 2000 (TA);
- The Proceeds of Crime Act 2002 (POCA); and
- The Money Laundering Regulations 2007 (MLR).

- 2.3 The Chartered Institute of Public Finance and Accountancy (CIPFA) has published guidance on how the provisions of this framework apply to public authorities (CIPFA, 2009). The Policy accompanying this report is designed to ensure that the Council and its staff fulfil all legal obligations and regulatory requirements in accordance with this guidance.
- 2.4 The Council is not legally obliged to apply the provisions of the MLR because public authorities are neither 'relevant persons' (as defined in the MLR) nor part of the 'regulated sector' (as defined in POCA 2002). However, as a prudent and responsible public body, the Council's policy and procedures should be designed to reflect the essence of the UK's anti-terrorist financing and anti money laundering regimes.

### **3. Money Laundering Policy**

- 3.1 Although the Council's risk of exposure to money laundering is relatively low and some of the provisions of the legal and regulatory framework do not apply, there is, as CIPFA observes, a reputational risk for any authority that does not have adequate policies and procedures in place. CIPFA's view is that, "it is prudent and responsible practice for public service organisations, including those outside the scope of the regulations, to put in place appropriate and proportionate anti-money laundering safeguards and reporting arrangements, designed to enable them to detect and avoid involvement in the crimes described in the legislation and regulations."
- 3.2 The risk is not only reputational. There is also a risk that individuals who, in the course of Council business, become aware that criminal property or funds could be involved may commit offences under the TA or POCA sections 327-329 if a reasonable suspicion is not reported.
- 3.3 It is therefore important that appropriate and proportionate arrangements are established to ensure that the Council, its staff and Members are protected as far as practicable, notably by having in place a reporting mechanism, arrangements for publicising the responsibilities of individuals and provisions for appropriate training and education.
- 3.4 The policy needs to be clear, succinct and practical to ensure maximum accessibility to staff and Members.
- 3.5 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.

3.6 The policy and staff guide are attached to this report.

#### **4. Finance Comments**

4.1 There are no financial implications of this policy

#### **5. Legal Comments**

5.1 Even though Taunton Deane Borough Council is not a “relevant person” or part of the regulated sector it is good practice to have a clear Money Laundering Policy and also to ensure that employees are aware of this policy.

#### **6. Links to Corporate Aims**

6.1 There are no links to specific corporate aims of this policy.

#### **7. Environmental Implications**

7.1 There are no environmental implications of this report

#### **8. Community Safety Implications**

8.1 There are no community safety implications of this report

#### **9. Equalities Impact**

9.1 All Acts and guidance are applicable equally to all and no one protected group is adversely impacted by this policy.

#### **10. Risk Management**

10.1 The risk of exposure to money laundering is relatively low.

#### **11. Partnership Implications**

11.1 Cash payments are processed by Southwest One. Southwest One will be made aware of our policy on money laundering .

## **12. Recommendations**

12.1 That Corporate Governance Committee approves the Money Laundering policy.

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# TAUNTON DEANE BOROUGH COUNCIL ANTI-MONEY LAUNDERING POLICY

## 1. 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.”
- 1.2 There have been significant changes to the legislation concerning money laundering (the Proceeds of Crime Act 2002, the Money Laundering Regulations 2003/2007 and the Terrorism Acts 2000 and 2006), which have broadened the definition of money laundering and increased the range of activities caught by the statutory framework. It is prudent and responsible practice for all public service organisations to put in place appropriate and proportionate anti-money laundering safeguards and reporting arrangements, designed to enable them to detect and avoid involvement in money-laundering related crimes.

## 2. 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 employee refers to all employees as well as 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:
  - **Inform** 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. PURPOSE

- 3.1 The legislative requirements concerning anti-money laundering procedures are extensive and complex. This Policy has been written to enable the Council to meet the legal requirements in a way that is proportionate to the 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 within the money laundering provisions of 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 relatively 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.**

#### **4. MONEY LAUNDERING REQUIREMENT, 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 Officer ("MLRO").
- 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 Crime Agency (who have replaced the Serious and Organised Crime Agency)

#### **5. 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: -
- b) A payment is to be made for a series of linked one off transactions involving total payment of £10,000

Not all 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 the council.

### **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 licences 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 transaction should not proceed;
  - c) If the client acts, or appears to act for another person, reasonable measures must be taken for the purpose of identifying that person.

## **6 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.
  - b) Details of all relevant business transactions carried out for clients for at least five years from completion of the transaction. This is so that they can be used as evidence in any subsequent investigation by the authorities into money laundering. The AD Resources 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. THE MONEY LAUNDERING REPORTING OFFICER

- 7.1 The Officer nominated to receive disclosures about money laundering activity within the Council is the Assistant Director Resources. i.e. The Money Laundering Officer (MLRO).
- 7.2 The Deputy Money Laundering Reporting Officer is the Finance Manager

## 8. 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 circumstances, 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) 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 would be reported to the National Crime Agency (who have replaced the Serious and Organised Crime Agency).
- 8.5 At no time and under no circumstances should an employee voice any suspicions to the person(s) suspected of money laundering even if the National Crime Agency has given consent to a particular transaction proceeding, otherwise the employee may be committing a criminal offence of **informing**. 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 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, rent, 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 Finance Manager.
- 9.4 **Refunds-** Care will need to be taken especially with the procedures for refunds. For instance, a significant overpayment that 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.
- 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 that 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)

## 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. Overpayment of Council Tax where refunds are needed

## **Disclosure Form to MLRO**

Please complete and return to the Assistant Director Resources

Date of disclosure:

Date of event:

Officer making disclosure:

Job title of officer:

Telephone details:

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### **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: