

EAST RENFREWSHIRE COUNCILCABINET16 August 2018Report by Head of AccountancyANTI-MONEY LAUNDERING POLICY**PURPOSE OF REPORT**

1. The purpose of this report is to propose an anti-money laundering policy to assist the Council in maintaining an anti-fraud culture and upholding high ethical standards in its administration of public funds.

RECOMMENDATION

2. The Cabinet is invited to approve the adoption of the Anti-Money Laundering Policy.

BACKGROUND

3. East Renfrewshire Council has an Anti-Fraud and Bribery Strategy which outlines the Council's zero tolerance approach to fraudulent or corrupt activity, however this does not specifically include actions to be taken to detect or prevent money laundering.

4. Money laundering is the process by which the proceeds of crime and the true ownership of these proceeds are changed, so that the proceeds appear to come from a legitimate source. The "dirty" money is said to be "laundered".

5. In the past staff have been given advice on what constitutes money laundering and how to report any suspicions, but best practice now requires this advice to be updated and incorporated into a formal policy accessible to all staff and elected members.

REPORT

6. Legislation concerning money laundering is included within the Terrorism Act 2000, the Proceeds of Crime Act 2002 (POCA), the Fraud Act 2006 and the Money Laundering Regulations 2007. Whilst local authorities do not have a statutory duty to comply with the money laundering regulations, it is considered best practice that the Council puts in place measures to comply in order to protect its services from being used for potential money laundering activities.

7. The Council's policy is to do all it can to prevent the Council and its staff being exposed to money laundering, to identify the potential areas where it may occur, and to comply with all legal and regulatory requirements. Money laundering is a criminal offence and the Council should take reasonable precautions to prevent its involvement in money laundering, either knowingly or as a result of inaction.

8. The attached policy focuses on the areas most likely to represent a risk. These often include large cash transactions and it is therefore proposed to limit the level of cash accepted for one transaction to £3,000. Larger payments must be made by bank transfer, card or cheque in future.

9. Any employee or elected member who suspects money laundering activity relating to Council transactions should report this to the Money Laundering Reporting Officer (Head of Accountancy) without delay. Where necessary internal audit will be asked to investigate before the MLRO makes a decision on whether the case should be reported to the National Crime Agency.

FINANCE AND EFFICIENCY

10. There are no financial or resource implications arising from the adoption of this policy. Any training to be delivered will be met from existing resources.

CONSULTATION

11. The Corporate Management Team and the Chief Legal Officer have been consulted on this matter.

PARTNERSHIP WORKING

12. There are no new partnership working arrangements in relation to this policy.

CONCLUSIONS

13. The Council should adopt a formal Anti-Money Laundering Policy in line with best practice. This will strengthen its zero tolerance anti-fraud and bribery stance.

RECOMMENDATION

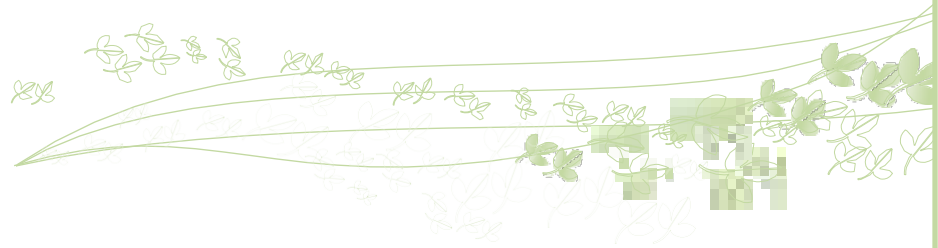
14. The Cabinet is invited to approve the adoption of the Anti-Money Laundering Policy.

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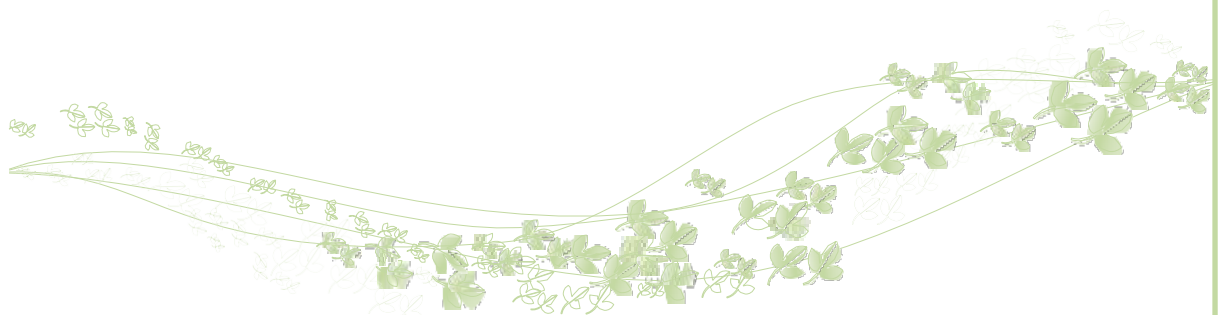
Key words: Anti-Money Laundering Policy, money laundering, fraud, cash



Anti-Money Laundering Policy

Chief Executive's Office

Accountancy Services



Margaret McCrossan, Head of Accountancy (Chief Financial Officer)
Version 1: June 2018
Revision Date: June 2021

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ANTI-MONEY LAUNDERING POLICY

1. INTRODUCTION

- 1.1 East Renfrewshire Council has an Anti-Fraud and Bribery Strategy, which outlines the Council's zero-tolerance approach to fraudulent or corrupt activity, whether perpetrated by employees, elected members, partner organisations, suppliers or service users.
- 1.2 One area of fraudulent activity to which the Council is at risk of exposure is Money Laundering. This document outlines the Council's policy in relation to Money Laundering and the procedures which staff must follow.
- 1.3 Legislation concerning money laundering is included within the Terrorism Act 2000, the Proceeds of Crime Act 2002 (POCA), the Fraud Act 2006 and the Money Laundering Regulations 2007.
- 1.4 Local authorities do not have a statutory duty to comply with the money laundering regulations; however, it is considered best practice that the Council puts in place measures to comply in order to protect its services from being used for potential money laundering activities.
- 1.5 The Council's policy is to do all it can to prevent the Council and its staff being exposed to money laundering, identify the potential areas where it may occur, and to comply with all legal and regulatory requirements. Money laundering is a criminal offence and the Council should take reasonable precautions to prevent its involvement in money laundering, either knowingly or as a result of inaction.
- 1.6 This policy and procedure applies to all employees of the Council, including agency staff.

2. WHAT IS MONEY LAUNDERING?

- 2.1 Money laundering is 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. The "dirty" money is said to be "laundered".
- 2.2 The principal money laundering offences include:
 - Concealing, disguising, converting or transferring of criminal property or removing it from the United Kingdom
 - Entering into or becoming concerned in an arrangement which you know or suspect facilitates the acquisition, retention, use or control of criminal property by or on behalf of another person
 - Acquiring, using or possessing criminal property
 - Doing something that might prejudice an investigation, for example, falsifying



ANTI-MONEY LAUNDERING POLICY

a document

2.3 There are also two secondary offences:

- Failing to disclose any of the four primary offences (note this includes failing to take any action where someone has suspicions); and
- ‘tipping off’ whereby somebody informs a person or persons who are, or who are suspected of being involved in money laundering, in such a way as to reduce the likelihood of their being investigated or prejudicing an investigation.

2.4 The Terrorism Act 2000 also creates a money laundering offence under Section 18 which says:

‘...A person commits an offence if he or she enters into or becomes concerned in an arrangement which facilitates the retention or control by or on behalf of another person of terrorist property;

- By concealment
- By the removal from the jurisdiction
- By transfer to nominees, or
- In any other way...’

3. RECOGNISING MONEY LAUNDERING

3.1 All staff should be alert to the possibility of someone trying to launder money through the Council. Some possible indicators of money laundering may involve:

- Any unusually large cash payments (over £3,000) made by a person in a single transaction or over a short period of time (e.g. paying business rates in cash)
- Any large cash overpayment, duplicate payment or cancelled transaction where a refund is requested by cheque
- If a third party is involved in a transaction e.g. someone paying cash to settle someone else’s bill or requests to forward balances on to third parties
- Cash is used to purchase land, buildings or other assets (e.g. right to buy properties)
- A person who is reluctant to supply evidence of identity or address
- Information received about an individual which may reveal criminality or association with criminality



ANTI-MONEY LAUNDERING POLICY

- Generally a customer's financial profile not "fitting" the transaction they are undertaking

This list is not exhaustive but simply gives examples of when employees (or members) should consider whether their suspicions should be aroused and when they should be asking themselves questions such as *Would I expect this individual to have this amount of cash; why do they wish to pay in cash; why is this person offering to pay more than the going rate for this item/service, etc.*

- 3.2 Whilst the risk to the Council of contravening the legislation is low, it is extremely important that members and employees are familiar with their legal responsibilities. Serious criminal sanctions can be imposed for breaches of the legislation. The key requirement on employees and members is to promptly report any suspected money laundering activity to the Money Laundering Reporting Officer.

4. CONTROLS and REPORTING

- 4.1 General awareness of money laundering will be promoted to all employees and members.
- 4.2 The Council will ensure those staff who are most likely to be exposed to the risk of money laundering (e.g. Customer First and Treasury Management staff) are made aware of the risk and how they should act in instances when suspicions are aroused. The procedures for reporting suspicious transactions are set out in this document and will, if necessary, include reporting the matter to the National Crime Agency (NCA).
- 4.3 The threshold for reporting a suspicious transaction to the National Crime Agency (NCA) is £10,000. The Council shall not accept payments **in cash** over £3,000 (unless the payment relates to settlement of a Sequestration Petition, which will be confirmed by Legal Services). Payment over £3,000 must be made by bank transfer, card or cheque.
- 4.4 Signs shall be placed at the counter in all locations at which cash is accepted advising of the policy of the Council.
- 4.5 If an employee has suspicions over refunds **of any amount** these should be referred to the Money Laundering Reporting Officer prior to being passed for payment.
- 4.6 If an employee/member suspects money laundering then they must report their suspicions to the Head of Accountancy who is the Council's nominated Money Laundering Reporting Officer (MLRO). The Head of Accountancy can be contacted as follows:

Margaret McCrossan



ANTI-MONEY LAUNDERING POLICY

Head of Accountancy (Chief Financial Officer)
Accountancy Services
Eastwood Headquarters, Rouken Glen Road, Giffnock, G46 6UG

Tel: 0141 577 3035
E-mail: margaret.mccrossan@eastrenfrewshire.gov.uk

In the first instance, telephone contact can be made to discuss concerns in confidence. Where it is deemed necessary by the MLRO, this initial contact should be followed up by the submission of a completed form (Appendix 1).

- 4.7 In the event that the MLRO is not available then any disclosure must be made to the Chief Accountant or Chief Internal Auditor and they can be contacted as follows:

Barbara Clark
Chief Accountant
Accountancy Services
Eastwood Headquarters, Rouken Glen Road, Giffnock, G46 6UG

Tel: 0141 577 3068
E-mail: barbara.clark@eastrenfrewshire.gov.uk

Michelle Blair
Chief Auditor
Chief Executive's Office
Eastwood Headquarters, Rouken Glen Road, Giffnock, G46 6UG

Tel: 0141 577 3067
E-mail: michelle.blair@eastrenfrewshire.gov.uk

- 4.8 The disclosure should be within hours of the information coming to their attention, not days or weeks later. Employees/members will need to supply as much information as possible to the MLRO about the individual or company concerned, i.e. names, addresses, and previous addresses if relevant, any bank account details if known, evidence of identification and reasons for suspicions. If any other employees/members have been involved with the transaction the name of these persons should also be passed to the MLRO.
- 4.9 The employee must not disclose or otherwise indicate their suspicions to the person(s) suspected of the money laundering. They must not discuss the matter with others or note on a file that a report has been made to the MLRO in case this results in the suspect becoming aware of the suspicion.
- 4.10 Persons making a disclosure will be informed as soon as possible if a report is then made to the National Crime Agency (NCA). As above, they must not make any further enquiries into the matter themselves and must also not disclose or otherwise indicate their suspicions to the person suspected of money laundering. They should not disclose the matter with others inside or outside of work or note on any file that a report has been made to the MLRO



ANTI-MONEY LAUNDERING POLICY

in case this results in the suspect becoming aware of the situation.

- 4.11 When a report has been made to the NCA any refund transaction must not be completed until clearance has been received from NCA, or seven days have elapsed since the disclosure was made to them and no instructions have been received. Employees must always check the position with the MLRO before taking any action.

5. CONSIDERATION OF DISCLOSURES

- 5.1 Upon being made aware of the disclosure, the MLRO will formally record details of the disclosure and acknowledge the details of the incident with the person making the disclosure. The MLRO may request Internal Audit to review the content of the report form and consider whether there is any other available internal information that may be relevant to assist the MLRO in evaluating the information provided, for example:

- Relevant transaction patterns and volumes;
- The length of any business relationship involved;
- The number of any one-off transactions and linked one-off transactions;
- Any identification evidence held

- 5.2 The MLRO may instruct Internal Audit to undertake other reasonable enquiries as considered appropriate in order to ensure that all available information is taken into account and available to the MLRO in deciding whether a report should be made to the National Crime Agency (NCA). As part of these enquiries, Internal Audit may need to discuss the form with the person making the disclosure.

- 5.3 Once Internal Audit have provided any additional information requested, the MLRO will evaluate the disclosure and any other relevant information and decide whether:

- There is actual or suspected money laundering taking place; or
- There are reasonable grounds to know or suspect that is the case; and
- Whether the matter should be reported to the NCA

- 5.4 Where it is concluded that the matter should be reported, the MLRO will liaise with the Chief Executive before reporting the matter to the NCA by completing a Suspicious Activity Report.

- 5.5 Where the MLRO concludes that there are no reasonable grounds to suspect money laundering, the disclosure form will be updated accordingly and consent given for any ongoing or imminent transactions to proceed.

- 5.6 All disclosure forms received by the MLRO and reports made by the MLRO to the NCA will be securely and confidentially retained by the MLRO for a minimum of five years.



ANTI-MONEY LAUNDERING POLICY

- 5.7 The MLRO will commit a criminal offence if they know or suspect, or have reasonable grounds to do so, through a disclosure being made to them, that another person is engaged in money laundering and they do not disclose this as soon as practicable to the NCA.

6. REVIEW AND APPROVAL OF THIS POLICY

- 6.1 The Anti-Money Laundering Policy will be reviewed at least every three years and any material amendment will be subject to approval by Cabinet.



Appendix 1

REPORT TO MONEY LAUNDERING REPORTING OFFICER							
Date							
Staff member(s) name							
Title/Department/Location							
Phone							
E-mail							
Detail of Suspected Offence							
Name and addresses of person/company involved (if a company the nature of their business)							
Transaction value, type of transaction (e.g. Council Tax, Sundry Debt)							
Nature of suspicions							
For completion by the MLRO							
Date received							
Unique reference number							
Date passed to Internal Audit							
Date of Internal Audit response							
Are there reasonable grounds for suspecting money laundering?							
If yes, date of report to NCA if over £10k							
Date transaction approved to proceed							
Categories (Tick any that apply. If Other give details)	<table style="width: 100%; border: none;"> <tr> <td style="width: 33%;">1. Overpayment</td> <td style="width: 33%;">4. Refund</td> </tr> <tr> <td>2. Debt/Charge</td> <td>5. Cashier error</td> </tr> <tr> <td>3. House/Asset resale (within 3 month)</td> <td>6. Other</td> </tr> </table>	1. Overpayment	4. Refund	2. Debt/Charge	5. Cashier error	3. House/Asset resale (within 3 month)	6. Other
1. Overpayment	4. Refund						
2. Debt/Charge	5. Cashier error						
3. House/Asset resale (within 3 month)	6. Other						
Signed and dated							
THIS REPORT TO BE RETAINED FOR AT LEAST FIVE YEARS							

Completed Form should be passed to the MLRO:
 Margaret McCrossan, Head of Accountancy (Chief Financial Officer),
 Eastwood Headquarters, 2nd Floor, Rouken Glen Road, Giffnock, G46 6UG
 E-mail: Margaret.mccrossan@eastrenfrewshire.gov.uk
 Phone: 0141 577 3035

