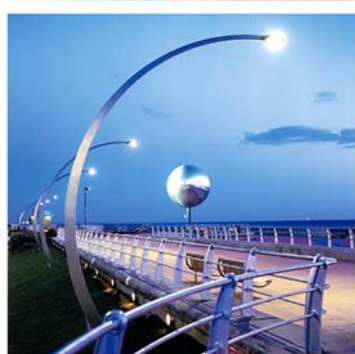


Anti-Money Laundering Policy and Procedures

November 2015

Blackpool Council



Anti-Money Laundering Policy and Procedure

Introduction

This policy explains what money laundering is and the legal framework that is in place to govern it.

It also details the procedures that need to be followed by the Council.

The aims of this policy and procedure are to:

- Assist staff and elected members at Blackpool Council to understand money laundering and their personal legal obligations and responsibilities arising from the requirements of legal and regulatory provisions.
 - Reduce the risk of Council services being used for money laundering purposes.
 - Set out the procedures that must be followed to enable the Council and its staff to comply with their legal obligations.
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Scope of Policy

This policy applies to all Council employees and elected members and aims to help to maintain high standards of conduct by preventing criminal activity through money laundering. This also includes casual employees and agency staff. The policy links to the Council's Code of Conduct particularly in relation to point 2.2 of the standards.

Non-compliance by a member of staff with the procedures set out in this policy may lead to disciplinary action. Non-compliance by an elected member will be reported to the Monitoring Officer to undertake an independent review of conduct.

What is Money Laundering?

Money laundering is any attempt to convert the proceeds of crime to money or assets that appear to have derived from legitimate activities. Anyone who becomes involved in an activity which they know or

suspect is related to the proceeds of crime may be guilty of money laundering.

There are three stages to money laundering:

- Stage 1 – Placement – criminally derived funds are introduced into the financial system.
 - Stage 2 – Layering – the funds are 'washed' and its ownership and source is disguised.
 - Stage 3 – Integration – the 'laundered' property is re-introduced as clean funds.
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Money Laundering: Legal and Regulatory Framework

There are three key pieces of legislation which make money laundering a criminal offence and these include:

Terrorism Act (2000)

The Terrorism Act (2000) applies to all individuals and businesses in the UK including local authorities. If during your employment at the Council you become aware of information which provides knowledge, or provides reasonable grounds for belief or suspicion, that proceeds have come from, or are likely to be used for, terrorism it must be reported. Reporting will prevent you being subject to money laundering offences relating to being implicated in illegal activity.

Proceeds of Crime Act (2002)

The Proceeds of Crime Act (2002) defines six money laundering offences of which the first four are the most relevant to the Council. These include:

- Concealing, disguising, converting, transferring or removing from the UK any criminal property.

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- Becoming concerned in an arrangement which you know or suspect facilitates the acquisition, retention, use or control of criminal property.
- Doing something that might prejudice an investigation.
- Failing to disclose known or suspected money laundering offences in the non-regulated sector.
- Failing to disclose known or suspected money laundering offences in the regulated sector.
- 'Tipping Off' by giving information to someone suspected of money laundering in such a way as to reduce the likelihood of their being investigated or prejudicing an investigation.

Money Laundering Regulations (2007) [as amended by the Money Laundering (Amendment) Regulations 2012]

The Money Laundering Regulations (2007) are not legally binding on local authorities because they are neither 'relevant persons' nor part of the 'regulated sector'. However, there is a risk of reputational damage for any local authority that does not have adequate policies and procedures in place.

Although local authorities are not directly covered by the requirements of the Money Laundering Regulations (2007), guidance from the Chartered Institute of Public Finance and Accountancy (CIPFA) indicates that Councils should comply with the underlying spirit of the regulations. It states that a 'prudent and responsible' Council will adopt 'appropriate and proportionate' policies and procedures designed to 'detect and avoid involvement in crimes described in the legislation and regulations'.

Aims and Requirements of the Money Laundering Legislation

The Regulations have two main aims:

- To enable suspicious transactions to be recognised and reported to law enforcement agencies.
- To ensure that, if a business's client comes under investigation in the future, the business can provide its part of the audit trail.

The Regulations require:

- Identification procedures
 - Record keeping procedures
 - Internal reporting procedures
 - Procedures to prevent money laundering
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What are the Offences and Penalties?

There are three principal money laundering offences:

- **Laundering** – Conviction resulting in a maximum 14 years imprisonment and / or fine.
 - **Failing to Report** - Conviction resulting in a maximum of 5 years imprisonment and / or fine.
 - **Tipping off** - Conviction resulting in a maximum of 5 years imprisonment and / or fine.
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Where can the money come from?

There are a number of sources of money laundering and some examples include:

- VAT / Customs Fraud
- Theft
- Forgery
- Blackmail
- Art and antique theft and fraud

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- Corruption
 - Smuggling
 - Illegal drugs trade
 - Fraud and extortion
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What areas are most at risk of Money Laundering?

The areas which are most at risk of money laundering include:

- Conveyancing.
 - Cash payments in excess of £13,000.
 - Refunds of overpayments to accounts.
 - Suspiciously low tenders.
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Money Laundering Policy

Elected members and staff at Blackpool Council need to be vigilant for signs of money laundering. The Council has a process in place for reporting suspicious activity, will provide appropriate training and has procedures for identification checks. The roles and responsibilities are defined below.

Roles and Responsibilities

Blackpool Council will strive to:

- Prevent the Council and its staff being exposed to money laundering.
- Identify the potential areas where it may occur.
- Comply with all legal and regulatory requirements, especially with regard to the reporting of actual or suspected cases of money laundering.
- Make all staff aware of the obligations placed on the Council and on themselves as

individuals by the anti-money laundering legislation.

- Provide training and guidance to those most likely to encounter money laundering activity.

Blackpool Council employees and elected members are required to:

- Report promptly all suspicions of money laundering activity to the Money Laundering Reporting Office (MLRO) or Deputy MLRO.
- Follow any subsequent directions of the MLRO or Deputy.
- Be alert to potentially suspicious circumstances. Where there may be doubt, particularly when forming a new business relationship or considering a significant one-off transaction, the identification procedures in the Council's Anti-Money Laundering Procedures should be followed.

Employees receiving or arranging to receive cash on behalf of the Council must:

- Ensure that they are familiar with the Council's Anti-Money Laundering Procedures.
- Ensure that no payment to the Council should be accepted in cash if it exceeds £13,000.

The nominated officers for reporting issues are:

- MLRO – Chief Internal Auditor
- Deputy MLRO – Audit Manager

The MLRO or Deputy must:

- Evaluate all concerns raised by staff to determine whether it is appropriate to make a report to the National Crime Agency (NCA).
- If appropriate, ensure that an internal report is completed using the pro forma provided in the Anti-Money Laundering Procedures.

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- If appropriate, submit a Suspicious Activity Report to the NCA using the NCA's standard form.

Anti-Money Laundering Procedures

What are the obligations on the Council?

The Chartered Institute of Public Finance and Accountancy (CIPFA) guidance advises that Council's should:

- Maintain robust recording keeping procedures.
- Make those members and employees who are likely to be exposed to, or suspicious of, money laundering activities, aware of the requirements and obligations in relation to money laundering.
- Provide targeted training to those considered most likely to encounter money laundering activities.
- Implement formal systems for employees and elected members to report money laundering suspicions to the MLRO.
- Establish internal procedures to anticipate and prevent money laundering and make relevant individuals aware of the procedures.
- Report any suspicions on money laundering to the NCA.
- Put in place procedures to monitor developments in 'grey' areas of legislation and to keep abreast of further advice and guidance as issued by relevant bodies.

To avoid the risk of non-compliance with the requirements of the legislation the above obligations should be considered across all areas of the Council. Therefore all elected members and employees are required to comply with the policy and procedures.

The Money Laundering Reporting Officer (MLRO)

The officer nominated to receive disclosures in relation to money laundering activity across the Council is the Chief Internal Auditor and the deputy MLRO is the Audit Manager. The contact details for both these officers are:

Money Laundering Reporting Officer (MLRO)

Tracy Greenhalgh

Chief Internal Auditor

Tel: (01253) 478554

E-mail: tracy.greenhalgh@blackpool.gov.uk

Deputy Money Laundering Reporting Officer (MLRO)

Gary Smith

Audit Manager

Tel: (01253) 478560

Email: gary.smith@blackpool.gov.uk

The MLRO (or deputy) will determine whether the information or other matters contained in the report received give rise to knowledge or suspicion that a person is engaged in money laundering. In making this judgement they will consider all other relevant information available to the Council concerning the person or business to which the initial allegation relates. The MLRO will complete a form to evidence this process, a copy of which can be found in **Appendix 2** of this document.

On completing this review the MLRO needs to be satisfied with the suspicions that the subject is engaged in money laundering. If this is the case the MLRO must then ensure that the information is disclosed to the NCA.

Reporting to the MLRO (Disclosure)

When you know or suspect that money laundering activity is taking / has taken place or is about to take place, or become concerned that your involvement in a matter may amount to a prohibited act under the

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legislation, you must disclose this as soon as possible to the MLRO.

The disclosure should ideally be made within 'hours' of the information coming to your attention, wherever practical, not weeks or months later.

The disclosure should be made to the MLRO using the pro forma attached at **Appendix 1** of this document. The report should include copies of any evidence and must contain as much detail as possible including:

- Full details when known of the people involved such as name, address, company name, directorships and phone numbers.
- Full details of the nature of their / your involvement.

If you are concerned that your involvement in the transaction would be a prohibited act, then your report must include all relevant details, as you will need consent from the NCA, via the MLRO, to take any further part in the transaction. This is the case even if the party giving rise to concern gives instructions for the matter to proceed before such consent is given.

You should explain in as much detail in the report to the MLRO:

- What consent is required and clarify whether there are any deadlines for giving such consent e.g. a completion date or court deadline.
- The types of money laundering activities involved.
- What type of money laundering offence you believe may be happening?
- The date of such activities and make a note stating whether the activity has happened, ongoing or imminent.
- The location where the activity took place i.e. department, section, and building.
- How the activities were undertaken.

- The (likely) amount of money / assets involved (if known).
- Why you are suspicious of the activity – the NCA will require full reasons.
- Any other available information to enable the MLRO to make a sound judgement as to whether there are reasonable grounds for knowledge or suspicion of money laundering.

Recognition of Suspicious Transactions

As the type of transaction which may be used by money launderers are almost unlimited, it is difficult to define a suspicious transaction.

The Council has set a general cash transaction limit of £13,000 (in line with the 2007 Regulations) over which any transaction or group of transactions from the same source should automatically be classified or deemed as suspicious. This does not however mean to say that any transactions under this limit on which you have suspicions should not be reported. All suspicious transactions, irrespective of their values, should be reported.

How can Suspicious Activity be identified?

Employees dealing with transactions that involve income for goods and services should look for:

- Cash over the value of £13,000 being received.
- Overpayment is received in cash and a refund is made.
- Overpayment is received by credit or debit card and a cheque refund is requested.

When dealing with a new customer think about:

- Is checking their identity proving difficult, is the individual reluctant to provide details?
- Is there a genuine reason for using the services provided?

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- Is the customer attempting to introduce intermediaries to either protect their identity or hide their involvement?
- Is the customer requesting a large cash transaction?
- Is the source of the cash known and reasonable?

For regular and established customers you need to consider:

- Is the transaction reasonable in the context of the service provider's normal business?
- Is the size or frequency of the transaction consistent with the normal activities of the customer?
- Has the pattern of the transaction changed since the business relationship was established?

Record Keeping Procedures

Each section of the Council conducting relevant business must maintain appropriate records of:

- Client identification evidence obtained.
- Details of all relevant business transactions carried out for clients for at last five years. This is so they may be used as evidence in any subsequent investigation into money laundering.

The precise nature of the records to be held is not prescribed by law, however they must be capable of providing an audit trail during any subsequent investigation.

In practice, Council services will routinely be making records of work carried out for various parties, customers and clients in the course of normal business and these should suffice in this regard.

Potential Money Laundering Indicators

Some key things to look out for when considering money laundering include:

- Overpayments.
- Secretive client.
- Unknown client.
- Illogical third party involvement.
- Payment of substantial cash sums.
- Concerns about honesty, identity or location of client.
- Unusual request for account details.
- Movement of funds overseas.
- Absence of legitimate source of funds.
- Size, nature and frequency of transactions out of line with expectations.
- Cancellation or reversal of a transaction.

Conclusion

The legislative requirements concerning anti-money laundering procedures are lengthy and complex. The policy and procedural guidance notes have been written to enable the Council to meet the legal requirements in a way that is proportionate to the Council's risk of contravening the legislation.

Should you have any concerns whatsoever regarding any transaction then you should contact the MLRO or their deputy.

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Appendix 1

Confidential

Report to the Money Laundering Reporting Officer

Re: Money Laundering Activity

To: Money Laundering Reporting Officer

From:

Directorate:

Tel No:

Details of Suspected Offence:

Name and Address of Persons Involved:

(If a company / public body please include details of the nature of business)

Nature, whereabouts, value and timing of activity / property involved:

(Please include full details e.g. what, where, when and how. Please include whereabouts of the laundered property, as far as you are aware)

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Nature of suspicions regarding such activity:

Has an investigation been undertaken (as far as you are aware)?

Yes / No

If yes please provide details below:

Have you discussed your suspicions with anyone else?

Yes / No

If yes please provide details below:

Do you feel you have a reasonable excuse for not disclosing the matter to NCA?

(e.g. are you a lawyer and wish to claim legal professional privilege?)

Yes / No

If yes please provide details below:

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Are you involved in a transaction which might be a prohibited act under sections 372-329 of the 2002 Act of Section 18 of the 200 Act which requires appropriate consent from the NCA?	Yes / No
If yes please provide details below:	

Please set out below any other information you feel is relevant?

Signed: _____

Date: _____

Please do not discuss the content of this report with anyone you believe to be involved in the suspected money laundering activity described. To do so may constitute a tipping off offence which carries a maximum penalty of five years imprisonment.

This report needs to be retained for five years.

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Appendix 2

Confidential

Money Laundering Reporting Officers Report

(to be completed by the Money Laundering Reporting Officer)

Date Report Received: _____

Date Receipt of Report Acknowledged: _____

Consideration of Disclosure / Action Plan:

Outcome of Consideration of Disclosure:

(Are there reasonable grounds for suspecting money laundering activity? Do you know the identity of the alleged money launderer or the whereabouts of the property concerned?)

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If there are reasonable grounds for suspicion will a report be made to the NCA?	Yes / No <i>(Please delete as appropriate)</i>
If yes please confirm date of the report to the NCA and complete the box below:	
Date of Referral:	
Notice period: _____ to _____	
Moratorium period: _____ to _____	

Is consent required from NCA to any ongoing or imminent transactions which would otherwise be prohibited?	Yes / No <i>(Please delete as appropriate)</i>
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If YES please confirm full details here:

Date consent received from NCA: _____
Date consent given by you to employee: _____

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If there are reasonable grounds to suspect money laundering, but you do not intend to report the matter to the NCA, please set out the reason (s) for non-disclosure:

Date consent given by you to the employee for any transactions prohibited by legislation to proceed:

Other relevant information:

Signed: _____

Date: _____

Please do not discuss the content of this report with anyone you believe to be involved in the suspected money laundering activity described. To do so may constitute a tipping off offence which carries a maximum penalty of five years imprisonment.

This report needs to be retained for five years.

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