



**LANCASTER CITY COUNCIL**  
*Promoting City, Coast & Countryside*

# Anti-Money Laundering Policy

## Initial Draft

Version 0.02

30 July 2009

## Version Control

Document Title: **Anti-Money Laundering Policy**

Document Ref: **Audit/Jobs/080744/Anti-Money Laundering Policy/Draft Anti-Money Laundering Policy.doc**

Version: **0.02**

Date: **30 July 2009**

Status: **Release 1**

Issue History:

Author: **Derek Whiteway, Internal Audit Manager**

## Document History

Document Title	Version	Reference / Date	Comments
Anti-Money Laundering Policy	0.01	15/05/09	Initial draft of the Policy
	0.02	30/07/09	Draft incorporating amendments following consultation with relevant officers, also updates from new CIPFA publication " <i>Combating Financial Crime</i> "

# **LANCASTER CITY COUNCIL**

## **ANTI MONEY LAUNDERING POLICY – INITIAL DRAFT**

### **Introduction**

1. The Proceeds of Crime Act 2002, the Terrorism Act 2000 and the Money Laundering Regulations 2007 place obligations on the Council and its employees to establish internal procedures to prevent the use of their services for money laundering.

### **Scope of the Policy**

2. This Policy applies to all employees and elected Members 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 standards expected and key procedural points 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. Further procedural information and guidance is set out in the accompanying Guidance Note. Both the Policy and the Guidance Note sit alongside the Council's Whistleblowing Policy and Anti-Fraud, Theft and Corruption Strategy.
4. Failure by a member of staff to comply with the procedures set out in this Policy may lead to disciplinary action being taken against them. Any disciplinary action will be dealt with in accordance with the Council's Disciplinary Procedure.

### **What is Money Laundering?**

5. Money laundering can be defined as "a process that makes money with an illegal origin appear legal so that it may be used". Legislation has now broadened the definition of money laundering and increased the range of activities caught by the statutory framework. As a result, there is an obligation on local authorities to establish internal procedures to prevent the use of their services for money laundering.
6. Money laundering is the term used for a number of offences involving the proceeds of crime or terrorism funds, as follows:
  - concealing, disguising, converting, transferring criminal property or removing it from the UK (section 327 of the 2002 Act);
  - 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 (section 328);
  - acquiring, using or possessing criminal property (section 329).
  - failure to disclose any of the above offences; and
  - 'tipping off' a person suspected of being involved in money laundering or notifying them that they are the subject of a police investigation
7. Potentially any individual (including a member of staff or elected Member) can be subject to the money laundering provisions if they suspect money laundering and either become involved with it in some way and/or do nothing about it. The Guidance Note gives practical examples and sets out how any concerns should be raised.

## What are the Council's obligations?

8. The statutory requirements concerning anti money laundering procedures are extensive and complex. The purpose of this policy is to enable the Council, its employees and its elected members to meet their legal obligations in a way that is proportionate to the low risk to the Council of contravening the legislative framework
9. Whilst the legislation applies to all individuals and organisations in the UK, the main obligations are placed upon individuals and businesses that fall within 'the regulated sector' and carry out 'relevant business'. This mainly means people or businesses who provide for example, accountancy, legal and property services to third parties. It is CIPFA's<sup>1</sup> view that the normal provision of such services within the Council does not count as 'relevant business' and that public authorities are not legally obliged to apply the provisions of the Money Laundering Regulations 2007. Nevertheless, it is CIPFA's view that as responsible public bodies, local authorities should employ policies and procedures which reflect the essence of the UK's anti-terrorist financing and money-laundering regimes.
10. The Council will therefore:
  - appoint a Money Laundering Reporting Officer (MLRO) to receive disclosures from employees or elected Members of money laundering activity;
  - implement a procedure to enable the reporting of suspicions of money laundering;
  - establish and maintain additional procedures in relevant circumstances (where it is operating within the 'regulated sector'); and
  - maintain appropriate record keeping procedures.
11. Given the current arrangements for collecting income, and particularly the restrictions on the collection of cash, it is felt that the Council's exposure to money laundering activity is restricted. It is, however, important that elected Members and employees, particularly those involved in activities identified as being exposed to potential money laundering activity, are familiar with their personal legal responsibilities, as serious criminal sanctions can be imposed for breaches of the legislation. Furthermore, if the Council were subject to a money laundering offence, this would reflect badly on its stewardship role and reputation.
12. The key requirement on employees and elected Members is to promptly report any suspected money laundering activity to the Money Laundering Reporting Officer. Vigilance by the Council, its employees and elected Members can help identify those who are or may be perpetrating crimes relating to the financing of terrorist activity and money laundering.

## The Money Laundering Reporting Officer (MLRO)

13. The Council's nominated MLRO is the Internal Audit Manager, whose address is as follows:-

Internal Audit Manager  
Financial Services  
Town Hall  
Lancaster  
LA1 1PJ

---

<sup>1</sup> Chartered Institute of Public Finance and Accountancy

14. The current MLRO is Derek Whiteway who can be contacted on 01524 58(2028) (Direct Line) or [dwhiteway@lancaster.gov.uk](mailto:dwhiteway@lancaster.gov.uk) In the absence of the MLRO, the Principal Auditor, Bob Bailey is authorised to deputise. Bob can be contacted at the above address or on telephone number 01524 58(2018) (Direct Line) or [rbailey@lancaster.gov.uk](mailto:rbailey@lancaster.gov.uk).
15. All disclosures will be reported in confidence to the Chief Executive, Monitoring Officer (currently the Head of Legal and Human Resources) and the s151 Officer (currently the Head of Financial Services).

## **Reporting Requirements**

16. Where an employee or elected Member 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 involved. If this involves the Council receiving money, no transaction may be made by anyone until this has been done.
17. Any person knowing or suspecting money laundering, fraud or use of the proceeds of crime must report this to the MLRO on the forms provided with the Guidance Note.
18. Upon receipt of a report the MLRO will consider all of the admissible information in order to determine whether there are grounds for suspecting money laundering.
19. If the MLRO determines that the information should be disclosed he will make a report to the Serious Organised Crime Agency (SOCA).
20. At no time and under no circumstances should any employee or elected Member voice any suspicions to the person(s) suspected of money laundering, even if the SOCA has given consent to a particular transaction proceeding.
21. The MLRO will keep the appropriate records in a confidential manner.

## **Related Procedures**

22. The Council, has adopted the following procedural standards:
  - (i) Regular receipts – the Council in the normal operation of its business accepts payments from individuals and organisations in respect of a range of activities. If an employee or elected Member has reasonable grounds to suspect the existence of a money laundering activity or proceeds of crime or is simply suspicious, the matter should still be reported to the MLRO.
  - (ii) Cash receipts – if the money offered in cash is £1,000 or more then payment must not be accepted until the employee has received guidance from the MLRO.
  - (iii) Refunds – any significant overpayment which results in a repayment will need to be properly investigated and authorised before payment.
23. The Council will establish other procedures for internal control and communication as may be appropriate for the purpose of the prevention of money laundering.

## **Effectiveness**

24. The Council's exposure to money laundering risks and the content and effectiveness of this policy shall be reviewed at least annually by the Internal Audit Manager and the Audit Committee.