

AUDIT COMMITTEE

23rd September 2009

Anti-Money Laundering Policy

Report of Internal Audit Manager

PURPOSE OF REPORT

To seeks Members approval for a proposed policy dealing with the council's exposure and responsibilities in relation to money laundering activity and the proceeds of crime.

This report is public

RECOMMENDATIONS

- (1) That the proposed Anti-Money Laundering Policy attached as Appendix A is approved.**
- (2) That the proposed Anti-Money Laundering Guidance Notes attached as Appendix B are noted and endorsed.**
- (3) That the proposed amendments to Financial Regulations and Procedures set out in Appendix C are approved.**
- (4) That, as set out in the policy, the Internal Manager reviews and reports annually to the Audit Committee on its operation and effectiveness.**

1.0 Introduction

- 1.1 In recent years, there have been significant changes to the legislation concerning money laundering. The Proceeds of Crime Act 2002, the Terrorism Act 2000 and the Money Laundering Regulations 2007 place obligations on all individuals, including employees and elected members, and on the council to establish internal procedures to prevent the use of its services for money laundering.
- 1.2 Whilst the Internal Audit Manager has been informally identified as the Council's Money Laundering Reporting Officer (MLRO), a formal policy has not so far been established in relation to dealing with suspected money laundering activity.

2.0 Report

2.1 The draft Anti-Money Laundering Policy attached at Appendix A has been developed from best practice guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). The Policy describes:-

- what money laundering is;
- the obligations of the Council;
- disclosure procedures;
- the role of the MLRO in disclosures;
- reporting standards and related procedures; and
- policy review arrangements

2.2 The “related procedures” section of the policy sets out specific standards in relation to receipts and refunds. It is proposed within the policy that the Council will not accept any cash payment in excess of £1,000. This is intended as a preventative measure requiring notification to the MLRO of any attempted cash payment above this limit.

2.3 A detailed Anti-Money Laundering Guidance Note (attached as Appendix B) has been produced in support of the policy. It is proposed to use this document as the basis for providing appropriate levels of training and guidance to relevant employees and elected members. This will range from providing general awareness information to the majority of employees and elected members to more in-depth and targeted training for employees whose duties involve services and activities where the risk of money laundering activity is highest, for example property transactions, income handling and financial services generally.

2.4 Approval of the policy as drafted will require a number of changes to the existing Financial Regulations and Procedures; the proposed changes are set out in Appendix C. Authority to approve amendments to Financial Regulations is delegated to the Audit Committee under Article 15.02(a)(i).

3.0 Details of Consultation

3.1 Service Heads whose areas of responsibility involve the potential for money laundering activity have been consulted on both the Anti-Money Laundering Policy and Guidance Notes.

4.0 Options and Options Analysis (including risk assessment)

4.1 The options available are:

- A. To approve the draft policy as submitted, or with any amendments suggested by the Committee
- B. Not to proceed with the policy

4.2 Options analysis, based on associated risks and opportunities is set out in the following table:

Risk /Opportunity	Option A – Approve Policy	Option B – Do Not Proceed
Failure of the council to meet statutory requirements in identifying and responding to money-laundering activity	Adoption of the policy defines, in accordance with proper practice, the council’s responsibilities and how it will respond	Without a formal policy statement, the council’s response is likely to be inconsistent; statutory requirements may not be met
Failure of individuals to meet statutory expectations	The policy and guidance provide the framework for ensuring that individuals are aware of their own responsibilities	Individuals are unlikely to be aware of their personal responsibilities
Risk of financial loss to the council from a money-laundering offence	The policy is aimed at establishing risk-sensitive procedures within the council. Risks will be more fully understood and managed	Exposure to the risk of financial loss is likely to be poorly understood and managed

4.3 For the reasons covered in the above table, option A is the preferred option.

5.0 Conclusion

5.1 Legislative changes in recent years and the publication by CIPFA of professional guidance on money laundering and financial crime present an opportunity for the council to strengthen its commitment to combat crime. Approval of the proposed Anti-Money Laundering Policy and Guidance Note provide the framework for this commitment to be implemented and fulfilled.

CONCLUSION OF IMPACT ASSESSMENT

(including Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing)

Not applicable

FINANCIAL IMPLICATIONS

None arising from this report

SECTION 151 OFFICER’S COMMENTS

The Section 151 Officer has been consulted and has no further comments.

LEGAL IMPLICATIONS

It is appropriate in pursuance of its statutory requirements for the council to establish a money laundering policy. Legal Services have been consulted upon the proposed policy and are satisfied that it supports the council’s obligations under the legislation.

MONITORING OFFICER'S COMMENTS

The Monitoring Officer has been consulted and has no further comments

BACKGROUND PAPERS

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