

**MONEY LAUNDERING AVOIDANCE POLICY & PROCEDURE**  
**(Report by the Audit Manager)**

## **1 INTRODUCTION**

1.1 Recent legislation concerning money laundering (the Proceeds of Crime Act 2002 (POCA) and the Money Laundering Regulations 2003 (the Regulations)) has significantly broadened the definition of money laundering and increased the range of activities caught by the statutory framework. This report outlines the Council's response to that legislation.

1.2 The principal money laundering offences as defined by the POCA are:

- the concealing, disguising, converting, transferring or the removal of criminal property from the UK;
- entering into or becoming concerned in an arrangement which is known or suspected to be concerned with the acquisition, retention, use or control of criminal property;
- to acquire, use or have possession of criminal property.

Other offences are:

- the failure to disclose knowledge or suspicions of money laundering
- tipping off an alleged offender

The money laundering definition is such that it can be applied to virtually all criminal assets, not just the narrow definition of 'money'. The POCA also clearly states the offences apply to all UK residents, whether acting in a private or professional capacity.

1.3 The Regulations are concerned with measures to restrict the opportunities for money laundering by ensuring that businesses introduce money laundering reporting systems, staff training, customer identification, record keeping and internal reporting procedures.

## **2 LEGISLATION**

2.1 The legislation is primarily aimed at providers of financial and legal services in the 'regulated sector' where 'by way of business' they undertake 'regulated activities'.

2.2 The Council undertakes business in the regulated sector since it engages in two areas of activities – deposit-taking and dealing, arranging, managing and advising etc on investments – which are defined as regulated activities by the POCA.

2.3 All local authorities have previously been provided an exemption by the Financial Services and Markets Act 2000 (FSMA), that effectively removes deposit-taking as a regulated activity. With regard to investments, it is considered that these activities are not carried out 'by way of business' as they are pursued solely for the purposes of improved investment performance. The provisions of the POCA are therefore thought not to apply to the Council.

### **3 ISSUES TO CONSIDER**

- 3.1 Whilst the Council is outside the scope of the legislation it should be acknowledged that this does not make it immune from the risks associated with money laundering. A review of activities that may be susceptible to money laundering has been undertaken and it is considered that we have a relatively low risk exposure.
- 3.2 It is proposed that a money laundering avoidance policy be adopted, together with supporting guidance notes. The policy and guidance will introduce proportionate safeguards and reporting arrangements that allow the Council to comply with the spirit of the legislation.
- 3.3 The policy and the guidance note will be incorporated into the Council's Anti-Fraud and Corruption Strategy.

### **4 RECOMMENDATIONS**

- 4.1 It is recommended that the anti-money laundering policy attached at Appendix A be adopted.

#### **BACKGROUND INFORMATION**

*CIPFA Publication - Proceeds of Crime (Anti-Money Laundering) Practical Guidance for Public Sector Organisations*  
*Proceeds of Crime Act 2002*  
*Money Laundering Regulations 2003*

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## **Huntingdonshire District Council**

### **Money Laundering Avoidance Policy**

#### **Money Laundering**

Money laundering is the process by which criminally obtained money or other assets (criminal property) are exchanged for "clean" money or other assets with no obvious link to their criminal origins. It also covers money, however come by, which is used to fund terrorism.

The primary money laundering offences are:

- concealing, disguising, converting, transferring criminal property or removing it from the UK
- doing anything to assist the above
- not reporting suspicions that money laundering is taking place
- acquiring, using or the possession of criminal property

#### **Policy Statement**

The Council is committed to maintaining high standards of probity and conduct. It will introduce procedures, proportional to the risks that it faces, that endeavour to identify and prevent criminal activity through money laundering.

It will do this by:

- Setting a maximum limit for the receipt of cash payments (notes, coins and travellers' cheques).
- Introducing guidance that applies to all employees of the Council, explaining their responsibilities in identifying and reporting potential money laundering activity.
- Introducing client identification procedures for 'regulated activities'.
- Designating an officer to be responsible for receiving, examining and investigating all concerns.
- Ensuring that the money laundering avoidance policy and guidance is complimentary to other anti-fraud and corruption policies and associated guidance that has been, or may be, introduced.

#### **Maximum Limit for the Receipt of Cash Payments**

The maximum limit for the receipt of cash payments shall be set annually to the nearest £100 above the level of Council Tax for a Band H property.

The limit shall be clearly displayed at all Council Offices.

### **Guidance and Training**

General guidance to staff shall be published via the intranet outlining their responsibilities with regard to money laundering, reporting arrangements and compliance with this policy. Officers employed in services that are considered to be especially vulnerable to money laundering shall also receive training.

### **Client Identification Procedures**

Guidance to staff detailing the procedures to be followed and evidence to be maintained that verifies the identity of clients involved in certain transaction types of £10,000 or more shall be introduced.

### **Internal Reporting Procedures**

The Internal Audit Manager, who has already been designated the 'Money Laundering Reporting Officer' under the Council's treasury management practices, shall be appointed the designated officer in respect of this policy and for that purpose shall report to the Director of Central Services and Monitoring Officer.

He will be responsible for receiving and reviewing all concerns reported, deciding upon the action to take, leading and directing investigations, preparing any subsequent reports and liaising with the person raising the concern and statutory authorities.

### **Co-ordination of Policies**

All Council strategies, policies, procedures and guidance shall be reviewed at least annually to ensure that they are complimentary to one another with regards to raising and investigating anti-money laundering concerns.

### **Monitoring and Review**

The Director of Central Services, as Monitoring Officer, will be responsible for monitoring the implementation and effectiveness of the Policy and the guidance note.