

MONEY LAUNDERING AVOIDANCE POLICY & PROCEDURE
(Joint report by the Head of Law, Property and Governance
and the Audit & Risk Manager)

1 INTRODUCTION

- 1.1 The legal and regulatory framework for anti-terrorist financing and anti-money laundering arrangements comprises
- The Terrorism Act 2000 (TA);
 - The Proceeds of Crime Act 2002 (POCA); and
 - The Money Laundering Regulations 2007, SI 2157.

The Council introduced a Money Laundering Avoidance Policy and Procedure in July 2005. This was in response to the legislation above, although it should be noted that the 2003 Money Laundering Regulations were in force at that time

The 2003 Regulations were revoked in December 2007 and replaced by the Money Laundering Regulations 2007, SI 2157.

- 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 2007 Regulations explicitly remove Local Authorities from complying with money laundering requirements. This is because Council's are not 'relevant persons' (as defined in the 2007 Regulations) nor are they part of the 'regulated sector'(as defined in POCA).
- 2.2 The POCA remains in force and requires only that staff have a general awareness of money laundering issues and that an Officer is nominated to deal

with notifications to the Serious Organised Crime Agency in the event of suspected money laundering.

3 POLICY REVIEW

- 3.1 The Money Laundering Policy has been reviewed each year by the Audit & Risk Manager although not formally reported to the Panel. Whilst the legislation has changed, the need to minimise the Council's reputation risk remained and the overall affect on the Council did not alter due to the need for compliance with the POCA.
- 3.2 A review of activities that may be susceptible to money laundering was undertaken prior to the adoption of the Policy in July 2005. It was considered at that time that our exposure to money laundering was low and the Policy we adopted was a proportionate response to the legislation and risks faced. The risks were further reduced when Customer Services stopped accepting cash payments.
- 3.3 Whilst Customer Services no longer accepts cash payments, it is still accepted in other service areas, primarily One Leisure.

The original Policy allowed for cash sums of up to £100 above the Band H Council Tax to be accepted. This figure is now considered too high and a lower figure of £1000 is suggested. This will still allow One Leisure to continue to accept substantial cash payments, primarily for event bookings.

- 3.4 As the Policy was introduced specifically to deal with the requirements of the 2003 Money Laundering Regulations, it could be argued that as they have been revoked a specific Policy is no longer required. Certainly the need to undertake customer identification procedures for 'regulated activities' is no longer required and has been removed from the Policy.

It is suggested that the changes to the Policy be adopted, and that the POCA requirements are included within the Anti-Fraud and Corruption Strategy when it is reviewed in December.

The Money Laundering Avoidance Policy is attached at Annex A.

4 RECOMMENDATIONS

- 4.1 It is recommended that the Panel note the report and agree to
 - a. The Money Laundering Avoidance Policy; and
 - b. Integrate the Policy into the Anti-Fraud and Corruption Strategy in December 2010.

BACKGROUND INFORMATION

Proceeds of Crime Act 2002

Money Laundering Regulations 2007 (SI 2157 2007)

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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 and coins).
- 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 £1000.

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 & Risk 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 Council's 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 Council's Monitoring Officer, will be responsible for monitoring the implementation and effectiveness of the Policy and the guidance note.