



**Governance & Audit  
Committee**

**24 July 2018**

**Subject: Anti-Money Laundering Policy**

Report by:	Tracey Bircumshaw, Strategic Finance and Business Support Officer
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Purpose / Summary:	The report provides for a new individual Anti-Money Laundering Policy that takes account of recent legislation changes.

**RECOMMENDATION(S):**

- 1) Members approve that the Executive Director of Resources (S151) is appointed as the Council's Money Laundering Reporting Officer and the Strategic Manager Finance and Business Support (Deputy S151 Officer) is appointed as deputy.
- 2) That the Anti-Money Laundering Policy be approved.

## IMPLICATIONS

### Legal:

The law which comprises the *UK Anti Money Laundering regime* is contained in the following legislation and relevant amending statutory instruments:

- The Proceeds of Crime Act 2002 (POCA) as amended by the Serious Organised Crime and Police Act 2005 (SOCPA);
- The Terrorism Act 2000 (TA 2000) (as amended by the Anti-Terrorism Crime and Security Act 2001 (ATCSA) and the Terrorism Act 2006 (TA 2006));
- Terrorist Asset-Freezing Act 2010; 6
- Anti-terrorism, Crime and Security Act 2001;
- Counter-terrorism Act 2008, Schedule 7;
- The Criminal Finances Act 2017.
- The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (the 2017 Regulations);

The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 place considerable new responsibilities on the Council to put in place policies and procedures for monitoring and reporting, to require the appointment of a Money Laundering Reporting Officer and a deputy to implement and keep under review procedures for the identification of instances of money laundering. Ultimately, any instances found will need to be reported to the National Crime Agency.

The adoption of the updated will enable the Council to meet its responsibilities under the above legislation.

### Financial: FIN/64/19/TJB

There are no financial implications arising directly from this report. It is expected that training costs will be met from within existing budgets.

**Staffing:** No additional staff resources will be required but those staff affected must be trained appropriately so that they understand their own personal anti money laundering obligations and that of the Council wide systems and controls.

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**Equality and Diversity including Human Rights:**

None arising from this report.

**Risk Assessment:** In order to implement the requirements Council officers have carried out a “risk-based approach” which has allowed the Council to tailor the strategy in proportion to the perceived risk.

Money laundering is considered a very low risk for West Lindsey District Council

**Climate Related Risks and Opportunities:** None arising from this report

**Background Papers:** No background papers within Section 100D of the Local Government Act 1972 were used in the preparation of this report.

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**Call in and Urgency:**

**Is the decision one to which Rule 14 of the Scrutiny Procedure Rules apply?**

Yes

No

**Key Decision:**

Yes

No

## **1. Background**

- 1.1 The Council approved the existing Anti-Fraud, Corruption and Money Laundering Policy & Strategy in 2015.
- 1.2 Since that time there has been a major item of legislation issued in respect of money laundering, in addition to changes in the organisations management structure and roles and responsibilities.
- 1.3 As a result of the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 there are now more obligations on Councils that require the establishment of internal procedures to prevent the use of their services for money laundering.
- 1.4 Therefore a new specific Money Laundering Policy is attached for Members approval.
- 1.5 A new Counter Fraud and Corruption policy will be presented at a future meeting.

## **2. Money Laundering Policy changes**

- 2.1 The new Anti-Money Laundering Policy is attached at Appendix A.
- 2.2 The main changes focus on the requirements of the new money laundering regulations and specifically virtually the whole of section 5 is new and covers the following requirements:
  - To appoint a Money Laundering Reporting Officer (“MLRO”) and deputy to receive disclosures from employees of money laundering activity (their own or anyone else’s);
  - To implement a procedure to enable the reporting of suspicions of money laundering;
  - To maintain client identification procedures in certain circumstances; and
  - To maintain record keeping procedures.
- 2.3 Although the changes are significant, the expectation is that the risk of the Council being involved in money laundering activities is very small. The Council has considerably reduced the amount of actual cash that is handled which will greatly help in preventing instances of money laundering. The policy relating to money laundering has therefore been determined in order to enable the Council to meet the legal requirements in a way which is proportionate to the very low risk to the Council of contravening the legislation.
- 2.4 The Policy nominates the Executive Director of Resources (S151) as the Money Laundering Reporting Officer with the Strategic Finance and Business Support Manager (Deputy S151) acting as deputy.

- 2.5 The internal reporting procedure for suspicious activity (SAR) is included as pro-forma's in Appendix B and C of the Policy
- 2.6 The MLRO will report annually to the Corporate Governance & Audit Committee on the effectiveness of the controls and of all cases of Suspicious Activity Reports (SAR) received in the previous year.
- 2.7 Rather than referring to organisations as a whole, the regulations refer to "relevant business" which is defined with reference to the nature of the activities undertaken. Some of the Council's business is "relevant" for the purposes of the legislation:
- the provision by way of business of advice about the tax affairs of another person by a body corporate
  - the provision by way of business of accountancy services by a body corporate
  - the provision by way of business of audit services
  - the provision by way of business of legal services by a body corporate which involves participation in a financial or real property transaction (whether by assisting in the planning or execution of any such transaction or otherwise by acting for, or on behalf of, a client in any such transaction);
  - the provision by way of business of services in relation to the formation, operation or management of a company or a trust;
- 2.8 It is therefore mainly the Finance and Business Support Services and Audit Services and certain financial, company and property transactions undertaken by Legal Services which will be formally subject to the internal procedures. Since audit and legal services are provided to the Council by Lincolnshire County Council it will mainly be the Finance and Business Support Service that will be subject to the internal procedures. Lincolnshire County Council will need to determine their own policies relating to anti money laundering.
- 2.9 However, although the conduct of relevant business does not apply to the Council as a whole, all members of staff are required to comply with the Council's Anti-Money Laundering Policy in terms of reporting concerns re money laundering; this will ensure consistency throughout the organisation and avoid inadvertent offences being committed.
- 2.10 The client identification procedure (as included at 5.7 & 5.8 in the Policy) is only required to be followed by those engaging in "relevant business" as defined above.

- 2.11 The new requirements will mean that those services affected will have to maintain client identification procedures in certain circumstances and maintain record keeping of the procedures being operated.
- 2.12 Training for a small number of employees affected will be required relating to the new policies and procedures and the MLRO will need to be fully conversant with the legislation and the responsibilities placed upon this post.
- 2.13 The regulations require that the appointment of the MLRO and deputy and the new policies and procedures be approved by senior management. Member's approval of the new Money Laundering Policy as attached will meet these requirements.