



# **Anti Money Laundering and Financial Crime Prevention Policy**



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### Record of review / approval:

	Approval By:	Date Approved:
Version 1 Revised Policy	JSCC	
	Corporate Policy & Resources Cttee	

## 1. Policy Statement

West Lindsey District Council recognises that measures need to be in place to:

- Monitor, detect and prevent financial crime in the Council;
- Help put in place systems and controls which mitigate financial crime risk effectively; and
- Enable the reporting of any suspicion of financial crime or related issues (using the councils Whistleblowing policy).

The council will promote this policy in accordance with legislation and will strive to provide an environment free of financial crime. Senior management will be responsible for ensuring that this is understood and adhered to by all employees of the council. It is also acknowledged that some services will be more exposed to potential financial crime than others but that all staff should still have an awareness of this policy.

## 2. Scope of Policy

All Councillors, employees and others who work on behalf of the council are expected to carry out their responsibilities under this policy and to follow relevant policies and procedures.

This policy covers the following areas:

- Prevention of Financial Crime
- Anti-Money Laundering
- Fraud and Bribery Response Plan

This policy applies to all aspects of the Council's functions including:

- Provision of services
- Commissioning and purchasing of goods and services
- Recruitment, employment, training and development of staff
- Grants to voluntary and community organisations
- Landlord functions in respect of housing and other property
- Exercise of statutory powers and responsibilities
- Partnerships with other organisations

- Community involvement
- Consultation with local people
- Promotion and publicity

Any breach of this policy by employees may result in action being taken under the Disciplinary Policy. Volunteers and contractors may be excluded from further involvement with provision of council services.

### 3. Definitions

In regard to this policy and associated policies the definitions used by West Lindsey District Council are:

**Fraud:** the intentional distortion of financial statements or other records by persons internal or external to the authority which is carried out to conceal the misappropriation (misuse) of assets or otherwise for gain.

**Corruption:** the offering, giving, soliciting, or acceptance of an inducement or reward which may influence any person to act inappropriately

**Theft:** appropriating property belonging to another with the intention of permanently depriving the other of it

**Bribery:** is an inducement or reward offered, promised or provided to gain personal, commercial, regulatory or contractual advantage

**Money laundering:** is the term used for a number of offences involving concealing the proceeds of crime or terrorist funds, so that they appear that they have come from a legitimate source. Relevant legislation includes the Proceeds of Crime Act 2002, Money Laundering Regulations 2007, the Terrorism Acts of 2000 and 2006, and the Serious Organised Crime and Police Act 2005. Money Laundering involves one or more of three principal offences: concealing, arranging and acquisition/use/possession.

**Whistleblowing:** when a person reports suspected wrongdoing at work. Officially this is called 'making a disclosure in the public interest'

### 4. Legislation

Financial crime in the Proceeds of Crime Act 2002, (as amended by the Serious Crime Act 2015) covers any kind of criminal conduct relating to money or to financial services or markets, including any offence involving:

- i. Fraud or dishonesty; or
- ii. Misconduct in, or misuse of information relating to, a financial market; or
- iii. Handling the proceeds of crime; or

#### iv. The financing of terrorism.

This was originally aimed at professionals in the financial and investment sectors. However, it was subsequently recognised that those involved in criminal conduct were able to 'clean' the proceeds of crime through a wider range of business and professional activities – including council activities.

The Fraud Act 2006 describes fraud as the intention to make gain or cause loss under three main headings:

- Fraud by false representation
- Fraud by failing to disclose information
- Fraud by abuse of position

The Bribery Act 2010 defines bribery as giving someone a financial or other advantage, to encourage that person to perform their functions or activities improperly, to reward a person for having already done so, in order to gain personal, commercial, regulatory or contractual advantage. It is the most common form of corruption.

## 5. Prevention of Financial Crime

This policy recognises the increase in economic crime which refers to a broad category of activity involving money, finance or assets, the purpose of which is to unlawfully obtain a profit or advantage for the perpetrator to cause loss to others. This can include fraud against the individual, private sector and public sector, terrorist financing, sanctions contravention, market abuse, corruption and bribery, and the laundering of proceeds of all crimes.

This policy provides measures to monitor, detect and prevent financial crime within the Council and to help put in place systems and controls which mitigate financial crime risk effectively. The policy applies to all council activities and outlines our commitment to creating a culture of zero tolerance of fraud, theft and corruption (including bribery) and maintaining high ethical standards in the administration of public funds.

To report any suspicion you have of any financial crime or related issues you can follow the Councils' whistleblowing procedure.

### Prevention of Financial Crime

The areas where we particularly look for risks of financial crime are in relation to fraud, corruption, theft, bribery, and money laundering.

The Council firmly endorses a culture of integrity and honesty and take a robust approach to any signs of financial crime.

The Councils' approach is to proactively and effectively manage the risk of financial crime and to minimise losses incurred by:

- Maintaining fully integrated policies;
- Promoting a culture of honesty and propriety;
- Deterring the risk of occurrence of financial crime;
- Preventing risks that cannot be deterred;
- Detecting risks that cannot be prevented;
- Professionally investigating financial crime detected;
- Applying sanctions against people who commit financial crime;
- Seeking redress for assets defrauded;
- Communicating with officers, members, contractors, the public and partners making them aware of the policies and how to raise concerns;
- Providing training and guidance to all employees and members.

Appropriate policies and procedures are maintained to ensure that internal controls are built into the Councils' systems and processes to prevent or detect financial crime.

There is an expectation and requirement that all contractors, suppliers, individuals and organisations associated in whatever way with the Councils will act with integrity and that Council staff and Members will lead by example. Members and officers should demonstrate the highest standards of openness, propriety and integrity and lead by example by adhering to legally sound and honest procedures and practices. The prevention and detection of fraud or corruption, and the protection of the public purse, are everyone's responsibility, both internal and external to the organisation.

## **6. Anti-Money Laundering**

The purpose of this policy is to ensure that all staff and Members are aware of:

- What money laundering is;
- The legislative changes;
- Their responsibilities;
- How to deal with suspected money laundering cases;
- The consequences of non-compliance with this policy.

### **What money laundering is and possible signs of money laundering activity**

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

The four main offences are concealing, arranging, acquisition/use/possession, and tipping off.

Organisations in the 'regulated sector' and which undertake particular types of regulated activity must:

- appoint a Money Laundering Reporting Officer (MLRO) to receive disclosures from employees of money laundering activity (their own or anyone else's);
- implement a procedure to enable the reporting of suspicions of money laundering;
- apply customer due diligence measures in certain circumstances;
- obtain information on the purpose and nature of certain proposed transactions / business relationships;
- conduct ongoing monitoring of certain business relationships;
- maintain record keeping and other specified procedures on a risk sensitive basis;
- train relevant staff.

It is impossible to give a definitive list of ways in which to spot money laundering; however, one or more of the following may suggest money laundering activity (not an exhaustive list):

#### General

- A secretive client e.g., refuses to provide requested information without a reasonable explanation;
- Concerns about honesty, integrity, identity or location of a client;
- Illogical third party transactions e.g. unnecessary routing or receipt of funds from third parties or through third party accounts;
- Involvement of an unconnected third party without logical reason or explanation;
- Payment of a substantial sum in cash;
- Overpayments by a client;
- Absence of an obvious legitimate source of the funds;
- Where, without reasonable explanation, the size, nature and frequency of transactions or instructions (or the size, location or type of a client) is out of line with normal expectations;
- A transaction without obvious legitimate purpose or which appears uneconomic, inefficient or irrational;
- The cancellation or reversal of an earlier transaction;
- Requests for release of client account details other than in the normal course of business;

- Poor business records or internal accounting controls;
- A previous transaction for the same client, which has been, or should have been and was not, reported to the Money Laundering Reporting Officer;
- Complaints about a customer that raise suspicions of criminal activity / money laundering; and
- Items in a customer's home that raise suspicions / seem out of the norm (e.g. several new boxed televisions).

#### Council/Property Matters

- A cash buyer;
- A sudden change of buyer;
- Unusual property investment transactions if there is no apparent investment purpose or rationale;
- Instructions to receive and pay out money where there is no linked substantive property transaction involved (surrogate banking);
- Funds received for deposits, or prior to completion from an unexpected source or where instructions were given for settlement funds to be paid to an unexpected destination;
- No clear explanation as to the source of funds along with lack of clarity as to how the client would be in a position to finance the purchase; and
- Money comes from an unexpected source.
- Right to Buy (e.g., tenant able to pay for the purchase of their house in cash);
- Housing Rents, Council Tax, Non-Domestic Rates (e.g., customer able to pay large sums that are either in arrears, or in advance, in cash); and
- Sundry Debtors (e.g., an individual is able to clear their account with large amounts of cash)

#### Client Identification

All cash transactions over £1,000 must be reported to the Councils' Money Laundering Reporting Officer (Section 151 Officer). Cash includes notes, coins and travellers cheques.

Where the Council is carrying out regulated business such as the provision to other persons of accountancy, audit and tax services and the participation in financial or real property transactions and a cash transaction is complex or unusually large (more than £1,000), or the transaction is considered suspicious, staff must carry out a 'Customer due diligence test'.

Satisfactory evidence must be obtained of the identity of the prospective client and full details of the purpose and intended nature of the relationship or transaction as soon as practicable after instruction has been received.

For private individuals, evidence should include one of the following:

- valid Passport,
- valid Photo Card Driving Licence

This must be supported by secondary evidence such as:

- Utility Bill
- Bank, building society or credit union statement
- Most recent mortgage statement from a recognised lender

For business clients evidence should be obtained that is relevant to the business and confirms the identity of the business such as their company registration number and registered address. Investigations should take place that are appropriate to ensure that the business's identification is legitimate.

Staff conducting regulated business need to be able to demonstrate that they know their clients and the rationale behind particular instructions and transactions.

### **Disclosure Procedure**

Any employee who knows, suspects, or has reasonable grounds for knowing or suspecting that a person is engaged in money laundering or terrorist financing must report such matters to the MLRO. The disclosure should be within "hours" of the information coming to the employee's attention. Should the employee not do so, then he/she may be liable to prosecution.

An employee's disclosure should be made through the form at Appendix one. The form must include as much detail as possible.

Once an employee has reported the matter to the MLRO he/she must follow any directions given. An employee must NOT make any further enquiries into the matter themselves: Any necessary investigation will be undertaken by the National Crime Agency (NCA).

Upon receipt of a completed form, the MLRO must note the date of receipt on his/her section of the report and acknowledge receipt of it. They should also advise the employee of the timescale within which they expect to respond to the employee.

The MLRO will consider the report and any other available internal information they think relevant e.g.:

- reviewing other transaction patterns and volumes;

- the length of any business relationship involved;
- the number of any one-off transactions and linked one-off transactions;
- any identification evidence held;

and undertake such other reasonable inquiries they think appropriate in order to ensure that all available information is taken into account in deciding whether to report to the NCA.

Once the MLRO has evaluated the completed form and any other relevant information, they must make a timely determination as to whether:

- there is actual or suspected money laundering or terrorist financing taking place; or
- there are reasonable grounds to know or suspect that is the case; and
- whether they need to seek consent from the NCA for a particular transaction to proceed.

Where the MLRO does conclude potential money laundering, then they must disclose the matter as soon as practicable to the NCA.

Where the MLRO suspects money laundering but has reasonable cause for non-disclosure, then they must note the report accordingly (the MLRO must liaise with the monitoring officer to decide whether there is a reasonable excuse for not reporting the matter to the NCA), they can then immediately give their consent for any ongoing or imminent transactions to proceed.

Where the MLRO concludes that there are no reasonable grounds to suspect money laundering then they shall mark the form accordingly and give their consent for any ongoing or imminent transaction(s) to proceed.

Where consent is required from the NCA for a transaction to proceed, then the transaction(s) in question must not be undertaken or completed until the NCA has specifically given consent, or there is deemed consent through the expiration of the relevant time limits without objection from the NCA.

All disclosure forms referred to the MLRO and reports made by them to the NCA must be retained by the MLRO in a confidential file kept for that purpose, for a minimum of five years.

The MLRO commits a criminal offence if they know or suspect, or has reasonable grounds to do so, through a disclosure being made to them, that another person is engaged in money laundering and they do not disclose this as soon as practicable to the NCA.

At no time and under no circumstances should an employee voice any suspicions to the person(s) whom they suspect of money laundering, even if the NCA has given consent to a particular transaction proceeding, otherwise the employee may commit a criminal offence of “tipping off”. Do not, therefore, make any reference on a client file to a report having been made to the MLRO. Should the client exercise their right to see the file, then such a note will obviously tip them off to the report having been made and may render you liable to prosecution. The MLRO will keep the appropriate records in a confidential manner.

## Money Laundering Offences

The consequences of committing an offence are potentially very serious. Whilst it is considered most unlikely that staff or Members would commit any of the four main offences, failing to reveal a suspicion of a case of money laundering is a serious offence in itself.

Money laundering offences can be tried at a Magistrates court or in the Crown Court, depending on the severity of the suspected offence. If someone is found guilty in a Magistrates court, s/he can be fined, face a prison sentence, or both. In a Crown Court, fines are unlimited and prison sentences range from two to fourteen years.

The main money laundering offences are:

**Concealing** – where someone knows or suspects a case of money laundering but conceals or disguises its existence.

**Arranging** – where someone involves himself or herself in an arrangement to assist in money laundering.

**Acquisition /use/possession** – where someone tries to benefit from money laundering by acquiring, using or possessing the item concerned.

**Tipping Off** – where someone warns a person who is, or is suspected of being, involved in money laundering in such a way as to reduce the chance that s/he will be investigated or to prejudice an investigation.

So, if you have any suspicions complete the form at Appendix one and report it to the MLRO without discussing it with anyone else.

## 7. Roles and Responsibilities

**Money Laundering Reporting Officer** – The officer nominated to receive internal suspicious transaction reports (known as disclosures) about possible money laundering activities within the Council/s is the Section 151 Officer, i.e. The Money Laundering Reporting Officer (MLRO).

The role of the MLRO is to decide upon the receipt if the internal suspicious transaction reports should be reported to the NCA and if appropriate make such reports.

**Section 151 Officer** - The Section 151 Officer is delegated as having the statutory responsibility under section 151 of the Local Government Act 1972 to “make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has the responsibility for the administration of those affairs”. Proper administration is interpreted as encompassing all aspects of local authority financial management.

To be responsible for developing and implementing the Anti Money Laundering and Financial Crime Policy and investigating any issues reported under this Policy.

To ensure that all suspected or reported irregularities are dealt with professionally and that action is identified to improve controls and reduce the risk of reoccurrence.

To provide assurance that financial crime risks are being managed and to provide advice on managing fraud risk and design of controls.

**Chief Executive** - To support and promote an anti-money laundering and financial crime culture. The Members with the Chief Executive, are ultimately accountable for the effectiveness of the Councils' arrangements for preventing, detecting and investigating fraud and corruption.

**Management Team** - To promote staff awareness and ensure that all suspected or reported irregularities are immediately referred to one of the officers named in the Whistleblowing Policy.

Responsible for the communication and implementation of this Policy within their service areas. They are responsible for ensuring that their employees are aware of the Council's Human Resources policies and procedures, the Council's Financial Regulations and Codes of Conduct and that the requirements of each are being met in their everyday service activities. In addition, Management must make their staff aware of the requirements of the National Code of Conduct for Local Government Employees through training courses.

Managers are expected to create an environment in which staff feel able to approach them with any concerns they may have about suspected irregularities. Where they are unsure of the procedures they should refer to the Council's documented Whistleblowing Policy.

A key preventative measure in tackling money laundering and financial crime is for Management to take effective steps during recruitment to establish, as far as possible, the honesty and integrity of potential employees, whether for permanent, temporary or casual posts and agency staff.

The Councils' formal recruitment procedure contains appropriate safeguards in the form of written references, the verification of qualifications held and employment history, however it may also be appropriate to request that a Disclosure and Barring Service (DBS) check is undertaken for employees working with, or who may have contact with, children or vulnerable adults, or financial systems.

To ensure that there are mechanisms in place within their service areas to assess risk of money laundering and financial crime and to reduce these risks by implementing strong internal controls.

**Members** - As elected representatives, all Members have a duty to protect public money from any acts of money laundering and financial crime.

This is achieved through Members operating within:

- The Council's Constitution.
- the Council's Standing Orders.
- The Code of Conduct for Members.
- Local Authorities (Members Interests) Regulations 1992.
- the National Code of Local Government Conduct and any future legislation or codes of conduct.
- The requirement to complete an annual Declaration of Related Party Transactions.
- the Anti Money Laundering and Financial Crime Policy.

The Council's Constitution makes specific reference to some of these elements and also includes the declaration and registration of Members' interests in accordance with approved Council policy. Circumstances surrounding conflicts of interest, whether personal or financial, are also addressed.

Members are required to disclose to the Monitoring Officer details of any outside interests that they or their relatives have which may result in a conflict of interest and should remove themselves from involvement in matters in which they have a prejudicial interest (except to the extent that may be permitted by the Code of Conduct).

Accounting Codes of Practice require Members and Senior Management to formally disclose payments from the Council received by "related parties". These declarations form part of the Statement of Accounts and are subject to external audit each year.

Members must register the receipt of gifts and hospitality in the Register of Gifts and Hospitality.

**Internal Audit** - Plays a vital preventative role in working to ensure that adequate key controls are implemented to prevent and detect money laundering and financial crime. The service recommends changes in key controls and procedures with the aim of reducing the risk of losses to the Councils and works with management in ensuring that these are implemented.

Internal Audit staff have rights of access to all of the Council's records, information and assets which it considers necessary to fulfil its responsibilities.

**Scrutiny Committee** - To monitor compliance with the Councils' policies and consider the effectiveness of the Councils' anti money laundering and financial crime arrangements.

Promoting and maintaining high standards of conduct by Members in accordance with their Code of Conduct.

**Monitoring Officer** - To advise Members and Officers on ethical issues, probity and standards to ensure that the council operates within the law and statutory codes of conduct. Maintains the Register of Members' Interests and advises Members of new legislative or procedural requirements.

**All employees** - At all times to comply with council policies and procedures.

To be aware of the possibility of all aspects of money laundering and financial crime and to report any genuine concerns to the MLRO. If for any reason, they feel unable to speak to do this they should follow the Whistleblowing policy.

The Code of Conduct for Employees requires that officers are aware of their statutory requirements under section 117 of the Local Government Act 1972 regarding declaration of pecuniary and non-pecuniary interests. Declarations can be made to the Monitoring Officer.

Disclose to their line manager any outside interests they or any 'Personal Relationships' as defined in the Councils' policies they have which may result in a conflict of interest in

respect of transactions and dealings with the council, and these will be recorded in the appropriate registers.

Ensure that they avoid situations where there is a potential for a conflict of interest and they must ensure that there is an effective role separation for decisions made so that they are seen as being based upon impartial and objective advice.

Gifts and hospitality should only be accepted in accordance with the Council's guidelines within the Code of Conduct for employees and Members.

Be made aware of and be expected to adhere to any internal control system designed to prevent and detect money laundering and financial crime. All employees are required to bring any concerns they have on the adequacy of control measures to the attention of their line manager and the Monitoring Officer.

## **8. Training, Communications and Resources**

We will provide awareness sessions for all staff and appropriate training for staff taking into consideration their roles within the organisation.

The Council will continue to encourage the exchange of information with other organisations, in compliance with the General Data Protection Regulation, tailed by the Data Protection Act 2018, in respect of financial crime activities. These bodies can include:

- The Police;
- External Auditors;
- Chartered Institute of Public Finance and Accountancy (CIPFA);
- Financial Conduct Authority (FCA);
- Department of Works and Pensions (DWP);
- National Anti-Fraud Network;
- Association of Local Authority Treasurers;
- Society of District Council Treasurers;
- Internal Auditors; and
- Other Local Authorities.

This collaboration provides a base for combating potential criminal activity of a fraudulent nature against this and other public sector organisations.

With regard to the National Fraud Initiative (NFI) exercise and data matching techniques generally, the Councils have adopted the Cabinet Office's Code of Data Matching Practice.

## **9. Consultation and Involvement**

The Councils' Communications Team will optimise the publicity opportunities associated with money laundering and financial crime activity within the Councils and will try to ensure that the results of any action taken, including prosecutions, are reported in the press.

Where the Councils have suffered a financial loss as a result of money laundering or financial crime, in all cases the Councils will seek to recover the loss and advertise this fact, whether involving an officer or a Member.

All money laundering and financial crime activities, including this policy, will be made publicly available to make all staff and the public aware of the Councils' commitment to taking action against financial crime, should it occur.

## **10. Monitoring**

The success of this policy will be measured by focusing on the outcomes achieved from the actions outlined within this document. The outcomes to be measured will include:

- awareness levels
- reports of suspicions
- successful investigations
- sanctions applied
- financial losses recovered and where appropriate financial savings.

The achievements against these outcomes, and the actions taken to minimise future cases of money laundering and financial crime, will be documented in the internal audit annual report to the council's Governance and Audit Committee.

## **11. Document Retention**

Where the Council is carrying out regulated business, each department of the Council must monitor on an ongoing basis, their business relationships in terms of scrutinising transactions.

Records must be maintained of:

- client identification/ verification evidence obtained (or references to it);
- details of all relevant business transactions carried out for clients for at least 7 years plus current year, from the completion of the transaction (audit trail). This is so that they may be used as evidence in any subsequent investigation.

## Appendix One

### Suspected money laundering/financial crime reporting template

#### Your contact details:

Please provide your contact details for confirmation of report being received and in case of any additional questions.

Name:	
Role:	
Email:	
Contact Telephone:	

#### Main Subject details:

Please provide the details of the person you suspect of money laundering. If you suspect more than one person, please fill in the additional boxes below.

Full Name:	
Title:	
Date of Birth:	
Gender:	
Occupation:	
Address: <i>Home/Work</i> <i>(please delete as appropriate)</i>	

#### Transaction details:

Please enter the details of the transactions you believe are suspicious.

Date:	
Amount:	
Currency:	
Credit/Debit:	
Reason for the transaction:	

#### Associations:

Please give details of any linked associations.

Reason for association:	
Address:	

<i>Home/Work (please delete as appropriate)</i>	
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**Linked addresses:**

Please enter any details of linked addresses.

Address: <i>Home/Work (please delete as appropriate)</i>	
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**Details of Suspicion:**

Please enter details of your suspicion, giving as much detail as possible.

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**Any other details:**

Please give any other relevant information.

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To be completed by the Director of Finance and Assets (S151 Officer):-

Date report received:	
Date receipt of report acknowledged:	

**If you would like a copy of this in large, clear print, audio,  
Braille or in another language, please call 01427 676676**

За повече информация пръстен 01427 676676

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