

Anti-Money Laundering Policy

Report by Gary Fairley, Head of Finance and Integrated Service Support

1 Purpose of Report

The purpose of this report is to present and recommend for approval an Anti -Money Laundering Policy. The policy was presented to the Audit Committee on the 18th March 2014 inviting the Committee to comment on a proposed Anti -Money Laundering Policy before its submission to Cabinet. The Audit Committee agreed the policy as it was submitted and the policy is now being presented to Cabinet for determination.

2 Background

- 2.1 Money laundering is the process of exchanging money or other assets obtained criminally for 'clean' money or other assets which do not have an obvious link with any criminal activity. Money laundering also includes terrorist financing.
- 2.2 The legal and regulatory framework for anti-money laundering in the UK comprises:
 - The Terrorism Act 2000 (as amended);
 - The Proceeds of Crime Act 2002 (as amended); and
 - The Money Laundering Regulations 2007 (as amended).
- 2.3 In 2009, the Chartered Institute of Public Finance and Accountancy (CIPFA) published guidance on the UK's anti-money laundering and anti-terrorist financing laws and summarised the requirements of the 2007 Regulations and their impact on public service organisations. The guidance explains that local authorities and their employees are not legally obliged to apply the 2007 Money Laundering Regulations given that local authorities are not a "relevant person" under the Regulations. However, local authorities are still subject to provisions included within the Proceeds of Crime Act and the Terrorism Act.
- 2.4 CIPFA's view is *"that it is prudent and responsible practice for all public service organisations, including those outside the scope of the Regulations, to put in place appropriate and proportionate anti-money laundering safeguards and reporting arrangements, designed to enable them to detect and avoid involvement in crimes described in the legislation."*
- 2.5 The Council's Money Laundering Reporting Officer is named in the Council's Counter Fraud and Corruption Strategy (Gary Fairley, Head of Finance and Integrated Service Support). However, this policy does not outline the responsibilities and reporting mechanisms for this role. Therefore, in acknowledgement of CIPFA's guidance that procedures should be *"proportionate and effective"*, a separate Anti-money Laundering Policy has been prepared to complement the existing

framework and expand on the duties of the Money Laundering Reporting Officer. The policy also includes guidance to staff on the types of transactions that could raise a suspicion and a simple form that employees can use to report their concerns. Additionally, the policy updates the procedure for authorising the receipt of cash received in excess of £5,000 but below £10,000 and reporting information to the money laundering reporting officer.

- 2.6 Whilst it is acknowledged that the Council's risk exposure to money laundering is low, there is still a reputational risk for Councils that do not have adequate policies and procedures in place to address the risk of money laundering.

3 Report Implications

3.1 Resource

There are no financial or resource implications arising from this report. Additional training to employees involved in the handling of cash will be encompassed into the routine training.

3.2 Risk

CIPFA considers there is a substantial reputational risk for an authority which does not have adequate Anti-Money Laundering policies and procedures in place.

3.3 Single Midlothian Plan and Business Transformation

Themes addressed in this report:

- ☒ Community safety
- ☐ Adult health, care and housing
- ☐ Getting it right for every Midlothian child
- ☐ Improving opportunities in Midlothian
- ☐ Sustainable growth
- ☐ Business transformation and Best Value
- ☐ None of the above

3.4 Key Priorities within the Single Midlothian Plan

N/A

3.5 Impact on Performance and Outcomes

The introduction of this policy contributes to the existing corporate governance framework to aid in ensuring that the Council is managed effectively and fulfils its statutory and regulatory duties.

3.6 Adopting a Preventative Approach

Establishing a policy and procedure that explains how to identify and report on suspicions could lead to financial crimes being discovered.

3.7 Involving Communities and Other Stakeholders

The policy has been discussed with the Director, Resources, the Head of Finance and Integrated Service Support, the Head of Customer and Housing Services and the Legal and Secretariat team. Additionally, the policy was reviewed by Brodies, the Council's solicitors, and the Audit Committee.

Copies have also been passed to the Council's Human Resources Section and Trade Unions for comment.

3.8 Ensuring Equalities

An equalities assessment has been carried out on this policy and no equalities issues were noted (further information can be requested if required).

3.9 Supporting Sustainable Development

There are no sustainability issues arising from this report.

3.10 IT Issues

There are no IT issues arising from this report.

4 Summary

In order to comply with CIPFA's best practice an Anti-money Laundering Policy has been prepared. This policy expands on the framework set by the Council's Anti-Fraud and Corruption policy. The Anti –money Laundering Policy also includes guidance to staff on the types of transactions that could raise a suspicion and a form that employees can use to report their concerns.

5 Recommendations

Cabinet is asked to:

- a) Review the proposed policy; and
- b) If in agreement, approve the policy.

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Appendices:

Appendix 1 – Midlothian Council Anti-Money Laundering Policy