



<u>Committee and Date</u>
Audit Committee
24 March 2010
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<u>Item</u>
7
Public

ANTI-MONEY LAUNDERING PROCEDURE

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Summary

The Proceeds of Crime Act (POCA) 2002 and the revised Money Laundering Regulations (MLR) 2007 place a duty on Local Authorities to disclose any suspected money laundering activity to the Serious Organised Crime Agency (SOCA). CIPFA has recently issued further guidance on Anti-money laundering for public service organisations; which has necessitated a revision to our existing procedure and guidance.

Recommendations

- A. Audit Committee are asked to note this report and approve the attached Anti-Money Laundering Procedure (see **Appendix A**).

REPORT

Background

1. Money laundering is the conversion of money obtained through illegal activity such as drug dealing or racketeering into "clean" money. This is achieved by processing cash through the financial system in order to hide its original source. It can then be used without suspicion by the criminals concerned. If the Council receives income from any body or individual which was obtained illegally (i.e. as a result of a crime) we have a statutory duty to disclose this transaction confidentially to the Serious Organised Crime Agency (SOCA), otherwise we would be committing a criminal offence.
2. The Proceeds of Crime Act (POCA) 2002 and Money Laundering Regulations (MLR) 2003 which were extensively revised in 2007, were enacted to combat the laundering of monies obtained from the proceeds of crime. Under the legislation, money laundering is interpreted very widely and includes the processing, or in any way dealing with, or concealing, the proceeds of any crime. There is no minimum monetary value, therefore any crime, no matter how small, is subject to the legislation.

3. The Proceeds of Crime Act defines money laundering and the offences relating to it; creates a mechanism for investigating and recovering the proceeds of crime and places obligations on some organisations and individuals to report known or suspected money laundering activity. Money Laundering Regulations are concerned with measures to restrict the opportunities for money laundering in certain types of business by ensuring money laundering reporting systems, staff training, client/customer identification and adequate record keeping are employed.
4. The Proceeds of Crime Act 2002 and the Money Laundering Regulations 2007 place disclosure obligations on bodies in the “Regulated Sector” which require the establishment of internal procedures to prevent money laundering. Whilst Local Authorities are not legally obliged to apply the provisions of the Money Laundering Regulations 2007; as responsible public bodies, CIPFA recommend:

“that they should employ policies and procedures which reflect the essence of the UK’s anti-terrorist financing and anti-money laundering regimes”

In addition, the Audit Commission’s view is that, whilst the regulations may not apply to the public sector, public bodies have a public duty to report suspicious transactions voluntarily and to that end should adopt anti-money laundering policies and appropriate reporting procedures, these are included in the Use of Resources judgment.

5. The existing procedure and guidance has been extensively revised in line with CIPFA’s new guidance and the procedure is attached at **Appendix A**. The key features of the procedure are:
 - a. The obligations on the Council.
 - b. The role of the Money Laundering Reporting Officer (MLRO) who will be responsible for any disclosure to SOCA.
 - c. A confidential money laundering disclosure process which must ensure that any disclosure we make are confidential.
 - d. An identification procedure to ensure the bodies or persons we deal with are legitimate.
6. The procedure is entirely consistent with the Council’s core values, Speaking Up About Wrongdoing Policy, Counter Fraud and Anti-Corruption Strategy and Code of Corporate Governance. The procedure will be subject to annual review by the MLRO on behalf of the Director of Resources and any changes reported to the Audit Committee.
7. Awareness training will be provided to all staff who work in the relevant professions (Finance, Audit, Legal and Property) and, more generally, to managers across the Council.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)

The Proceeds of Crime Act (POCA) 2002

Money Laundering Regulations (MLR) 2007

CIPFA Guidance Note – Combating Financial Crime - further guidance on Anti-money Laundering for Public Service Organisations, CIPFA 2009.

Human Rights Act Appraisal

The recommendations contained in this report are compatible with the provisions of the Human Rights Act 1998.

Environmental Appraisal

N/A

Risk Management Appraisal

Failure to adopt a money laundering procedure and reporting mechanism could render the Council liable to prosecution under the Proceeds of Crime Act and Money Laundering Regulations.

Community / Consultations Appraisal

N/A

Cabinet Member

Keith Barrow, Leader of the Council, (Brian Williams, Chairman of Audit Committee)

Local Member

N/A

Appendices

Appendix A – Anti-Money Laundering Procedure.