

Report of the Chief Officer (Financial Services)

Report to Corporate Governance and Audit Committee

Date: 28 January 2019

Subject: Review of the Anti Money Laundering and Anti Bribery Policies

Are specific electoral Wards affected? If relevant, name(s) of Ward(s):	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Is the decision eligible for Call-In?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: Appendix number:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Summary of main issues

1. Money Laundering is the process by which criminals disguise the origins of property derived from illegal activity, by making the property seem to have come from a legitimate source. Typically it is done by repeated movements and conversions of the criminal property through a variety of transactions to make it more difficult to trace back to its criminal origins. To ensure compliance with legislation, the council has put in place appropriate and proportionate anti-money laundering safeguards and reporting arrangements.
2. Bribery is an inducement or reward offered, promised or provided to gain personal, commercial, regulatory or contractual advantage. The policy provides a framework to identify and report potential bribery breaches.
3. Both policies are published on the intranet and set out the procedures which must be followed to enable the council to comply with its legal obligations in seeking to prevent or identify money laundering or bribery.
4. Incorporating advice and guidance provided by Legal Services, the policies have been reviewed and updated to ensure that they reflect the updated legislative requirements. The Anti Bribery Policy has also been reviewed by the Procurement and Commercial Services (PACS) team.
5. The revised Anti-Money Laundering and Anti Bribery Policies are attached with this report at Appendices A and B.

Recommendations

6. Members are requested to note the contents of this report, and provide comment on the updated Anti Money Laundering Policy and Anti Bribery Policy. Having taken into account Corporate Governance and Audit Committee comments, the Chief Officer (Financial Services) will take a delegated decision to approve the revised policies prior to publication.

1 Purpose of this report

- 1.1 The purpose of this report is to inform the Corporate Governance and Audit Committee of the revisions to the Anti Money Laundering and Anti Bribery Policy and to provide an opportunity to comment on the updated policies prior to being published.

2 Background information

- 2.1 Money Laundering is the process by which criminals disguise the origins of property derived from illegal activity, by making the property seem to have come from a legitimate source. Typically it is done by repeated movements and conversions of the criminal property through a variety of transactions to make it more difficult to trace back to its criminal origins.
- 2.2 Legislation concerning money laundering (the Proceeds of Crime Act 2002 and the Money Laundering Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 imposes specific obligations on those organisations carrying out what is defined as 'relevant business'. The Council does not operate within the regulated sector, however to ensure organisational best practice the Council:
- has appointed a Money Laundering Reporting Officer (MLRO) to receive disclosures from employees of money laundering activity;
 - has a procedure to enable the reporting of suspicions of money laundering;
 - applies customer due diligence measures to establish the true identity of customers;
 - provides training to relevant staff, and
 - maintains record keeping procedures.
- 2.3 The Council's Anti-Money Laundering Policy is published on the intranet and sets out the procedures to be followed when reporting suspicions of money laundering activity to enable the council to comply with its legal obligations. The policy offers clear guidance on how to bring concerns to the attention of the MLRO.
- 2.4 Bribery is an inducement or reward offered, promised or provided to gain personal, commercial, regulatory or contractual advantage. The policy seeks to inform staff of the requirements of the Bribery Act and how this should be complied with.
- 2.5 The Terms of Reference of the Corporate Governance and Audit Committee establish the authority of the committee to:
- Review the adequacy of policies and practices to ensure compliance with statutory and other guidance

- Review the adequacy of the Council's Corporate Governance arrangements (including matters such as internal control and risk management)

3 Main issues

- 3.6 The Anti-Money Laundering Policy sets out appropriate and proportionate anti-money laundering safeguards and reporting arrangements. Internal Audit has reviewed the Anti-Money Laundering Policy with assistance from Legal Services and updates have been proposed to reflect the revised legislative and reporting arrangements. No further material alterations have been made to the direction of the policy. The revised policy is attached with this report at Appendix A.
- 3.7 The purpose of the policy is to maintain the high standards of conduct which currently exist across the council by preventing or identifying money laundering. The policy sets out the procedures which must be followed when reporting suspicions of money laundering activity and covers all officers and Members of the council.
- 3.8 The officer nominated to receive disclosures about money laundering activity within the council is the Head of Audit, with the Principal Audit Managers authorised to deputise.
- 3.9 The policy has been updated for the following:-
- More guidance regarding the key elements that could indicate the existence of money laundering which could be relevant to the activities of the Council (para 3.3 – 3.6).
 - A new section regarding the exposure to risk of money laundering (para 4.4). This needs to be considered on an ongoing basis and we have specified that Heads of Service should notify Internal Audit when business operations change which impact on the exposure to money laundering risks.
 - An updated section on customer due diligence and a new section on enhanced due diligence (para 7.1-7.4). Enhanced due diligence is required where the Council is conducting potentially regulated activities (for example provision of legal or financial services to external clients or customers) and certain risk factors are in place for example false documentation has been supplied.
 - A new section on ongoing monitoring (para 8.1). This states that once the identity of the person or company has been identified, activity should be monitored throughout the relationship and updated documents obtained where necessary.
 - A new section on training for staff. It is proposed that training sessions are offered to relevant officers across the council at least twice a year.

- 3.10 The council does not operate in the regulated sector, however we seek to comply with the Money Laundering Regulations as closely as possible to ensure organisational best practice. The policy should help to ensure effective and proportionate reporting, client identification and record keeping procedures so that all instances of suspected money laundering activity are addressed appropriately.
- 3.11 The Anti Bribery Policy sets out appropriate and proportionate anti-bribery safeguards and reporting arrangements. The policy has been reviewed with assistance from Legal Services and the procurement team and updates have been proposed to reflect the revised legislative arrangements. No further material alterations have been made to the direction of the policy. The revised policy is attached with this report at Appendix B.
- 3.12 The purpose of the policy is to maintain the high standards of conduct which currently exist across the council by preventing or identifying bribery. The policy sets out the procedures which must be followed when reporting suspicions of bribery activity and covers all officers and Members of the council.
- 3.13 The policy has been updated for the following:-
- Inclusion of other relevant legislation, namely the Criminal Finance Act 2017 and the Serious Crime Act 2015. These sections are policy statements highlighting the new areas of legislation and the links to anti bribery rather than any specific additional action required of staff or Members as a result of the changes.
 - Reference to the (updated) Public Contracts Regulations 2015. The regulations make it clear that when a contracting authority has knowledge that a company or its representatives have been convicted of a corruption offence, they should be treated as ineligible (debarred) to participate in the tendering process. Public authorities are also obliged to bring debarment to an end when they can demonstrate they have taken appropriate action.
- 3.14 Fraud risks, including bribery and money laundering, are routinely considered within the scope of relevant planned audit work and proactive fraud exercises. Where appropriate, enhancements to controls to mitigate any risks identified are included within audit reports.
- 3.15 Internal Audit will drive the effective communication of the policies through our programme of counter-fraud activity to reinforce the council's zero tolerance stance to fraud and corruption. This includes publicising the policies on the intranet, promoting the training that is available and undertaking risk assessments, ensuring that all actions resulting from the risk assessments are completed. Assurance around compliance with anti-fraud and corruption policies is achieved through ensuring that a sound control environment exists within key systems, undertaking proactive anti-fraud exercises and ensuring that there are robust routes for people to raise any concerns they may have. These assurances are provided to the Committee through our regular update reports. Internal Audit will periodically monitor and review the content of the policies to ensure that they continue to underpin the principles of good governance throughout the organisation.

4 Corporate Considerations

4.1 Consultation and Engagement

4.1.1 Consultation with Legal and HR services on both policies has taken place and the procurement team has been consulted on the Anti-Bribery Policy. Through this report, Members of the Corporate Governance and Audit Committee have been informed of the policy revisions and offered the opportunity to review and provide comment.

4.2 Equality and Diversity / Cohesion and Integration

4.2.1 There are no issues regarding equality, diversity, cohesion and integration.

4.3 Council policies and Best Council Plan

4.3.1 The council takes a zero tolerance approach to fraud and corruption and the Anti Money Laundering and Anti Bribery Policies are a key part of this culture.

4.4 Resources and value for money

4.4.1 There are no implications upon resources or value for money.

4.5 Legal Implications, Access to Information and Call In

4.5.1 Updates to the policies take account of advice provided by Legal Services. The report does not require a key decision and is therefore not subject to call in.

4.6 Risk Management

4.6.1 There are no risk management implications.

5 Conclusions

5.1 The reviews of the Anti-Money Laundering Policy and Anti Bribery Policy have been undertaken to ensure that they are both up to date and fit for purpose in accordance with legislation and best practice. Once approved, the policies will be published on the intranet.

6 Recommendations

6.1 Members are requested to note the contents of this report, and provide comment on the proposed policies. Having taken into account Corporate Governance and Audit Committee feedback, the Chief Officer (Financial Services) will take a delegated decision to approve the revised policies prior to publication.

7 Background documents

7.1 None.