



Anti-Money Laundering Policy

Audit Committee/Executive

October 2022

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1. Introduction

Lincolnshire County Council is committed to preventing the Council, and its employees, from being exposed to money laundering, help to identify the risks where it may occur and to comply with legal and regulatory requirements.

The development of legislation (The Proceeds of Crime Act 2002 and the Terrorism Act 2000) and regulations (Terrorist Financing and Transfer of Funds Regulations 2017) places obligations on the Council and its employees to ensure procedures are in place to prevent services being used for money laundering or terrorist financing.

Money laundering is linked to Terrorist Financing – this is the process by which terrorists fund operations to perform terrorist acts. Terrorists need financial support to carry out their activities and achieve their goals.

Any business in any sector can be subject to money laundering risks – local government is no exception.

2. Definition

Money laundering is the process by which the proceeds of crime are converted into assets which appear to have a legitimate origin in order that they can be retained permanently or recycled into further criminal enterprises.

Money laundering often involves 3 steps:

- Placement – 'dirty' cash is introduced into the financial system
- Layering – the proceeds are moved through a series of transactions. The purpose of this is to conceal the illegal source
- Integration – a legitimate explanation for the source of funds is created and financial wealth can be retained and potentially invested, or assets acquired

Money laundering may range from a single act to complex and sophisticated schemes involving multiple parties.

3. Scope

All employees should be vigilant for signs of money laundering.

This policy applies to all employees of Lincolnshire County Council and sets out procedures to be followed when there are suspicions of money laundering activity. Not all staff will need a detailed knowledge of the criminal offences covered by the legislation although some employees will require additional guidance to ensure awareness of money laundering.

The Policy is consistent with other Council policies including the Counter Fraud Policy and the Whistleblowing Policy.

Failure by a Council employee to comply with the procedures set out in this Policy may lead to disciplinary action being taken against them.

4. Objectives

The policy outlines the Council's arrangements around:

- The Money Laundering Reporting Officer (MLRO) role
- The arrangements to receive and manage concerns of staff about money laundering and to make reports to the National Crime Agency (NCA) where required
- Ensuring those staff most likely to be exposed to money laundering situations are aware of the requirements placed on the organisation and them as individuals by the relevant legislation
- Procedures designed to prevent money laundering
- Provision of training to those most likely to encounter money laundering

4.1. Money Laundering Reporting Officer (MLRO)

The Council is also required to ensure a Money Laundering Reporting Officer (MLRO) is appointed to receive disclosures from employees of money laundering activity.

The nominated officer at Lincolnshire County Council to receive disclosures about money laundering activity is Lucy Pledge. They can be contacted as follows:

Lucy Pledge

Head of Internal Audit and Risk Management

Lucy.pledge@lincolnshire.gov.uk

The Deputy Money Laundering Reporting Officer is:

Matt Drury

Principal Investigator

Gary.douglas@lincolnshire.gov.uk

The main functions of the MLRO are:

- Produce written risk assessment for the business
- Point of contact between the business and NCA
- Receive notifications of potential terrorist money laundering or terrorist financing
- Analyse notifications - to reach decision on whether to file a SAR

- Consider staff training needs
- Responsibility for policies and controls
- Guardian of records relating to SARs

4.2. Reporting concerns to the Money Laundering Reporting Officer (MLRO)

Staff that know or suspect they may have encountered criminal activity, and that they may be at risk of contravening the legislation in place, should contact the MLRO to notify their concerns – the disclosure should be made at the earliest opportunity. Confidentiality does not apply if money laundering is at issue

The employee must follow any subsequent instructions made by the Council's MLRO – no further enquiries into the matter may be taken without authorisation from the MLRO.

All disclosure reports made to the MLRO (and the reports submitted to the NCA) must be retained by the MLRO for a minimum of 5 years – the MLRO will keep a record of all referrals received and any action taken to ensure an audit trail is maintained. The Money Laundering Disclosure Form should be used to record any action taken. [Money Laundering Report form](#)

4.3. Reporting to the National Crime Agency

The disclosure will be noted by the MLRO and they will evaluate the information provided to identify if there are reasonable grounds for suspicion of money laundering. The MLRO may commence an investigation to enable a decision on whether to report the matter to the NCA.

If a decision is made to submit a report, the NCA provide forms for completion to enable a Suspicious Activity Report to be submitted – The MLRO must promptly make a Suspicious Activity Report (SAR) to the National Crime Agency (NCA) on line at www.nationalcrimeagency.gov.uk

If the MLRO or Deputy MLRO know or suspect that a person is engaged in money laundering and they do not disclose this to the NCA, they are committing a criminal offence. Care should be taken that the client suspected of money laundering is not alerted that a report has been made to the NCA – tipping off is a specific offence under the Proceeds of Crime Act 2002.

If no report is made, the reasons for this must be recorded by the MLRO

4.4. Money Laundering Offences

There are 3 principal money laundering offences under Proceeds of Crime Act 2002. An offence is committed if a person knows, or suspect property has been purchased with the proceeds from a criminal act and:

- conceals, disguises, converts or transfers or removes the property from the UK - Section 327
- enters into arrangement which he/she knows, or suspects will facilitate another person to acquire, retain, use or control that property – Section 328

- acquires, uses or possesses the property – Section 329

Property can include money, real or moveable property including inherited assets and also intangible property (e.g. mortgages, leases, rights etc).

The money laundering offences are aimed at criminals and their associates, but any person can be caught by the offences if they suspect money laundering and either become involved or do nothing about it. It is not necessary to have benefitted in any way to be guilty of the offences.

The key requirement for Council employees and partners is to promptly report (Section 337 disclosure) any suspected money laundering activity to the Council's MLRO – while the risk to the Council of contravening the legislation is low, it is important that all employees are familiar with their responsibilities as serious criminal sanctions can be imposed for breaches of legislation.

Section 337 of the Proceeds of Crime Act 2002 provides protection to employees when they report suspected money laundering. There are conditions to this:

- the information must come to the employee's notice in the course of their trade, profession, business or employment and
- causes the employee to know or suspect (or give reasonable ground to know or suspect) that another person is engaged in money laundering and
- the disclosure is made to a constable, customs officer or the nominated MLRO

It is also important to note that when a proposed act or transaction is a suspected money laundering offence anyone knowing or suspecting money laundering who is then involved in the act or transaction is guilty of the same offence unless they have made a Section 337 Disclosure and appropriate consent has been given.

A Section 337 money laundering disclosure is strictly confidential. There must be no disclosure or other indication to the person suspected of money laundering. Section 342 of the Proceeds of Crime Act states that a person may be guilty of this offence if they:

- make a disclosure likely to prejudice the investigation
- falsify, conceal, destroy, or dispose of documents relevant to the investigation

Failure to comply with these requirements could amount to the criminal offence of Prejudicing an Investigation.

5. General Procedures

5.1. Cash Payments

No cash payment to the Council will be accepted if it exceeds £1,000. Cash is defined as notes, coins, or any currency.

5.2. Identification of new clients

It is important to 'know your customer' - employees should be wary of situations where funds flow through the Council from sources with which it is not familiar. Where the Council is forming a new business relationship and/or is considering a significant one-off transaction with a new client, evidence of identity of the prospective client should be obtained before proceeding

It is good practice to have either:

- One government document that verifies the name, address and date of birth or
- A government document that verifies their full name and another supporting document which verifies name and either their date of birth or address

Where it is not possible to obtain such documents, it is necessary to consider the risks associated with the client and seek advice from the MLRO or Deputy MLRO.

5.3. Possible signs of Money Laundering

The following signs may be possible indicators of money laundering taking place and employees should be vigilant about:

- Concerns about honesty, integrity or location of the client
- Secretive behaviour e.g. refusal to provide information
- Attempted payment of a substantial sum of cash
- Transactions which appear uneconomic, inefficient, or irrational
- Illogical third-party transactions – unnecessary routing of funds from third parties
- Illogical involvement of an unconnected third party
- Funds received from an unexpected source
- Instructions for payment to an unexpected source
- Significant overpayments (and subsequent request for refund)
- Refunds following reversal or cancellation of an earlier transaction
- No obvious legitimate source of funds
- Unusual request for client account details
- Poor business records or internal controls

5.4. Staff training and awareness

Staff can undertake a general Fraud Awareness e-learning course and this includes Money Laundering. There are some areas of the Council's activities that may be more vulnerable to attempts to launder money. The risks will be assessed by the Counter Fraud Team and enhanced awareness training provided where applicable.

6. Policy Control

Owner:	Lucy Pledge - Head of Internal Audit and Risk Management
Location:	Orchard House, County Offices, Lincoln
Consultation:	Audit Committee / Executive / County Council
Date:	October 2022
Review:	Every 3 years (due September 2025)

7. Further Information

Further information can be obtained from the MLRO and the following sources:

National Crime Agency: <https://www.nationalcrimeagency.gov.uk/>

www.legislation.gov.uk

Terrorism Act: <https://www.legislation.gov.uk/ukpga/2000/11/contents>

Proceeds of Crime Act 2002: <https://www.legislation.gov.uk/ukpga/2002/29/contents>

Terrorist Financing and Transfer of Funds Regulations 2017:

http://www.legislation.gov.uk/uksi/2017/692/pdfs/uksi_20170692_en.pdf