

ITEM No ...9.....

REPORT TO: POLICY & RESOURCES COMMITTEE – 26 APRIL 2021

REPORT ON: REVISED ANTI-MONEY LAUNDERING (AML) POLICY AND RISK REGISTER

REPORT BY: EXECUTIVE DIRECTOR OF CORPORATE SERVICES

REPORT NO: 123-2021

1.0 PURPOSE OF REPORT

To advise of an update to the current Anti-Money Laundering Council Policy.

2.0 RECOMMENDATION

It is recommended that:

- The Revised Anti-Money Laundering Policy detailed in Appendix A is approved
- That the content of the Anti-Money Laundering Risk Register in Appendix B is noted

3.0 FINANCIAL IMPLICATIONS

The penalties for Money Laundering offences on summary conviction are a fine of up to the statutory maximum of £10,000 being imposed, or an imprisonment term up to 3 months, or both. Greater penalties can be imposed on indictment, with potential for imprisonment for a term of up to 2 years, or an unlimited fine, or both can be imposed.

The cost of online learning module development and implementation are minimal. The Money Laundering Reporting Officer and nominated officers undertaking the supporting role have more specified training requirements. These costs will be accommodated will require more in-depth training to enable them to carry out AML duties.

4.0 BACKGROUND

Dundee City Council has had a policy, procedures and guidance in place to try to protect the Council from the impact of money laundering since 2005. Periodically over the years this policy has been reviewed and revised as appropriate, particularly when legislation has changed.

The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (MLR 2017) require the adoption of a risk-based approach towards anti-money laundering activity. An Anti-Money Laundering Risk Register has been developed in order to address this requirement. This will be subject to review and report in conjunction with the Council's Anti-Fraud and Corruption Framework.

The revised policy details the aims and objectives to provide greater focus on the requirements in relation to prevention of money laundering within the Council, and clearly sets out the roles and responsibilities in respect of these.

The internal guidance is regularly reviewed and has been revised to suit the changing structure and services of the Council. This guidance will be enhanced by development into an essential online learning module for staff. The guidance also raises awareness of the increased penalties on conviction of money laundering, and clearly details procedures to be followed.

5.0 POLICY IMPLICATIONS

This report has been screened for any policy implications in respect of Sustainability Strategic Environmental Assessment, Anti-Poverty, Equality Impact Assessment and Risk Management. The risks identified in the report are incorporated into the Anti-Money Laundering Risk Register.

6.0 CONSULTATIONS

The Council Management Team have been consulted in the preparation of this report.

7.0 BACKGROUND PAPERS

None

**ROBERT EMMOTT
EXECUTIVE DIRECTOR OF CORPORATE SERVICES**

31 MARCH 2021



ANTI-MONEY LAUNDERING POLICY STATEMENT

It is the policy of Dundee City Council to do all we can to:

- **prevent, wherever possible, the Council and its staff being exposed to money laundering;**
- **identify the potential areas where it may occur; and**
- **comply with all legal and regulatory requirements, especially with regard to the reporting of actual or suspected cases.**

It is the responsibility of every member of staff to be vigilant in their duty, in as far as is possible, to identify and report suspected money laundering.

Introduction

The Proceeds of Crime Act 2002, the Terrorism Act 2000 and Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 place obligations on the Council to establish internal procedures to prevent the use of their services for money laundering and the prevention of terrorist financing. The Council must also appoint a Money Laundering Reporting Officer (MLRO) to receive disclosures of suspected money laundering activity. The 2017 Regulations also require the adoption of a risk-based approach towards anti-money laundering activity, particularly in the conduct of due diligence.

Aims & Objectives

The aim of this policy is to safeguard public money and guard against the Council becoming involved in money laundering, whilst complying with anti-money laundering legislation and associated regulations.

The objectives in relation to this are to ensure that:

- the Council has a robust, risk-based process that is effectively and consistently followed, in order to understand any money laundering risks, and clients with whom the Council is dealing
- money laundering suspicions are proactively and immediately reported
- comprehensive records of anti-money laundering checks and suspicions are maintained
- staff are aware of and understand the AML legislation as it applies to the Council, including offences and background, the process and expectations set down in this policy, and appropriate support in place to ensure compliance

Scope

This Policy applies to all employees, members and contractors of the Council and aims to maintain the high standards of conduct which currently exist within the Council by preventing criminal activity through money laundering. The Policy sets out the procedures which must be followed, including the reporting of suspicions of money laundering activity, to enable the Council to comply with its legal obligations.

The AML policy is part of the Council's anti-fraud framework and should be read alongside those documents. It is also part of a wider set of mutually supporting arrangements for corporate governance that are collectively designed to ensure that the Council:

- conducts business in accordance with legislation, regulation and proper standards
- safeguards and properly accounts for public money efficiently and effectively.

In addition, the Council is also committed to working constructively with Police Scotland and other relevant agencies in relation to combating all serious organised crime.

What does “Money Laundering” mean?

Money laundering involves the “cleaning” of illegal proceeds in order to disguise their criminal origin. The proceeds of criminal activity, usually cash, but also other illegally gained assets are introduced into an organisation’s systems where they are processed, enabling them to leave the systems appearing to come from a legitimate source.

Money laundering involves three stages:

- Placement - After a crime has been committed, funds are paid into a bank account, used to buy an asset or to settle an account
- Layering - To try and hide the source of the proceeds of crime, criminals carry out transactions, which can be complex and numerous
- Integration - Once the origin of the funds has been hidden through sufficient 'layering', the funds are imported back into the financial system

Money Laundering Offences

Money laundering is the term used for a number of offences involving proceeds of crime or terrorism funds. Under the legislation there are two main types of offences which may be committed:

- Money laundering offences.
- Failure to report money laundering offences.

Primary Money Laundering Offences

The following are primary money laundering offences and thus prohibited acts under legislation:

- Acquiring, using or possessing criminal property
- Handling the proceeds of crimes such as theft, fraud and tax evasion
- Being knowingly involved in any way with criminal or terrorist property
- Entering into arrangements to facilitate laundering of criminal or terrorist property
- Investing the proceeds of crime in other financial products
- Concealing, disguising, converting, transferring criminal property or removing it from the UK
- Entering into or becoming concerned in an arrangement which you know or suspect facilitates the acquisition, retention, use or control of criminal property by or on behalf of another person
- Investing the proceeds of crimes through the acquisition of property/assets,
- Transferring criminal property
- Tipping off

Further Associated Offences

There are further associated offences regarding due diligence and disclosures:

Due diligence

- Failure to apply customer due diligence
- Failure to apply on-going monitoring of business relationship and customer due diligence
- Failure to comply with timing on verification of clients and any beneficial owner
- Failure to apply enhanced customer due diligence and monitoring where required

Money laundering regulations apply to cash transactions in excess of 15,000 Euros (approximately £10,000). However, the Proceeds of Crime Act applies to all transactions and can include dealings with agents, third parties, property or equipment, cheques, cash or bank transfers.

Obligations on the Council

As an organisation conducting 'relevant business' the Council must:

- appoint a Money Laundering Reporting Officer ("MLRO") to receive disclosures from employees detecting actual or suspected money laundering activity (their own suspicions or anyone else's);
- Implement risk sensitive policies and procedures relating to customer due diligence, reporting, record keeping, internal control, risk assessment and management, the monitoring and management of compliance and the internal communication of such policies and procedures through the following:
 - undertaking relevant risk assessments
 - installing an appropriate risk management framework and reporting regime
 - establishing internal procedures and controls to help prevent money laundering
 - having appropriate arrangements to receive and manage the concerns of staff about money laundering and their suspicions: to make internal enquiries; and to make reports where necessary to the National Crime Agency (NCA)
 - ensuring that all staff have an awareness of money laundering matters
 - targeting training to staff most likely to encounter money laundering
 - maintaining client identification procedures in certain circumstances
 - maintaining record keeping procedures

Not all of the Council's business is "relevant" for the purposes of the legislation: it is mainly income collection, procurement, treasury management, company and property related transactions, and inward economic development investment. However, the safest way to ensure compliance with the law is to apply it to all areas of work undertaken by the Council; therefore, all staff are required to comply with the policy and procedures.

Risks

It is not possible to give a definitive list of ways in which to identify money laundering or how to decide whether to make a report to the MLRO, but the rule of thumb is that if it is suspected, it must be reported. The following are types of risk factors which may, either alone or cumulatively with other factors, suggest the possibility of money laundering activity:

- Payment of a substantial sum in cash (over £5,000)
- A new customer
- A secretive customer, e.g. refuses to provide requested information without a reasonable explanation
- Concerns about the honesty, integrity, identity or location of a customer
- Illogical third-party transaction such as 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
- Overpayments by a customer
- Absence of an obvious legitimate source of funds
- Movement of funds overseas, particularly to a higher risk country or tax haven
- Transactions which are out of the line of normal expectations, without reasonable explanation
- 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 customer account details other than in the normal course of business
- Transactions at substantially above or below fair market values
- Poor business records or internal accounting controls
- A previous transaction for the same customer which has been, or should have been, reported to the MLRO

The identified risks have been assessed and incorporated into the Council's risk management framework. These risks will be regularly reviewed and reported in association with the overall risk management reporting suite.

Responsibilities

- **Money Laundering Reporting Officer**

The officer nominated to receive disclosures about money laundering activity within the Council is the Senior Manager – Financial Services. Contact details are shown below:

Money Laundering Reporting Officer (MLRO)		
Tracey Russell Senior Manager – Financial Services	tracey.russell@dundeeccity.gov.uk	01382 431333
Nominated Officers		
Alison Swan Team Leader - Banking Services	alison.swan@dundeeccity.gov.uk	01382 433526
Karen Lawson Senior Manager – Procurement	karen.lawson@dundeeccity.gov.uk	01382 433860

All suspicions should be reported directly to the MLRO or nominated officer./.. All suspicions should be reported on the relevant documentation.

It is the responsibility of the MLRO or nominated officers to:

- promptly evaluate any AML Reporting form received, to determine whether it should be reported to the National Crime Agency (NCA) or to another relevant agency.
- promptly report the matter to NCA as applicable in their standard report form and in the prescribed manner and timescale.
- undertake any other inquiries deemed appropriate and ensure that all available information has been obtained. In undertaking any such enquiries, the MLRO will avoid any actions which could tip off those involved, or which could give the appearance of tipping them off. Where appropriate, Corporate Fraud will undertake investigation on behalf of the MLRO.
- Ensure all disclosure reports referred to the MLRO, and reports made to NCA, are retained in a confidential file for a minimum of five years.

It is a criminal offence if the MLRO or nominated officers know or suspect, or have reasonable grounds to do so through a disclosure being made to them, that another person is engaged in money laundering and they do not report this as soon as practicable to the NCA. They would thus be subject to both disciplinary and criminal action.

- **Executive Directors & Heads of Service**

Senior Officers of the Council are responsible for assessing the risk of their Services being used for money laundering activity. These officers must take steps to ensure that appropriate procedures and systems are in place to assist staff in identifying potential money laundering activities and that appropriate disclosure about potential money laundering activity are submitted to the MLRO.

- **Staff**

Failure by a member of staff to comply with the procedures set out in this Policy may lead to disciplinary action being taken in accordance with the Council's Procedure for Dealing with Breaches of Discipline and Sub-Standard Work Performance. Furthermore, a member of staff could also be subject to criminal action.

Training

The Council will provide guidance and training where appropriate for all relevant staff in respect of their responsibilities and the procedures in place to prevent and identify money laundering.



AML Risk Register Report - Summarised

Report Type: Risks Report
Report Author: Money Laundering Reporting Officer
Generated on: 07 April 2021

Risk Code	Risk Title	Risk Category Description	Current Risk Speed
CSAML	Anti-Money Laundering Profile	<p>The Council's register of risks associated with the potential laundering of money facilitated through Council systems and services.</p> <p>These risks are categorised into the following key risk areas:</p> <ul style="list-style-type: none"> • Customer • Transaction • Channel • Service • Governance <p>Detail on individual risk assessments and controls are contained within the Council's Risk Management Reporting System (Pentana)</p>	<p>A 5x5 risk matrix for CSAML. The vertical axis is 'Likelihood' (Green to Red) and the horizontal axis is 'Impact' (Green to Red). The matrix contains the following values in circles: (3,3)=8, (3,4)=6, (4,3)=3, (4,4)=6, (4,5)=8.</p>
CSAML01	Customer Risks	<p>This category consists of risks associated with potential issues arising directly from customer related activities - e.g. ID verification, secrecy, integrity etc.</p>	<p>A 5x5 risk matrix for CSAML01. The vertical axis is 'Likelihood' (Green to Red) and the horizontal axis is 'Impact' (Green to Red). The matrix contains the following values in circles: (3,3)=3, (4,3)=1.</p>

Risk Code	Risk Title	Risk Category Description	Current Risk Speed
CSAML02	Transaction Risks	This category consists of risks associated with potential issues arising directly from transactional business undertaken by the Council with customers / clients, e.g. cash, 3rd party, 'illogical', overpayments etc. Transactions which may be used as potential means of laundering money.	<p>A 5x5 risk matrix with Likelihood on the vertical axis and Impact on the horizontal axis. The matrix is color-coded from green (low) to red (high). A circled '4' is located in the cell corresponding to Likelihood level 4 and Impact level 4.</p>
CSAML03	Channel Risks	This category consists of risks associated with potential issues arising directly from the various channels available for payments to be made to the Council e.g. 'over the counter', Paypoint / Post Office, Internet, Telephone etc.	<p>A 5x5 risk matrix with Likelihood on the vertical axis and Impact on the horizontal axis. The matrix is color-coded from green (low) to red (high). A circled '2' is located in the cell corresponding to Likelihood level 2 and Impact level 2.</p>
CSAML04	Service Risks	This category consists of risks associated with potential issues arising directly from service delivery e.g. licencing, revenue collection, sale / purchase of assets, procurement etc.	<p>A 5x5 risk matrix with Likelihood on the vertical axis and Impact on the horizontal axis. The matrix is color-coded from green (low) to red (high). A circled '1' is located in the cell corresponding to Likelihood level 1 and Impact level 1.</p>
CSAML05	Governance Risks	This category consists of risks associated with potential issues arising directly from governance shortcomings e.g. framework issues, ineffective training, failure to report, inadequate records etc.	<p>A 5x5 risk matrix with Likelihood on the vertical axis and Impact on the horizontal axis. The matrix is color-coded from green (low) to red (high). A circled '3' is located in the cell corresponding to Likelihood level 3 and Impact level 3.</p>