

Counter Money Laundering Policy and Strategy

Southend-on-Sea City Council
Counter Money Laundering Policy & Strategy

VERSION CONTROL SHEET

Title:	Counter-Money Laundering Policy & Strategy
Purpose:	To define Southend-on-Sea City Council's Counter Money Laundering Policy and Strategy and advise Council workers and suppliers how to identify money laundering and report it.
Owner:	Counter Fraud & Investigation Team
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Date	Change Details	Approved by
May 2017	Inclusion of the 4 th Money Laundering Directive	Joe Chesterton (Head of Finance & Resources)
August 2019	Revision of formatting and reporting methods, legislative changes.	Joe Chesterton, Executive Director (Finance & Resources) John Williams, Executive Director (Legal & Democratic Services)
November 2024	Revision to reflect the current Counter Fraud & Investigation service, to support the new Corporate Plan, and following the 5 th and 6 th Money Laundering Directives.	

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Policy statement

Southend-on-Sea City Council is serious about protecting public money and ensuring that criminals do not use the Council in their enterprises.

Money laundering is a serious crime and recognised as a 'critical enabler' for organised criminal gangs and terrorists to benefit and use illegal money for other criminality. Denying criminals the use of their ill-gotten gains disrupts criminality and can help law enforcement identify offenders.

The UK has developed strong legislation to tackle the problem with the right focus being on the financial services industries that are largely targeted to launder the proceeds of crime. The 'regulated sector', as it is known, has experienced and robust processes to make it difficult for criminals to launder their criminal proceeds.

As this work by the banks, financial institutions, legal and property related firms becomes more successful the way criminals launder their illegal money becomes more difficult for them.

The effect of this success is that more and more public bodies are being targeted by criminals to launder their criminal proceeds.

Southend-on-Sea City Council takes a strong stance against any criminality. Our Accredited Financial Investigator in the Counter Fraud & Investigation Team is experienced in using their powers to identify, seize and confiscate criminal proceeds. We need to ensure that the entire council is aware of this reality and works hard to prevent and detect it.

We will continue to work closely with our partners in the National Crime Agency to share information and intelligence and pursue criminals who seek to use the Council as a money laundering vehicle.

Colin Ansell

Chief Executive

1 Introduction

- 1.1 An overriding responsibility of all public sector organisations is the provision of effective and efficient services to our residents in a manner that seeks to ensure the best possible protection of the public funds we use.
- 1.2 This policy and strategy set out the action we will take to mitigate the risk that criminal money could be laundered through our systems.
- 1.3 The legislative requirements concerning anti-money laundering procedures are lengthy and complex. Whilst the risk to Southend-on-Sea City Council (the Council) of contravening the legislation is relatively low, it is extremely important that all Council workers are familiar with their legal responsibilities. Serious criminal sanctions may be imposed for breaches of the legislation including imprisonment.
- 1.4 As a responsible public body, we expect all our suppliers and contractors to follow our strong stance and not tolerate any criminality attempting to affect our services or staff.
- 1.5 The Council's Counter Money Laundering Policy defines its approach to dealing with suspected money laundering and what it will do to counter it.
- 1.6 The Council's Counter Money Laundering Strategy defines how it will deliver the Policy.

2 Definitions

Money laundering

- 2.1 Money laundering is the process through which 'criminal property' (i.e. a person's benefit from criminal conduct) is given the appearance of having originated from a legitimate source.
- 2.2 **Criminal conduct** is anything that is a criminal offence in the United Kingdom. It could be fraud, theft, drug dealing, prostitution, terrorism and includes offences such as breaching building planning law and trademark offences.
- 2.3 **Criminal property** is defined as anything which is a person's benefit from their criminal conduct. That could be money, real and personal property (houses, buildings, boats, cars, horses, watches etc.), 'things in action' and other intangible or incorporeal property (i.e. debts, intellectual property such as copyright, designs and patents etc.)
- 2.4 Criminal property is usually converted in apparently legitimate funds by passing through three stages:

Placement: the proceeds of criminal activity are very often cash; to start turning this money into legitimate funds it is moved into the financial system. For example, by using a 'mule': someone who allows their bank account to be used for depositing cash and then transfers it to another account in return for payment.

Layering: this money is then the subject of numerous transactions and transfers to try and hide the origins of the funds and make it hard to trace.

Integration: the funds are returned to the criminal in a way that looks like they are from a legitimate source.

- 2.5 A simple example might be an individual who has criminal funds (property) paid into their bank account which they then use to overpay their rent or Council Tax account. They later request a refund from the Council making the source of the funds appear legitimate.

It is important to note that, if the Council suspects that the overpayment on the account may represent criminal funds, or that this looks like money laundering, and it goes ahead and issues the refund it may be committing a money laundering offence (see 2.9 below).

Reporting suspicions of money laundering to the Counter Fraud & Investigation Team (CFIT) will assist the Council in avoiding allegations of money laundering offences (see 4.3 below).

Proceeds of crime offences

- 2.6 The Proceeds of Crime Act 2002 (POCA) defines money laundering as *the process by which the proceeds of crime are converted into assets which appear to have a legitimate origin, so that they can be retained permanently or recycled into further criminal enterprises.*
- 2.7 Money laundering can be broken down into two categories:
- Those who commit criminal offences and then launder the proceeds of those offences
 - Those whose only criminal involvement is to launder the proceeds of crime committed by others.
- 2.8 The criminal offences of money laundering are defined by POCA. They are committed when *criminal property* is transferred, concealed, disguised, converted, or removed by a person in England, Wales, Scotland or Northern Ireland.
- 2.9 A person also commits the offence of *money laundering* if they enter in to, or become concerned in, an arrangement which they **know or suspect** facilitates the acquisition, retention, use or control of criminal property by or on behalf of another person.
- 2.10 A person commits a criminal offence when they do something that might prejudice a money laundering investigation, for example, falsifying or concealing a document or 'tipping off' (telling) a person who is suspected of being involved in money laundering.

Terrorist Financing Offences

- 2.11 The Terrorism Act 2000 also creates money laundering offences where a person enters into, or becomes concerned in, an arrangement which facilitates the retention or control by, or on behalf of, another person of terrorist property (see *criminal property* above):
- by concealment
 - by removal from the United Kingdom
 - by transfer to nominees, or in any other way.
- 2.12 A proscribed organisation is defined under Schedule 2 of the Terrorism Act 2000. CFIT are responsible for monitoring these organisations and responding appropriately.
- 2.13 A person also commits a criminal offence if they fail to disclose to a constable that they believe a person has committed a terrorism money laundering offence.

Criminal Law Defences

- 2.14 A person does not commit a criminal offence where they can demonstrate that ***“his employer has established a procedure for the making of disclosures of the matters specified”*** and they follow that procedure.
- 2.15 The procedure in this document details how disclosures can be made and what actions CFIT will take to protect the Council.

3 The Council’s Counter Money Laundering Policy

- 3.1 Using the Council’s facilities, resources or systems to launder the proceeds of crime will not be tolerated. The duty to be aware of money laundering and identify and report suspicions and concerns extends to every Member, employee, and partner in the Council. The Council has obligations to establish procedures to prevent the use of its services for money laundering and to prevent terrorist financing.
- 3.2 All officers, Members and contractors of the Council are expected to be aware of this Policy and abide by its provisions. This Policy and Strategy is part of a suite of documents that describe the Council’s response to the threat from serious crime. As such, it should be read alongside the Council’s *Counter Fraud & Corruption Policy and Strategy*, *Fraud Response Plan*, and its *Whistleblowing Policy and Procedure*. A failure to comply with these policies and procedures may result in disciplinary action.
- 3.3 This Policy has the full support of the Audit Committee and the Corporate Leadership Team.

- 3.4 The Council will take appropriate action to ensure that adequate measures are in place to:
- Protect and prevent the Council from being used to launder money
 - Detect and deter money laundering activity
 - Prevent those who commit fraud and other acquisitive crime against the Council from enjoying the proceeds of their crimes
 - Recover the proceeds of fraud and other acquisitive crime against the Council
 - Enable effective routes for reporting money laundering concerns
 - Encourage continuous counter money laundering learning and the development of a 'zero tolerance culture' for all officers
 - Ensure that CFIT have sufficient resources to deliver and develop the Counter Money Laundering Strategy.
- 3.5 All areas of the Council's business should consider the vulnerabilities that enable money laundering and how it affects their work. This is particularly important when developing new policies and procedures.
- 3.6 CFIT are responsible for this Policy, the following Strategy, and delivering the Strategy. They will work in partnership with all areas of the Council's business, as appropriate, to deliver this.
- 3.7 CFIT will be directly accountable to the Head of Internal Audit and Counter Fraud, the Executive Director for Finance and Resources, and publicly accountable to the Council's Audit Committee.
- 3.8 All Council Members, employees and partners are expected to cooperate with, and support, CFIT's work. They are also expected to report any concerns or suspicions of money laundering to CFIT.

4 The Council's Counter Money Laundering Strategy

- 4.1 CFIT are responsible for receiving reports of suspected money laundering through the Council. It is also responsible for the investigation of fraud and other acquisitive crime against the Council. It is a team of qualified and experienced criminal and financial investigators who can gather evidence to the highest standard and are best placed to progress an investigation. The Council conducts its own prosecutions of offenders under s222 of the Local Government Act 1972 (for the promotion or protection of the interests of the inhabitants of the area).

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- 4.2 While Local Authorities are not part of the 'regulated sector' (such as banks, solicitors, estate agents etc.), and therefore not subject to the money laundering regulations, the Council will strive to act in the spirit of these regulations. CFIT will act as a Money Laundering Reporting Officer for the purpose of receiving staff's suspicions of money laundering and reporting them to the United Kingdom Financial Intelligence Unit (UKFIU) in the National Crime Agency.
- 4.3 Reporting concerns to the UKFIU through Suspicious Activity Reports (SARs) will provide a measure of protection for the Council such as in the example at 2.5 above.
- 4.4 In this example, if a large rental overpayment is reported to CFIT, CFIT will assess the matter to confirm that the suspicion is reasonable. For example, the individual in question is in receipt of benefits and has no other legitimate means of income. This will form the basis of a SAR to the UKFIU. If the individual requests a refund, CFIT will seek advice from the UKFIU as to the Council's next steps so that we can proceed in a legally compliant manner. The UKFIU may give us consent to conduct the requested transaction and this consent provides the Council with a defence against allegations of money laundering.
- 4.5 CFIT will use their Accredited Financial Investigators to investigate cases of suspected money laundering alongside traditional criminal investigations, where appropriate, to identify and recover the proceeds of crimes committed against the Council.
- 4.6 This Strategy is supported by the Council's Chief Executive, Executive Director for Finance and Resources, Corporate Leadership Team and Audit Committee.
- 4.7 CFIT will protect the Council from money laundering by:
- Ensuring that adequate control measures are in place and functioning within the Council's processes and procedures. This includes identifying vulnerabilities in existing processes and procedures and making recommendations for improvements
 - Educating Council Members, officers, partners, and residents to raise their awareness of money laundering, how to spot it, and how to report it
 - Sharing and disseminating information on current and emerging money laundering methods to those areas of the Council's business that need to know
 - Where possible, recovering lost funds and assets due to fraud and corruption
 - Deterring those that would commit fraud and corruption against the Council (see below).

4.8 CFIT will detect money laundering by:

- Ensuring that there are mechanisms to report money laundering concerns and suspicions, through multiple channels, available 24 hours a day, 7 days a week, and that this is easy to do
- Assessing all fraud and other acquisitive offences against the Council to identify money laundering offences.

4.9 CFIT will pursue and punish money launderers by:

- Where there is sufficient evidence to believe that the subject of an investigation has substantially benefitted from a crime against the Council, CFIT, working in partnership with the Council's Legal Services, will take the appropriate action which may include:
 - Prosecution for criminal offences
 - Civil action
 - Voluntary reparation
 - Recovery of lost funds or assets
 - Court orders following conviction and / or
 - Referral to other agencies.

4.10 CFIT will deter money launderers by:

- Building the Council's reputation as a hard target for money laundering
- Publicising successful investigations and prosecutions
- Publicising the Council's crime reporting mechanisms.

4.11 CFIT will encourage continuous counter money laundering learning and the development of a 'zero tolerance culture' for all officers through:

- The provision of training materials to all staff.
- The provision of information on new and emerging money laundering methods to relevant departments
- Bespoke training packages to areas of the Council's business at the highest risk of money laundering.

4.12 CFIT will report quarterly to the Council's Audit Committee, and at regular intervals to the Head of Internal Audit and Counter Fraud, and the Executive Director for Finance & Resources on the progress in achieving this Strategy.

5 Reporting concerns and suspicions of money laundering

- 5.1 All council workers should be alert to the possibility of someone trying to launder criminal proceeds through the Council. Some indications of suspicious activity are:
- Large cash payments (e.g., paying business rates in cash)
 - Overpayments by a person / company in any way
 - Duplicate payments by a person / company in any way
 - Regular requests for refunds of payments
 - Regular 'chargebacks' for card payments
 - Someone paying on behalf of a third party
 - Cash buyers purchasing land or property (e.g., Right to Buy properties).
- 5.2 Any council workers with concerns about money laundering should contact a member of the Counter Fraud & Investigation Team on **01702 215254** or **counterfraud@southend.gov.uk** for advice.
- 5.3 It is the responsibility of every council worker to look out for and report any possible money laundering taking place. You **do not** have to speak to a manager before reporting your suspicions.
- 5.4 If you see any of the suspicious activity linked to money laundering, **you should**:
- Not tell the person that you have any suspicions about them
 - Take all the records (and any cash) provided by the person to a secure location
 - Contact a member of CFIT right away on **01702 215254** or **counterfraud@southend.gov.uk**
 - Follow the instructions given by CFIT.
- 5.5 **Remember:** Failure to report your suspicions to CFIT could expose you or the Council to allegations of criminal conduct which may result in prosecution.

Appendix 1: Key contacts

Contact	Details
The Counter Fraud & Investigation Team	counterfraud@southend.gov.uk 01702 215254
Shaun Dutton Counter Fraud & Investigation Manager	shaundutton@southend.gov.uk 01702 534290
Andrew Barnes Head of Internal Audit and Counter Fraud	andrewbarnes@southend.gov.uk 01702 215802
Joe Chesterton Executive Director: Finance & Resources (s151 Chief Financial Officer)	joechesterton@southend.gov.uk 01702 215200
Susan Zeiss Director of Legal Services and Monitoring Officer	susanzeiss@southend.gov.uk 01702 534047
Protect Independent whistleblowing charity providing support and legal advice. 	https://protect-advice.org.uk/contact-protect-advice-line/ 020 3117 2520