

# Anti-Fraud and Corruption Strategy



**BOROUGH OF  
BROXBOURNE**

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## 1. PURPOSE OF THE ANTI-FRAUD AND CORRUPTION STRATEGY

The Council is committed to high legal, ethical and moral standards and the proper accountability of public funds. The Council views fraud and corruption very seriously and does not tolerate fraud or corruption in the administration of its responsibilities, whether from inside or outside the authority. The Council's expectation of propriety and accountability is that members and staff at all levels will lead by example in ensuring adherence to legal requirements, rules, procedures and practices. The Council also expects that individuals and organisations who have dealings with the Council will conduct their business in accordance with the law, with integrity, and without fraud and corruption.

The purpose of this Anti-Fraud and Corruption Strategy is to support the Council's 2020-24 Corporate Plan by protecting the Public Purse as every pound lost through fraud cannot be spent on services. In particular, this strategy:

1. sets out the aims and long term vision of the Council's Anti-Fraud and Corruption framework
2. outlines the Council's approach to Anti-Fraud and Corruption
3. outlines the expected outcomes along with how the Council intends to achieve and monitor this

The Council is a member of the Hertfordshire Shared Anti-Fraud Service. This service provides fraud prevention and investigation services for non-benefit and corporate fraud.

*This strategy does not set out the steps to take if a fraud is suspected. If fraud is suspected it needs to be reported immediately in line with the Fraud Response Plan (Appendix 1)*

## 2. AIMS AND OBJECTIVES

The key aims and objectives of the Council's Anti-Fraud and Corruption framework are to:

- maintain a culture that will not tolerate fraud or corruption
- ensure staff and Members demonstrate the highest standards of honesty and integrity at all times
- commit to an Anti-Fraud and Corruption Strategy that covers the best practice principles of prevention, detection, deterrence, investigation, sanctions and redress
- establish and maintain effective systems of internal controls
- promote efficiencies to tackle fraud and corruption through collaboration, partnership and regional partnership working
- support the work of the police and other external agencies, such as the Department for Work and Pensions, the Cabinet Office (National Fraud Initiative) and the National Audit Office in fighting fraud in the public sector

This Strategy also supports the national Fighting Fraud and Corruption Locally Strategy 2020 which advocates turning strategy into action by councils considering their counter fraud response and performance against each of these six 'C' themes:

- culture – creating a culture where fraud and corruption is unacceptable and that is measurable
- capability - assessing the full range of fraud risks and ensuring that the range of anti-fraud measures deployed is appropriate
- capacity – deploying the right level of resources to deal with the level of fraud risk that is monitored by those charged with governance
- competence – having the right skills and standards commensurate with the full range of counter fraud and corruption activity
- communications – raising awareness internally and externally, deterring fraudsters, sharing information and celebrating successes
- collaboration – working together across internal and external boundaries, with colleagues, with other local authorities, and with other agencies; sharing resources, skills and learning, good practice, innovation and information

### 3. DEFINITIONS

The Chartered Institute of Public Finance and Accountancy (CIPFA) defines fraud and corruption as:

- **Fraud** – “the intentional distortion of financial statements or other records by persons internal or external to the authority which is carried out to conceal the misappropriation of assets or otherwise for gain”

In addition, fraud can also be defined as “*the intentional distortion of financial information or other records by persons internal or external to the authority, which is carried out to mislead or misrepresent*”

- **Corruption** – “the offering, giving, soliciting or acceptance of an inducement or reward which may influence the action of any person”

This definition can be extended to cover “*the failure to disclose an interest in order to gain financial or other pecuniary gain*”

Both fraud and corruption can be encompassed by the term “economic crime”, which refers to a broad category of activity involving money, finance or assets, the purpose of which is to unlawfully obtain a profit or advantage for the perpetrator or cause loss to others.

### 4. RISK AND RISK MANAGEMENT

It is important that the Council recognises and actively manages its risks relating to fraud and corruption, using its Risk Management Strategy in helping to achieve this. Therefore, fraud and corruption risks are routinely considered as part of the Council's strategic risk management arrangements using both pro-active and reactive components as part of its robust response to fraud risk management.

The key fraud risk areas for councils have been identified in the 2016-19 Local Government Counter Fraud and Corruption Strategy and those relevant to Broxbourne Council are listed below, although not an exhaustive list:

**Benefit Fraud** Housing Benefit and Council Tax Support Scheme.

**Non Benefit Fraud** Council Tax Discounts, business rates, false insurance claims, tenancy fraud (for example providing false information in a housing application to gain a tenancy).

**Business and Organised Crime Fraud** including procurement, grants, cyber-crime, money laundering and partnerships.

**Internal Fraud** including payroll, pensions, expenses, cash handling and theft as well as other areas where staff could abuse their position such as misuse of resources, procurement and housing benefit.

The UK Anti-Corruption Strategy 2017-22 sets out a long term framework for tackling corruption. For local government, including Broxbourne, this sets out the following goals:

- greater procurement transparency, enabling better identification and mitigation of corruption risks
- strengthened awareness and capability within contracting authorities leading to a stronger awareness of corruption risks and more capability to detect and defer illegality

## 5. APPROACH

The prevention and detection of fraud and corruption and the protection of the public purse is everyone's responsibility. This strategy sets out below the key components in achieving this:

### *Proactive*

- strengthening the anti-fraud and corruption culture to increase resilience to fraud and corruption
- preventing fraud and corruption through the implementation of appropriate and robust internal controls and cyber security measures
- increasing fraud and corruption awareness for Members and officers
- deterring fraud and corruption by publicising the actions the Council takes against fraudsters

### *Reactive*

- detecting fraud and corruption through data and intelligence analysis
- implementing effective whistleblowing arrangements
- investigating fraud and corruption referrals
- applying sanctions, both civil and criminal
- seeking redress, including the recovery of assets and money

The principles of the Council's Anti-Fraud and Corruption Strategy are focussed on the following four pillars of activity (as taken from the 2020 Fighting Fraud and Corruption Locally Strategy): govern, acknowledge, prevent and pursue. These are supported by one further pillar - protect.

Govern	Acknowledge	Prevent	Pursue
Having a holistic approach to tackling fraud is part of good governance	Acknowledging and understanding fraud and corruption risks	Preventing and detecting more fraud and corruption	Being stronger in punishing fraud and corruption or recovering losses
Having robust arrangements and executive support to ensure anti-fraud, bribery and corruption measures are embedded throughout the organisation	<p>Assessing and understanding fraud and corruption risks</p> <p>Committing the right support and resources to tackling fraud and corruption</p> <p>Maintaining and demonstrating a robust anti-fraud and corruption response</p> <p>Communicating the risks to those charged with Governance</p>	<p>Making better use of information and technology</p> <p>Enhancing fraud and corruption controls and processes</p> <p>Developing a more effective anti-fraud and corruption culture</p> <p>Communicating the Council's activities and processes</p>	<p>Prioritising fraud recovery and the use of civil sanctions</p> <p>Developing capability and capacity to punish corruption and fraudsters</p> <p>Collaborating across geographical and sectoral boundaries</p> <p>Learning lessons and closing the gaps</p>
Some specific examples for Broxbourne Council			
<p>Corporate Governance Group that oversees this strategy and reports into the Corporate Management Team (CMT)</p> <p>Fraud included in the Audit Committee's Terms of Reference</p>	<p>Risk management process</p> <p>Fraud and corruption policy and processes</p> <p>Fraud and corruption awareness and training</p>	<p>Whistleblowing policy</p> <p>Strong internal control culture</p> <p>Staff and supplier vetting</p> <p>Participation in the National Fraud Initiative and more localised fraud hub</p> <p>Staff and Member Code of Conduct and Declarations of Interest</p> <p>Information security and IT policies</p>	<p>Fraud response plan</p> <p>Enforcement powers, application of sanctions and prosecutions</p> <p>Collaboration and joint prosecutions with other authority fraud teams</p> <p>Member of the Hertfordshire Shared Anti-Fraud Service</p>

Protect
Recognising the harm that fraud can cause in the community. Protecting itself and its residents from fraud.
<ul style="list-style-type: none"> <li>protecting against serious and organised crime, protecting individuals from becoming victims of crime and protecting against the harm that fraud can do to the community</li> <li>for Broxbourne this will also cover protecting public funds, protecting the Council from fraud and cybercrime and also protecting itself from future frauds</li> </ul>

**6. REPORTING, REVIEW AND MONITORING PERFORMANCE**

The Director of Finance will develop a rolling anti-fraud action plan to support the strategy, in conjunction with the Head of Internal Audit, senior managers and the Shared Anti-Fraud Service. It will be the responsibility of the Chief Executive to ensure there are adequate resources to support the action plan.

The Audit and Standards Committee will receive periodic fraud reports from the Director of Finance and the Shared Anti-Fraud Service to assist in its oversight of the Council’s anti-fraud and corruption strategy and arrangements.

The expected outcomes from this strategy are detailed in the table above. Performance will be reported periodically to the Corporate Management Team (CMT) and the Audit and Standards Committee.

**7. ROLES AND RESPONSIBILITIES**

Responsibility	Role
Members	As elected representatives, all members of the Council have a duty to the public to maintain the highest standards of conduct and ethics, and to ensure the Council is open and transparent in all the decisions it makes  Members are required to adhere to the Council’s constitution, which incorporates a Member Code of Conduct
Audit and Standards Committee	To satisfy itself there are adequate arrangements in place to manage risk (including that relating to fraud and corruption) effectively. To monitor Council policies on anti-fraud and corruption and to receive periodic reports on fraud and corruption. Monitor the operation of the Member Code of Conduct
Chief Executive	Overall corporate management and operational responsibility for all officers and for setting the tone for the anti-fraud culture
Director of Finance (Section 151 Officer)	Ensure that appropriate advice is given on all financial matters for keeping proper financial records and accounts and for maintaining an effective system of internal financial

Responsibility	Role
	control. Ensure that the Council has adopted an appropriate anti-fraud and corruption strategy
Head of Legal Services (Monitoring Officer)	Statutory responsibility to advise the Council on the legality of its decisions and to ensure the Council's actions do not give rise to illegality or maladministration. Also encourages the promotion and maintenance of high standards of conduct within the Council
Managers (all levels)	Establish sound systems of internal control and the management of risk in their service's operations. Such systems must safeguard the Council's assets and interests from fraud, bribery, corruption and theft
All staff	Comply with Council policies and procedures, to be aware of the possibility of fraud and corruption. To report any genuine concerns to management, Internal Audit or via the Whistleblowing Policy.
External Audit	Ensure the Council has adequate arrangements in place for the prevention and detection of fraud, corruption and theft
Internal Audit	Assist the Director of Finance in developing and implementing the Anti-Fraud and Corruption strategy and monitoring the investigation of any such reports. Support managers in minimising fraud and corruption related risk Work in partnership with the Shared Anti-Fraud Service
Shared Anti-Fraud Service	Ensure the ongoing effectiveness and resilience of anti-fraud and corruption arrangements for the Council (and across the partnership) by detecting and investigating fraud and corruption, assessing and evaluating fraud and corruption risks, and promoting organisational learning

## 8. SUPPORTING POLICIES, PROCEDURES AND PROCESSES

The Council has a wide range of policies, procedures and processes that are in place to formalise arrangements for the prevention, detection and investigation of fraud. These include:

- Anti-Fraud and Corruption Strategy (this document)
- Fraud action plan (reported to the Audit and Standards Committee)
- Whistleblowing Policy (Working for Broxbourne - Section 8 )
- Fraud Response Plan (Appendix 1)
- Anti-Bribery Policy Statement (Appendix 2)
- Prevention of Money Laundering procedures (Appendix 3)
- Employee and Member Codes of Conduct (Officer Code of Conduct can be found in Working for Broxbourne)
- Financial Regulations (located on the Council's intranet and are part of the constitution)
- Contract Standing Orders (located on the Council's intranet and are part of the constitution)



## Appendix 1

### FRAUD RESPONSE PLAN

#### 1. Introduction

The Fraud Response Plan defines how the Council applies its policies and procedures to suspected theft, fraud, corruption and bribery.

It links with various other documents, including the anti-fraud strategy and the whistleblowing policy. The procedures for dealing with suspected money laundering are different (refer to the Prevention of Money Laundering procedures (Appendix 3) for the necessary actions).

Different rules apply to benefits fraud.

This fraud response plan guides managers on how to react to suspicions of fraud, theft, corruption and bribery.

Additionally, it outlines how investigations will be progressed, the manager's role and the role of the Investigating Officer.

#### 2. Purpose of the Fraud Response Plan

The Fraud Response Plan is designed to ensure timely and effective action in the event of suspected fraud to:

- minimise the impact of fraud by taking prompt action
- prevent further losses where fraud has occurred
- maximise recovery of losses
- ensure the accuracy and integrity of evidence for successful disciplinary and court action
- identify lessons to be learned to improve internal controls to prevent a recurrence in the future
- maximise positive publicity when fraud is discovered and dealt with it effectively
- deter others from committing fraud

In addition to obvious frauds involving theft of assets or the misappropriation of funds, the following are examples of the types of activity that may be regarded as fraud. The list is merely indicative and not exhaustive:

- manipulation or misreporting of financial information
- misuse of the organisation's assets, including cash, stock and other assets
- deception (e.g. misrepresentation of qualifications to obtain employment)
- offering or accepting bribes or inducements from third parties
- conspiracy to breach laws or regulations
- fraudulent completion of official documents (e.g. VAT receipts)
- time recording fraud
- theft of intellectual property (e.g. unauthorised use of a brand name/logo, theft of customer data or product design)

### **3. The Manager's role in dealing with suspected fraud**

#### ***First response***

Where managers suspect a fraud has taken place the first course of action must be to contact the Director of Finance as Section 151 Officer who will in turn ensure the Chief Executive, the Head of Internal Audit, the Head of Legal Services and the Personnel and Payroll Manager are informed, calling a case conference if appropriate to agree the approach and scope of any investigation.

The only exception to this is where the matter is clearly related to the benefits system. In such cases, the matter is referred to the Department of Works and Pensions (DWP). Alternatively, it can be referred to the Shared Anti-Fraud Service, who will liaise with the DWP on the Council's behalf.

The Director of Finance will retain overall responsibility and control for any investigation but will delegate responsibility for leading the investigation to an Investigating Officer ensuring they are independent of the service area under investigation and appropriately experienced and trained. Internal Audit will provide advice and guidance to the Investigating Officer if necessary. Investigations can also be referred to the Shared Anti-Fraud Service. Investigations of suspected fraud should only be undertaken by officers authorised by the Director of Finance.

Any suspected fraud by a customer or a member of public against the Council or its services should be reported to the Shared Anti-Fraud Service who will liaise with the Director of Finance and the Head of Internal Audit.

There may be circumstances where it is appropriate for a Head of Service to undertake some preliminary exploration to check on the validity of an allegation or irregularity to establish whether there is a case to be investigated. Where this occurs, advice should be sought from the Director of Finance or Internal Audit as such activity may alert the fraudster, resulting in the destruction of evidence or compromising the collection of further evidence.

Where initial investigations point to the likelihood of a criminal act having taken place, the Director of Finance or Head of Legal Services will inform the Police. Crime numbers should be obtained and provided to Internal Audit and Insurance for reporting purposes.

#### ***Initial Enquires***

Speed is of the essence, therefore the Investigating Officer should make discreet initial enquires to determine if there actually appears to be an irregularity. During this initial enquiry the Investigating Officer should:

- determine the facts and factors that gave rise to the suspicion
- examine the factors to determine whether a genuine mistake has been made or whether an irregularity has occurred
- document their findings, ensuring access is restricted i.e. not held in an 'open area' of the network
- secure any relevant documentation and records if this can be done without alerting the perpetrator

The Investigating Officer should not formally interview staff at this stage.

#### **4. Formal Investigation**

The Director of Finance will instigate a formal investigation, in consultation with Internal Audit and the relevant Head of Service, to be undertaken by the appointed Investigating Officer or the Shared Anti-Fraud Service. In the absence of Director of Finance, their responsibilities are transferred in the first instance to the Assistant Director Resources as Deputy Section 151 Officer, then the Monitoring Officer or Chief Executive.

Consideration will be given by the Director of Finance whether to involve other agencies such as Police, HM Revenue and Customs, Cabinet Office, the Department for Work and Pensions, the National Anti-Fraud Network, the Serious and Organised Crime Agency, External Audit and other councils.

The Director of Finance, in consultation with Personnel, will consider whether it is necessary to suspend one or more employees to protect evidence, colleagues or assets in line with disciplinary procedures.

#### **5. Conducting the Investigation**

The exact format of an investigation is fluid but some general principles will apply to all investigations:

- investigate and report back to the Director of Finance promptly. If the investigation extends more than two or three days then the Director of Finance should be given regular updates
- comply with legislation on interviewing (Police and Criminal Evidence Act, PACE) and surveillance (Regulation of Investigatory Powers Act, RIPA). However, it is not normally necessary, even when there may be a criminal offence, to conduct interviews under PACE rules. The police can re-interview witnesses and suspects later on in the process
- record all evidence received, ensuring that it is sound and adequately supported (see further guidance below)
- keep written records of all fact-finding meetings
- email correspondence about the investigation should be discreet and use an agreed case name rather than real names or locations
- all sensitive attachments should be password protected (or, preferably, not emailed)
- hold evidence securely, with appropriate restriction to access (both manual and electronic documentation)
- maintain confidentiality and discretion throughout, and share information on a need to know basis. In particular, be mindful that senior officers may need to hear disciplinary cases, and therefore should not know details of cases
- where appropriate, contact other enforcement agencies e.g. Police, HM Revenue and Customs. This should be always enacted via Internal Audit or the Shared Anti-Fraud Service as they may have established lines of communication and referral protocols
- investigators must not accept any offer of repayment of money or resignation at any stage, as this could prejudice the investigation. Any such offers should be recorded in the interview notes, and passed on to the Director of Finance for consideration (in consultation with the Personnel and Payroll Manager)

The Council has the right to suspend any employee involved pending the outcome of an investigation. Suspension does not imply guilt but suspension can prevent the removal or

destruction of vital evidence. When suspects are not suspended, supervision will usually need to be increased. Always seek advice from Personnel on suspensions and any subsequent disciplinary action. If the police are pursuing a criminal offence, the Council will begin the disciplinary process without waiting for the outcome of any court case.

The Director of Finance will report losses to the Council's Treasury, Risk and Insurance Manager at the earliest stage.

## **6. Actions Following the Completion of an Investigation**

Upon completion of an investigation, the Investigating Officer will report findings in an appropriate format (usually written) to the Director of Finance. The final report will also be issued to the Chief Executive, the Monitoring Officer and the Head of Internal Audit, and if appropriate to the relevant Director and Personnel and Payroll Manager.

In all cases the Council's insurers should be informed of actual losses as soon as these have been established.

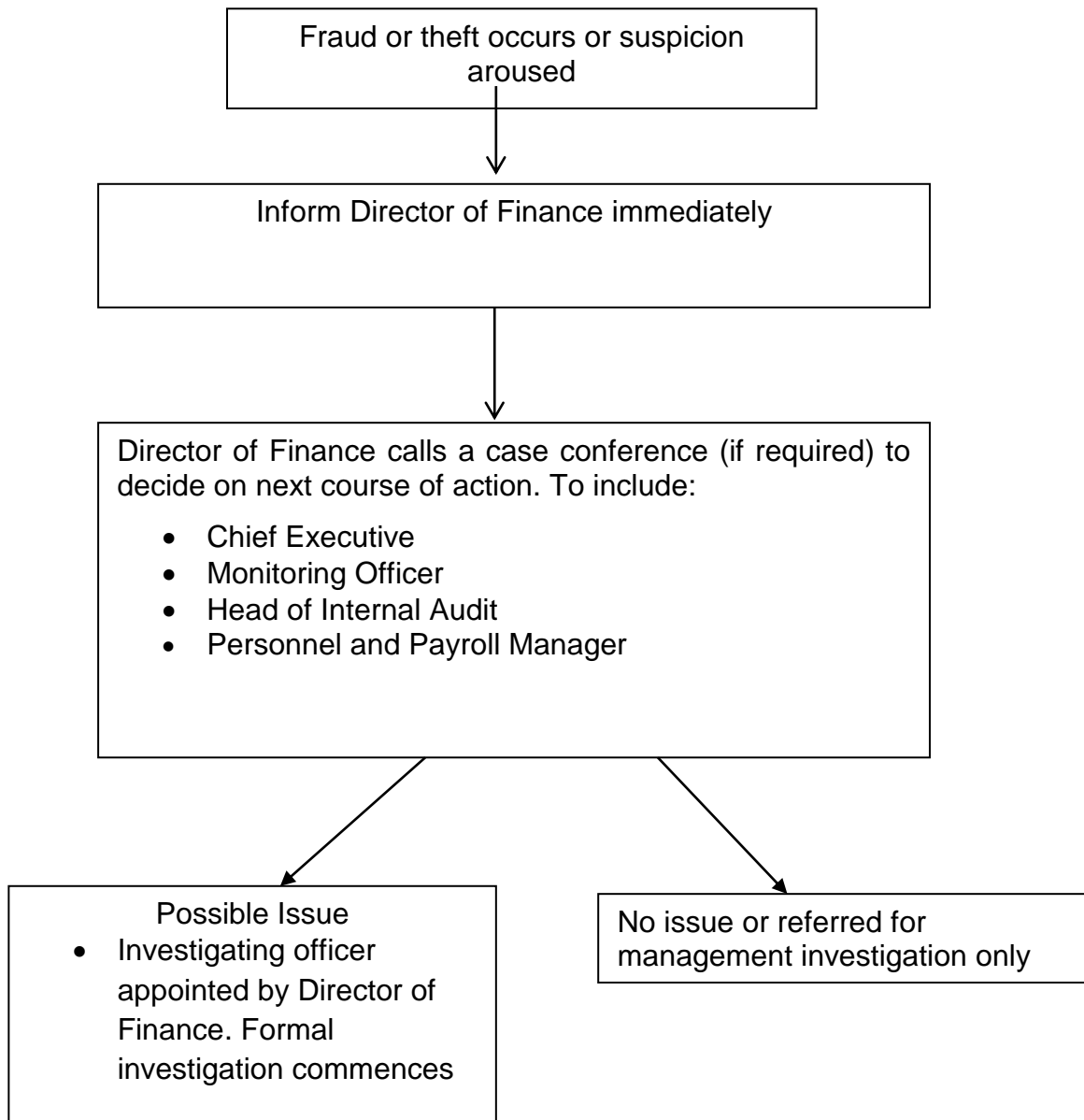
The service manager must remedy control weaknesses identified during the course of the investigation. Internal Audit will provide advice and support on effective controls.

Internal Audit in conjunction with the Shared Anti-Fraud Service will keep a record of all investigations and final outcomes in the theft, fraud, corruption and bribery register, including crime numbers. This information informs of future prevention strategies, and is used in reporting fraud and corruption at the Council.

The Communications Team should be informed (so that publicity can be managed effectively).

Whenever fraud has been proved, the Council will make every effort to recover the losses. The method used will vary depending on the type of loss and the regulations and powers available. All means of recovery including recovery under the Social Security Administration Act 1992, attachments to earnings, civil court proceedings and criminal court compensation will be used as appropriate to the offence.

## Outline of Fraud Response Process



## Appendix 2

### ANTI-BRIBERY POLICY STATEMENT

The Council is committed to the prevention, deterrence and detection of bribery and has zero tolerance towards bribery.

#### Bribery

Bribery is defined as an inducement or reward offered, promised or provided to gain personal, commercial, regulatory or contractual advantage. It is unacceptable to:

- give, promise to give, or offer a payment, gift or hospitality with the expectation or hope that a business advantage will be received, or to reward a business advantage already given
- give, promise to give, or offer a payment, gift or hospitality to a government official, agent or representative to facilitate or expedite a routine procedure
- accept payment from a third party that you know or suspect is offered with the expectation that it will obtain a business advantage for them
- accept a gift or hospitality from a third party if you know or suspect that it is offered or provided with an expectation that a business advantage will be provided by the Council in return
- retaliate against or threaten a person who has refused to commit a bribery offence or who has raised concerns under this policy
- engage in activity in breach of this policy

#### Objective of this policy

This policy provides a consistent framework to enable staff to understand and implement arrangements enabling compliance. In conjunction with related policies and key documents it will also enable employees to identify and effectively report a potential breach of policy. The Council requires that all staff, including those directly employed, agency staff, contractors, and Members:

- act honestly and with integrity at all times and to safeguard the Council's resources for which they are responsible
- comply with the laws and regulations of all jurisdictions in which the Council operates

#### Scope of this policy

This policy applies to all the Council's activities. For partners, subsidiaries, joint ventures and suppliers the Council will seek to promote the adoption of policies consistent with the principles set out in this policy.

The responsibility to control the risk of bribery occurring resides at all levels of the Council. It does not rest solely within assurance functions, but in all service areas.

The Council commits to:

- setting out a clear up-to-date anti-bribery policy
- making all employees aware of their responsibilities to adhere strictly to this policy at all times
- training all staff so that they can recognise and avoid the use of bribery by themselves and others

- encouraging its employees to be vigilant and to report any suspicions of bribery, providing them with suitable channels of communication and ensuring sensitive information is treated appropriately
- rigorously investigating instances of alleged bribery and assisting police and other appropriate authorities in any resultant prosecution
- taking firm and vigorous action against any individuals involved in bribery
- provide information to all employees to report breaches and suspected breaches of this policy
- include appropriate clauses in contracts to prevent bribery

### **Gifts and hospitality**

This policy is not meant to change the requirements of the Council's gifts and hospitality policy (included in the Officer Code of Conduct). This makes it clear that:

Sample tokens of modest value bearing the name or insignia of the organisation giving them (for example, pens, diaries or calendars) whether given personally, or received in the post, may be retained unless they could be regarded as an inducement or reward. Staff should refuse the offer or invitation (or return the gift) unless the relevant Director has advised that it may be accepted or retained.

### **Public contracts and failure to prevent bribery**

Under the Public Contracts Regulations 2006 a company was automatically and perpetually debarred from competing for public contracts where it was convicted of a corruption offence. This is no longer the case under the Public Contracts Regulations 2015 as a business can no longer be permanently debarred. Instead it will face a term of debarment which can be no longer than the maximum statutory term of exclusion and public authorities are obliged to bring debarment to an end where a company satisfactorily demonstrates "self-cleaning".

### **Staff responsibilities**

All staff are required to avoid activity that breaches this policy. Staff must:

- ensure that they read, understand and comply with this policy
- raise concerns as soon as possible as they believe or suspect that a conflict with this policy has occurred, or may occur in the future

As well as the possibility of civil and criminal prosecution, staff that breach this policy will face disciplinary action, which could result in summary dismissal for gross misconduct.

### **Raising a concern**

This Council is committed to ensuring that all of its officers have a safe, reliable, and confidential way of reporting any suspicious activity. Officers have a responsibility to help detect, prevent and report instances of bribery. If an officer has a concern regarding a suspected instance of bribery or corruption, they should report it.

There are multiple channels to help staff raise concerns and should refer to the Whistleblowing Policy and determine their favoured course of action. Staff who do not have access to the intranet should contact the Head of Internal Audit or their Director. Concerns can be raised anonymously.

In the event that an incident of bribery, corruption, or wrongdoing is reported, the Council will act as soon as possible to evaluate the situation. The Council has a clearly defined Anti-Fraud and Corruption Strategy which sets out procedures for investigating fraud,

misconduct and non-compliance issues and these will be followed in any investigation of this kind. This is easier and quicker if concerns raised are not anonymous.

The Council aims to encourage openness and will support anyone who raises a genuine concern in good faith under this policy, even if they turn out to be mistaken.

Any questions about these procedures may be directed to the Head of Internal Audit.



## **Appendix 3**

### **PREVENTION OF MONEY LAUNDERING PROCEDURES**

#### **INTRODUCTION**

The Council is committed to the prevention of money laundering. These procedures are to be followed by all staff to ensure compliance with the Counter-Terrorism and Security Act 2015, the Proceeds of Crime Act 2002 and the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (MLR 2017) which came into force on 26 June 2017 and, for any offences committed after 26 June 2017, replaces the Money Laundering Regulations 2007 and the Transfer of Funds (Information on the Payer) Regulation 2007 which were previously in force.

A key difference is that relevant persons are obliged to adopt a more risk-based approach towards anti-money laundering, in particular in how they conduct due diligence. Determining the appropriate level of due diligence requires analysis of risk factors based on the EU Directive and which are set out in MLR 2017.

#### **DEFINITION**

Money laundering is the process of transferring money obtained through unlawful activity (commonly known as the proceeds of crime), into clean money by processing the gains through a legitimate organisation. Offences are committed by concealing, disguising, converting or transferring criminal property, acquiring or using criminal property or assisting another to do any of these. Criminal property is very widely defined and includes cash or cheques or any other property.

#### **EXAMPLES OF HOW THE COUNCIL MAY BECOME INVOLVED IN MONEY LAUNDERING**

- accepting large cash amounts either as a single transaction or a group of related transactions (cash is no longer accepted except at the Council's leisure sites)
- the request of a large refund
- property investments or purchases

Indicators which may suggest money laundering activity include:

- payments to the Council of large cash amounts – the Council's Financial Regulations previously set a limit of 15,000 Euros (or the sterling equivalent) for reporting purposes (cash is only accepted at the Council's leisure sites)
- cash overpayments made by a customer resulting in a large refund request
- cash transactions made that are significantly outside of normal expectations
- involvement of third parties when dealing with the Council and cash payments, without logical reason
- customers, contractor or suppliers who are unwilling to provide proof of identity or information on the source of the funds

#### **CONTROLS IN PLACE TO MINIMISE THE RISK OF MONEY LAUNDERING**

In addition to the Council's usual anti-fraud measures, Financial Regulations and Contract Standing Orders must always be applied, where there is considered to be any risk of money

laundering it is necessary to verify the identity of the person dealing with the Council. The officer dealing with the transaction will require the other party to produce satisfactory evidence of identity in the form of:

- a passport
- a driving licence
- a birth certificate
- a marriage certificate
- evidence of current address such as:
  - a bank statement (less than 3 months old)
  - a credit card statement (less than 3 months old)
  - mortgage or insurance details (less than 12 months old)
  - a utility bill (less than 12 months old)

Dealings with a company should be verified by:

- checking the organisation's website to confirm the business activities
- checking the company details with Companies House using the on-line web check service to confirm the nature and business of the company and confirm the identities of any directors
- meeting the customer at their business address (if necessary)
- asking the key contact officer to provide evidence of their personal identify and position within the organisation

If for any reason it is not practicable for the other party to be present when identified consideration must be given to the greater potential for money laundering. In such cases the other party should be required to provide copy documents certified as true copies of the originals by a practising solicitor or accountant. The officer should check with the Law Society (this can be done on-line at [www.lawsociety.org.uk](http://www.lawsociety.org.uk) 'Find a solicitor') to ensure that the solicitor is known to them and then obtain confirmation from the solicitor that they signed the copies. As the solicitor for any person dealing with the Council also has the legal duty to prevent money laundering the identification requirement can also be met by that solicitor certifying they have proof of identity of their client.

Cash payments should not be accepted and the Money Laundering Reporting Officer (MLRO) advised accordingly.

**WHERE SATISFACTORY EVIDENCE OF IDENTITY IS NOT AVAILABLE THE BUSINESS ARRANGEMENT OR ONE OFF TRANSACTION SHOULD NOT PROCEED AND BE REPORTED TO THE MONEY LAUNDERING REPORTING OFFICER (MLRO)**

The MLRO is responsible for receiving disclosures regarding suspected money laundering activity, evaluating the information provided, and determining when to report suspicions of money laundering to the National Crime Agency (NCA).

### **WHAT DO EMPLOYEES DO IF THEY SUSPECT MONEY LAUNDERING?**

Where an employee suspects Money Laundering activity, they are required to:

- immediately notify the MLRO (see below)
- not take any money until guidance has been sought from the MLRO
- not to make any further enquires into the matter themselves

- not to disclose or otherwise indicate their suspicions to the suspect as this may constitute a criminal offence of tipping off
- not discuss the matter with others and note on the file or system a report has been made to the MLRO

In doing so the employee has fulfilled their obligations under the legislation and the Council's internal policy.

### **NOTIFYING THE MONEY LAUNDERING REPORTING OFFICER (MLRO)**

The Council has designated the Head of the Shared Anti-Fraud Service (SAFS) as its Money Laundering Reporting Officer. The MLRO can be contacted in the following ways:

- by email: MLRO@hertfordshire.gov.uk/ fraud.team@hertfordshire.gov.uk
- by telephone: 01438 844705
- in writing to the Head of Shared Anti-Fraud Service - Hertfordshire County Council, Shared Anti-Fraud Service (SAFS) 1st Floor Robertson House, Six Hills Road, Stevenage. Hertfordshire. SG1 2FQ

In the absence of the Head of the SAFS the SAFS Counter Fraud Managers are authorised to deputise.

### **RECORD KEEPING**

Where evidence of identification is obtained in accordance with the above the Council is required to keep records of that evidence.

The records required to be kept are:

- a copy of the evidence (note 1)
- information as to where a copy of that evidence may be obtained (note 2)
- where it is not reasonably practicable to comply with the above, information as to where the evidence of identity may be reobtained

In all cases the Council must also keep a record containing details relating to all transactions carried out by the Council in the course of relevant business.

Records must be maintained:

- Note 1 - for a period of six years commencing from the date the business relationship ends or (in the case of a one off transaction or transactions) six years from the conclusion of all activities arising in the course of that transaction or (if a series of transactions) the last of them to end.

Note 2 - Copies of identification documents and the records required to be kept by this paragraph shall be kept on the relevant transaction file or files.