

GREATER LONDON AUTHORITY

REQUEST FOR DIRECTOR DECISION – DD2095

Updates to the GLA's Anti-Fraud Framework

Executive Summary:

Officers have updated two documents that are important pillars to the GLA's Anti-Fraud Framework: the Anti-Fraud and Corruption Policy & Response Plan; and the Whistleblowing Policy. The updates do not alter the fundamental provisions of the two documents. But they do ensure each continues to reflect best practice and is current. The revised documents, which the Executive Director is being asked to approve, also share a common format, more in line with other GLA policies, and benefit from some streamlining of content.

The GLA is now undertaking new types of financial transactions – specifically in the form of recoverable grants and certain loans – as part of the Housing Zones programme (but potentially in other areas too in the future). This means the must comply with the Money Laundering Regulations. Officers have worked with TfL Legal to develop an Anti-Money Laundering policy that will ensure the GLA meet its legal obligations and supports our safeguarding of public money. Pending approval, its implementation will be supported by training sessions and awareness work.

Decision:

That the Executive Director of Resources approves:

- i. updated versions of the GLA's Anti-Fraud and Corruption Policy & Response Plan and its Whistleblowing Policy
- ii. a new GLA Anti-Money Laundering Policy

AUTHORISING DIRECTOR

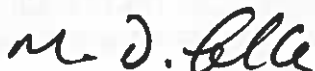
I have reviewed the request and am satisfied it is correct and consistent with the Mayor's plans and priorities.

It has my approval.

Name: Martin Clarke

Position: Executive Director of Resources

Signature:



Date:

3.7.17

PART I - NON-CONFIDENTIAL FACTS AND ADVICE

Decision required – supporting report

1. Introduction and background

Anti-Fraud and Corruption Policy & Response Plan and Whistleblowing Policy

- 1.1. The GLA places a priority on maintaining a robust Anti-Fraud Framework as part of its commitment to strong corporate governance. Two policies at the centre of this Framework are the Anti-Fraud and Corruption Policy & Response Plan (Appendix A) and the Whistleblowing Policy (Appendix B).
- 1.2. A review of the two policies has now concluded and both have been updated. Internal Audit were involved in the review and have fed in advice on best practice; while other changes have sought to ensure the documents remain current, consistent with other GLA policies and also that they are streamlined. For example, both documents now have a clearer policy statement at the front, communicating the GLA's commitment to preventing and tackling fraud and corruption. In addition, the Anti-Fraud and Corruption Policy & Response Plan has been reconfigured: there is no longer a distinct 'strategy' and the essential parts of that element have been merged in to the policy, which is now supported by an action plan. The action plan will be implemented over the coming months and includes staff communications and awareness raising and a review of the risk of fraud in specific areas of GLA work.
- 1.3. Staff will continue to be able to blow the whistle through a number of routes and these are now summarised on the front of that policy. They include an independent and externally operated reporting route (online and over the phone). Though the policy is primary for staff who wish to blow the whistle, others, including those external to the GLA such as organisations we work with, can also use the reporting routes to raise concerns.

New Anti-Money Laundering Policy

- 1.4. Money laundering is the process whereby funds derived from criminal activity are given the appearance of being legitimate by being exchanged for 'clean' money. Participating in the handling of such funds is illegal; and it can also be illegal to become less directly involved in such activity with knowledge or suspicion. For example, if a person commits an offence and then uses the proceeds to purchase an asset, that asset becomes criminal property so any dealings with that asset will involve dealings with the proceeds of crime. Proceeds of crime can therefore appear as assets within legitimate organisations – such as the GLA.
- 1.5. The GLA (including its Subsidiary Companies) is required to comply with Money Laundering Regulations when dealing with entities in relation to re-payable loan funding transactions. This means, for example, the GLA must carry out customer due diligence on the entity in question; establish record keeping procedures; maintain an Anti-Money Laundering Policy (AML Policy); and register (and be supervised by) the Financial Conduct Authority (FCA). The GLA will register with the FCA once this Anti-Money Laundering Policy is put in place and the GLA has held applicable training for all relevant officers.
- 1.6. Financial transactions made by the GLA as part of its Housing Zones project fall within the scope of these requirements. Hence this the focus of the required AML Policy. The GLA may also wish to issue interest free loans or recoverable grants to support other Mayoral priorities and in different parts of the business. Therefore the new Policy the Executive Director is being asked to approve is a corporate policy covering all areas of the GLA where such loans or grants are offered. (Noting there is an additional AML Policy covering the GLA's Treasury function.)

- 1.7. The policy is focussed around the three primary areas of responsibility falling on the GLA:
- customer due diligence (CDD) and know your customer (KYC) checks
 - recognising and reporting knowledge or suspicion
 - maintaining records
- 1.8. The AML Policy includes forms and checklists to support proper CDD and KYC checks and outlines reporting and record-keeping arrangements. It also creates three specific and fundamental roles:
- Money Laundering Reporting Officer – the Executive Director of Resources
 - Deputy Money Laundering Reporting Officer – the Head of Financial Services
 - Officer in Charge of Keeping Records – Senior Governance Manager
- 1.9. The AML Policy will be a reference tool for all GLA staff to follow when dealing with recoverable grant and loan funding to ensure the correct due diligence is carried out. It outlines the requirement for staff to carry out KYC checks to make an informed decision on the appropriateness of the transacting entity, prior to agreeing the loan contract terms.
- 1.10. While the two aforementioned pre-existing policies are already embedded, the AML Policy will require more significant training and awareness activity to support its implementation. The first round of bespoke training will be arranged and delivered by Trowers and Hamlins. It will be in two parts aimed at different staff – high-level, and a more detailed training session – and staff will be nominated to attend the most relevant training to them. Select staff from Housing and Land, Finance, Treasury and Governance will be required to attend. Training needs will then be monitored and new or refresher courses delivered as appropriate.
- 1.11. Human Resources is reviewing the possibility of delivering on-going anti-money laundering training, to be run in-house, possibly through an e-learning package drawing on the training materials developed by Trowers and Hamlins.
- 1.12. In addition, the corporate governance e-learning module will be updated to include a reference to anti-money laundering to help raise awareness.
- 1.13. UK Anti-Money Laundering Regulations are expected to be updated in the next couple of months. Should it be necessary to amend the policy following enactment of these new regulations, and providing the Policy and the practice underpinning it do need to be amended significantly, then the Head of Finance and Governance will amend the Policy accordingly without recourse to a further formal decision.

2. Objectives and expected outcomes

- 2.1. The overarching objective of this decision is to ensure the GLA continues to have in place a robust Anti-Fraud Framework, which in turn supports sound corporate governance. The objectives and outcomes of each of the three individual policies is set down within the document in question.
- 2.2. The GLA's Finance and Governance teams will monitor the implementation of the three policies. Significant issues will be escalated to the Executive Director of Resources and if necessary to the Mayor, via the Chief of Staff. The Assistant Director of Programme, Policy and Services in Housing and Land has a particular responsibility in the respect of the implementation and reporting of the AML Policy as it applies to Housing and Land.

- 2.3. The London Assembly's Audit Panel provides oversight of the GLA's Anti-Fraud Framework. Further to this decision form being approved, an update will be provided to a subsequent meeting notifying it of the updates that have been made. The Panel will continue to receive updates by exception of any serious issues arising. The Annual Governance Statement will, in addition, report and reflect on any such issues arising during the year in question.

3. Equality comments

- 3.1. The documents are internally facing protocols that are applicable equally to all staff. There are no direct equality implications. As with all policies, steps will be taken to ensure the policies are accessible to all.
- 3.2. Reducing the likelihood of fraud and corruption – and having in place a range of reporting routes when it does take place (including confidential/anonymous options) – is likely to support equality of outcomes for staff and for Londoners.

4. Other considerations

Key risks and issues

- 4.1. The GLA's corporate risk register includes the following governance risk:
- processes and procedures are insufficiently developed to ensure compliance with legal and regulatory requirements, prevent fraudulent use of GLA resources and maximise effective use of funds
 - amendments to the GLA's governance framework are poorly implemented /communicated and prove ineffective

The updates to and approval of the three appended documents will ensure the risk continues to be effectively mitigated.

- 4.2. To support effective implementation, GLA staff will be made aware the documents have been updated and their importance will be stressed. The governance e-learning module has recently been refreshed and will continue to be used to raise awareness of the GLA's governance policies and imperatives. As referenced earlier in this decision form, the implementation of the AML Policy will be supported by bespoke training.

Links to Mayoral strategies and priorities

- 4.3. Robust corporate governance arrangements support the full breadth of the Mayor's priorities.

5. Financial comments

- 5.1. There are no direct financial implications to the GLA in regards to this decision.
- 5.2. Trowers and Hamlins will deliver the first set of training, as part of the training framework agreement with the GLA. Further training sessions to staff will be delivered and coordinated in-house.

6. Legal comments

- 6.1 Sections 1-3 of this report indicate that the decisions requested of the Director fall within the statutory powers of the GLA to do things facilitative of and conducive to the discharge of its general functions; and in formulating the proposals in respect of which a decision is sought officers have complied with the GLA's related statutory functions to:
- pay due regard to the principle that there should be equality of opportunity for all people; and
 - consult with appropriate bodies.
- 6.2 In taking the decisions requested of him, the Director must have due regard to the Public Sector Equality Duty; namely the need to eliminate discrimination, harassment, victimisation and any other conduct prohibited by the Equality Act 2010, and to advance equality of opportunity between persons who share a relevant protected characteristic (race, disability, gender, age, sexual orientation, religion or belief, pregnancy and maternity and gender reassignment) and persons who do not share it and foster good relations between persons who share a relevant protected characteristic and persons who do not share it (section 149 of the Equality Act 2010). To this end, the director should pay particular regard to section 3 (above) of this report.
- 6.3 Officers are reminded that, the GLA should ensure that it registers with the Financial Conduct Authority at its earliest convenience following implementation of this AML Policy and subsequent training.

7. Planned delivery approach and next steps

Activity	Timeline
Policies come into effect	On the date this decision is approved
Staff communications	July 2017
Anti-Money Laundering Training	August 2017
Ongoing monitoring	N/A
Review and consequential updates	As per each document's cover

Appendices and supporting papers:

- Appendix 1: Anti-Fraud & Corruption Policy and Response Plan
- Appendix 2: Whistleblowing Policy
- Appendix 3: Anti-Money Laundering Policy

Public access to information

Information in this form (Part 1) is subject to the Freedom of Information Act 2000 (FOI Act) and will be made available on the GLA website within one working day of approval.

If immediate publication risks compromising the implementation of the decision (for example, to complete a procurement process), it can be deferred until a specific date. Deferral periods should be kept to the shortest length strictly necessary.

Note: This form (Part 1) will either be published within one working day after approval or on the defer date.

Part 1 Deferral:

Is the publication of Part 1 of this approval to be deferred? NO

Part 2 Confidentiality: Only the facts or advice considered to be exempt from disclosure under the FOI Act should be in the separate Part 2 form, together with the legal rationale for non-publication.

Is there a part 2 form –NO

ORIGINATING OFFICER DECLARATION:

Drafting officer to
confirm the
following (✓)

Drafting officer:

Tim Somerville has drafted this report in accordance with GLA procedures and confirms that:

✓

Assistant Director/Head of Service:

Tom Middleton has reviewed the documentation and is satisfied for it to be referred to the Sponsoring Director for approval.

✓

Financial and Legal advice:

The Finance and Legal teams have commented on this proposal, and this decision reflects their comments.

✓

Corporate Investment Board:

The Corporate Investment Board reviewed this proposal on 26 June 2017.

✓

EXECUTIVE DIRECTOR, RESOURCES:

I confirm that financial and legal implications have been appropriately considered in the preparation of this report.

Signature

M. D. Bille

Date

3. 7. 17