

Suspicious Activity Reports (SARs) thematic review 2020

Contents

INTRODUCTION	3
<hr/>	
NUMBER OF SUSPICIOUS ACTIVITY REPORTS (SARs) SUBMITTED TO THE NCA	4
<hr/>	
WHERE DO THE SUSPICIOUS ACTIVITY REPORTS (SARs) ORIGINATE FROM?	5
<hr/>	
POLICIES AND PROCEDURES	6
<hr/>	
TRAINING	7
<hr/>	
QUALITY SUSPICIOUS ACTIVITY REPORTS (SARs)	8
<hr/>	
DEFENCE AGAINST MONEY LAUNDERING (DAML)	9
<hr/>	

Introduction

ICAEW is the anti-money laundering (AML) supervisor of 11,000 firms. Our firms are required by law to report suspicious activities to the National Crime Agency (NCA). We want to ensure that our firms have the ability, competence and resources to identify and report suspicious activity promptly.

To understand how and when our firms report Suspicious Activity Reports (SARs) we undertook a SARs thematic review. Our aim was to:

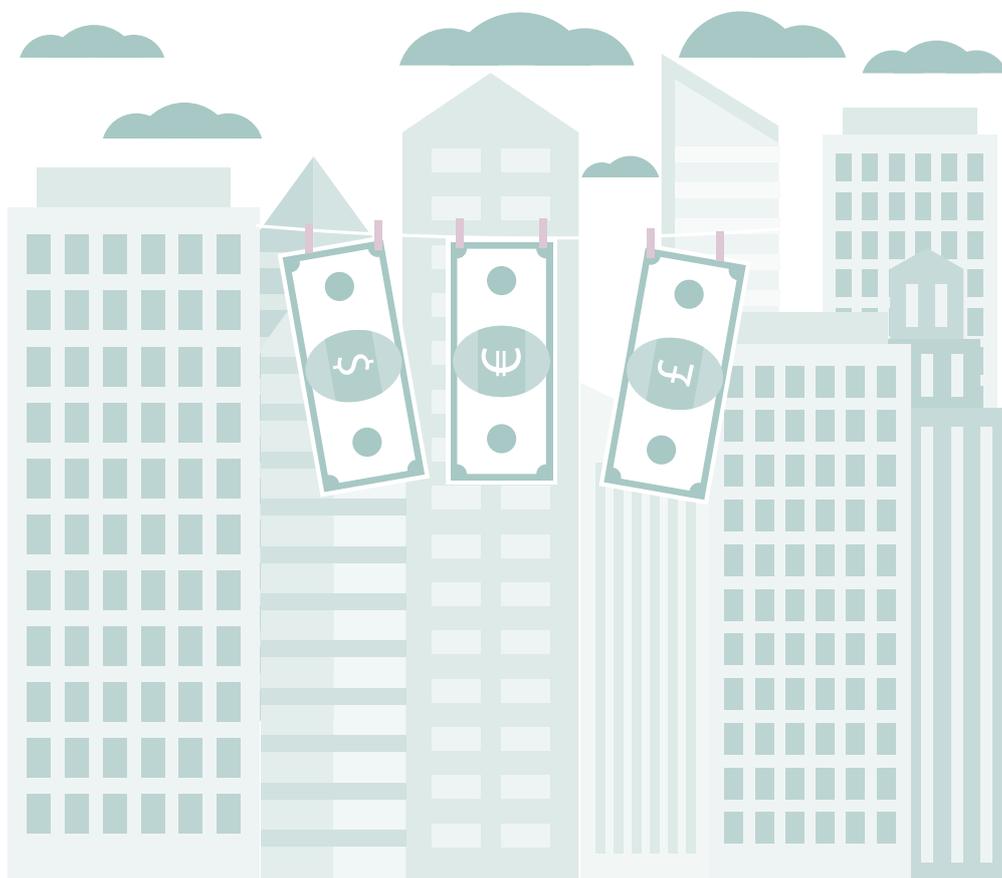
- collect data and look for trends and correlations that allow a greater understanding of vulnerabilities and threats;
- identify ways in which firms can train staff to better spot potentially suspicious activities;
- identify best practice; and
- see how we can help firms improve the quality of the SARs they submit.

We asked a number of firms about their procedures for reporting suspicious activities, staff training and the number and nature of internal and external SARs made annually.

The firms selected were those assessed as potentially being at a higher risk of facilitating money laundering based on factors such as the risk profile of the client base and services provided. The factors are linked to the [National Risk Assessment](#), which defines higher risk services and client typologies.

This report sets out some of the quantitative data and trends we observed from the responses to the questionnaires. We have included a commentary on the responses, as well as our observations on what our firms are doing well and what can be improved.

We plan to enhance this thematic review by conducting a more in-depth review at a sample of firms. Note, this review may be affected by COVID-19.



Number of SARs submitted to the NCA

We reviewed the number of SARs submitted to the NCA by the firms that participated in the review.

What did we find?

A disproportionately high percentage of ICAEW firm’s SARs were submitted by this group.

- 66 of these firms reported 1,314 SARs to the NCA in 2019. This means 1 in 5 of SARs submitted by all accountancy firms in this period were submitted by this group of firms. It also suggests there are many accountancy firms within ICAEW’s supervised population that haven’t submitted any SARs.
- 40% of internal SARs do not get reported to the NCA. We expect firms to document their reasons for reporting or not reporting internal SARs.

What are firms doing well?

- 3 out of 5 SARs reported by accountancy firms to the NCA are from ICAEW firms.
- This means many of our firms are engaged with the reporting process and we are providing useful information to law enforcement.

What can firms do better?

- 21% of firms that responded reported they had not submitted any SARs to the NCA in 2019. We saw comparable figures in 2018 and in the first four months of 2020.

The sample of firms selected are categorised as higher risk firms by ICAEW. We expect more firms in this category to be submitting SARs. We expect firms that have not submitted any SARs to review their processes and consider:



1 Does your firm have adequate procedures and guidance in place for the internal reporting of suspicious activity to the MLRO?



2 Do your staff know what the procedures are?



3 Is there an environment that encourages awareness and reporting?



4 Do your staff know what constitutes suspicious activity and do they know the red flags?

The number of SARs made by the firm’s surveyed to the NCA in 2019 is analysed below by firm size.

FIRM TURNOVER	AVERAGE SARs PER FIRM IN 2019	PERCENTAGE OF FIRMS WITH NO SARs
£2000 mil +	128	0%
£100 to £1,999 mil	85	0%
£20 to £99.99 mil	16	0%
£10 to £19.99 mil	10	7%
£5 to £9 mil	7	31%
£1 to £4.9 mil	3	25%
£0 to £.99 mil	1	83%

Where do the SARs originate from?

We asked firms which service lines generated SARs and the nature of the SARs submitted.

What did we find?

Of those that submitted their analysis of SARs in 2019, the top three service lines to generate SARs are:

- Audit and assurance – 51%
- Tax – 20%
- Accounts preparation, outsourcing and payroll – 12%

Many of the SARs generated from audit and assurance work are a result of the conversations that auditors are required to have with their clients about incidences of fraud. Firms need to be aware that staff may know of reportable matters when communicating with those charged with governance. Firms should encourage staff to contact the MLRO when they are informed of predicate offences, such as fraud, that may lead to money laundering.

If we exclude the largest four firms in our analysis, the order of the top three service lines to generate SARs changes to:

- Tax – 31%
- Accounts preparation, outsourcing and payroll – 23%
- Audit and assurance – 23%

We saw the same trends in the first four months of 2020.

We also asked firms about the nature of the SARs reported in 2019:



In the first four months of 2020 we saw a rise in SARs relating to employee theft, external hacking and scams and mis-use of grants.

What are firms doing well?

Given the diversity of sources of SARs it appears that SARs are being generated across all areas of the practice and that staff are trained across all areas. Many firms are keeping records and tracking the reason for the SARs, so they are able to spot trends and themes.

What can firms do better?

- Ensure audit staff are aware of their obligations to report.
- Train staff in all areas of the business in the money laundering risks the firm faces through the services they offer and their clients.
- Remind staff that clients who do not adjust for underpaid tax or seek to evade paying tax should be subject to a SAR.
- Be vigilant to cybercrime; if your firm is a victim or clients report such crime to you then ensure you consider whether a SAR is required.
- In the current climate monitor clients claiming funds from CJRS and SEISS, bounce back loans and grants where they are not entitled. Ensure SARs are made where relevant.
- Vary training by service line providing guidance on red flags or types of issues each service line might confront.

Policies and procedures

We asked participating firms to tell us about their procedures for reporting SARs.

What did we find?

All firms told us they have internal guidance for staff on the procedures for SAR reporting and most include all the aspects we expect to be considered in their procedures.

What are firms doing well?

All firms that responded have internal guidance for staff on the procedures for SAR reporting and they all tell their staff how to report a suspicion. 99% define suspicion and give guidance on tipping off. Generally, guidance to staff on reporting SARs is provided in some detail.

What can firms do better?

We are pleased that most firms include the following procedures in their guidance. However, we expect all firms to ensure these procedures are incorporated into their SAR reporting guidance.



97% of firms include the name of the nominated officer in their guidance.



99% provide guidance on what constitutes suspicious activity.



94% give guidance on what information is needed to make a report.



100% set out how to report suspicions.



99% explain tipping off.



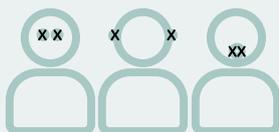
91% define the role of the nominated officer.



84% give a timeframe for reporting.



96% provide guidance on how to proceed with the client.



97% include the offences for failure to disclose.



83% state there is no de minimis.

Management boards should be made aware of the number of SARs reported and the nature of the SARs. 30% of firms don't provide this information.

Training

We asked firms about the training provided to staff.

Many of the firms with an AML compliance team, have at least one full time equivalent money laundering reporting officer (MLRO). Of those surveyed, the average number of personnel within the AML team is three. As AML compliance teams have many responsibilities, firms are advised to ensure that those with assigned roles are given adequate time to fulfil their responsibilities.

What did we find?

- AML training is mandatory in all firms.
- All firms provide training on suspicion, red flags and the process for internally reporting suspicion.
- All firms provide training for new starters on AML procedures.
- Many firms would like more guidance on defence against money laundering (DAML).

What are firms doing well?

- 97% keep records of AML training for staff. Firms are advised to monitor the staff who receive training and the training received.
- 97% of firms consider that staff are aware of the firm's procedures for reporting SARs.

What can firms do better?

6/10 

6 out of 10 nominated officers have not referred to NCA guidance on how to submit a good quality SAR. We feel it essential that all nominated officers refer to guidance on how to submit quality SARs. All MLROs/MLCPs and nominated officers should read the NCA guidance on SAR reporting.

- 4 out of 10 firms that responded vary training by service line. Ideally firms should consider the risks attributable to different services and tailor training to those areas.
- 6 out of 10 firms would like more guidance on SAR reporting from ICAEW. We see the need to respond to the demand for further guidance on SAR reporting and will be adding further guidance and training to our website. We have recently added [Suspicious Activity Reporting Guidance](#) to our website and The Law Society Scotland has an excellent video on how to [submit a SAR online](#).
- Some firms are not sure they are making sufficient SARs to the NCA and should now take steps to ensure staff are reporting concerns internally to the MLRO.

Quality SARs

We asked participating firms on how they submitted their SARs.

What did we find?



Most firms submit their SARs online and 50% have a decision tree they follow when deciding whether to report a SAR to the NCA. Appendix C of the CCAB guidance includes some relevant questions that MLROs should consider before submitting a SAR.

What are firms doing well?

9 out of 10 firms submit their SARs to the NCA Online which is the route preferred by the NCA. This route enables the NCA to quickly extract the data and direct it to the right people.

What can firms do better?



All firms should try to submit their SARs online.

[FIND OUT MORE](#)



50% of firms had not referred to NCA guidance on SAR reporting. To improve the quality of SARs, we expect all firms to refer to NCA guidance including the NCA's *Guidance on submitting better quality SARs*.

[FIND OUT MORE](#)



4 out of 10 firms had not referred to glossary codes when reporting. All firms submitting SARs should be aware of the glossary codes and keep abreast of updates such as the more recent glossary codes for COVID-19 related fraud.

[GLOSSARY CODES](#)

[GLOSSARY CODES FOR COVID-19 RELATED FRAUD](#)

Defence against money laundering (DAML)

A Defence Against Money Laundering (DAML) can be requested from the NCA where a firm has a suspicion that they may be about to deal with criminal property and potentially commit a money laundering offence. The firm doesn't commit one of those offences if they have received 'appropriate consent' (ie, a DAML) from the NCA.

We asked participating firms about their guidance on DAMLs and the number of DAMLs submitted.

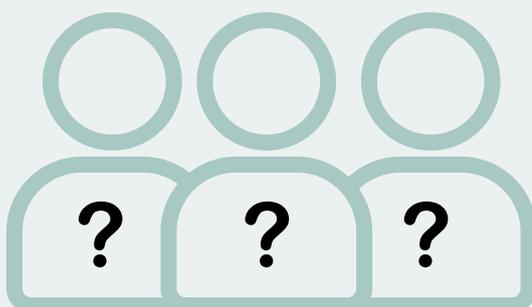
What did we find?

Most firms have guidance on DAMLs but there are a very small proportion requesting them. 80% of our sample had not requested a DAML.

What are firms doing well?

Most firms include guidance on DAMLs within their procedures.

What can firms do better?



Firms should ensure they understand what a DAML is and when it should be made.



Firms should review the NCA guidance on what a DAML is.

[FIND OUT MORE](#)

For further SARs resources including a copy of this report and guidance for firms, please visit [icaew.com/SARsReview](https://www.icaew.com/SARsReview)

Our role as a world-leading improvement regulator

We protect the public interest by making sure ICAEW's firms, members, students and affiliates maintain the highest standards of professional competency and conduct. ICAEW's regulatory and disciplinary roles are separated from ICAEW's other activities so that we can monitor, support or take steps to ensure change if standards are not met. These roles are carried out by the Professional Standards Department and overseen by the independent ICAEW Regulatory Board (IRB).

Our role is to:

- authorise ICAEW firms, members and affiliates to undertake work regulated by law: audit, local audit, investment business, insolvency and probate;
- support the highest professional standards in general accountancy practice through our Practice Assurance scheme;
- provide robust anti-money laundering supervision and monitoring;
- monitor ICAEW firms and insolvency practitioners
- to ensure they operate correctly and to the highest standards;
- investigate complaints and hold ICAEW firms and members to account where they fall short of standards;
- respond and comment on proposed changes to the law and regulation; and
- educate through guidance and advice to help stakeholders comply with laws, regulations and professional standards.

There are more than 1.8m chartered accountants and students around the world and 186,500 of them are members and students of ICAEW. They are talented, ethical and committed professionals, which is why all of the top 100 Global Brands employ chartered accountants.*

ICAEW promotes inclusivity, diversity and fairness. We attract talented individuals into the profession and give them the skills and values they need to build resilient businesses, economies and societies, while ensuring our planet's resources are managed sustainably.

Founded in 1880, we have a long history of serving the public interest and we continue to work with governments, regulators and business leaders around the world. And, as an improvement regulator, we supervise and monitor over 12,000 firms, holding them, and all ICAEW members and students, to the highest standards of professional competency and conduct.

ICAEW is proud to be part of Chartered Accountants Worldwide, a global network of 750,000 members across 190 countries, which promotes the expertise and skills of chartered accountants on a global basis.

We believe that chartered accountancy can be a force for positive change. By sharing our insight, expertise and understanding we can help to create strong economies and a sustainable future for all.

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