



ASSESSING EFFECTIVENESS

AML SUPERVISION REPORT 2022/23



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PROFESSIONAL
STANDARDS
DEPARTMENT

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In April 2021, HM Treasury and OPBAS published guidance on the annual report required of professional body supervisors under Regulation 46A of The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (MLR17), which requires supervisors to publish an annual report for the year ended 5 April. This report sets out how ICAEW discharges its obligations as a supervisory authority under The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (MLR17) and information that ICAEW is required to publish under Regulation 46A.

FOREWORD



Angela Foyle

Chair, AML Project Board

Member of the ICAEW Regulatory Board

I am delighted to present ICAEW's anti-money laundering (AML) supervision report for the year ended 5 April 2023.

This is my first report as Chair of the ICAEW AML Project Board, having taken over from Philip Nicol-Gent earlier this year. I would like to thank Philip for the role he has played in evolving ICAEW's AML supervisory functions over the past five years. The ICAEW AML Project Board is a sub-committee of the ICAEW Regulatory Board (IRB), which has governed ICAEW's regulatory and disciplinary functions since 2016.

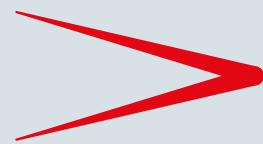
Over the last five years, ICAEW's AML supervisory approach has matured and is now looking not only at whether the documents and information collected by firms is compliant, but also assessing the effectiveness of the firms' risk assessments, policies and procedures.

The Professional Standards Department (PSD) has continued to invest in its intelligence and information sharing, in particular, through promoting our role within law enforcement agencies and increasing our involvement in intelligence sharing positive changes in the level of engagement with law enforcement,

particularly since the amendments to Regulation 52 of the Money Laundering Regulations that widened the information sharing gateways.

ICAEW's guidance and education material continues to be well-received and has high engagement rates with our firms. The educational film drama, *All Too Familiar*, had been streamed more than 27,000 times by the end of March 2023 and the most recent webinar on risk had 1,250 attendees. ICAEW continues to produce its quarterly *AML the essentials* (available to everyone) and *AML risk bulletins* (which are sent to the money laundering reporting officers in our supervised firms).

HM Treasury published its consultation on AML Supervisory Reform in June 2023 and ICAEW has submitted its response. ICAEW believes that professional bodies continue to have an important role to play in the AML supervision of the accountancy sector. ICAEW continues to participate in all relevant public-private forums and to work with HM Treasury, law enforcement and the professional body supervisors to deliver a coordinated response to the threat of money laundering and terrorist financing in the UK.



PROACTIVE AND REACTIVE AML SUPERVISION



REPORT FROM THE CHIEF OFFICER, PROFESSIONAL STANDARDS DEPARTMENT



Duncan Wiggetts
Chief Officer
Professional Standards Department, ICAEW

DELIVERING OUR AML SUPERVISORY STRATEGY

Our AML supervisory strategy combines proactive monitoring reviews of accountancy firms supervised by ICAEW, thematic reviews and reactive investigations.

The number of proactive monitoring reviews is determined by our risk-based approach. We focus our reviews on firms where the risk of being used to enable money laundering is highest.

We started 1,081 proactive monitoring reviews in the year ended 5 April 2023, with 37% of these being to our high and high-medium risk firms. The percentage of firms assessed as non-compliant was 15.5% compared to 14.4% in 2021/22. Further details and analysis of these figures are set out in the key findings from our supervisory activity section of this report.

Investigations are triggered when we are made aware of specific events through complaints from the public, or information received from law enforcement and other supervisors. We continue to take robust enforcement action. During the period, 37 firms were sanctioned in relation to AML weaknesses and two members were excluded for complaints relating to economic crime.

ASSESSING EFFECTIVENESS

During 2022, we started a project to evolve and update our monitoring methodology. As we are now on our third cycle of AML monitoring reviews (we have reviewed many of our firms twice since we started supervision in 2007), it should be a given that firms have policies and procedures to ensure their AML compliance. We therefore identified the need for us to consider the effectiveness of firms' policies and procedures in more depth. For example, it is not enough to have the relevant checklists in place, firms must be using them effectively to identify risks where they exist.

This change echoes recent changes in the Office for Professional Body AML Supervision's (OPBAS') own approach. In January 2023, OPBAS published its updated Sourcebook, which signalled a shift from focusing on technical compliance to considering the effectiveness of a professional body supervisor's policies and procedures. This approach follows that of the Financial Action Task Force (FATF). Its assessments focus on two areas, technical compliance and effectiveness.

In January 2023, we piloted our new approach. Under the new approach, Quality Assurance Department (QAD) reviewers assess a larger sample of customer due diligence (CDD) during monitoring reviews, and reperform the open source checks element of the firm's CDD for that client.

Where CDD falls short of the required standard, the reviewer will consider the root causes for those gaps. We completed the launch of this new approach in April 2023 and will report on our first full year of findings in our report for 2023/24.

IMPROVING INFORMATION SHARING

A key supervisory objective for 2022/23 was to improve information sharing between ICAEW and our firms on AML risks. Another aim is to improve the flow of information from law enforcement to ICAEW so that we can use our disciplinary frameworks to disrupt economic crime, or sanction and discipline firms.

During 2022, the AML team delivered against its objective of improved information sharing with firms by issuing resources to support their AML compliance:

- *AMLbites* - short videos to help money laundering reporting officers with different money laundering topics, including why trust and company service providers and politically exposed persons (PEPs) are considered high risk.
- Bounce Back Loan and sanctions thematic reviews.
- Live webinars on topics including client verification and cryptoassets, culminating in our highest ever attendance for a live webinar with 1,250 attendees for our webinar on risk in March 2023.
- *AML risk bulletins* to share risk alerts from the Accountancy AML Supervisory Group (AASG) in conjunction with the Joint Money Laundering Intelligence Taskforce (JMLIT).

We have also invested resources in raising our profile with law enforcement agencies and Companies House to fully utilise the extended Regulation 52 gateway. This gateway allows us to share with those organisations, and for them to share with us, information and intelligence about firms that we

supervise who may be facilitating money laundering. We have a range of powers that can usefully disrupt activity or behaviours in cases where a legal case or criminal investigation has stalled. Utilising this gateway has meant that we have increased the number of referrals we have made to law enforcement from 1 in FY21/22 to 25 in FY 22/23. We also submitted 19 suspicious activity reports (SARs) to the National Crime Agency (NCA) in FY22/23.

EDUCATION AND GUIDANCE

We launched our award-winning training film, *All Too Familiar*, in March 2022. The intention was to create something visual and memorable to remind accountants of the important role they play in the fight against economic crime, and how money laundering is linked to human tragedies such as human trafficking and modern slavery.

After the launch event in March, *All Too Familiar* was distributed for free to all firms supervised by ICAEW and HMRC for anti-money laundering. By the end of March 2023, *All Too Familiar* had been streamed over 27,000 times.

In Q3 2022, we started to show *All Too Familiar* outside of the UK. Its international debut was at a B20 event (part of the G20 Summit) in Jakarta which was quickly followed by a joint event at the British Embassy in Athens with HMRC and the NCA. This was followed by a virtual launch in Dubai, in association with the UAE Minister of Economy, several events in November in Cyprus and Singapore, and a joint event with IFAC in Brussels. The success of these events, and recommendations from UK firms to global learning and development teams, has led to strong demand for the film to be rolled out around many firms' international networks and the start of the creation of subtitled versions in different languages. The licence fees received for the global licences will help fund the production costs of follow up films.

FOCUS

SHARING INTELLIGENCE WITH LAW ENFORCEMENT

One example of how we have invested resources is through our membership of The Financial Crime Information Network (FIN-NET). This organisation operates under the umbrella of the Financial Conduct Authority (FCA) and allows the sharing of information between law enforcement and regulators on specific individuals and entities.

During the period, we:

- Held discussions with the National Investigation Service (NATIS) and disseminated intelligence packages to them in relation to two large-scale Bounce Back Loan frauds.
- Disseminated intelligence to the Serious Fraud Office.
- Provided HMRC and NCA with intelligence packages to assist investigations.
- Assisted several police forces with information about firms and/or ICAEW members of interest to their investigations.
- Discussed ICAEW's intelligence capabilities with the National Economic Crime Centre (NECC) lead on 'professional enablers' and talked about what we can do to support the NECC's work in this area.

SANCTIONS

The ICAEW Regulatory Board (IRB) and the AML Project Board were keen for ICAEW to demonstrate its important role in sanctions compliance. Although ICAEW doesn't have legal obligations set out in legislation in respect of sanctions, we do take an interest in firms that fail to comply with sanctions legislation, and which have not considered the AML risk associated with sanctions evasion. The UK imposed a range of economic sanctions on Russia and Belarus as well as export bans to Russia throughout 2022. As these sanctions have been implemented, we clearly set out our expectations of ICAEW firms and members. All members of the profession need to be aware of their legal and

ethical obligations in relation to compliance with sanctions regimes imposed by the UK Government, and their statutory duties to report any instances of non-compliance with the sanctions regime.

Our proactive risk-based approach to AML supervision always included risk assessing firms for AML risk relating to sanctions, as well as understanding the firm's assessment and compliance through regular monitoring reviews. We were able to adapt this to ensure we effectively covered sanctions through our monitoring activity.

We also amended our monitoring approach by providing additional guidance to QAD reviewers for immediate use, setting out procedures to address AML risks associated with sanctions. We brought forward our scheduled thematic review for the largest firms on how they identify, handle and mitigate the AML risk associated with politically exposed persons and sanctions to summer 2022. We also extended it to assess how firms identified and managed the AML risks associated with sanctions during this period of significant and rapid change. We published the results of this [sanctions thematic review](#) in October 2022.

NEW DISCIPLINARY FRAMEWORK

On 1 June 2023, ICAEW's new disciplinary framework came into effect. This is the result of a three-year project led by the IRB. It updates the existing disciplinary scheme to make it more transparent, simpler to understand, and more efficient.

An important change for our AML supervisory work is to the types of sanction which can be offered or imposed. These now include non-financial sanctions, such as a requirement for a member to undertake specific training or for a firm to implement training in a particular area to relevant teams. Changes have also been made to the interim order threshold, which now gives greater protection to the public. Previously, interim orders were only available in extremely limited circumstances. The threshold has now been broadened to enable temporary measures to be put in place during the investigation process if there is a clear and obvious concern that there is a risk of significant harm to the public.

CPD FOR THE FUTURE: REDUCING RISK, ENHANCING TRUST

The new CPD Regulations will be introduced from the start of the next CPD year (November 2023). By introducing minimum requirements, which can be monitored more effectively, and adopting a risk-based approach, the revised regulations should provide much stronger assurance to the public, oversight regulators and government that ICAEW members are maintaining and enhancing their competence within increasingly complex professional and regulatory environments.

Under the revised regulations, firms will be responsible for ensuring ICAEW members and regulated individuals are compliant with the new requirements, and for maintaining records that can be inspected by QAD reviewers on request.

FOCUS

OUR ROLE AS AN AML SUPERVISOR

We set out our core approach and supervisory strategy on our website. Access the full details of our responsibilities and how we discharge our obligations at [icaew.com/aml-supervision](https://www.icaew.com/aml-supervision)

LOOKING FORWARD

CONTINUALLY EVOLVING OUR SUPERVISORY APPROACH

We have identified several key improvements we can make to enhance our supervisory activity. We will embed the following improvements into business as usual during FY23/24:

- proactively review intelligence sources before all monitoring reviews;
- analyse SARs by type of service being performed by the firm to assist our risk assessment of service lines; and
- hold six-monthly feedback sessions with QAD reviewers and staff to identify emerging threats and trends.

UNDERSTANDING THE ROLE OF THE MLRO

The role of money laundering reporting officer (MLRO) is fundamental to a firm's AML compliance. The MLRO sets the tone for the firm's compliance attitude, assesses the firm's AML risk and designs the policies and procedures to mitigate that risk. However, taking on the role of MLRO can be daunting and it isn't always clear what's required of the individual who fills this role. Our 2023 thematic review will look at the role of the MLRO across a sample of high or high-medium risk firms and assess whether the MLROs have the right set of capacity, skills, experience and resources to be effective in their role.

AML SUPERVISORY REFORM

In June 2023, HM Treasury published a consultation on proposals for AML supervisory reform. There are four options ranging from expanding OPBAS's powers to the creation of a single AML supervisor across all regulated sectors. We [responded to HM Treasury's consultation](#) on 28 September 2023.

ICAEW IS THE LARGEST ACCOUNTANCY PROFESSIONAL BODY SUPERVISOR FOR ANTI-MONEY LAUNDERING IN THE UK

Our strategy is to provide robust anti-money laundering (AML) supervision through a risk-based regime. We focus our efforts on firms where the risk that they will be used to enable money laundering is highest.

We supervise and monitor

c.11,000

firms for anti-money laundering activity.

21,000+

the number of monitoring reviews we have carried out at firms since the introduction of AML supervision in 2007.



Q2 2022 - Q1 2023 ...

MAINTAINING THE HIGHEST PROFESSIONAL STANDARDS

1,081

AML monitoring review visits were carried out with ICAEW AML supervised firms.



37%

of these were categorised as high or high-medium risk of being used to enable money laundering.



674

criminal record checks were reviewed as part of our monitoring and application processes.



HELP AND SUPPORT

1,711

AML enquiries were taken by our technical advisory helpline.



27,000 +

views of our training film *All Too Familiar*.



TAKING ACTION

37

ICAEW AML supervised firms were sanctioned in relation to AML weaknesses with a total value of £218,275. Penalties ranged from £350 to £32,725.



To support ICAEW AML supervised firms, we published:

- Guidance on sanctions and the economic crime impact of the war in Ukraine.
- 4 issues of *AML - the essentials* (issues 24, 25, 26, 27).
- 4 *Risk Bulletins* (issues 9,10,11,12).
- 6 new *AMLbites* videos. Topics included: sanctions, politically exposed persons, and risks and red flags.
- *The AML Supervision Report 2021/22*.



80,914

accessed our AML resources on [icaew.com](https://www.icaew.com).

2,482+

attended webinars.



175

ICAEW AML supervised firms reviewed were required to undertake follow-up action to improve their processes.





HOW OUR FIRMS REPORT ACTUAL OR POTENTIAL BREACHES OF THE MONEY LAUNDERING REGULATIONS

The amended Money Laundering Regulations 2017, effective from 10 January 2020, brought in a requirement to report annually on:

- the measures we have taken to encourage our supervised firms to report actual or potential breaches of the Money Laundering Regulations 2017; and
- the number of reports received from our supervised firms about actual or potential breaches of the Money Laundering Regulations 2017.

RAISING AN AML CONCERN

We have a confidential and anonymous channel for staff at firms to raise an AML concern ([icaew.com/AMLconcern](https://www.icaew.com/AMLconcern)). Our firms, their staff and members of the public can complete our [Raising an AML concern form](#) and email it to MLCO@icaew.com. We received 11 reports through this channel during the period (FY21/22: 5). (This doesn't include other AML-related complaints that are reported through our [normal complaints process](#).)

We take the appropriate steps to protect the identity of anyone who wishes to remain anonymous.

DUTY TO REPORT MISCONDUCT

ICAEW's Disciplinary Bye-laws include a requirement for every ICAEW member, firm, affiliate or other relevant person to report any information they have that indicates that another ICAEW member and/or firm may have committed serious misconduct, including serious breaches of the Money Laundering Regulations 2017.

FOCUS

SUSPICIOUS ACTIVITY REPORTS (SARS) BY OUR SUPERVISED POPULATION

We have analysed how many SARS are submitted by our firms. Because we collect this data by bands, we can calculate the minimum number submitted. The data shows that ICAEW firms submitted a minimum of 42.4% of all SARS for the sector in 2022.

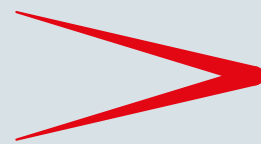
SARS SUBMITTED BY ICAEW SUPERVISED FIRMS

	2023		2022	
	# Firms	Minimum # SARS	# Firms	Minimum # SARS
0	9,081	-	9,192	-
1 - 5	1,072	1,072	1,028	1,028
6 - 20	158	948	134	804
21+	39	819	31	651
		2,839		2,483

ICAEW DISCIPLINARY DATABASE

The [ICAEW Disciplinary Database](#) enables users to search for a disciplinary or regulatory record without needing to know when the hearing took place.

The functionality of this new database is a supplement to the [existing list](#) of future and past hearings and appeals and full reports of disciplinary orders and regulatory decisions made in the last five years. This continues to be available at [icaew.com/publichearings](https://www.icaew.com/publichearings)



KEY FINDINGS FROM OUR SUPERVISORY ACTIVITY



MEASURES WE HAVE CARRIED OUT TO MONITOR AND ENFORCE COMPLIANCE BY OUR SUPERVISED FIRMS



Michelle Giddings
Head of Anti-money Laundering

RISK-BASED APPROACH TO SUPERVISION

We review firms using a risk-based approach, directing more resources towards those firms that present a higher risk of facilitating money laundering. In January 2021, we refreshed our risk assessment methodology using the updated National Risk Assessment (NRA) published in December 2020. We plan to further update our risk assessment methodology when HM Treasury next revises the NRA.

We have identified the key risks within our supervised population as follows:

- Trust and company service providers
- Holding significant clients’ money balances
- Payroll services
- Clients based in high-risk countries
- Clients who are foreign politically exposed persons
- Clients with high-risk business activity
- Clients who are high net worth individuals
- Poor compliance history

We use the risks set out in the [AASG Risk Outlook](#) and the [National Risk Assessment](#) to determine which countries or business activities are high-risk.

We set out the full details of how we assess firms and our range of monitoring and enforcement tools on our website.

[Access the full details of our responsibilities and how we discharge our obligations](#)

ASSESSING RISK AND MONITORING COMPLIANCE

We collate data from a variety of sources to assess the risk that the firms we supervise may be used to launder the proceeds of crime or terrorist financing. This data includes risk information we collect through our annual return, as well as disciplinary history and monitoring review history.

Our monitoring activity is directed at those with highest risk. High-risk firms are reviewed at least every other year, high-medium firms every four years, and medium-low or low firms are reviewed every eight years, either onsite or via a desk-based method.

	Total firms	Firms offering accountancy services only	Firms offering both accountancy and trust and company services	Total reviews started	Reviews to firms offering accountancy services only	Reviews to firms offering accountancy and trust and company services
High	253	5	248	127	4	123
High-Medium	1,533	56	1,477	277	16	261
Medium-Low	5,474	454	5,020	448	73	375
Low	3,142	3,142	-	229	229	-
	10,402	3,657	6,745	1,081	322	759

Note: This table refers to the number of reviews started in the period.

MONITORING OUTCOMES

	Onsite/remote reviews		Desk-based reviews	
	Total reviews FY21/22	Total reviews FY22/23	Total reviews FY21/22	Total reviews FY22/23
Compliant	38	58	114	102
Generally compliant	301	504	396	287
Not compliant	85	114	58	61
Informal actions (follow up only)	56	70	48	43
Formal actions (reprimand/sanction)	29	44	10	18
TOTAL	424	676	568	450

Note: This table refers to the number of reviews completed in the period. Informal or formal follow up actions are required where the result is non-compliant.

COMPLIANCE WITHIN OUR FIRMS

A **compliant** firm has effective systems and controls (including training) in place to both minimise the likelihood of the firm's involvement in financial crime, and report suspicious activity, with evidence that these policies, procedures and controls are used and reviewed for effectiveness on a regular basis. Of the firms we reviewed in FY22/23, we found that 14.2% were compliant compared to 15.3% in 2021/22.

A **generally compliant** firm has systems and controls (including training) in place to both minimise the likelihood of the firm's involvement in financial crime, and report suspicious activity, but improvements can be made and/or there is a lack of evidence to demonstrate that the infrastructure is embedded into the firm or reviewed for effectiveness on a regular basis. We ask the firm to explain what it will do to rectify the weaknesses we have identified and check the firm has made the necessary changes as part of our next monitoring review.

Of the firms we reviewed in FY22/23, 70.3% were generally compliant, we saw this same result in 2021/22.

A **not compliant** firm is where the systems and controls (including training) within the firm are lacking to the extent that the firm would be vulnerable to exploitation by criminals in pursuit of disguising the proceeds of crime. In these cases, we will ask the firm to agree to an action plan and we will follow up with the firm to ensure those actions have been taken, or we may refer the firm to the Practice Assurance Committee (PAC). The PAC may refer the firm to the Conduct Committee for further investigation or sanction.

We may also report a firm to the PAC if, at a subsequent review, we find the firm failed to address issues raised at their previous reviews. Firms should carefully review the closing record from the last Practice Assurance review and ensure they have taken action to address all the 'matters requiring action'.

The percentage of firms assessed as non-compliant was 15.5% compared to 14.4% in 2021/22.

UNDERSTANDING THE TREND IN COMPLIANCE

The number of generally compliant firms has remained broadly consistent year on year. There was a 1% reduction in the number of firms (11) that were compliant and a corresponding 1% increase in the number of firms (11) that were not compliant.

Understanding trends can be difficult, particularly because the sample of firms reviewed each year is different and the change in mix of risk and/or complexity of firm can have an impact on outcomes. For example, in FY22/23, we had an increased focus on onsite reviews that are normally conducted at higher risk firms which may impact the overall outcome of monitoring reviews conducted. In FY22/23, 60% of reviews were conducted onsite, compared with 42.7% in FY21/22.

HOW WE IMPROVE COMPLIANCE IN OUR FIRMS

Where we raise 'matters requiring action', we set out a summary of the issue(s) we have identified and our expectations of the firm in a closing meeting record. The firm is required to respond to each of the matters requiring action, explaining what action they will take to address them with a deadline for completion.

We assess the firm's responses and consider:

- Is there evidence the firm can reach the required standard?
- Is there evidence the firm has the technical understanding to rectify the issue?
- How serious or prevalent was the matter - was it an isolated event?
- How committed is the firm to addressing the matters?
- Does the firm's previous monitoring history demonstrate they have the required professional attitude and have fulfilled past assurances?

If we have concerns that the firm isn't sufficiently committed or able to address the matter, we will take action or ask the firm for further information to confirm they have rectified the issue. For significant concerns - we prepare a report to the PAC setting out the key issue(s) and our recommended course of follow-up action. For less significant concerns - we ask the firm to submit information to support its ongoing compliance.

The PAC has the power to impose regulatory penalties on a firm where there have been breaches of the MLR17 and can require the firm to submit information to demonstrate it is now meeting the required standard. The Guidance on Sanctions for AML breaches aims to deter money laundering by ICAEW supervised firms. Sanctions relating to a firm's failure to have AML policies and procedures, or to implement them, have a starting point calculated at £3,000/£2,000 per principal with a capped maximum fine for the largest firms. The starting point can be increased or decreased by the relevant regulatory and disciplinary committees depending on the presence of aggravating and mitigating factors.

Firms will not be released from this ongoing monitoring until we are satisfied that they are complying with MLR17.

If we are satisfied that the firm has the commitment and ability to rectify a matter, and the matter requiring action itself wasn't serious or systematic, we will close our monitoring review with no further action. We will, however, expect the firm to put things right and we will check that the firm has dealt with any matters requiring action at the next Practice Assurance review. If there are outstanding actions when we perform our next review, we may refer the firm to the PAC.

CASE STUDY 1

Monitoring activity



We undertook a full on-site review of AML compliance at a sizeable regional partnership with a high-medium AML risk score. We identified that the firm had no procedures for performing money laundering risk assessments for their payroll-only clients or self-assessment tax-only clients (there was evidence that the identities of this group of clients had been verified). In addition, the firm had not identified or verified the beneficial owners of one trust client.

Although the firm had performed an internal audit of its compliance with the Money Laundering Regulations, this did not include a review of a sample of client files to assess the quality of customer due diligence (CDD). It therefore had not identified the failings raised by our reviewer.

The firm provided responses to our matters requiring action that outlined new procedures and changes to their current checklists, which would ensure all clients were risk assessed. All trust files were reviewed to ensure appropriate CDD had been performed and new forms acquired to ensure the right information was obtained for future trust clients. They agreed to include client file reviews in their review of procedures.

Although their responses demonstrated commitment, because of the number of payroll clients and self-assessment clients impacted, the firm's risk score, and weaknesses identified in a prior visit, we asked the firm to submit examples of CDD completed for payroll, personal tax, and trust clients. We also asked the firm to notify ICAEW when it was satisfied that documentation of risk assessments was up to date and sufficiently detailed for all clients.

Once we are satisfied these requirements have been adequately met, we will release the firm from ongoing monitoring.

CASE STUDY 2

Monitoring activity



We conducted an on-site review at a firm with a low AML risk score. The firm had documented initial money laundering risk assessments and had robust CDD procedures when onboarding their clients. We asked to see evidence of ongoing due diligence for a sample of clients. The firm stated that they only documented their ongoing due diligence when there were changes to risk or changes to the client profile had been identified.

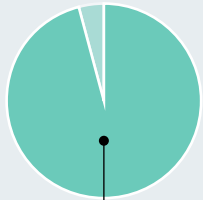
They were able to evidence ongoing due diligence in these cases.

However, they were unable to evidence regular ongoing due diligence for certain clients where there had been no 'trigger' events or changes in risk. We raised this in our report to the firm, which acknowledged the omission. They provided us with details of their new procedures and copies of revised forms. The firm planned to perform annual checks and introduce forms to evidence that the review had been completed regardless of a change in risk and/or circumstance.

We closed this visit down based on these assurances. We consider the firm has demonstrated the ability and commitment to make the changes required.

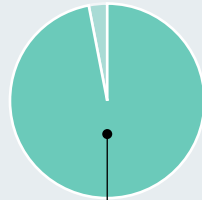
FOCUS

ICAEW QUALITY ASSURANCE MONITORING: FEEDBACK FIGURES (2022 OVERVIEW)*



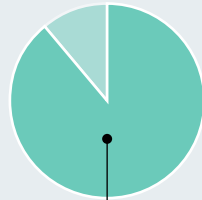
96%

satisfaction with the management of the monitoring process.



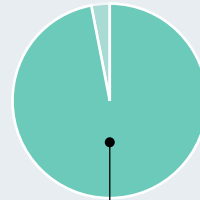
97%

satisfaction with the quality of interaction with the ICAEW team (reviewers, support team).



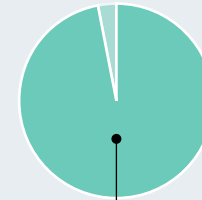
89%

satisfaction with the technical competence of the ICAEW reviewer who completed the firm/IP's review.



97%

satisfaction with the help and advice received before and during the monitoring review.



97%

satisfaction with the amount of time during reviews to cover all areas and answer questions.

*Sample size: 369 respondents 1,828 visits 20.2% response rate

ENFORCEMENT ACTION

	Year ended 5 April 2022	Year ended 5 April 2023
ICAEW members excluded	7	2
Number of severe reprimands	53	35
Sum of fines on relevant persons and firms	£267,002	£218,275
Range of fines on relevant persons and firms	£350 - £24,500	£350 - £32,725

Not all enforcement actions come from monitoring visits. We also investigate complaints from the public.

CASE STUDY

Enforcement activity



The Conduct Committee made an order by consent for a severe reprimand, a fine of £14,490 and costs of £10,299 in relation to Firm A which had failed to ensure that appropriate customer due diligence and risk assessments were carried out on its clients. Firm A was also found to have failed to cooperate with ICAEW as it did not submit the results of the external money laundering compliance review to ICAEW when requested. The fine represented 4% of the firm's annual practice income.

Enforcement activity



The Conduct Committee made an order by consent for a severe reprimand, a fine of £11,000 and costs of £4,360 in relation to Firm B which had been found to have weak customer due diligence procedures. The fine represented 4.8% of the firm's annual practice income.



MOST COMMON FINDINGS

Although we concluded 84.5% (FY21/22: 85.6%) of our monitoring reviews with the firm being compliant or generally compliant and without the need to take any further action, we raise some 'matters requiring action' more often. Despite our reviews being conducted on a different selection of firms each year, we find consistency in the types of matters we raise. Some matters requiring action, for example firm-

wide risk assessments, have fallen down our Top 10, suggesting firms are improving in this area. However, other findings have moved up our Top 10 - such as performing beneficial owner, officer and manager (BOOM) checks - and firms should take care to ensure that they are complying across all areas of the MLRs. We have identified some key resources firms should use to help them do this in the table below.

FY2022/23 ranking	FY2021/22 ranking	Finding	What we find	PSD resources available to ICAEW-supervised firms
1	1	Updating customer due diligence	<p>We find that firms are not performing, and updating, their CDD throughout the duration of the client relationship. We raise this finding if there is no evidence of updated CDD on at least one of our sampled client files. Some of the firms in this bracket will have updated CDD on some of their clients but not all. Some firms may have considered whether there are changes but not recorded the review. In some firms, their electronic CDD system makes it difficult to document how they have updated their review.</p> <p>Firms should regularly review the documentation they have obtained as part of their know-your-client checks. If any of the information has changed, it should be fed back into the client risk assessment. The frequency of the review should be determined on a risk basis but there may also be trigger events such as providing a new service to an existing client, significant changes to key office holders, the introduction of a PEP or if a suspicious activity report has been made.</p>	<p>Guidance from the CCAB on AML and Counter-Terrorist Financing for the Accountancy Sector</p> <p>Watch our webinar on how CDD should operate in practice</p> <p>Watch our AMLbites CDD part 3 for best practice tips on performing ongoing CDD</p> <p>Client screening service</p> <p>Watch our webinar on how to verify your clients</p>

FY2022/23 ranking	FY2021/22 ranking	Finding	What we find	PSD resources available to ICAEW-supervised firms
2	3	Risk assessing clients	<p>Our second most common finding is that firms have failed to perform a risk assessment of the client. Often, firms have focused on verifying the identity of the client without assessing the risk to determine the amount of evidence that must be obtained. We raise this finding if there is no evidence of a client risk assessment on at least one of our sampled client files. Some of the firms in this bracket will have performed a client risk assessment on some of their clients but not all. Some of the firms will have relied on electronic CDD software but misunderstood the scope of the software - relying on it for all three phases of CDD when it is only a verification tool.</p> <p>The MLR17 requires all supervised firms to perform a risk assessment of each client that considers those risks identified in their firm-wide risk assessment. The client risk assessment will direct the amount and type of information firms need to obtain to confirm the identity of the client and to mitigate any apparent risks. The risk assessment is important because it will identify when firms should perform enhanced due diligence on high-risk clients, or where they can perform simplified due diligence on low-risk clients.</p>	<p>Watch our webinar on performing CDD</p> <p>Read our summary on the National Risk Assessment 2020</p> <p>Watch our webinar on Money Laundering Risk Assessments</p> <p>Watch our AMLbites on enhanced due diligence</p>
3	2	Customer due diligence on new clients	<p>We found that some firms don't perform CDD on all their new clients. We raise this finding if there is no evidence of a client risk assessment on at least one of our sampled client files. Some of the firms in this bracket will have performed a client risk assessment on some of their clients but not all.</p> <p>Firms should perform CDD on all new clients. This means that the firm should gather information on the client to determine who the client is, what it does and who the beneficial owner is. Using this information, firms should perform an AML risk assessment, considering those risks identified in their firm-wide risk assessment. They must then take steps to check the client is who they say they are. The amount of evidence firms need to gather will be determined by the AML risk profile of the client.</p>	<p>Watch our AMLbites: CDD part 1</p> <p>Watch our AML webinar recording on CDD</p> <p>Read the CCAB Guidance section 5</p> <p>Watch our webinar on how to verify your clients</p>

FY2022/23 ranking	FY2021/22 ranking	Finding	What we find	PSD resources available to ICAEW-supervised firms
4	9	Incomplete criminal record checks on BOOMs	<p>We find that some firms haven't yet obtained criminal record certificates for the beneficial owners, officers and managers (BOOMs) in the firm.</p> <p>Since 26 June 2018, all our supervised firms must take reasonable care to ensure no one is appointed, or continues to act, as a BOOM without ICAEW's approval. ICAEW can only approve a BOOM if that individual has no relevant unspent criminal convictions and so, to prove that we can approve a BOOM, we require all BOOMs to obtain criminal record checks. We review these checks during onsite monitoring visits, or we may write to the firm and ask it to send the certificates to us.</p>	<p>Read our guidance on the definition of a BOOM</p> <p>Read our guidance on criminal record checks</p> <p>Read answers to FAQs on criminal record checks</p>
5	6	Review of policies, controls and procedures	<p>We find that some of the firms we review haven't performed a regular review of the adequacy and effectiveness of their policies, controls and procedures. The regulations say that firms must establish an independent audit function to assess the adequacy and effectiveness of the firm's AML policies, controls and procedures. Sole practitioners with no employees are exempt from this requirement. Firms should plan to regularly review their AML policies, controls and procedures. It doesn't need to be an external review, but firms should design this to be as independent as possible, given the size and nature of the firm. Where firms identify any gaps or weaknesses, they should document how they intend to address them.</p>	<p>Use our updated 2023 AML compliance review template</p> <p>Read the guidance from the CCAB on AML and Counter-Terrorist Financing for the Accountancy Sector</p>
6	5	Reporting discrepancies in the PSC Register	<p>A person with significant control (PSC) is someone who owns or controls a company.</p> <p>If firms identify a discrepancy between the information they gather while carrying out their regulatory obligations on their corporate clients and the information their client has provided on the PSC Register, they must report that discrepancy to Companies House or HMRC.</p> <p>We find that firms do not have the required policies and procedures in place to record and report any identified discrepancies.</p>	<p>Use our guidance on reporting a discrepancy</p> <p>Read the government guidance on reporting PSC register discrepancies</p>

FY2022/23 ranking	FY2021/22 ranking	Finding	What we find	PSD resources available to ICAEW-supervised firms
7	4	Firm-wide risk assessments	<p>The risk-based approach underpins the MLR17 – firms should focus their resources on the services and clients that have the highest risk of money laundering. To determine how and where resources should be focused, firms must perform a risk assessment to understand the risk that the firm may be used to conceal or launder the proceeds of a crime. The assessment should consider factors such as the customer base, the countries and geographies in which the firm operates, and the products and services offered (eg, clients’ money accounts or incomplete records engagements). Firms can then design their policies and procedures to respond to the level of risk identified. Whereas, in the past, we have found that firms hadn’t performed a firm-wide risk assessment, now we find that firms are performing one but that the assessment doesn’t cover all the risks faced by the firm, or fails to conclude on the level of risk.</p>	<p>Follow our firm-wide risk assessment methodology template</p> <p>Read the National Risk Assessment 2020 including our summary of the NRA</p> <p>Watch our <i>AMLbites</i> on firm-wide risk assessments</p>
8	8	Training	<p>We find that some firms haven’t provided sufficient AML training to their staff. It’s a good idea to design a formal training plan to ensure the right staff receive the right training, and firms should keep a log of staff training. Getting staff to sign and date the log can help emphasise how important it is that they always follow their training.</p>	<p>Show your staff <i>All Too Familiar</i></p> <p>Show your teams the <i>AMLbites</i> videos</p> <p>Watch our webinars and read the answers to frequently asked questions</p> <p>Ensure your teams are signed up to receive <i>AML – the Essentials</i></p>
9	7	No written procedures	<p>We will ask to see firms’ written procedures that set out how they comply with the Money Laundering Regulations. Where firms have subscribed to a training provider manual, we will expect to see this tailored to the circumstances of the firm. At some firms, we find that they don’t have any written procedures or that they aren’t sufficiently tailored to how the firm performs its CDD checks.</p>	<p>Use our template to help structure your AML policy and procedure documentation</p>
10	10	No AML supervisor	<p>We automatically supervise our member firms through ICAEW’s Practice Assurance (PA) scheme. Where we find that a firm isn’t supervised, it is normally because the firm thinks it is an ICAEW member firm, but it isn’t.</p> <p>It is important that ICAEW members check that their firm meets the definition of an ICAEW member firm and is therefore in the PA scheme and supervised by ICAEW for AML.</p>	<p>Read our AML supervision flow-chart</p> <p>Apply to be supervised by ICAEW</p>

REVIEWING THE QUALITY OF SUSPICIOUS ACTIVITY REPORTS (SARS)

FOCUS

AS PART OF OUR ON-SITE MONITORING REVIEWS AND OUR AML-SPECIFIC TELEPHONE REVIEWS, WE REVIEW THE QUALITY OF THE SARS SUBMITTED BY OUR FIRMS.

DURING FY22/23

149

During FY22/23, 149 of the firms we reviewed on site had submitted SARS.



MATTER REQUIRING ACTION

20.8%

We raised a 'matter requiring action' on 20.8% of these 149 reviews in relation to the way in which the firm had completed the SARS Online form.



RECOMMENDATIONS

We will make recommendations to ensure that the firm has adequately explained their suspicion, has used the relevant glossary codes and that the firm has included details of all the relevant suspects and victims.



FOLLOW-UP ACTION

We did not recommend that any of the firms required follow-up action as we felt their responses to the closing record adequately addressed the matters we raised, and we were satisfied that the firm would be able to take the required remedial action.



CASE STUDY

Monitoring review



We conducted a monitoring review at a firm as part of our risk-based cycle. The firm had a history of submitting SARS and we reviewed all the SARS submitted in the prior year to assess the quality of each SAR.

A client of the firm had applied for and received a Bounce Back Loan. A director of the client had then transferred the funds into a personal bank account. The firm suspected that the funds had not been used for business purposes and the client failed to redress this issue, so the firm submitted a SAR.

The SAR did not include details of the director who had received the benefit. The firm knew the name, national insurance number, date of birth and address of this individual. The firm had also excluded the relevant glossary code and details of the services being provided to the client. We raised a 'matter requiring action', requesting that the firm submit another SAR with the missing details, cross referencing to the original SAR. The firm confirmed that it had done this. There was no need for any further follow-up action with the firm, as they had addressed the matter. The remaining SARS reviewed had been of a good quality.



RESOURCES

It is a crucial part of our role to support our supervised population in understanding what they need to do to comply with the Money Laundering Regulations. During the period, we have continued to publish a significant number of resources to help our firms understand what is expected, particularly in relation to taking a risk-based approach. All resources are available at [icaew.com/AMLresources](https://www.icaew.com/AMLresources)

DURING FY22/23 ...

WE HAVE WORKED HARD TO ENRICH OUR ONLINE RESOURCES AND GUIDANCE. DURING THE PERIOD WE HAVE PUBLISHED:

AML Risk Bulletins. Our quarterly email to money laundering reporting officers setting out emerging AML risks as identified by the JMLIT/NCA and within the sector, including our COVID risk bulletin.



AML - the essentials. Our quarterly round-up of AML-relevant material. Issues regularly include material on suspicious activity reports, risk and fraud.



Bounce Back Loans. Our thematic review to identify how ICAEW firms are playing their part in fighting COVID fraud.



Sanctions. Published our thematic review to build our understanding of sanctions compliance within the firms where risk is concentrated - either due to the services offered or the geographical reach of the firms.



AMLbites. A series of 10-minute videos aimed at money laundering reporting officers, compliance principals and people in regulatory roles. They are also useful training tools for staff.



All Too Familiar - ICAEW's first film focusing on economic crime, produced in collaboration with HMRC.



Webinars. A series of live webinars presented by an expert panel where key money laundering topics are demonstrated with the help of case studies and Q&As. The recordings are available to watch again.



Articles. Six articles were published providing guidance and resources on how firms should comply with financial sanctions and the ban on accounting and audit services to Russians, along with information on the associated AML risks.



Topic	Date of live webinar	Registrations
Money laundering risks - A practical guide	29 March 2023	1,459
Cryptoassets: How to spot money laundering red flags	21 September 2022	424
How to verify your client	21 June 2022	855

ASSESSING THE QUALITY OF OUR RESOURCES

We collect feedback on our series of live webinars, this has shown that attendees on average rated our webinars 8.5 out of 10, and our presenters 8.2 out of 10.

75% of attendees scored these events 8 or above out of 10.

LIVE WEBINARS RATED

8.5 out of **10**

PRESENTERS RATED

8.2 out of **10**

EVENTS RATED

8+ out of **10**

by 75% of attendees

EXAMPLES OF FEEDBACK RECEIVED



The case studies were excellent, providing much food for thought and helpful guidance on how best to address real life problems re AML issues.



Entertaining and relevant. This is the first ICAEW webinar attended and it was much less dry than other similar webinars.



Just a very big THANK YOU to all of the presenters, all of whom were superb. Most appreciated, thank you.



Well designed around case studies. Always easier to take in the concept and the background.



ICAEW could/should provide additional resource to small firms.

In response to requests for resources for small firms, specific events have been run in 2023 via the small practice community.

HOW FIRMS HAVE USED OUR AML TRAINING FILM *ALL TOO FAMILIAR*

An easy sell for AML
Creating a buzz
Switching the dial
Richer conversations

USEFUL LINKS

icaew.com/moneylaundering
icaew.com/amlsupervision
icaew.com/amlconcerns
icaew.com/helpsheets
icaew.com/regulation
icaew.com/helplines
icaew.com/films
icaew.com/cpd

APPENDIX 1

ANALYSIS OF ICAEW'S SUPERVISED POPULATION

	FY22/23	FY21/22
Total size of supervised population		
Relevant firms	10,402	10,476
Total 'BOOMs' as defined in Regulation 26	28,724	28,309
Providing TCSP services		
Firms acting as TCSP	6,745	6,801
<i>Services offered:</i>		
Company formation	5,079	5,044
Providing registered office	5,814	5,887
Arranging/acting as director/secretary/trustee	1,805	1,784

APPENDIX 2

OVERSIGHT OF ICAEW'S REGULATORY AND DISCIPLINARY FUNCTIONS

The ICAEW Regulatory Board (IRB) has governed ICAEW's regulatory and disciplinary functions since 2016. The IRB has parity of lay and chartered accountant members with a lay chair who has a casting vote. A lay member is someone who is not, and has never been, a member, affiliate or employee of ICAEW or any accountancy body. The IRB has its own independent nominations committee - the Regulatory & Conduct Appointments Committee (RACAC).

The AML Project Board is a sub-committee of the IRB.

The IRB has a wide remit including the setting of strategy and budget, determining regulatory fees and supervision of the performance of all disciplinary and regulatory committees.

The IRB's Terms of Reference clearly set out its primary objective is to act in the public interest, not the interest of ICAEW members or firms. Meetings of the IRB are attended annually by a range of external oversight bodies including the Financial Reporting Council (FRC), the Insolvency Service and the Legal Services Board (LSB). ICAEW's governance arrangements, and the separation of ICAEW's regulatory functions from its representative functions, are inspected every year by the FRC, every two years by the Office for Professional Body Anti-Money Laundering Supervision (OPBAS) and from time to time by the Insolvency Service and the Financial Conduct Authority (FCA).

ICAEW is compliant with the internal governance rules issued by the LSB which requires an independent regulatory board, independent appointment committee, independent budget-setting and complete separation of the regulatory functions.

INDEPENDENT DECISION-MAKING ON REGULATORY ISSUES/DISCIPLINARY CASES

All significant decisions on AML regulatory matters are made by the Practice Assurance Committee (PAC) and the Conduct Committee (CC). These committees are independent from staff and comprise of a parity of lay and chartered accountants with a lay chair who has a casting vote. This maintains an important balance of technical insight from the chartered accountant members and public interest insight from the lay members.

Members of these committees are appointed by the RACAC, which has a majority of lay members and a lay chair and which reports to the IRB. The RACAC chair is not a member of any of the regulatory committees or the IRB.

Where regulatory action may be appropriate following a quality assurance monitoring visit, the PAC will consider whether such action is appropriate, which could include one or more of the following outcomes:

- licence/registration withdrawal;
- impose conditions/restrictions;
- offer a regulatory penalty.

The Conduct Committee (CC) considers investigation reports prepared by ICAEW's Conduct Department (CD) in respect of disciplinary matters. The CC also considers challenges by complainants to the rejection of complaints by CD staff at the assessment stage and determinations by staff following an investigation that there is no liability.

The Disciplinary Tribunals, which deal with more serious complaints, have a majority of lay members (2:1).

The Appeal Panels, which hear appeals from Tribunal decisions, have a majority of lay members (3:2).

APPENDIX 3

GLOSSARY

AASG	Accountancy AML Supervisors Group
AML	anti-money laundering
AML/CTF	anti-money laundering and counter terrorist financing
AMLSF	Anti-Money Laundering Supervisors Forum
BOOM	beneficial owner, officer or manager
CC	Conduct Committee
CD	Conduct Department
CDD	customer due diligence The process by which the identity of a client is established and verified, for both new and existing clients.
DAML	Defence Against Money Laundering (previously referred to as 'consent'). A defence to carrying out an activity which you know, or suspect would otherwise constitute a primary money laundering offence. Generally granted by the NCA. The definition of, and governing legislation for, DAMLs can be found in s335 of POCA, which also deals with the passing of a DAML from the MLRO to the individual concerned s336 of POCA.
ECSB	Economic Crime Strategic Board

EDD	enhanced due diligence
FIN-NET	Financial Crime Information Network
IRB	ICAEW Regulatory Board
ISEWG	Information Sharing Expert Working Group
JMLIT	Joint Money Laundering Intelligence Taskforce
KYC	know your client
ML	money laundering
ML/TF	money laundering and terrorist financing
MLRs/the Regulations	Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017
MLRO	Money Laundering Reporting Officer
MLCO	Money Laundering Compliance Officer
NCA	National Crime Agency
NECC	National Economic Crime Centre
NRA	National Risk Assessment
OPBAS	Office for Professional Body AML Supervision
PBS	professional body supervisor

PEP	politically exposed person An individual who is entrusted with prominent public functions, other than as a middle-ranking or more junior official.
PPTG	Public Private Threat Group
PSC	Persons with Significant Control All companies are required to keep a register of the people who can influence or control a company, that is, the PSC of the company. The register is held by the company and at Companies House.
PSD	ICAEW's Professional Standards Department
QAD	ICAEW's Quality Assurance Department
RBA	risk-based approach
SAR	suspicious activity report
SDD	simplified due diligence
SIS	Shared Intelligence Service
TCSPs	trust or company service providers
TF	terrorist financing
UBO	ultimate beneficial owner
UKFIU	UK Financial Intelligence Unit

ICAEW's regulatory and conduct roles

Our role as an improvement regulator is to strengthen confidence and trust in those regulated by ICAEW.

We do this by enabling, evaluating and enforcing the standards expected by the profession, oversight regulators and government.

ICAEW's regulation and conduct roles are separated from ICAEW's other activities through internal governance so that we can monitor, support and take steps to ensure change if standards are not met. These roles are carried out by the Professional Standards Department and overseen by the ICAEW Regulatory Board and oversight regulators including the Financial Reporting Council, Office for Professional Body Anti-Money Laundering Supervision, the Insolvency Service and the Legal Services Board.

We:

- **authorise** firms and individuals to undertake work regulated by law: audit, local audit, investment business, insolvency and probate;
- **support** professional standards in general accountancy practice through our Practice Assurance scheme;
- **provide** robust anti-money laundering supervision and monitoring;
- **monitor** registered firms and individuals to ensure they operate in accordance with laws, regulations and expected professional standards;
- **investigate** complaints and hold ICAEW Chartered Accountants and students, ICAEW-supervised firms and regulated and affiliated individuals to account where they fall short of the required standards;
- **respond** and comment on proposed changes to the law and regulation; and
- **educate** through guidance and advice to help ICAEW's regulated community comply with laws, regulations and expected professional standards.

Chartered accountants are talented, ethical and committed professionals. ICAEW represents more than 202,450 members and students around the world. All of the top 100 global brands employ chartered accountants.*

Founded in 1880, ICAEW has a long history of serving the public interest and we continue to work with governments, regulators and business leaders globally. And, as a world-leading 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.

We promote inclusivity, diversity and fairness and we give talented professionals the skills and values they need to build resilient businesses, economies and societies, while ensuring our planet's resources are managed sustainably.

ICAEW is the first major professional body to be carbon neutral, demonstrating our commitment to tackle climate change and supporting UN Sustainable Development Goal 13.

We are proud to be a founding member of Chartered Accountants Worldwide, a network of 750,000 members across 190 countries which promotes the expertise and skills of chartered accountants around the world.

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

www.charteredaccountantsworldwide.com
www.globalaccountingalliance.com

* Includes parent companies. Source: ICAEW member data March 2023, Interbrand, Best Global Brands 2022

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ICAEW is
carbon neutral