

UNDERSTANDING AML RISK

AML SUPERVISION REPORT 2021/22

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In July 2022, HM Treasury and the Office for Professional Body Anti-Money Laundering Supervision (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

As the UK's largest accountancy professional body supervisor, it is ICAEW's aim to lead from the front to enhance impact and effectiveness in anti-money laundering (AML) supervision. We continue to develop our working relationship with government and law enforcement and in 2021/22 we achieved this through our leadership of, and participation in, public-private forums such as the Economic Crime Strategic Board, the Joint Fraud Task Force, the AML Supervisors Forum and the Accountancy AML Supervisors Group (AASG).

On 8 March 2022, we launched our new educational film drama, *All Too Familiar*. The film was created in collaboration with HMRC, to raise awareness among ICAEW members and firms of the importance of compliance with the Money Laundering Regulations and the important role which chartered accountants can play in the fight against economic crime. The keynote speaker at the launch event was John Glen MP, the former Economic Secretary to the Treasury, who praised ICAEW and HMRC for working together to produce *All Too Familiar*. We have sent the film, free of charge, to all ICAEW supervised firms and to ICAEW insolvency practitioners to use as a training tool with staff in the UK.

We have invested resources to understand how the risk of money laundering presents itself within our supervised population and we continue to work with law enforcement to share information and intelligence. We published the results of our thematic review into trust and company service providers

within the accountancy sector in October 2021 in response to HM Treasury's publication of the National Risk Assessment in December 2020. And, throughout 2021/22, we have worked with colleagues within the public-private threat groups (PPTGs) and at the National Crime Agency to publish risk bulletins designed to share typologies with firms so that they can design robust AML policies and procedures.

The gap in information and intelligence sharing remains however, especially in receiving information from law enforcement. In our response to [HM Treasury's Call for Evidence](#), we agreed with the proposal that the Regulation 52 gateway should be expanded to allow for reciprocal protected sharing. ICAEW has an important role to play in disrupting unlawful activity - we would welcome the opportunity to work proactively with law enforcement to make, collectively, more effective use of our supervisory tools.

One of our biggest successes this year, has been our drive to communicate with our firms, to disseminate information and guidance in a timely manner. We want to be highly active and visible in this area and have invested significant resources in education and awareness. As you will see in the body of the report we have developed several new channels of communication. We have also run a series of AML webinars covering all aspects of suspicious activity reports and a deeper dive into customer due diligence, with attendee numbers ranging from 500 to 1,200 people.

In addition to our planned, and ambitious, programme of work, we were able to react quickly to the fast-changing sanctions environment resulting from the war in Ukraine. We identified emerging AML risks associated with the sanctions issued on the Russian and Belarussian states and communicated these quickly to our supervised population, alongside guidance and FAQs to support them in complying with the sanctions regime in their day-to-day operations.

2022/23 will bring a period of change with the publication of HM Treasury's response to its call for evidence on the systematic effectiveness of the UK's anti-money laundering and counter terrorist financing regulatory and supervisory regimes. We will work with HM Treasury, law enforcement and the professional body supervisors to ensure that we continue to deliver a co-ordinated response to the threat of money laundering and terrorist financing in the UK.

Philip Nicol-Gent

Chair, ICAEW AML Project Board
Chair, ICAEW Regulatory Board

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 Investigation Committee (IC). 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.

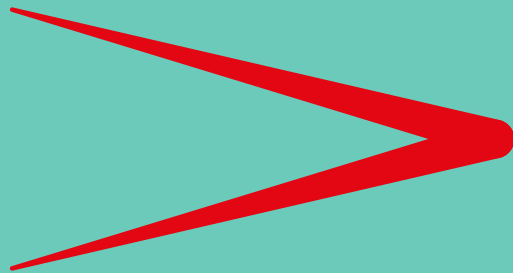
Where regulatory action may be appropriate following a quality assurance monitoring visit, The PAC will consider whether such action is appropriate, which could include one or more of the following outcomes:

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

The IC considers investigation reports prepared by ICAEW's Professional Conduct Department (PCD) in respect of disciplinary matters. The IC also considers challenges by complainants to the rejection of complaints by PCD 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).



DELIVERING EFFECTIVE ANTI-MONEY LAUNDERING SUPERVISION



REPORT FROM THE CHIEF OFFICER, ICAEW PROFESSIONAL STANDARDS DEPARTMENT

DELIVERING OUR AML SUPERVISORY STRATEGY

During 2021/22, we continued to implement our core AML strategy of providing robust anti-money laundering supervision through a risk-based approach. We focused our efforts on firms where the risk that they will be used to enable money laundering is highest and have implemented targeted AML quality assurance reviews at our highest risk firms as well as placing more focus on firms' reporting of suspicious activities by their clients.

We delivered 1,001 quality assurance reviews during the period, with 25% of these being to our high and high-medium risk firms (we review all firms a minimum of once every eight years).

The percentage of firms assessed as non-compliant for 2021/22 was 14.4% compared to 7.9% in 2020/21 and 16.1% in 2019*. Overall, this indicates a downward trend, despite the increase from the prior year. The mix of firms has had an impact on compliance rates, with FY20/21 having a higher proportion of low and medium low risk firms, and therefore less complex clients and service offerings.

Further details and analysis of these figures are set out in the [key findings from our supervisory activity](#) section of this report.

We have also taken a range of enforcement actions, with our PAC requiring 122 firms to undertake follow-up action to improve their processes, after an AML quality assurance review. Our Investigation Committee and Disciplinary Tribunals sanctioned 53 firms in relation to AML weaknesses and excluded 7 ICAEW members for complaints relating to economic crime.

UNDERSTANDING RISK

We have continued to work with law enforcement and other accountancy professional body supervisors to identify current money laundering typologies and to understand the AML risks within the accountancy sector.

For firms to deliver an effective risk-based approach, they need to fully understand the risks faced in the UK and by the sector. Good ground has been made here. The public-private threat groups are identifying emerging threats and trends and producing good products and alerts, which we have disseminated to firms.

During 2021/22, we published 11 AASG Risk Bulletins to our supervised population. We also published two alerts that we identified through our own horizon scanning and understanding of emerging threats and trends on misuse of registered offices and special purpose acquisition vehicles.

In October, we published the results of our thematic review on the trust and company services provided by our supervised population. The National Risk Assessment (2020) highlighted trust and company services providers as being at a higher risk of being used by criminals to facilitate money laundering, particularly when these services are offered in conjunction with accountancy services. We undertook the thematic review to assess the nature of the trust and company services offered by the firms we supervise and to explore the risk that these services may be used to facilitate money laundering. Our report sets out some of the qualitative and quantitative data and trends we observed from the responses to questionnaires we sent to a sample of our firms [icaew.com/TCSPreview](https://www.icaew.com/TCSPreview)

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)

INFORMATION SHARING

We continue to invest heavily in our own intelligence harnessing capability. Our intelligence function works with other teams within Professional Standards Department to collate information and intelligence gathered on monitoring reviews, investigations and from complaints. We map this to understand emerging threats and trends and share these externally.

Information sharing between the supervisory bodies, and particularly within the accountancy sector, continues. We have long-standing methods of sharing information with other supervisors, in part because of our history of supervisory or regulatory overlap across all our scopes of work. We have cemented this information sharing by enhancing our use of SIS and FIN-NET to share information and intelligence that we hold with other professional body supervisors and law enforcement agencies.

EDUCATION AND GUIDANCE

Our objective, this year, was to develop a series of resources that help accountancy firms to identify possible money laundering red flags and develop their knowledge of the role that firms can play in the fight against economic crime. This supports accountancy firms in reporting suspicious activity to the National Crime Agency and identifying those clients that may use them to launder the proceeds of crime. The criteria for these resources were that they must be useful, supportive, engaging, easy to use and quick to consume. We know our accountancy firms are busy and they need to be able to access this information in easy to digest formats.

From *AMLbites* to live AML webinars, and a range of articles published in our regulatory communications, firms have consistently indicated that we are producing the right volume of material, in a range of formats to cut across the challenging technical content of the Money Laundering Regulations. I am delighted that we have received so much positive feedback from a range of stakeholders on our education and guidance material during 2021/22.

We finished the period with the highly successful launch of our new educational film drama, *All Too Familiar*, which is a joint venture with HMRC as a public interest initiative. The film is our response to the challenge from the Home Secretary at the Economic Crime Strategic former Board as to what ICAEW is doing to tackle money laundering within the accountancy sector. We believe that the film format teaches a wider range of themes to our supervised population, and reminds of the need to take a risk-based approach and the danger of a tick-box method. As well as professional scepticism, *All Too Familiar* draws out many themes for discussion, such as whether familiarity can cloud a firm's judgement, how and when to disengage from a client and a firm's professional responsibilities when engaging with law enforcement. It also examines the appropriate levels of customer due diligence (CDD) for client relationships. We have sent the film free-of-charge to our entire supervised population, along with training materials we jointly developed with HMRC and additional film clips from the launch event, including a 'what happened next' video. A total of 25,000 ICAEW and HMRC accountancy firms have received the film and accompanying resources.

REVIEW OF THE GUIDANCE ON SANCTIONS

Later in 2022, the IRB will review its Guidance on Sanctions. Part of that review will consider this AML supervision report, particularly the Most Common Findings section and whether the current approach and level of sanctions (both as prescribed in the Guidance and as imposed) are sufficient. The IRB is aware of the ICAEW AML Project Board's view that sanctions are not operating as a timely deterrent. The ICAEW AML Project Board has already met with ICAEW Regulatory and Disciplinary committee chairs to understand what changes are necessary to ensure the sanctions are an effective, credible deterrent to poor AML compliance.



LOOKING FORWARD

WORKING WITH OTHERS TO SHARE INFORMATION

We will work to fully utilise the extended Regulation 52 gateway we are expecting to see via new legislation in 2022/23 by sharing information with law enforcement and identifying how we can encourage law enforcement to share information with us and other professional body supervisors to allow us to use our disciplinary frameworks to either disrupt or sanction and discipline. We have a range of powers that can usefully disrupt activity or behaviours in cases where a legal case or criminal investigation has stalled. We will work proactively with law enforcement to use all our tools more effectively.

IDENTIFYING, AND PUBLISHING INFORMATION ON AML RISK

ICAEW recognises that its firms can only apply a risk-based approach, and identify suspicious activities, if they know what money laundering risks look like. ICAEW continues to work with law enforcement and other professional body supervisors to identify current money laundering typologies.

We will enhance our understanding of risk in our supervised population through thematic work on sanctions/politically exposed persons (PEPs) and Bounce Back Loans. We also plan to revise the AML related questions on our annual return to collect better quality data on the risks present in our supervised population.

EDUCATION AND GUIDANCE - SUPPORTING FIRMS TO IMPROVE COMPLIANCE

We will continue to publish resources to support firms in complying with the Money Laundering Regulations:

- *AML - the essentials and AML Risk Bulletins* - quarterly emails that set out the key developments within the AML regime, new guidance materials and the latest understand of AML risks and typologies.
- *AMLbites* - a series of 10-20 minute pre-recorded webinars to support firms in complying with different aspects of the Money Laundering Regulations.
- AML webinars - Client verification (June 2022) and Cryptoassets (September 2022).
- *All Too Familiar* - facilitated webinar to ensure firms maximise the learning messages from the film.

CONSULTATION ON PROPOSED CHANGES TO ICAEW'S CPD POLICY

Increased regulatory expectations underscore the need for ICAEW to act to maintain and enhance public trust in the profession. ICAEW is therefore proposing to make changes to its continuing professional development (CPD) policy with the aim of improving and maintaining the professional, technical, and business excellence of ICAEW Chartered Accountants.

From 1 November 2023 we will introduce an annual mandatory ethics CPD requirement for all ICAEW members (including an AML element) and the requirement for a minimum number of verifiable CPD hours for different categories of members/practitioners.

REVIEW OF THE ICAEW DISCIPLINARY BYE-LAWS

The IRB has started a consultation process on proposed changes to the ICAEW's disciplinary framework that it has planned for 2022. The project aims to simplify the current disciplinary scheme so it is more accessible for users. The project also aimed to separate the obligations and duties of ICAEW members, affiliates, students and firms from provisions that set out the processes they should follow. The IRB wants to make improvements to aspects of the current process to ensure that it works more effectively and efficiently, while continuing to operate in the public interest. The second phase of the consultation closed on 15 March 2022 and ICAEW will publish its response later in 2022.

DEVELOPING OUR INTERNATIONAL CONNECTIONS

ICAEW plans to develop our connections with international supervisory bodies - to share experience and best practice as well as, where relevant, information and intelligence relating to our supervised population.

Duncan Wiggetts

Chief Officer, Professional Standards Department, ICAEW



AN AGILE RESPONSE TO A FAST-CHANGING INTERNATIONAL SITUATION

The UK, US, EU and many other countries imposed economic sanctions on Russia and Belarus in response to the invasion of Ukraine in early 2022, targeting specific sectors of the Belarusian and Russian economies and individuals. We clearly set out our expectations of our 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. ICAEW responded to the fast-changing situation quickly, developing a range of actions, and guidance material for firms.

EMBEDDED

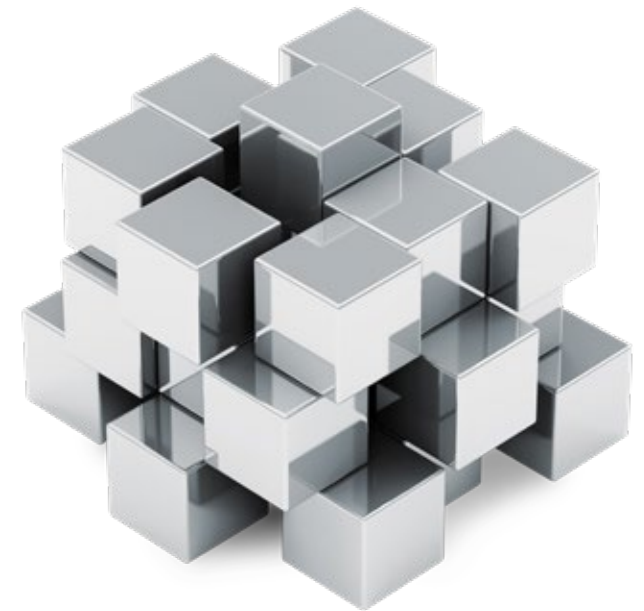
ICAEW's proactive risk-based approach includes risk assessing firms for AML risk relating to sanctions, as well as understanding the firm's assessment and compliance through regular monitoring reviews. Our 2021 thematic review on trust and company service providers covered how firms sanction-check clients [icaew.com/TCSPreview](https://www.icaew.com/TCSPreview)

ENHANCED

Our newly created [Ukraine hub](#) collates education and guidance on the risks and sanctions compliance, including new [CCAB Guidance on Sanctions for the Accountancy Sector](#). We publicise these materials through regular articles to firms and members (both in business and practice). Additional guidance was issued to quality assurance reviewers for immediate use, setting out procedures to address AML risks associated with sanctions.

ACCELERATED

We have brought forward our scheduled thematic review for the largest firms on how they identify, handle and mitigate the AML risk associated with PEPs 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. There is continued assessment, and communication to firms, of emerging threats and trends.



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.

In 2021/22


MAINTAINING THE HIGHEST PROFESSIONAL STANDARDS

1,001 

AML monitoring reviews were carried out with ICAEW AML firms.

25% 

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

968 

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


HELP AND SUPPORT

1,392 

AML enquiries were taken by our technical advisory helpline.

72,638

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

6,626 

unique page views of technical helpsheets.


TAKING ACTION

53 ICAEW AML supervised firms were sanctioned in relation to AML weaknesses. Penalties ranged from £350 to £24,500.

7 individuals were excluded from ICAEW membership.

To support ICAEW AML supervised firms, we published:

- 7 risk bulletins.
- 5 issues of *AML - the essentials*.
- *AMLbites*, TCSP thematic review, Ukraine sanctions guidance, DAML guidance, 5 x R&C News articles.
- Launch of *All Too Familiar* - ICAEW's latest training film.

2,999 

attended webinars on DAMLs and Tipping Off, Customer Due Diligence, AML requirements and SARs (ran with the UKFIU).

122 

ICAEW AML supervised firms reviewed were required to undertake follow-up action to improve their AML policies, procedures or controls.



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 channel for staff at firms to raise an [AML concern](#). We take the appropriate steps to protect the identity of anyone who wishes to remain anonymous. Our firms, their staff and members of the public can complete our form and email it to MLCO@icaew.com

NUMBER OF REPORTS RECEIVED

We received five reports through this channel during the period. (This doesn't include other AML-related complaints that are reported through our [normal complaints process](#).)

HOW WE ENCOURAGE FIRMS TO REPORT

DUTY TO REPORT MISCONDUCT

ICAEW's Disciplinary Bye-laws include a requirement for every ICAEW member 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.

The upcoming review of the ICAEW Disciplinary Bye-laws will extend this requirement to every ICAEW member firm.

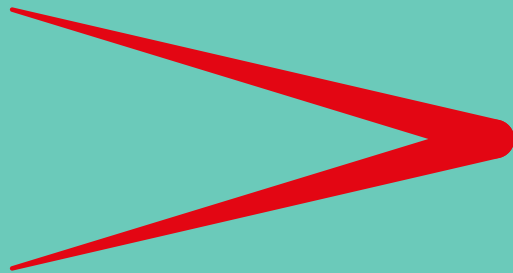
ICAEW DISCIPLINARY DATABASE

In 2021, we launched the [ICAEW Disciplinary Database](#). It is in the public and the profession's interest that information about disciplinary and regulatory orders against ICAEW firms and members is available and accessible.

This new [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





KEY FINDINGS FROM OUR SUPERVISORY ACTIVITY



MEASURES WE HAVE CARRIED OUT TO MONITOR, AND ENFORCE COMPLIANCE BY OUR SUPERVISED FIRMS BY MICHELLE GIDDINGS, HEAD OF ANTI-MONEY LAUNDERING

RISK-BASED APPROACH TO SUPERVISION

We review firms on 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 published in December 2020. We have identified the key risks within our supervised population as follows:

- Trust and company services
- Holding significant clients' money balances
- Payroll services
- Clients based in high-risk countries
- Clients who are foreign politically exposed persons (PEPs)
- 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 activity 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 at icaew.com/aml-supervision

ASSESSING RISK AND MONITORING COMPLIANCE

Using data that we collect on each of the key risks through our annual return, disciplinary and review history, we score each firm on the risk that they may be used to launder the proceeds of crime or terrorist financing.

Our monitoring activity is directed at those with the 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.

Risk	Total firms	Firms offering accountancy services only	Firms offering both accountancy and trust and company services	Total reviews	Reviews to firms offering accountancy services only	Reviews to firms offering accountancy and trust and company services
High	296	3	293	62	3	59
High-Medium	1,987	54	1,933	191	15	176
Medium-Low	4,992	417	4,575	506	60	446
Low	3,201	3,201	-	242	182	60
TOTAL	10,476	3,675	6,801	1,001	260	741

OUTCOMES FROM OUR QUALITY ASSURANCE REVIEWS

	Onsite/remote reviews		Desk-based reviews	
	Total reviews 2021/22	Total reviews 2020/21	Total reviews 2021/22	Total reviews 2020/21
Compliant ¹	38	63	114	126
Generally compliant	301	262	396	808
Not compliant	85	61	58	46
Informal actions following desk-based review (follow-up only)	56	43	48	35
Formal actions following desk-based review (reprimand/sanction)	29	18	10	11
TOTAL	424²	386	568²	980

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 2021/22, we found that 15.3% were compliant (2020/21: 13.8%, 2019: 17.9%).

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 to 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 we then check the firm has made the necessary changes as part of our next monitoring review.

Of the firms we reviewed in 2021/22, we found that 70.3% were generally compliant (2020/21: 78.3%, 2019: 66.0%).

1. The categories 'compliant', 'generally compliant' and 'not compliant' are set by HM Treasury in their own AML Annual Report, with the accountancy professional body supervisors agreeing a definition for each.

2. There are nine reviews which, at the time of this report, had not yet concluded.

This reduction in generally compliant firms corresponds to an increase in the percentage of firms we concluded were **not compliant**. Of the firms we reviewed in 2021/22, we found that 14.4% were not compliant (2020/21: 7.9%, 2019 16.1%).

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 follow up with the firm to ensure that 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 Investigation 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 findings.

UNDERSTANDING THE TREND IN COMPLIANCE

While it is positive that there has been a small increase in the number of firms that we have concluded to be compliant, it is disappointing that the number of not compliant firms has increased compared to 2020/21. The overall trend has slightly decreased, as the not compliant figure for 2019 was 16.1%.

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 2021/22 we had an increased focus on onsite reviews that are normally conducted at higher risk firms and more complex clients and service offerings.

HOW WE IMPROVE COMPLIANCE IN OUR FIRMS

In the [Looking forward](#) section, we have highlighted actions that we plan to take in 2022/23 to drive better compliance amongst our supervised population.

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

We assess the firm's responses and consider whether we think the firm has sufficient technical know-how and resources to address the findings. This may include considering whether we have seen any evidence to suggest that the firm can reach the required standard and has the technical understanding to rectify the issue. We will also consider the seriousness or prevalence of the finding itself (ie, was it an isolated event). Finally, we assess the firm's commitment to address the findings and will use the firm's previous visit history to assess whether our experience shows that they have the required professional attitude and that they fulfil assurances they have made to us in the past.

In cases where we have concerns that the firm isn't sufficiently committed or able to address the finding we will take further action or ask the firm for further information to confirm that they have rectified the issue.

Where we have less significant concerns, this further action may be through informal follow-up, with the firm submitting information to support its ongoing compliance.

Where we have significant concerns, we will prepare a report to the PAC setting out the key issue(s) and our recommended course of action. The PAC has the power to impose regulatory penalties to a firm where there have been breaches of the Money Laundering Regulations 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 as £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 the Money Laundering Regulations.

If we are satisfied that the firm has the commitment and ability and the finding 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 or principal findings we identified 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 visited Firm A in May 2021. We performed a full monitoring review and identified weaknesses within the firm's policies and procedures, and their implementation. The firm did not have procedures to report discrepancies in the Persons with significant control register, which they had found during their customer due diligence. In addition, our sample of file reviews found that the firm had not always documented who the beneficial owners were, how they had verified the identity of the beneficial owners and the risk assessment of the client. We also found that the firm was not always documenting their ongoing CDD and had not recorded sufficient CDD for clients where the firm considered there should be enhanced due diligence or had complex structures.

The firm gave strong undertakings to address the significant matters noted during the visit, and generally with reasonable deadlines. While we found some gaps in AML documentation, we noted that the firm's AML procedures were good at our previous visit, and we assessed that the deterioration was due to partner changes at the firm. The firm's responses address the matters raised but to ensure the firm keep tighter control over this area, we asked for an update on progress with CDD documentation and for submission of the firm's next AML compliance review. Once we are satisfied that the firm has returned to strong compliance, we will release it from ongoing monitoring.



CASE STUDY 2 MONITORING ACTIVITY

We visited Firm B in September 2021 and performed a full monitoring review. We found widespread non-compliance with the Money Laundering Regulations, which we had also raised at our previous visit in February 2015. At the 2015 review, the firm had told us they would address the weaknesses but we did not find evidence of progress in addressing these issues and we identified some additional AML findings at this review. ICAEW's Quality Assurance Department (QAD) recommended to the PAC that it requires the firm to accept a follow-up visit from QAD and may want to consider a penalty for the repeat AML non-compliance. The PAC felt the issues were serious and referred both firms for a full investigation by ICAEW's Professional Conduct Department, as well as requesting a follow up quality assurance monitoring visit. The visit will be paid for by the firm.

ENFORCEMENT ACTION		
	2021/22	2020/21
ICAEW members expelled	7	7
Number of severe reprimands	53	55
Sum of fines on relevant persons and firms	£267,002	£179,577
Range of fines on relevant persons and firms	£350 - £24,500	£630 - £12,000

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



**CASE STUDY 3
ENFORCEMENT ACTIVITY**

The Investigation Committee made an order by consent for a severe reprimand and £1,400 fine in relation to Firm C that had failed to fulfil an assurance given to QAD to make appropriate changes to his firm's AML procedures to ensure compliance with the Money Laundering Regulations, specifically in relation to CDD and risk assessments.



**CASE STUDY 4
ENFORCEMENT ACTIVITY**

The Investigation Committee made an order by consent for a reprimand and fine of £1,190 in relation to Member D who engaged in practice without a practising certificate and failed to have a money laundering supervisor for a period of two and a half years.



MOST COMMON FINDINGS

Although we concluded 85.6% of our monitoring reviews with the firm being compliant or generally compliant and without the need to take any further action, we do still find that we raise the same findings more often each year, despite our reviews being conducted to a different selection of firms.

In our [Looking forward](#) section, we have highlighted actions that we plan to take in 2022/23 to drive better compliance among our supervised population.

RESOURCES TO SUPPORT COMPLIANCE

Alongside each finding, we have listed ICAEW resources or other guidance that we recommend firms use to improve compliance in these areas. These resources should be used in conjunction with the [UK's Anti-Money Laundering Regulations](#).

	WHAT WE FIND	RESOURCES TO SUPPORT COMPLIANCE
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.</p> <p>The engagement team should regularly review the documentation it has obtained as part of the know-your-client checks. If any of the information has changed, the engagement team should feed the changes 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>	<ul style="list-style-type: none"> • Read: The CCAB Anti-Money Laundering and Counter-Terrorist Financing Guidance for the Accountancy Sector • Watch our webinar: how CDD should operate in practice • Watch our <i>AMLbites</i> video: CDD part 3 for best practice tips on performing ongoing CDD

	WHAT WE FIND	RESOURCES TO SUPPORT COMPLIANCE
<p>CUSTOMER DUE DILIGENCE ON NEW CLIENTS</p>	<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 firms should gather information on the client to determine who the client is, what it does and who the beneficial owner is (identification). Using this information, the firm should perform an AML risk assessment, considering the risks identified in the firm-wide risk assessment. It must then take steps to check the client is who they say they are (verification). The amount of evidence the firm needs to gather will be determined by the AML risk profile of the client.</p>	<ul style="list-style-type: none"> • Watch our <i>AMLbites</i> video: CDD part 1 • Watch our webinar: CDD • Read: The CCAB Anti-Money Laundering and Counter-Terrorist Financing Guidance for the Accountancy Sector
<p>RISK ASSESSING CLIENTS</p>	<p>Our third most common finding is that the firm had failed to perform a risk assessment of the client. Often, the firm has 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.</p> <p>The Money Laundering Regulations require all supervised firms to perform a risk assessment of each client, that considers those risks identified in its firm-wide risk assessment. The client risk assessment will direct the amount and type of information the firm needs to obtain to confirm the identity of the client. The risk assessment is important because it will identify when the firm should perform enhanced due diligence on high-risk clients, or where it can perform simplified due diligence on low-risk clients.</p>	<ul style="list-style-type: none"> • Watch our AML webinar recording on: Performing CDD • Read: The summary of the National Risk Assessment 2020 • Watch our AML webinar recording on: Money Laundering Risk Assessments • Watch our AML webinar recording on: Enhanced due diligence

	WHAT WE FIND	RESOURCES TO SUPPORT COMPLIANCE
FIRM-WIDE RISK ASSESSMENTS	<p>The risk-based approach underpins the Money Laundering Regulations. 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, the firm 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). The firm can then design its policies and procedures to respond to the level of risk identified.</p>	<ul style="list-style-type: none"> • Use our template: Firm-wide risk assessment methodology • Read: The National Risk Assessment (NRA) 2020 • Read: Summary of the NRA • Watch our <i>AMLbites</i> video: Firm-wide risk assessments
REPORTING DISCREPANCIES IN THE PSC REGISTER	<p>A person with significant control (PSC) is someone who owns or controls a company.</p> <p>If the firm identifies a discrepancy between the information it gathers while carrying out their regulatory obligations on their corporate clients and the information their client has provided on the PSC register, the firm must report that discrepancy to Companies House or HMRC.</p> <p>The firm needs to have policies and procedures in place to record and report any identified discrepancies.</p>	<ul style="list-style-type: none"> • Read: Reporting a discrepancy • Read: The government guidance on reporting PSC register discrepancies • Read: The HM Treasury's clarification on grey areas relating to register discrepancies reporting
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 the firm should design this to be as independent as possible, given the size and nature of the firm. Where the firm identifies any gaps or weaknesses, it should document how it intends to address them.</p>	<ul style="list-style-type: none"> • Read: The 2020 AML compliance review template • Read: The CCAB Anti-Money Laundering and Counter-Terrorist Financing Guidance for the Accountancy Sector

	WHAT WE FIND	RESOURCES TO SUPPORT COMPLIANCE
NO WRITTEN PROCEDURES	We will ask to see the firm's written procedures that set out how the firm complies with the Money Laundering Regulations. Where the firm has 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.	<ul style="list-style-type: none"> Use our template: AML policy and procedure documentation
TRAINING	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.	<ul style="list-style-type: none"> Show your staff All Too Familiar Show your teams the AMLbites videos Watch our webinars and read the answers to some frequently asked questions Ensure your teams are signed up to receive AML - the essentials
INCOMPLETE CRIMINAL RECORD CHECKS ON BOOM	<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>	<ul style="list-style-type: none"> Read: Guidance on the definition of a BOOM Read: Guidance on criminal record checks Read: answers to your FAQs
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 are therefore in the PA scheme and supervised by ICAEW for AML.</p>	<ul style="list-style-type: none"> Use our: AML supervision flow-chart Apply to be supervised by ICAEW

RESOURCES

We publish a wealth of support and formal guidance which is designed to help our firms understand what is expected, particularly in relation to taking a risk-based approach. We also publish other guidance and materials that explain the responsibilities of accountancy firms under the Proceeds of Crime Act 2002 (POCA) and the Money Laundering Regulations 2017, and what we consider is best practice.

During 2021/22, we have worked hard to enrich our online resources and guidance. During the period we have:



Updated the [AASG risk outlook](#) - setting out clear guidance on the key risks that firms should consider when completing their firm-wide risk assessment and CDD.

IFAC/ICAEW series - [AML the basics](#). These resources are primarily for small and medium practices, and accountants less familiar with AML, while also guiding those looking for a quick refresher or reference. Includes the topics - what is a risk-based approach, and how criminals can seek to use certain services provided by accountants such as company formation, asset transfers, tax advice.



Economic Crime Awareness month (March) - a range of articles across ICAEW *Daily/Monthly* e-newsletters. [Access the full range of article](#)

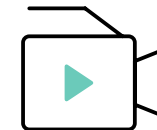
[AML Risk Bulletins](#) - our quarterly email to money laundering reporting officers setting out emerging AML risks as identified by the JMLIT/NCA and within the sector, including our COVID risk bulletin.



[AML - the essentials](#) - our quarterly round-up of AML-relevant material. Issues regularly include material on suspicious activity reports, risk and fraud.

[Trust and company service providers \(TCSPs\) thematic review](#)

A short animation to help firms identify the money laundering risks that can be linked to offering trust and company services. It also explains how to mitigate and avoid risks. Full report and further guidance also available at [icaew.com/TCSPreview](#)



[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.



[AMLbites](#) - A series of 10-minute videos aimed at money laundering reporting officers, compliance principals and people in regulatory roles, as well as training tools for staff.

USEFUL LINKS

- icaew.com/moneylaundering
- icaew.com/aml supervision
- icaew.com/aml concerns
- icaew.com/help sheets
- icaew.com/regulation
- icaew.com/helplines
- icaew.com/films
- icaew.com/cpd

GLOSSARY

AASG	Accountancy AML Supervisors Group	FIN-NET	Financial Crime Information Network	PEP	Politically Exposed Person
AML	anti-money laundering	IRB	ICAEW Regulatory Board		An individual who is entrusted with prominent public functions, other than as a middle-ranking or more junior official.
AML/CTF	anti-money laundering and counter terrorist financing	ISEWG	Information Sharing Expert Working Group	PPTG	Public Private Threat Group
AMLSF	Anti-Money Laundering Supervisors Forum	JMLIT	Joint Money Laundering Intelligence Taskforce	PSC	Persons with Significant Control
BOOM	Beneficial owner, officer or manager	KYC	know your client		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
CDD	customer due diligence	ML	money laundering	PSD	ICAEW's Professional Standards Department
	The process by which the identity of a client is established and verified, for both new and existing clients.	ML/TF	money laundering and terrorist financing	QAD	ICAEW's Quality Assurance Department
DAML	Defence Against Money Laundering or DAML (Previously referred to as 'consent').	Money Laundering Regulations	Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017	RBA	risk based approach
	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.	MLRO	Money Laundering Reporting Officer	SAR	suspicious activity report
ECSB	Economic Crime Strategic Board	MLCO	Money Laundering Compliance Officer	SDD	simplified due diligence
EDD	enhanced due diligence	NCA	National Crime Agency	SIS	Shared Intelligence Service
		NECC	National Economic Crime Centre	TCSPs	Trust or Company Service Providers
		NRA	National Risk Assessment	TF	terrorist financing
		OPBAS	Office for Professional Body AML Supervision	UBO	ultimate beneficial owner
		PBS	Professional Body Supervisor	UKFIU	UK Financial Intelligence Unit
		PCD	Professional Conduct Department		

ICAEW'S REGULATORY AND CONDUCT ROLES

Our role as an improvement regulator is to strengthen trust in ICAEW Chartered Accountants and firms. We do this by enabling, evaluating and enforcing the highest standards in the profession.

ICAEW's regulatory and conduct roles are separated from ICAEW's other activities through internal governance 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 (PSD) and overseen by the ICAEW Regulatory Board (IRB).

We:

- **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.

Chartered accountants are talented, ethical and committed professionals. ICAEW represents more than 195,300 members and students around the world.

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 around 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.

ICAEW is a founding member of Chartered Accountants Worldwide (CAW), a global family that connects over 1.8m chartered accountants and students in more than 190 countries. Together, we support, develop and promote the role of chartered accountants as trusted business leaders, difference makers and advisers.

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.

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