

AML COMPLIANCE REVIEW

THEMATIC REVIEW 2026

ICAEW

REGULATION
&CONDUCT

ICAEW – AML THEMATIC REVIEW 2026

Who we are

ICAEW has an important role as the largest accountancy professional body supervisor in the UK, supervising around 10,000 firms for anti-money laundering (AML) compliance. Our strategy is to provide robust AML supervision through a risk-based regime, focusing our efforts on firms where the risk that they will be used to enable money laundering is highest.

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Purpose, scope and findings



"The results demonstrate a positive commitment to continuous improvement, while highlighting opportunities to strengthen independence and documented follow-up."

Sandy Price, Manager, Quality Assurance

Annual thematic review
Since 2020, we have conducted annual thematic reviews to understand how firms apply the requirements of the Money Laundering Regulations (MLRs) in practice. As an improvement regulator, we use these reviews to identify and share good practice and to gain valuable insight into firms' compliance. The findings help us enhance our guidance for all firms and inform our risk assessment and monitoring activity.

2026 thematic review
The topic selected for our 2026 thematic review is the **AML compliance review.**

We chose this topic because on every visit to a firm with staff, we assess whether its AML compliance review identifies failings, leads to appropriate remediation and produces findings consistent with our own. We look beyond whether a review exists to whether it is effective.

Our 2025/2026 AML Supervision Report identifies ineffective compliance reviews as one of the more common failings found on visits. Given the risk of ineffective procedures, our 2026 thematic review focuses on AML compliance reviews to identify areas for improvement and share good practice.

What do the regulations say?
Regulation 21 (c) of the MLRs requires all relevant firms to:

> **Establish an independent audit function with the responsibility:**
>
> **(i) to examine and evaluate the adequacy and effectiveness of the policies, controls and procedures adopted by the relevant person to comply with the requirements of these Regulations;**
>
> **(ii) to make recommendations in relation to those policies, controls and procedures; and**
>
> **(iii) to monitor the relevant person's compliance with those recommendations.**

We refer to this process as an AML compliance review.

There is one exception – sole practitioners with no relevant staff are not required to complete an audit of their AML procedures.

Purpose of the thematic review
To better understand how firms are implementing AML controls in practice, we carried out a thematic review of the AML compliance review.

Our objectives were to:
- identify common areas of good practice;
- assess compliance with the MLRs;
- understand the challenges firms face in implementing AML controls;
- identify recurring weaknesses and areas requiring improvement; and
- provide practical guidance to support firms in strengthening their AML frameworks.

Who did we ask to participate?
The thematic review focused on firms considered to present a higher inherent AML risk based on factors such as the services provided, client types, geographic exposure and previous supervisory findings.

We asked 80 firms to complete a questionnaire answering a series of questions about their compliance review procedures.

We also asked 10 of these firms to submit their latest completed AML compliance review.

What we found
Overall, the thematic review provides positive assurance that firms understand the purpose of the AML compliance review and are using it to assess their controls critically. All firms required to complete a review had done so; 94% reviewed compliance annually and most used practical measures, such as peer challenge, structured checklists and sample-based file testing, to support objectivity.

Reviews covered the principal firm-wide and customer due diligence controls, and 54% of firms reported no findings.

Where firms identified weaknesses, they responded constructively. They all documented actions and ownership, and 97% tracked remediation.

Firm profile

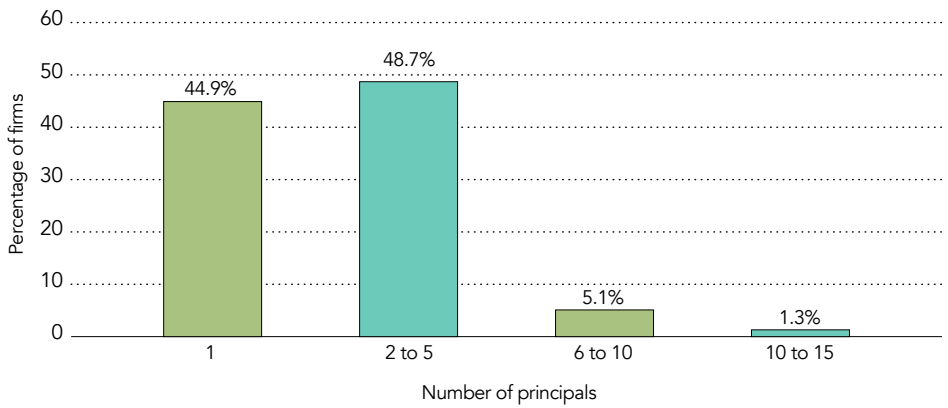
We reviewed a range of firms varying in size, structure and service offering. All firms who took part in the review had been allocated a high-medium risk rating. The risk rating is based on factors such as the services provided, client types, geographic exposure and previous supervisory findings.

The firms selected represented a cross-section of the supervised population, including sole practitioners, small and medium-sized practices, and larger multidisciplinary firms. These graphs demonstrate the profile of the firms selected, in terms of number of principals and turnover.

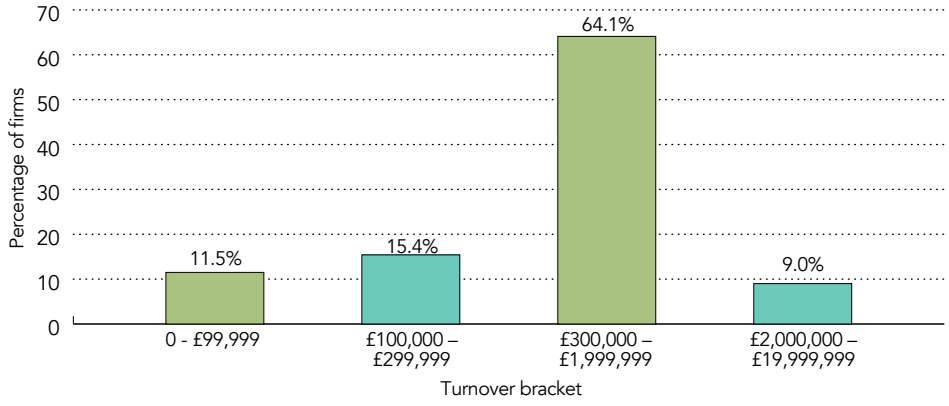
RECOMMENDED RESOURCE

AML compliance essentials for sole practitioners and small firms

Profile of firms by number of principals



Profile of firms by turnover



Oversight and process

Strong governance arrangements are fundamental to an effective AML control framework.

The role of the money laundering compliance officer (MLCO)
All firms in our sample stated that the person responsible for AML compliance in the firm (the MLCO) was also the principal in the firm. In our 2023 thematic review that focused on the role,96% of firms reported that the MLCO was a principal. The increase over the past three years indicates that ICAEW's guidance and training have helped firms recognise the importance of assigning overall responsibility for AML compliance to a senior member of the firm.

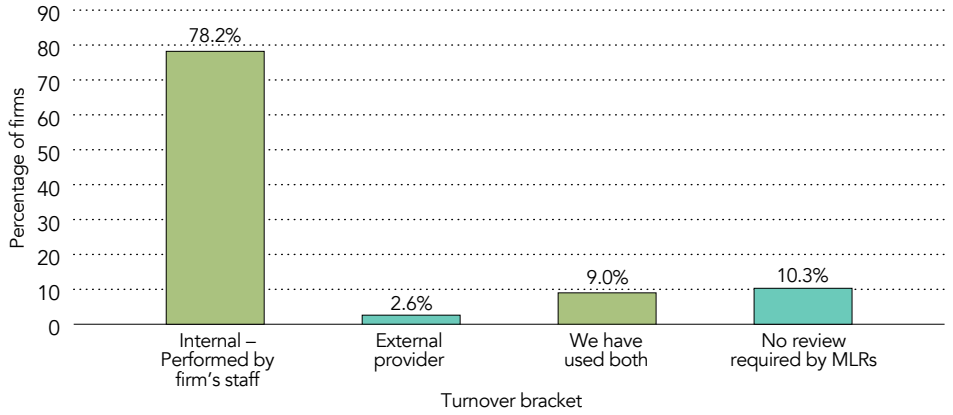
Completion of AML compliance reviews
It was encouraging that every surveyed firm required to conduct an AML compliance review confirmed that it had done so.

The MLRs do not require sole practitioners with no relevant staff to complete an audit of their AML procedures.

Type of review
We asked whether firms performed "internal" compliance reviews or asked an external provider to assess their firm's compliance with the MLRs.

78% of firms responding to our survey rely on internal monitoring.

Compliance review type



Frequency of review
94% of firms perform their compliance review annually. The remaining firms conduct reviews less frequently.

The MLRs do not prescribe annual reviews. Regulation 19 says firms must regularly review and update policies, controls and procedures. Firms may still find it beneficial to include an annual review in their ongoing compliance monitoring programme.

Maintaining independence when performing internal reviews
We compared firms that commissioned external compliance reviews with those that conducted reviews internally, assessing whether each approach identified areas for improvement. This suggests that firms conducting internal reviews apply an appropriately critical and independent approach.

Oversight and process continued

78%
of our firms used their own staff to perform the compliance review.

We asked firms how they managed to be independent/critical in their approach and found that firms achieve practical rather than fully structural independence (as is permitted by the MLRs).

- **Peer or independent review:** This was the most cited approach. Another principal, director, manager, staff member or non-money laundering reporting officer (MLRO) reviews the work.
- **Checklists and guidance:** ICAEW or third-party compliance software checklists and documented procedures are frequently used to support objectivity.
- **Sample-based testing:** Firms select a sample of client files—often randomly—and try to prevent reviewers checking their own work.
- **Senior oversight:** Reviews are approved or challenged by the MLRO, MLCO, principals, Chief Operating Officer or wider management.

CASE STUDY:

Maintaining independence in internal AML reviews

One of the firms conducts an annual internal AML compliance review. To maintain independence, each director reviews a sample of client files for which the other director has responsibility. Neither director reviews files on which they were directly involved in the client acceptance process, customer due diligence, ongoing monitoring or AML risk assessment. Reviews are undertaken using the firm's AML compliance review checklist, with findings, recommendations and corrective actions documented and followed up to completion.

This approach has been designed to provide an appropriate level of independence having regard to the size and nature of the practice.

Quotes from ICAEW firms

"Internal compliance review reviewed by other members of staff."

"It was carried out by a qualified 'non-fee earner' and then reviewed by the principal."

ICAEW RESPONSE

These quotes show that the firms recognise the independence risks of reviewing their own procedures and have introduced safeguards to address them. In-house AML reviews are acceptable, but we assess their effectiveness, not simply whether a checklist has been completed.

Building greater independence into internal reviews, as these firms have done, is likely to improve their effectiveness.

KEY REFLECTIONS

Role of the MLCO

All firms in the sample had appointed a principal as their MLCO. This gives the MLCO the seniority and authority needed to oversee the firm's anti-money laundering policies and procedures, monitor compliance and ensure that any weaknesses are addressed. Appointing a principal to this role also demonstrates a clear commitment to effective AML compliance.

Frequency of reviews

All firms had incorporated regular AML compliance reviews into their monitoring programmes. For most firms, this was an annual review, which we consider to be a practical and proportionate approach.

Independence of in-house reviews

Firms that conducted reviews in-house demonstrated an awareness of the need for independent challenge. They used measures designed to strengthen objectivity and critical assessment, including peer or independent review, compliance checklists, sample-based testing and senior oversight. External reviews identified no more findings than in-house reviews, providing further assurance that these arrangements were effective.

Firm-wide procedures

The MLRs require firms to establish appropriate policies, controls and procedures proportionate to their size and nature and to regularly review these. We asked firms to explain how they checked the adequacy of their whole-firm procedures when conducting a compliance review.

All firms considered the following essential areas as part of their regular review of compliance with the MLRs:

- performing a review of AML policies and procedures to check they comply with the current MLRs;
- reviewing of the firm-wide risk assessment to check it is current, relevant and adequate, and that all relevant risks have been identified and assessed;
- checking that the firm has appointed an individual responsible for reporting suspicious activity reports (SARs) to the National Crime Agency (NCA);
- checking that all new principals have obtained a criminal record check;
- checking that the firm notified ICAEW of any new MLRO/MLCO appointments within the required period;
- considering the quality and quantity of AML training provided to principals and staff; and
- checking records are retained for the correct statutory period.

Internal and external reporting of Suspicious Activity (POCA Section 330/331)

Most firms assessed the adequacy of procedures for reporting SARs. Those that did not include this area in their compliance review were primarily sole practitioners or small firms, explaining that sole practitioners would effectively be reporting to themselves, while some small firms had not formalised their procedures.



RECOMMENDED RESOURCES

AML checklist

Firm-wide risk assessments

AML policies and procedures

KEY REFLECTIONS

Whole-firm procedures

We were pleased to note that all firms in our sample considered the key elements of their whole-firm procedures as part of their AML compliance review.

All firms assessed whether they had an up-to-date firm-wide risk assessment. An effective compliance review should begin by considering whether the firm can identify and assess the money laundering and terrorist financing risks to which it may be exposed. It should then go on to ensure that the mitigating controls are effective.

Other areas assessed included the following.

AML policies and procedures: Do they reflect the current regulatory framework and the firm's activities and working practices?

Key AML roles: Do the individuals appointed to key AML roles have the appropriate authority, seniority, competence and resources to fulfil their responsibilities effectively?

Internal reporting procedures: Do staff understand what concerns should be reported, how to report them and to whom?

AML training: Have all relevant staff completed training appropriate to their roles? Additionally, do training records demonstrate that staff have been informed of their responsibilities, including their internal reporting obligations?

Customer due diligence

Customer due diligence (CDD) remains one of the most important controls in preventing the misuse of accountancy services for money laundering purposes.

How did our firms assess customer due diligence procedures?

97% of our sample of firms considered:

- whether their firm had policies in place to identify high-risk clients (politically exposed persons (PEPs) or high-risk third-country links etc);
- whether customer due diligence was completed before work commences;
- whether appropriate methods had been applied to verify clients (including individuals, companies, partnerships and trusts);
- if beneficial owners were correctly identified;
- if the identity of beneficial owners were verified for normal/high-risk clients;
- whether procedures for periodic review and event-driven review were in place; and/or
- whether the firm performs a risk assessment by client and concludes on risk.

86% of our sample reviewed CDD on a sample of client files as part of their compliance monitoring.

- 30% of firms reviewed 1 to 5 client files.
- 36% reviewed 6 to 10 client files.
- 34% reviewed over 10 client files.

The firms that did not select a sample of client files were either sole practitioners or small firms who considered ongoing internal review and experienced personnel negated the need to select a sample for review annually.

91% of firms stated that they did not rely on another firm for any of their customer due diligence procedures. Of those that did rely, all bar one stated that they ensured the firm they relied on complied with the MLRs.



RECOMMENDED RESOURCE

Guidance on customer due diligence

KEY REFLECTIONS

Client file reviews

It was encouraging to see that 86% of firms selected a sample of client files to assess whether customer due diligence had been completed appropriately and in accordance with the firm's procedures and regulatory requirements.

We expect firms to include sample-based client file reviews as part of their compliance monitoring arrangements. Samples should include clients from a range of risk profiles to provide a balanced assessment of the effectiveness of the firm's controls. This is an essential part of the compliance review, so that the firm can check that the procedures it has designed to mitigate risk are working effectively.

Reliance on third parties

Very few firms reported relying on another firm's customer due diligence. We consider this a positive outcome, as we rarely see firms fully complying with the regulatory requirements when relying on customer due diligence carried out by a third party.

Where a firm relies on another firm to perform aspects of customer due diligence, it remains responsible for the adequacy and quality of that due diligence. The relying firm must also undertake its own assessment of the client's money laundering risk.

Before entering into a reliance arrangement, the firm should obtain the other firm's agreement and confirmation that it will provide copies of the relevant customer due diligence documentation promptly upon request.

Compliance review outcomes and remediation

We asked firms what weaknesses they identified and how they remediated them.

What weaknesses did the firms identify?
54% of our firms raised no findings from their compliance review.

Where there were findings, the most frequently observed weaknesses related to:

- enhancements needed to firm-wide risk assessments (14%);
- customer due diligence not completed in line with firm's policies and procedures (13%);
- incomplete AML policies and procedures (8%); and
- lack of AML training (4%).

Where firms noted non-compliance with customer due diligence requirements the most raised weakness was lack of on-going due diligence (8% of our total sample).



RECOMMENDED RESOURCES

Suspicious activity reports and AML helpsheets

Suspicious activity reporting guidance

How did the firms remediate the findings?
All firms assigned responsibility for monitoring remediation and improvement to an individual within the firm.

All firms documented their compliance review findings with clear actions and ownership.

97% noted that they tracked remediation and improvement. Two firms stated they did not track remediation and improvement. Both were sole practitioners with no relevant staff.

When we asked firms to give examples of what remediation action they carried out after their last compliance review, they included a variety of strategies from updating "know your customer'" and customer due diligence templates to updating SARs training and firm-wide risk assessments, to name a few.

Quotes from ICAEW firms

"Telling staff to get ['know your customer'] (KYC) up to date, where appropriate. Stressing this in the annual training."

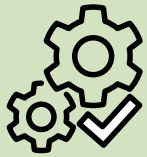


ICAEW RESPONSE

Knowing your client is key to effective customer due diligence. By understanding characteristics such as control, location, trading activities and where appropriate, sources of wealth, you better inform your risk assessment. This results in focused procedures for verification and mitigation.

"The firm reviewed and enhanced its AML framework following the compliance review. This included updating the firm-wide risk assessment, implementing a revised AML Policies, Controls and Procedures Manual, introducing additional AML templates and registers, strengthening the documentation of outsourcing arrangements and implementing an annual AML compliance review process."

ICAEW RESPONSE



The AML compliance review for this firm was clearly more than a tick-box exercise. There are clear impactful follow-up actions. The firm identifies the need for regular review by citing future annual cycles of compliance reviews. The firm references outsourcing arrangements. If you use subcontractors to perform client work, ensure they understand your AML procedures and your procedures for reporting suspicion.

Compliance review outcomes and remediation continued

Quote from an ICAEW firm

"A new AML (SAR reporting) form was designed to ensure clearer reporting with more relevant information provided. This form was closely reviewed on the first suspicious activity report received."



ICAEW RESPONSE

We were pleased to see that this firm reviewed the effectiveness of its reporting procedures, identified potential limitations in its internal SAR reporting forms, and remediated the issue. The effectiveness of these changes was subsequently assessed.

We recommend that all firms consider the adequacy and effectiveness of their SAR reporting procedures as part of their review process. Firms should consider whether staff are making reports and, if not, whether there is an underlying cause. This may be indicative of a low-risk environment. However, there may be other reasons, for example insufficient training on red flags, limited reporting tools, or a lack of awareness of reporting obligations.

KEY REFLECTIONS

More than half of the firms surveyed (54%) identified no issues requiring action from their AML compliance review. Encouragingly, the proportion of firms identifying issues was the same whether the review was conducted in-house or by an external provider. This provides assurance that in-house reviews can be effective when undertaken with appropriate objectivity and challenge.

Common findings

Around one in seven firms identified that they needed to enhance their firm-wide risk assessment as part of their compliance review. It is encouraging that firms regularly review their firm-wide risk assessment to ensure that it remains current and reflects changes in risks, business activities and mitigating controls.

Remediation

We were also pleased to see that all firms assigned responsibility for remediation. Firms used action logs to record remedial actions and monitored whether those actions were completed and effective.

We recommend firms look beyond individual findings to understand why weaknesses have arisen and whether they indicate a wider or recurring issue. For example, deficiencies in customer due diligence may stem from inadequate training, insufficient time or resources, ineffective checklists or difficulties obtaining relevant information.

Action logs should clearly record the root cause of each finding, the agreed remedial action, the individual responsible and the target completion date.

Where a leadership group exists, it should receive clear information about the findings, their underlying causes and the proposed remedial actions.

Our reflections: putting findings into practice

We were pleased that all participating firms carried out regular reviews. The thematic review findings show that these go beyond a tick-box exercise: they provide meaningful challenge, often testing client files to assess whether customer due diligence procedures are consistent and effective.

Internal and external reviews identified findings at the same rate, suggesting that internal reviews can objectively and effectively identify areas for improvement.

IN SUMMARY

- → Test whether procedures work, not simply whether documents exist. Are staff submitting robust internal SARs? Does customer due diligence effectively identify and mitigate risk?
- → Build credible independence into internal reviews.
- → Use risk-based sampling to select client files for review.
- → Identify recurring underlying causes.
- → Monitor actions through to completion and confirm that revised controls are effective.

Useful resources

Access useful resources to help you understand our expectations for good-quality compliance reviews.



AML checklist

Checklist to help firms structure their compliance review



AML compliance essentials for sole practitioners and small firms

Guidance for small firms on compliance essentials



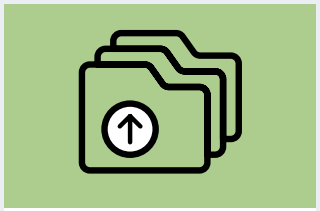
AMLbites

Short, bite-sized videos on AML-related topics



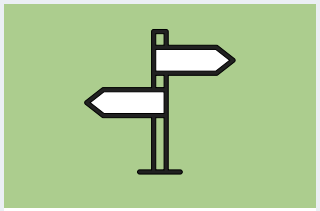
Customer due diligence guidance

Guidance on CDD to help firms mitigate AML risks



AML thematic reviews

Past thematic reviews on hot AML topics



AML resources

A comprehensive collection of resources to signpost good practice

ICAEW's regulation and conduct role
Our role is to help ICAEW members and firms to maintain high professional standards and hold them to those standards. We act in the public interest to strengthen trust in ICAEW members and firms by raising standards through a programme of continuous improvement.

ICAEW's regulation and conduct roles are separated from ICAEW's other activities through internal governance so as to ensure the independence of all regulatory and disciplinary decisions. These roles are carried out by the Regulation & Conduct division and overseen by the ICAEW Regulation & Conduct Board and oversight regulators including the Financial Reporting Council, the Insolvency Service, the Office for Professional Body Anti-Money Laundering Supervision and the Legal Services Board.

We:

- **authorise** only those firms and individuals with the appropriate expertise and experience to undertake accountancy services regulated by law such as statutory audit, local audit, insolvency, investment business advice and legal services such as 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
- **provide** educational resources and materials to help ICAEW members and firms comply with laws and regulations and maintain high professional standards.

Chartered accountants are talented, ethical and committed professionals. ICAEW represents more than 211,600 members and students around the world. 81 of the top 100 global brands employ ICAEW 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 around 11,500 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 working towards becoming net zero, demonstrating our commitment to tackle climate change and supporting the 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.

www.charteredaccountantsworldwide.com

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* includes parent companies. Source: ICAEW member data March 2026, Interbrand, Best Global Brands 2025

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ICAEW Regulation & Conduct
Metropolitan House
321 Avebury Boulevard
Milton Keynes
MK9 2FZ, UK

T +44 (0)1908 248 250

E contactus@icaew.com

icaew.com/amlsupervision

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ICAEW is working towards becoming net zero