



INSTITUTE OF
**FINANCIAL
ACCOUNTANTS®**
A MEMBER OF THE IPA GROUP

Anti-Money Laundering Supervision and Monitoring 2022/23

6 April 2022 to 5 April 2023



Contents

Foreword from the IFA Board	3
Introduction	5
AML supervision by the IFA	7
The year in numbers	10
Results from the monitoring visits	12
Our most common findings	14
Impact of our supervisory work	17
Enforcement actions	18
Information & guidance	19
Looking ahead	21
Feedback from our members	24
Reflections	25

Foreword from the IFA Board

This report sets out the IFA's anti-money laundering (AML) supervision and monitoring results for 2022/23. The report aims to provide an insight into the AML supervision and monitoring work of the institute. As of 5 April 2023, the IFA supervised 1,981 (2021/22: 1,983) firms and sole practitioners for compliance with the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (known as the 'Money Laundering Regulations' throughout this report).

We supervise firms and individuals to ensure they are competent and compliant to identify and address money laundering risks, ultimately reducing the potential and actual harm to the public from criminal activities. During 2022/23, we conducted 155 monitoring reviews (2021/22: 173). Our approach to supervision is risk-based, proportionate, collaborative, educational and robust. We help members and firms to meet standards and we hold them to account if those standards are not met.

We continue to build on the success of conducting virtual assessments and have supplemented this with the re-introduction of limited on-site reviews, which are selected due to specific risk indicators.

Highlights from our supervisory work include:

- successful implementation of a new annual firm return portal and automated firm risk assessment tool;
- an overall slight upward trend in the IFA's assessment of money laundering risks of our supervised firms, due to redefining some of the risk factors used in the risk assessments of firms;
- issuing AML templates, guidance and support to our members and firms to help them understand money laundering risks, including those relating to the breach of financial sanctions;
- achieving more timely remediation of identified weaknesses in firms that failed to be assessed as fully compliant with the Money Laundering Regulations; and
- imposing dissuasive financial penalties on firms that persistently breached the Money Laundering Regulations.



I wish to express my sincere gratitude to the various teams and individuals who have been providing unwavering support to our esteemed members. It is with great appreciation that I acknowledge their consistent efforts in maintaining an objective and robust regulatory and supervisory approach. Their dedication and commitment have been instrumental in ensuring that our valued members receive the best possible support and assistance

Julie Williams,
chair of the IFA Board

The chair of the IFA Board, Julie Williams, welcomes a reduction in non-compliance cases and the work put in by IFA team members to offer guidance while providing robust supervision.

“During the post-pandemic period, our members in practice have continued to support their clients - despite increased pressure caused by the current uncertain economic conditions for businesses and individuals.

“The IFA teams responsible for anti-money laundering supervision have been actively addressing the challenges faced in this area. They have implemented additional guidance and further templates to assist firms in meeting compliance standards, which has resulted in a reduction of non-compliance cases. It is encouraging to see that these efforts have reduced the levels of non-compliance during this period.

“I want to convey my appreciation to the teams and individuals who have ensured that the IFA’s AML supervision standards remain high. The board relies on this level of support to provide objective and robust regulatory and supervisory practices, which is crucial for our members.

“I am delighted to report that the feedback we received from practitioners after our AML monitoring visits shows that our risk-based AML supervision is upholding the public interest. The comments we received demonstrate that the IFA community recognises the importance of a trusted relationship in the context of a professional body and its regulatory framework.

“We achieve this through a balance of collaboration with other supervisory authorities, guidance for members, and robust enforcement when necessary. Our regulatory and supervisory processes will continue to evolve, ensuring that the reputation of the IFA and its members remains in high regard.”

Introduction

Money laundering harms society, the integrity of markets, and the reputation of the accountancy profession by enabling criminal activity to flourish.

The National Crime Agency's (NCA) **National Strategic Assessment of Serious and Organised Crime 2021** states that it is highly likely that more than £12bn of criminal cash is generated annually in the UK, and there is a realistic possibility that the scale of money laundering is in the hundreds of billions of pounds annually. The UK's open economy, the size of its financial services market, the attractiveness of the property market for overseas investors and the ease of setting up companies, make it inviting to criminals to launder the proceeds of crime through the UK. Successful laundering enables criminal activity to continue; incentivising and funding future crime such as bribery, corruption and terrorism.

Criminals behind money laundering use sophisticated techniques to target vulnerabilities in the UK's money laundering regime. Specialist networks, 'money mules', trade-based money laundering and virtual assets are used by criminals to launder their ill-gotten gains. Criminals may be attracted to the accountancy profession as an opportunity to 'legitimise' their activities through the credibility, qualifications, and expertise of professional accountants.

The **National Risk Assessment of Money Laundering and Terrorist Financing 2020** states that the accountancy services considered most at risk of exploitation continue to be company formation and termination, mainstream accounting, and payroll. It concludes that accountancy services are at the highest risk of being exploited or abused by criminals when the accountant fails to fully understand the money laundering risks and to implement appropriate risk-based systems, policies and controls to address the risks that arise from the firm's activities and its clients.

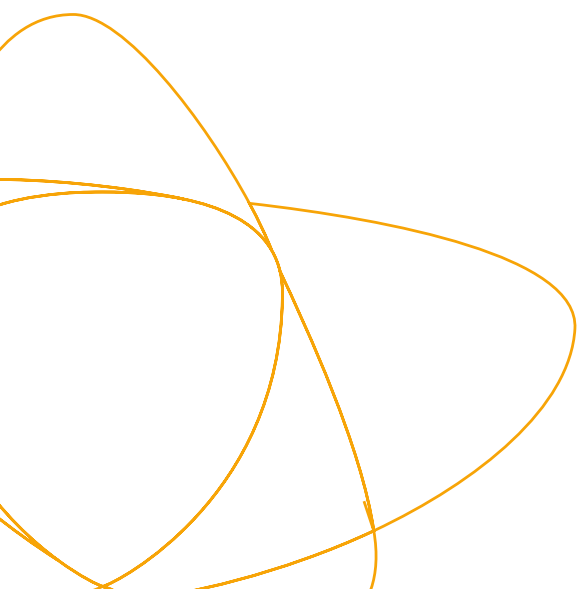
This report covers the period from 6 April 2022 to 5 April 2023. The IFA is committed to playing its part in preventing, disrupting and deterring criminals by ensuring that the firms we supervise have effective systems, controls and policies in place to minimise their exposure to money laundering risk.

The IFA is a supervisory authority for accountancy service providers (and trust or company service providers) under Schedule 1 to the Money Laundering Regulations. We regulate 1,981 firms (2021/22: 1,983) subject to these regulations (as of 5 April 2023). It is overseen by the **Office for Professional Body Anti-Money Laundering Supervision (OPBAS)**, situated at the Financial Conduct Authority (FCA), which is responsible for ensuring high and consistent standards of supervision of the legal and accountancy sectors as well as facilitating collaboration and information and intelligence sharing between professional bodies, statutory supervisors and law enforcement agencies.

As part of our AML supervisory duties, the IFA reports annually to HM Treasury in order to improve the transparency and accountability of supervision and encourage good practice. The IFA's reporting is incorporated into HM Treasury's **Anti-Money Laundering and Counter-Terrorist Financing Supervision Report**, the latest version of which was published in respect of 2020/22.

Combatting money laundering requires a comprehensive plan supported by the private sector alongside the government and its agencies as evidenced by the 52 actions included in the **Economic Crime Plan 2019/22**. The IFA, alongside other accountancy and legal professional bodies, continues to contribute and help to progress the actions identified in this plan, particularly:

- better information sharing;
- risk-based supervision; and
- transparency of ownership.



AML supervision by the IFA

What we do

The IFA's supervisory and monitoring activity is designed to uphold standards and compliance with the Money Laundering Regulations, support IFA firms and members, and work collaboratively and in partnership across the private and public sectors to minimise risk and strengthen the anti-money laundering regime.

We conduct our regulatory and supervisory duties through the work undertaken by our compliance, monitoring and disciplinary teams. Our monitoring team shares information with our compliance and disciplinary teams, as appropriate, to ensure a robust and co-ordinated approach to education, supervision, and enforcement. We use our understanding of threats and vulnerabilities, and intelligence received from a broad range of sources to inform our risk-based approach, so that resources are focused on where misconduct and non-compliance with the Money Laundering Regulations are likely to cause most harm.

Our supervisory approach requires our member firms to adopt risk-based, proportionate, and effective policies, procedures, and controls to mitigate the risks of firms being used by criminals as vehicles for money laundering/terrorist financing. Firms are required to comply with the requirements of the Money Laundering Regulations and the UK sanctions regime.

We also engage and share information with other regulators, professional bodies, government, NCA, National Economic Crime Centre (NECC), HMRC, law enforcement and other key stakeholders to increase our collective understanding of money laundering and terrorist financing - and we may adjust our approach, guidance, policies, and procedures accordingly.

We provide information to our supervised firms on emerging money laundering and terrorist financing practices that apply to the accountancy sector and explain circumstances in which we perceive there to be a high risk of money laundering and terrorist financing. In 2022 we introduced a series of AML workshops that were provided over a series of three sessions covering: AML policy and procedures; firm risk assessment and client onboarding/risk assessment; and an annual compliance review/checklist and which are now being repeated due to the feedback received. We also provide information and guidance freely to all our supervised population through various communication channels including: the IFA magazine *Financial Accountant*; emails; our [website](#); and [Financial Accountant Digital](#). More targeted information is shared electronically through dedicated emails to relevant members.

To help our firms with their anti-money laundering obligations, we provide discounted AML compliance software to supervised firms. Lastly, we also encourage our supervised firms to **report suspected breaches of the Money Laundering Regulations** to us.

Our risk-based approach is centred on information and intelligence provided by our supervised firms, members and other professional bodies, government agencies and law enforcement

We take disciplinary action against firms that do not meet the requirements of the Money Laundering Regulations, including those that do not co-operate with the AML monitoring process.

Those we supervise

As at 5 April 2023, we were responsible for supervising and monitoring 1,981 firms (2021/22: 1,983) providing accountancy services to the public. Our firms provide book-keeping, accounts preparation, payroll, tax compliance, tax advice, trust and company formation services and assurance services. While our firms vary in size, approximately 82% are sole practitioners with the remainder mainly having two or three principals in a firm. Some 95% of our firms have one office based in the UK only, and only 1% of firms have between three and six offices.

The number of approved beneficial owners, officers or managers (BOOMs) associated with IFA-supervised firms during this period was 2,599 (2021/22: 2,626).

We risk assess all supervised firms on an annual basis and as at 5 April 2023 we supervise 346 (17%) high-risk firms; 587 (30%) medium-risk firms; and 1,048 (53%) low-risk firms. Risk is calculated using an algorithmic tool that applies scores to information provided in annual returns and compliance history.

How we supervise

Our approach to AML supervision ensures we can effectively monitor our firms and take measures, when necessary, to secure compliance with the Money Laundering Regulations 2017.

We adopt a risk-based approach to supervision, informed by the firm risk assessments we conduct. Our risk-based approach helps to ensure that our resources are targeted to the firms that present the highest money laundering/terrorist financing risks. Our risk-based approach to supervision has evolved over time and includes the following elements:

- proactive supervision based on our assessment of the firms presenting the highest risk of money laundering; and
- reactive supervision driven by circumstances, events, and other intelligence.

Our risk-based approach is centred on information and intelligence provided by our supervised firms, members and other professional bodies, government agencies and law enforcement. It takes into account the probability and impact of money laundering taking place as a consequence of the activities of our firms and members, and the environment in which they operate. The money laundering risk can increase or decrease based on the firm's business, legal form, services it offers, client base, location, countries of operation, regulatory, compliance, disciplinary and reputational history, as well as evolving threats, vulnerabilities, risks and other intelligence from professional bodies, government agencies and law enforcement.

The AML reviewers will request a selection of documentation to demonstrate the firm's compliance with the regulations, including client files and client due diligence documentation

The frequency and type of AML monitoring review is based on our assessment of a firm's exposure to money laundering risks. We operate a hybrid mixture of onsite and virtual AML reviews. Onsite reviews are conducted with firms with specific risk indicators such as multiple offices, large client money accounts, high-risk clients or services. The virtual AML review has the same scope and breadth of assessment as an onsite visit.

As part of the planning process ahead of the monitoring review, the AML reviewer will consider the information provided by firms and members from annual renewal returns, as well as other information held by the IFA and publicly available information. AML reviews involve firms providing documentation to the AML reviewers to evidence compliance with the Money Laundering Regulations, as well as a discussion with key contacts and staff, either by telephone or conference call facilities, or during the course of an onsite review.

During these discussions the AML reviewer will gain an understanding of individuals' awareness of money laundering risks and their responsibilities, as well as an insight into the firm's AML policies, procedures and controls. The AML reviewers will also request a selection of documentation to demonstrate the firm's compliance with the regulations, including client files and client due diligence documentation. The quantity and range of evidence requested will vary dependent on the AML risks faced by the firm as a result of its services and client base.

Examples of documentation that reviewers will check include, but are not limited to:

- criminal record check certificates for all its beneficial owners, officers and managers (BOOMs);
- written policies, controls and procedures used by the firm to mitigate money laundering risks;
- firm-wide risk assessments (which are expected to be consistent with information provided in the firm and member returns and other publicly available sources);
- risk-based client due diligence for new and existing clients;
- internal procedures for making a suspicious activity report to the Money Laundering Reporting Officer (MLRO);
- training records that demonstrate all relevant employees, including the MLRO, have received appropriate training relating to money laundering;
- monitoring of the firm's compliance with the requirements in the regulations;
- firm and any client money bank statements; and
- full list of clients and fee notes.

At the end of the virtual AML review (or onsite visit), the AML reviewer will discuss the findings of the review and set out the findings in a letter, together with any action points. We expect the firm to address these findings in a timely manner and to continue to co-operate with the process in order to be fully compliant with the requirements of the Money Laundering Regulations.

The year in numbers

MAINTAINING PROFESSIONAL STANDARDS

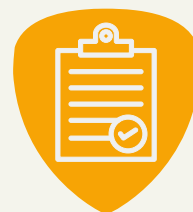


155 (2021/22: 173)

Number of monitoring reviews conducted with IFA-supervised firms

117 (2021/22: 108)

Number of firms identified as fully or generally compliant with the regulations



TAKING ACTION AGAINST FIRMS



53 (2021/22: 65)

Number of firms that agreed to an action plan to improve compliance

9 (2021/22: 4)

Number of firms subject to disciplinary measures for contravention of the regulations



£26,000 (2021/22: £5,250)

Amount in financial penalties issued to firms that breached the regulations

The year in numbers

PROTECTING THE PUBLIC



11 (2021/22: 14)

Number of Accountancy AML Supervisors' Group (AASG) money laundering threats and red flag indicator alerts

216 (2021/22: 206)

Number of Suspicious Activity Reports (SARs) submitted to the NCA by 77 IFA-supervised firms



HELP AND SUPPORT



51,536 (2021/22: 50,716)

Number of unique visits to our AML resources pages on the IFA website

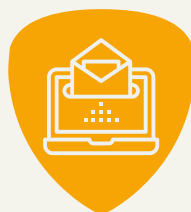
4,676

Average number of IFA magazine recipients



7,308

Average number of Financial Accountant digital newsletter recipients



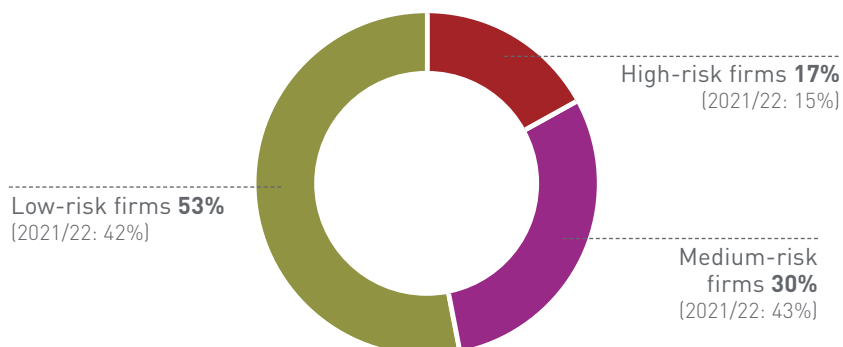
Results from the monitoring visits

As referred to in the AML supervision by the IFA section, we adopt a risk-based approach to supervision informed by the firm risk assessments we conduct. This helps to ensure that the IFA is appropriately resourced, and that resources are targeted to the firms that present the highest money laundering/terrorist financing risks. Nevertheless, all IFA firms are subject to AML supervision, including those that are perceived as low risk.

During 2022/23, IFA firms were monitored according to the following review cycle:

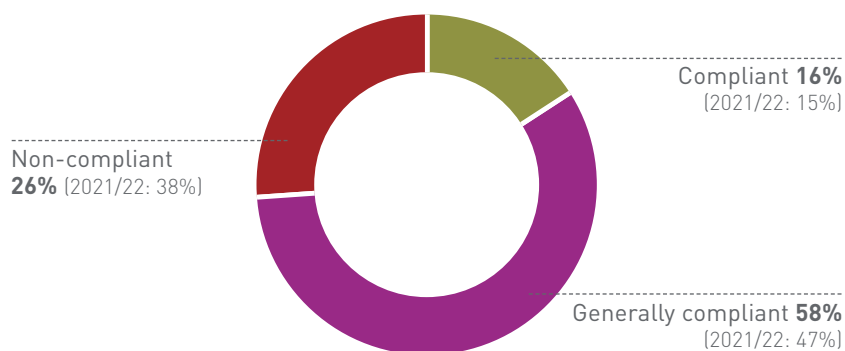
Level of risk	Review cycle
High-risk firms	At least every three years
Medium-risk firms	At least every seven years (from July 2022 this has been amended to at least every five years in accordance with OPBAS recommendations)
Low-risk firms	At least every ten years

Risk assessment outcomes



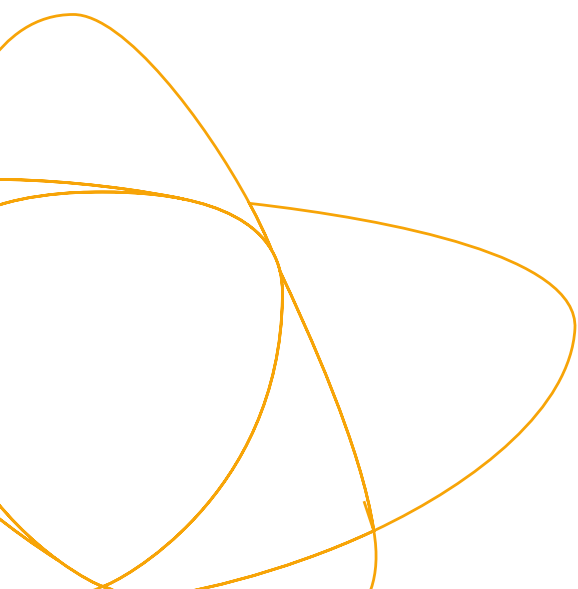
During 2022/23, we conducted 155 AML reviews and assessed firms' compliance with the Money Laundering Regulations based on the following categorisations approved by HM Treasury summarised below.

Monitoring review outcomes



Categorisation	Explanation
Compliant	Effective systems and controls (including training) in place to both prevent the likelihood of the firm's involvement in financial crime, and report suspicious activity, with evidence that this infrastructure is used and reviewed for effectiveness on a regular basis.
Generally compliant	Systems and controls (including training) in place to both prevent 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.
Non-compliant	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.

Some 74% (2021/22: 62%) of the firms reviewed were compliant and generally compliant with the Money Laundering regulations. The remaining 26% (2021/22: 38%) non-compliant firms were issued an action plan highlighting the areas to be addressed to make them fully compliant. Failure to co-operate with this process or to fully address the findings and the actions included in the action plan would lead to the IFA's Regulatory Committee and perhaps to its Disciplinary Committee. All of the IFA's **Conduct Committees** are independent of the IFA and are constituted in accordance with the **IFA Disciplinary Regulations**.



Our most common findings

From our AML monitoring reviews conducted to date, we have identified some key findings from firms that were non-compliant with the Money Laundering Regulations. Firms must monitor compliance with the regulations on an ongoing basis and we hope the findings and clarifications below will help firms to meet their anti-money laundering obligations.

Firm-wide risk assessments (regulation 18)

We found that 63% of non-compliant firms (down from 71% in 2021/22) failed to have an up-to-date written firm-wide risk assessment, or the existing firm risk assessment failed to meet the required standard. Examples of inadequate firm risk assessments included template documents obtained from third parties that had not been tailored to the particular circumstances of the firm, such as the services provided by the firm and its client base.

The regulations require a risk assessment of the firm to be conducted and documented, to identify money laundering and terrorist financing risks that the firm may face and how they would mitigate against those risks. The format of the risk assessment must be proportionate to the size and nature of the firm, but it must consider the types of products and services provided, its client base and countries or geographic areas where the firm operates. The firm-wide risk assessment must also consider information made available by the IFA, including the Accountancy AML Supervisors' Group (AASG) **Risk Outlook**, which is available on the IFA website and provided as guidance during a review.

Adequate written policies, controls and procedures (regulation 19)

We found that 74% of non-compliant firms (down from 78% in 2021/22) did not have adequate written policies, controls and procedures in place. Firms often either had no written policies and procedures, or had copied documents from other sources which had not been tailored or implemented by the firm. In some instances firms had not reviewed their policies, controls and procedures on a regular basis.

Firms must have adequate written policies, controls and procedures to effectively manage and mitigate the money laundering and terrorist financing risks identified by the firm, as well as meeting the data protection requirements set out in the regulations. These policies, controls and procedures must be proportionate to the size and nature of the business, approved by senior management, implemented, regularly reviewed, and communicated internally within the firm.

Training of relevant employees must ensure that they are aware of their money laundering obligations, the firm's policies, procedures and controls and how to apply them

Review of policies, controls and procedures (regulation 21)

We found that non-compliant firms had sometimes not designated an officer or employee in senior management to be responsible for reviewing or ongoing monitoring of compliance with the regulations. Usually, this is the responsibility of the Money Laundering Reporting Officer (MLRO), or the Money Laundering Compliance Principal (MLCP) for larger firms.

The MLRO/MLCP is required to attend appropriate AML training, and complete an annual AML compliance review of the firm's policies and procedures to ensure they are appropriate to the firm and its client base. They must also ensure the firm has appropriate resources and that relevant employees (including principals) have received adequate training. Of non-compliant firms, 76% (down from 91% in 2021/22) had not undertaken an annual AML compliance review and/or had not completed appropriate training.

Training (regulation 24)

We found that 79% of non-compliant firms (down from 87% in 2021/22) could not provide documentation to support that sufficient AML training had been provided to all relevant employees (which included sole practitioners and the MLRO/MLCP).

Training of relevant employees must ensure that they are aware of their money laundering obligations, the firm's policies, procedures and controls and how to apply them. This must include awareness of how to make a suspicious activity report to the MLRO. Firms are required to maintain a training log.

Criminal record checks of BOOMs (regulation 26)

We found that 55% of non-compliant firms (down from 65% in 2021/22) had failed to obtain a criminal record certificate (Disclosure and Barring Service check) for all beneficial owners, officers or managers (BOOMs) in the firm. Since 26 June 2018, no BOOM may be appointed to the firm or continue to act without IFA approval. We can only approve a BOOM if the individual has no relevant convictions. The relevant offences in Schedule 3 to the regulations are economic crime convictions such as fraud, bribery, dishonesty and tax offences.

Client risk assessments and client due diligence (regulations 27 and 28)

We found that 95% of non-compliant firms (up from 46% in 2021/22) failed to have written client risk assessments, or had inadequate client risk assessments that failed to reflect the services being provided to the client.

Firms must perform client due diligence for new clients and existing clients on an ongoing basis. Client due diligence involves verifying the identity of the client and beneficial owners if the client is a legal entity. The client due diligence measures undertaken must reflect the client risk assessment, which must also be documented and periodically reviewed. Through its client due diligence measures, the firm must understand not only who the client is but also what they do, where they are based, and who is the ultimate controlling party. If a client is identified as higher risk, then the firm must undertake and document enhanced due diligence.

Monitoring review case study

Firm X was selected for a desk-based review and allocated to an IFA AML reviewer. The review took place and the firm was deemed non-compliant. The firm was issued with an action plan, failed to comply with the required action and was then referred to the IFA Regulatory Committee.

COMPLAINT

The complaint was that Mr Y ('the Member') as sole director of Firm X failed to:

- adhere to the fundamental principle of professional behaviour in the Code of Ethics para R115.1, which imposes an obligation on all professional accountants 'to comply with relevant laws and regulations and avoid any conduct that the accountant knows or should know might discredit the profession';
- provide requested information or documents in accordance with Money Laundering Regulations 2017 (MLR 2017), Regulation 66;
- carry out a review of anti-money laundering policies, procedures and controls in accordance with MLR 2017 Regulation 19 and 40 respectively;
- take appropriate measures to ensure that its relevant employees are made aware of the requirements of the Money Laundering Regulations through training in accordance with MLR 2017 (24 (1));

- as a relevant person, carry out complete customer due diligence (CDD) on clients in accordance with MLR 2017 Regulation 27 (a) and Regulation 28;
- respond on a timely basis to communications and co-operate with the AML review process breaching IFA Bye-law 11.2d; and
- provide such information as is deemed necessary by the Institute for compliance and monitoring purposes breaching IFA Bye-law 12.2.

FINDING

The Regulatory Committee found that there was sufficient evidence that facts and circumstances had occurred that rendered Mr Y liable to disciplinary action under Bye-law 11 for breaches of the Code of Ethics, IFA Bye-laws and Money Laundering Regulations.

CONSENT ORDER

The Regulatory Committee determined that it had the ability to offer the respondent an appropriate sanction by way of a consent order, rather than refer the matter to a hearing before a Disciplinary Committee. The consent order comprised a reprimand, a fine of £4,750 and costs of £705.

The firm accepted the consent order and provided evidence to demonstrate remediation of the non-compliant issues identified during the review. It continues to be supervised by the IFA with appropriate policies and procedures in place.

Impact of our supervisory work

Of the 155 reviews undertaken during 2022/23, 26% (down from 38% in 2021/22) required follow-up action by the IFA to ensure compliance with the regulations.

At the end of the AML review, the AML reviewer discusses their findings with the firm and documents the matters discussed. The firm is required to review the findings and address the issues by completing an action plan in a timely manner. Failure to co-operate with this process may lead to disciplinary action.

The AML reviewer will evaluate the firm's completed action plan. Once the action plan has been agreed between the AML reviewer and the firm, progress will be monitored against the plan over an agreed period and evidence of actions taken to address the findings will be requested by the AML reviewer. The AML review will only be closed once all findings have been adequately addressed as documented in the action plan. Failure to address the findings will lead to disciplinary action by the IFA.

The findings of the IFA's Conduct Committees are published on the IFA website and in *Financial Accountant* magazine. Therefore, the IFA's supervisory activities have an impact not only of the firms monitored, but on the IFA's supervisory population as a whole, due to the robust enforcement action that is seen to be taken when the required standards are not met.

Enforcement actions

As a regulator and supervisor we will take the necessary measures to secure firms' compliance with the Money Laundering Regulations, and to maintain high professional and ethical standards among IFA members.

Our disciplinary process is robust, fair, consistent, proportionate, dissuasive and transparent. It is underpinned by our Bye-laws, Disciplinary Regulations and Sanctions Guidance, which provide a framework for our Conduct Committees to make independent decisions relating to findings of fact, regulatory orders and appropriate sanctions. The IFA's Conduct Committees are the Regulatory Committee, Investigations Committee, Disciplinary Committee and Appeal Committee. Between them, they have available a broad range of sanctions and orders to help deter non-compliance, remove any benefits of non-compliance and, above all, protect the public.

Records of enforcement actions are publicised on our website and included in *Financial Accountant* magazine. During the year 2022/23, the following enforcement actions were taken relating to non-compliance with the money laundering regulations:

	2022/23	2021/22
Membership removed	3	1
Membership suspended	0	0
Total fines issued	£26,000	£5,250

Disciplinary case study

Mrs X was a supervised person failing to cooperate with the IFA's compliance and monitoring functions, whose firm had multiple failures of MLR 2017.

While a monitoring visit did take place, the Member subsequently and persistently failed to comply with requests for documentation and assurances concerning internal controls, training requirements, due diligence and a firm risk assessment.

The Regulatory Committee (RC) had considered this case on 2 February 2022 and referred the case to the Disciplinary Committee (DC) on the basis that there was a case to answer, which may warrant a sanction beyond that which the RC is able to offer by way of consent order, and that it was in the public interest for the matter to be referred to the DC.

The matter was considered by the DC on 20 June 2022.

OUTCOME

Severe reprimand, total fines of £3,500 and costs ordered to the sum of £1,760.

Information & guidance

We provide a wide range of support and resources to our supervised population to help them meet their obligations and gain a better understanding of money laundering risks.

Our website includes information on the Money Laundering Regulations, risk-based approach, and suspicious activity reporting. More targeted information is shared electronically through dedicated emails to firms such as our Accountancy AML Supervisors' Group (AASG) alerts, which highlight various money laundering threats and red flag indicators. Some 11 AASG AML alerts were issued to IFA-supervised firms during this reporting period.



We regularly collaborated through the AASG and Anti-Money Laundering Supervisors Forum (AMLSF) on matters of policy and guidance, including the production of the Anti-Money Laundering and Counter-Terrorist Financing Guidance for the Accountancy Sector, which was finally published in May 2022. During this reporting period the IFA chaired the AMLSF.

We engaged with government and the Office of Financial Sanctions Implementation (OFSI) to provide support and guidance to our members in relation to the Russian invasion of Ukraine. We published guidance on the IFA website and provided support via dedicated email and telephone channels.

Our bi-monthly member magazine and weekly e-newsletter include updates on legal and regulatory changes, alongside other developments to support members in their endeavours to keep up to date. Our regular free regional networking events, quarterly updates and 'setting up in practice' workshops provide practical help. Frequently discussed topics include client due diligence, firm-wide risk assessments and suspicious activity reports.



The IFA introduced a series of 'AML Matters' workshops, in which delegates work through AML policies and procedures, a firm-wide risk assessment and an annual compliance review

A common theme from previous reporting periods was the lack of tailored written policies and procedures. The IFA introduced a series of well-attended and received workshops during this period, referred to as 'AML Matters'. Delegates worked through AML policies and procedures, a firm-wide risk assessment and an annual compliance review. The workshops consisted of three connected sessions, which took place twice during this period; more than 40 members attended each workshop. Templates designed for the smaller practitioner have been produced by the IFA's AML review team and were referred to during the workshops.

Recent reviews demonstrate how delegates have utilised the templates (available to all members free of charge) to aid compliance. We also encourage firms to raise concerns and **report breaches** of the regulations by IFA supervised firms via email or phone. This may be done anonymously if preferred.



The AML webinars were a perfect way to stay informed as to what we need to do, the records to keep and how to use the templates the IFA provide. The speakers were knowledgeable and explained everything clearly. Certainly, I'm looking forward to more AML webinars in 2023."



My past experience of AML seminars was that I left with a headache and really wanted to throw in the towel. The IFA webinar on AML could not have been any further away from this. The presenters were knowledgeable while realistic as to our current pressures, they were reassuring and so helpful that it sparked a need in me to get this sorted and in order. AML was a constant worry in my mind but there was never enough time to 'sort it'; now, after these seminars and the offer of help from the team, I am on my way to being fully compliant and confident I have robust systems in place that protect me as an accountant."

Looking ahead

Over the coming year, AML supervision will remain a key priority of the IFA. This includes collaborating with other private and public stakeholders to work to further improve the UK's AML regime.

In 2022/23 we are increasing the number of AML reviewers and enhancing internal IT systems to facilitate an increase in the number of monitoring reviews and to utilise enhanced data analysis tools to identify risk within our supervised firms.

We shall continue to work closely with law enforcement agencies, the government and other professional bodies to fight money laundering. Our engagement with OPBAS will include working with our oversight body in updating its sourcebook and continuing to meet the supervisory standards expected by OPBAS.

Economic crime

We continued to participate in various working groups through to the publication of the [Economic Crime Plan 2 \(2023-2026\)](#) in March 2023 and continue to work with government and other professional bodies to implement its recommendations.

Similarly, we shall continue to work with the government and other professional bodies on the long-awaited Fraud Charter. The NCA's National Assessment Centre for Serious and Organised Crime published its [2023 Strategic Threat Assessment](#) in autumn 2022. The IFA then intends to engage with other professional bodies on the provision of a fraud toolkit to provide to our firms.

We strive to maintain strong partnerships with public bodies such as HMRC, the Home Office, HM Treasury, National Economic Crime Centre (NECC) and the National Crime Agency (NCA) to share best practice and lessons learned, with the common aim to combat economic crime.

We remain committed to working with law enforcement and other professional body supervisors to utilise the extended Regulation 52 Gateway to share information with law enforcement. We shall continue to encourage law enforcement to share information with us and other professional body supervisors. The extended gateway now includes provision for Companies House to share intelligence.

We will continue to review our supervision strategy and our risk-based approach, and so innovate our supervisory processes

Risk-based approach

The IFA's risk-based approach to supervision is central to mitigating money laundering risks and the greater disruption of economic crime. It enables us to focus our efforts and resources where the risks are highest, creating a robust regime at a proportionate cost. We will continue to review our supervision strategy and our risk-based approach, and so innovate our supervisory processes in light of an increased understanding of threats and vulnerabilities affecting the accountancy profession.

Our collaboration with the NCA, NECC, legal and accountancy professional bodies and other partners will continue to enhance our combined understanding of threats, vulnerabilities and money laundering risks in areas such as trust or company service providers. This will further inform our risk-based supervisory approach.

Trust or company services

The National Risk Assessment 2020 highlighted trust or company service providers (TCSPs) as being at a higher risk of being exploited by criminals to facilitate money laundering. Some 63% (2021/22: 66%) of our firms provide, or intend to provide, trust or company formation services to their clients. The implementation of new IT systems has allowed greater understanding of the services provided by our firms, which have been incorporated into our firm risk modelling.

We contributed to a questionnaire issued by OPBAS designed to understand the scope of engagement in TCSP services and continue to engage with other professional bodies to define associated risks in conjunction with OPBAS and HMRC.

Information and intelligence sharing

We share information and intelligence with other professional body supervisors and HMRC to ensure there is a strong AML supervisory regime across the accountancy sector. Where we believe there are gaps or overlaps in the supervision of our members and firms, we will liaise with the relevant supervisory authorities to ensure that members remain supervised, as required by legislation.

The IFA is a member of the Shared Intelligence Service (SIS), which is housed within the FCA. Membership enables us to participate in intelligence sharing between professional body supervisors and law enforcement. As a member of SIS, the IFA must respond to intelligence sharing enquiries from other SIS members and proactively input its own intelligence on the SIS platform.

The IFA is a member of a number of forums where best practice is shared in the fight against money laundering and terrorist financing

We are also a member of the Accountancy Intelligence Sharing Expert Working Group (Accountancy ISEWG). The purpose of the Accountancy ISEWG is to advance and improve intelligence and intelligence-related information sharing between accountancy sector professional body supervisors, other supervisory authorities and law enforcement agencies.

The IFA is a member of a number of forums where best practice is shared in the fight against money laundering and terrorist financing. The Anti-Money Laundering Supervisors Forum (AMLSF), currently chaired by the IFA, aims to develop the consistent application of best practice across all AML/counter-terrorism financing (CTF) supervisory bodies. It liaises with the NCA, HM Treasury, the Home Office, HMRC and other government agencies involved in the prevention and reduction of economic crime. The AASG (currently vice-chaired by the IFA) is a sub-committee of the AMLSF consisting of accountancy professional body supervisors listed under Schedule 1 to the Money Laundering Regulations. It is a forum in which professional bodies work collaboratively to develop accountancy sector supervisory policy that promotes consistency in standards and best practice.

The AASG works together with the Joint Money Laundering Intelligence Taskforce (JMLIT) to share information and intelligence on money laundering threats and red flag indicators to our supervised populations in the accountancy sector.

Suspicious activity reports (SARs)

The IFA continued to participate in various working groups to reform the suspicious activity reporting regime, a key deliverable of the Economic Crime Plan 2019/22 and part of the Statutory Instrument 2022 (a new portal became live in September 2023). We are also working with the UK's Financial Intelligence Unit to enhance the quality of SARs to the NCA by engaging in knowledge-building sessions and providing an article for SARs in Action to improve the quality of SARs, and by sharing information and guidance to firms to help them with their training.

AML reviewers engage with firms during a review in relation to SARs, and request access to any SAR submitted by the firm to review the quality of the information provided in the report. During this period, 77 firms reported they had submitted a combined total of 216 SARs (2021/22: 206). No SARs were retained by firms subject to an AML review during this period and, therefore, the focus during reviews related to the importance of submitting timely reports containing relevant information.

Feedback from our members

Firms may be understandably concerned when selected for an AML review. Although the need for an objective and robust review is clear, the process from start to finish is designed to ease concerns and to maximise engagement with the process. The positive impact of this approach is evident from the following comments received from firms reviewed during 2022/23.



I take this opportunity to express my sincerest gratitude to you for your excellent telephone etiquette, product knowledge and good understanding of customer care. Hopefully, your suggestions and their implementation would ensure that the practice is fully compliant with IFA regulations.”



I want to express my appreciation for your guidance on MLR compliance, which was instrumental in ensuring that our actions remain within the regulatory framework.”



The feedback I had read on the IFA website from other members was spot on – the review process with you was incredibly helpful; for example, to identify what needs to be done going forward to keep our AML standard at a satisfactory level.”



Reflections



We will continue to provide AML Matters workshops in 2023/24, as well as other training initiatives designed to increase engagement

It has been encouraging to see the positive impact that the introduction of tailored workshops and templates has had in reducing the number of non-compliant outcomes during this reporting period and the feedback from members has been very positive. We will continue to provide AML Matters workshops in 2023/24, as well as other training initiatives designed to increase engagement.

The IFA acknowledges that the number of SARs submitted by IFA firms appears to be lower than hoped and has taken steps in 2023/24 to increase engagement and awareness by contributing to the UKFIU's SARs in Action publication and taking part in an accountancy sector podcast relating to SARs.

The implementation of the new IT risk assessment tool during this period will provide enhanced analysis of firm risk indicators. We intend to roll out an additional review model, using the desk-based review definition that has been developed by the AMLSF and agreed by HM Treasury, in conjunction with risk assessments to review a greater proportion of firms categorised as low risk, to test our risk models.





INSTITUTE OF
**FINANCIAL
ACCOUNTANTS**[®]
A MEMBER OF THE IPA GROUP

Established in 1916, the Institute of Financial Accountants (IFA) is an internationally recognised professional accountancy membership body and a full member of IFAC, the global accounting standard-setter and regulator.

The IFA is part of the Institute of Public Accountants (IPA) of Australia Group, the world's largest SME-focused accountancy group, with 49,000 members and students in 100 countries.

Institute of Financial Accountants

CS111, Clerkenwell Workshops
27-31 Clerkenwell Close, Farringdon
London EC1R 0AT

 @INSTITUTEFA

 @INSTITUTEFA

 INSTITUTE OF FINANCIAL ACCOUNTANTS

 INSTITUTEOFFINANCIALACCOUNTANTS