



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

Anti-Money Laundering Supervision and Monitoring 2021/22

6 April 2021 to 5 April 2022



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	20
Feedback from our members	23

Foreword from the IFA Board

This report sets out the IFA's anti-money laundering (AML) supervision and monitoring results for 2021/22. The report aims to provide an insight into the AML supervision and monitoring work of the institute. As of 5 April 2022, the IFA supervised 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 2021/22, we conducted 173 monitoring reviews. 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.

The impact of the coronavirus (Covid-19) pandemic on our firms, members and their clients across the UK continued to be significant throughout 2021/22. Over the last year we have helped firms manage this impact while, at the same time, adapting our supervision approach to virtual assessments in line with government advice.

Highlights from our supervisory work include:

- maintaining and ensuring continuity of our robust, risk-based supervisory approach throughout the Covid-19 pandemic;
- 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 guidance and support to our members and firms to help 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 am grateful to those teams and individuals who have continued to provide the necessary support to our members while maintaining an objective and robust regulatory and supervisory approach

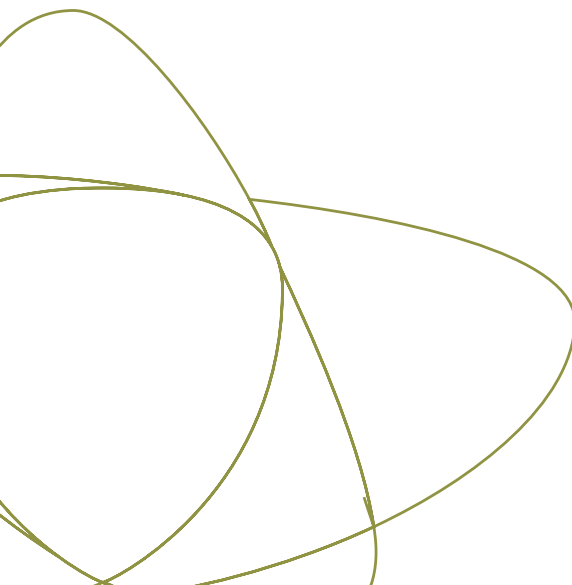
Julie Williams,
chair of the IFA Board

The chair of the IFA Board, Julie Williams, acknowledges the challenges faced by accountants and their professional bodies over recent years, saying:

“Our members in practice have been called upon to support their clients through the height of the pandemic and an uncertain economic future for businesses and individuals in the UK. The IFA has, in turn, been called upon to support its members. This has, at times, stretched our resources. Nevertheless, our teams engaged in anti-money laundering supervision have responded to the various challenges, including the recognition of emerging money laundering risks – inevitable during periods of crisis.

“The IFA has maintained the high standards of AML supervision that the board has come to expect, and I am grateful to those teams and individuals who have continued to provide the necessary support to our members while maintaining an objective and robust regulatory and supervisory approach.

“I am also pleased and proud to read some of the feedback from practitioners following AML monitoring visits. These comments demonstrate that the IFA recognises the importance of a trusted relationship in the context of a professional body and its regulatory framework. Within that framework, the IFA’s risk-based AML supervision is seen to uphold the public interest – through a balance of collaboration with other supervisory authorities, guidance for members, and robust enforcement when appropriate. In this way, the IFA’s regulatory and supervisory processes will continue to evolve, and the reputation of the organisation and its members will remain 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.

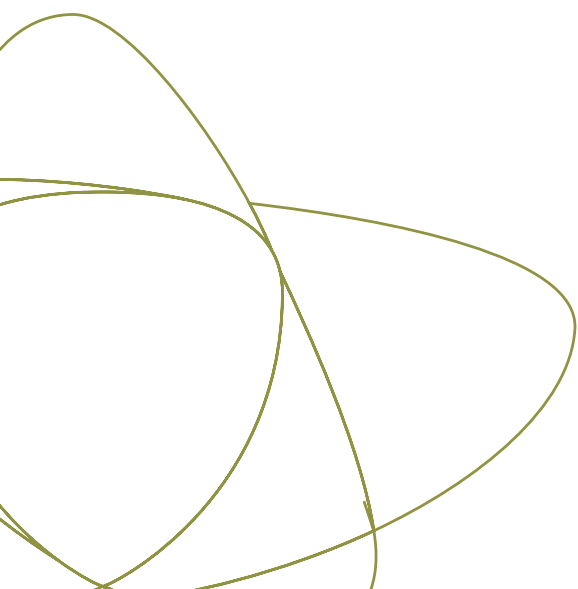
Criminals behind money laundering use sophisticated techniques to target vulnerabilities in the UK's money laundering regime. Specialist networks, 'money mules', trade-based money laundering and virtual assets are used by criminals to launder their ill-gotten gains. Criminals may be attracted to the 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 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 2021 to 5 April 2022. 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 1,983 firms subject to these regulations (as of 5 April 2022). 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 2019/20.

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. 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. 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.

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

Those we supervise

As at 5 April 2022, we were responsible for supervising and monitoring 1,983 firms 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 73% 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.

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 frequency and type of AML monitoring review is based on our assessment of a firm's exposure to money laundering risks. Due to the Covid-19 pandemic and government restrictions, all our monitoring reviews during 2021/22 continued to be conducted as virtual reviews. The virtual AML review has the same scope and breath of assessment as an onsite visit. However, it is anticipated that onsite reviews will resume for our highest-risk firms in 2022/23.

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

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. The virtual 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.

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; and
- monitoring of the firm's compliance with the requirements in the regulations.

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



173

Number of monitoring reviews conducted with IFA-supervised firms

108

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



TAKING ACTION AGAINST FIRMS



65

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

4

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



£5,250

Amount in financial penalties issued to firms that breached the regulations

The year in numbers

PROTECTING THE PUBLIC



14

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

206

Number of Suspicious Activity Reports (SARs) submitted to the NCA by 90 IFA supervised firms



HELP AND SUPPORT



50,716

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

4,750

Average number of IFA magazine recipients



7,289

Average number of Financial Accountant digital newsletter recipients



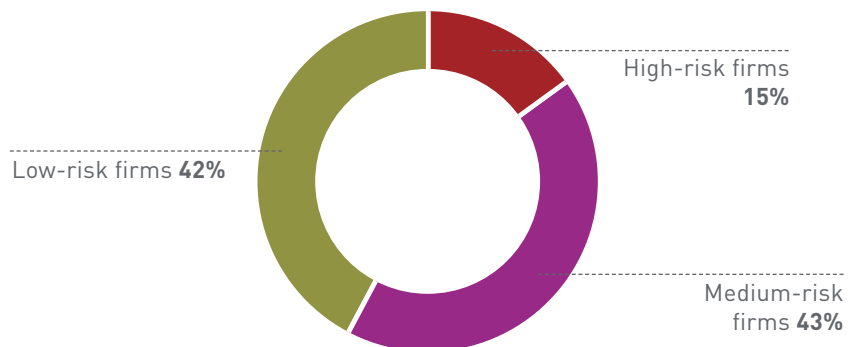
Results from the monitoring visits

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 2021/22, IFA firms were monitored according to the following review cycle:

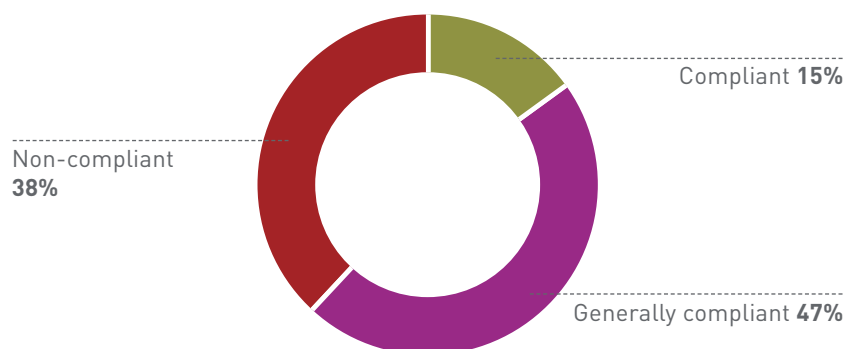
Level of risk	Review cycle
High-risk firms	At least every three years
Medium-risk firms	At least every seven years (from July 2022 this has been amended to at least every five years in accordance with OPBAS recommendations)
Low-risk firms	At least every ten years

Risk assessment outcomes



During 2021/22, we conducted 173 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 62% of the firms reviewed were compliant and generally compliant with the Money Laundering regulations. The remaining (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 71% of non-compliant firms (down from 89%) 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 78% of non-compliant firms (down from 89%) 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, 91% (down from 92%) had not undertaken an annual AML compliance review and/or had not completed appropriate training.

Training (regulation 24)

We found that 87% of non-compliant firms (up from 68%) 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 65% of non-compliant firms 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 46% of non-compliant firms (up from 40%) 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

A medium-risk firm was selected for an AML monitoring review in accordance with the IFA monitoring review cycle. The firm was an incorporated sole practitioner with three employees.

The review took place using Microsoft Teams and several non-compliant issues were identified including: no written AML policies and procedures (regulation 19); no firm risk assessment (regulation 18); no annual compliance review (regulation 21); incomplete client due diligence and client risk assessments not documented on all clients (regulations 27 and 28); and a failure to document AML training (regulation 24).

Following the review, the firm was rated as non-compliant and issued with an outcome letter highlighting the non-compliant issues along with guidance on how to become compliant. The firm was required to submit an action plan within four weeks to demonstrate how the non-compliant issues would be rectified.

One month later, the firm provided an action plan within the timeframe required and confirmed that each compliance issue would be addressed within the agreed three-month follow-up period.

On reviewing evidence of the actions taken by the firm, the AML Reviewer identified that the firm had only partially completed the agreed action plan.

Further contact was made with the firm without resolution and the firm was referred to the IFA Regulatory Committee.

The Regulatory Committee met and considered whether the member, as director of the firm, had failed to adhere to the fundamental principle of professional behaviour in the Code of Ethics; provide requested information and documents in accordance with regulation 66 of the Money Laundering Regulations; ensure adequate internal controls (regulation 21); take appropriate measures to ensure that its relevant employees are made aware of the requirements of the MLRs through training (regulation 24(1)); carry out complete Customer Due Diligence (CDD) on clients (regulation 28); respond on a timely basis to communications from the IFA and co-operate with the AML review process (Bye-law 11.2d); and provide such information as is deemed necessary by the institute for compliance and monitoring purposes (Bye-law 12.2).

The Regulatory Committee found that there was a prima facie case to answer that rendered the member liable to disciplinary action and the member was issued with a reprimand and a fine of £2,750 (and costs) by way of consent order, which the member accepted.

After further engagement with the IFA's AML reviewer, the member provided evidence that all issues had been satisfactorily resolved with the firm now rated as compliant.

Impact of our supervisory work

Of the 173 reviews undertaken during 2021/22, 38% 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 2021/22, the following enforcement actions were taken relating to non-compliance with the money laundering regulations:

	2021/22	2020/21
Membership removed	1	1
Membership suspended	0	1
Total fines issued	£5,250	£19,100

Disciplinary case study

A supervised firm failed to cooperate with the IFA's compliance and monitoring functions; multiple breaches of the Money Laundering Regulations were identified; and there was an alleged breach of the ethical principle of professional behaviour.

While a monitoring visit did take place, the member, a sole practitioner, subsequently and persistently failed to adhere to requests for documentation, assurances that appropriate systems were in place including adequate internal controls, and comply with training requirements, DBS checks, data protection requirements and ICO registration over a long period.

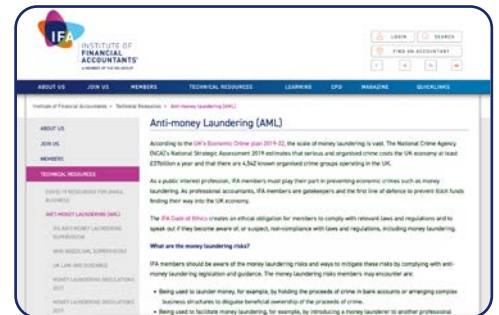
The Regulatory Committee considered this case and referred the case to the Disciplinary Committee in the belief that the Regulatory Committee was unable to issue the necessary sanction to protect the public.

The matter was considered by the Disciplinary Committee, which found against the member and ordered that they be removed from the register of members and pay a fine of £1,500. Costs were also ordered in the sum of £1,521.

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 14 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.

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.



To help firms to comply with their anti-money laundering obligations, we provide discounted AML compliance software to our supervised firms. 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.

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.

Legislation

During this reporting period, we responded to HM Treasury's review of the effectiveness and scope of the Money Laundering Regulations and OPBAS Regulations issued in July 2021, and the government's Statutory Instrument 2022 consultation. We shall continue to work with HM Treasury, OPBAS and other professional bodies to implement any changes to the legislative and supervisory framework, and we shall keep our members informed.

Economic crime

Throughout 2021/22 we continued to participate in various working groups that are progressing the actions in the UK's Economic Crime Plan 2019/22, as well as developing version 2 of the plan, which is due to be published in late 2022. This work is ongoing.

Similarly, we shall continue to work with the government and other professional bodies on the long-awaited Fraud Charter. The NCA's National Assessments Centre for Serious and Organised Crime is due to publish a 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 will continue to review our supervision strategy and our risk-based approach, and so innovate our supervisory processes

We remain committed to working with law enforcement and other professional body supervisors to utilise the extended Regulation 52 Gateway (which we are expecting to see, via new legislation, in 2022/23) to share information with law enforcement. We shall continue to encourage law enforcement to share information with us and other professional body supervisors.

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. Many of our firms provide, or intend to provide, trust or company formation services to their clients. The TCSP thematic review planned for 2021/22 was delayed to allow for more detailed analysis and broader member engagement with the process, which will be possible when the IT projects referred to earlier have been fully implemented.

We contributed to a questionnaire issued by OPBAS designed to understand the scope of engagement in TCSP services and await the outcome.

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

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.

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 vice-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 (also 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 will continue to participate in various working groups that are looking to reform the suspicious activity reporting regime, a key deliverable of the Economic Crime Plan 2019/22 and part of the Statutory Instrument 2022. We are also working with the UK's Financial Intelligence Unit to enhance the quality of SARs to the NCA by organising internal and external events aimed at improving the quality of SARs, and by sharing information and guidance to firms to help them with their training.

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 to maximise engagement with the process. The positive impact of this approach is evident from the following comments received from firms reviewed during 2021/22.



I wish to praise the IFA MLR officer who guided me through the pathway to AML compliance, during which my staff and I were informed of our duties and responsibilities with both ease and understanding.”



I wish to extend my profound gratitude for your support throughout the AML compliance monitoring review period. The review has equipped me further and would assist me to reposition my practice.”



Thank you for your help with this process. Both my partner and I have really learned a lot from this. We both would like to thank you for helping us with the process.”





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