



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

Anti-Money Laundering Supervision and Monitoring 2023/24

6 April 2023 to 5 April 2024



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Foreword from the IFA Board

This report sets out the IFA's anti-money laundering (AML) supervision and monitoring results for 2023/24. The report aims to provide an insight into the AML supervision and monitoring work of the Institute. As of 5 April 2024, the IFA supervised 1,815 (2022/23: 1,981) 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 2023/24, we conducted 123 monitoring reviews (2022/23: 155). 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:

- investment in IT infrastructure has allowed the redeployment of resources into our AML monitoring function;
- the development of the focused desk-based review format provides a platform to test our assumptions of low-risk firms;
- the restructuring of key roles within the Professional Standards team provides continuity and increased resilience by developing existing staff and creating future pathways;
- the continued success of our training platforms and guidance in raising member awareness of AML compliance fundamentals and threats;
- we are starting to see an increase in firms using the AML templates and guidance provided, which is reflected in some of the common findings; and
- we imposed dissuasive financial penalties on firms that persistently breached the Money Laundering Regulations.



Our regulatory and supervisory processes will continue to evolve, ensuring that the reputation of the IFA and its members remains in high regard

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 periods of uncertain economic conditions for businesses and individuals, our members in practice are increasingly relied upon as trusted business advisers in an ever-changing regulatory landscape. The IPA Group’s investment in IT infrastructure, coupled with the restructuring of the Professional Standards department, demonstrates our continued commitment to helping supervised firms maintain compliance with the Money Laundering Regulations and tackling economic crime.

“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 encouraged to see that the team continues to combine training and support with appropriate enforcement action to ensure that IFA members are equipped with the tools they need, but also understand their responsibilities under the regulations. The feedback received from practitioners after AML monitoring visits and AML-related training continues to be positive.

“We continue to work with other stakeholders, our Director of Professional Standards has had a successful tenure chairing the Anti-Money Laundering Supervisors Forum. As always, we strive to ensure IFA members and the SME sector is represented at appropriate forums. 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 Economic Crime Centre's (NECC) 2023/24 Annual Report** estimates over £100bn of criminal cash is generated each year in the UK and potentially as much as £100bn of criminal profits laundered through and within the UK, or using UK-registered corporate structures. The threat to the UK from economic crime continues to grow and is increasingly complex. 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.

The publication of the **Economic Crime Plan 2 2023-2026** by the UK Government sets out a number of measures intended to enhance the UK's regulatory framework and strengthen its response to the threat of economic crime. This includes a key theme across money laundering vulnerabilities to developing an approach to target those professional enablers that help facilitate economic crime.

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.

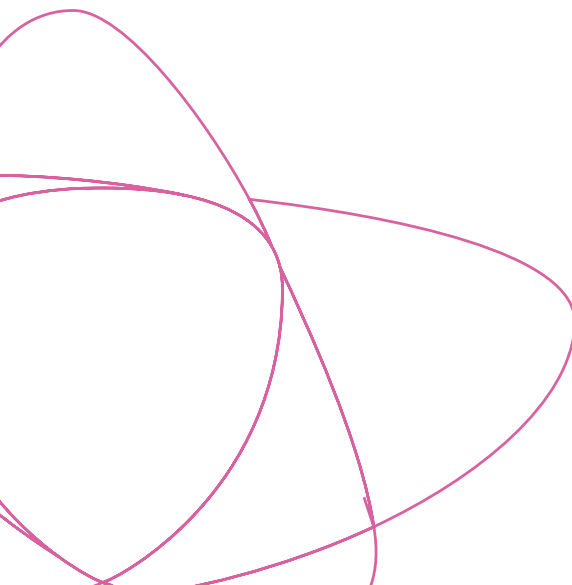
The **National Risk Assessment of Money Laundering and Terrorist Financing 2020** states that the accountancy services considered most at risk of exploitation continue to be company formation and termination, mainstream accounting, and payroll. It concludes that accountancy services are at the highest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

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. This report covers the period from 6 April 2023 to 5 April 2024.

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 1,815 firms (2022/23: 1,981) subject to these regulations (as of 5 April 2024). We are 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. The office also facilitates 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 2022/23.

Combating money laundering requires a comprehensive plan supported by the private sector alongside the government and its agencies. The IFA, alongside other accountancy and legal professional bodies, contributed to the Economic Crime Plan 2 2023-2026 and continues to participate in various working groups further to its publication.



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 AML 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 threats 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 continued to run our series of AML workshops throughout the year. Each series comprises three separate sessions, taking an in-depth look at AML policy and procedures; firm risk assessment and client onboarding/risk assessment; and an annual compliance review/checklist. We also provide information and guidance freely to all our supervised members 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.

AML compliance was at the forefront of our regional networking meetings through interactive sessions showing the 'All too familiar' video produced by ICAEW/HMRC.

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

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 via the whistleblowing page on our website, which includes a dedicated phone number and email address. 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 2024, we were responsible for supervising and monitoring 1,815 firms (2022/23: 1,981) providing accountancy services to the public. Our firms provide bookkeeping, accounts preparation, payroll, tax compliance, tax advice, trust and company formation services and assurance services. While our firms vary in size, approximately 80% are sole practitioners with the remainder mainly having two or three principals in a firm. Some 94% 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 2,408 (2022/23: 2,599).

We risk-assess all supervised firms on an annual basis and, as at 5 April 2024, we supervise 262 (14%) high-risk firms, which includes 210 sole practitioners; 471 (26%) medium-risk firms, which includes 364 sole practitioners; and 1,082 (60%) low-risk firms, which includes 875 sole practitioners. 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. This approach helps to ensure that our resources are targeted to the firms that present the highest money laundering/terrorist financing risks. Our 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.

The focused reviews use a similar work programme to our other review formats without the need for the formal interview component

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. We operate a hybrid mixture of onsite and desk-based 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. Our desk-based AML reviews are conducted in two different formats: standard and focused. The standard desk-based review has the same scope and breadth of assessment as an onsite visit. Focused desk-based reviews are conducted on low-risk firms where we have not identified any high-risk factors from their annual returns or firm-wide risk assessments. A review uses documents provided by the firm. The focused reviews use a similar work programme to our other review formats without the need for the formal interview component.

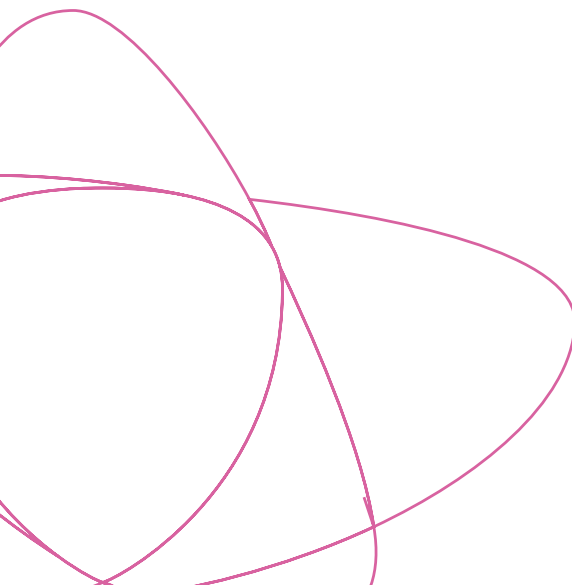
As part of the planning process ahead of the monitoring review, the AML reviewer will consider the information provided by firms and members from annual renewal returns, as well as other information held by the IFA and publicly available information. AML reviews involve firms providing documentation to the AML reviewers to evidence compliance with the Money Laundering Regulations. The onsite and standard desk-based reviews include comprehensive discussions with key contacts and staff of the firm.

During these discussions, the AML reviewer will gain an understanding of the individual's awareness of money laundering risks and their responsibilities, as well as an insight into the firm's AML policies, procedures and controls. The AML reviewer 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 the firm's 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, the reviewer will set out the findings in a letter, together with any action points. In an onsite or standard desk-based review, these findings will be discussed with the firm. 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

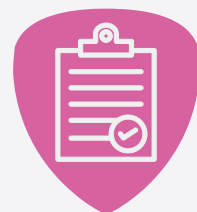


123 (2022/23: 155)

Number of monitoring reviews conducted with IFA-supervised firms

87 (2022/23: 117)

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



TAKING ACTION AGAINST FIRMS



100 (2022/23: 53)

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

9 (2022/23: 9)

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



£24,579 (2022/23: £26,000)

Amount in financial penalties issued to firms that breached the regulations

The year in numbers

PROTECTING THE PUBLIC



9 (2022/23: 11)

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

211 (2022/23: 216)

Number of Suspicious Activity Reports (SARs) submitted to the NCA by 82 (2022/23: 82) IFA-supervised firms



HELP AND SUPPORT



20,860*

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

4,562

Average number of *Financial Accountant* magazine recipients



8,472

Average number of Financial Accountant digital newsletter recipients



** Figures not directly comparable with the previous year due to a change in the Google Analytics platform*

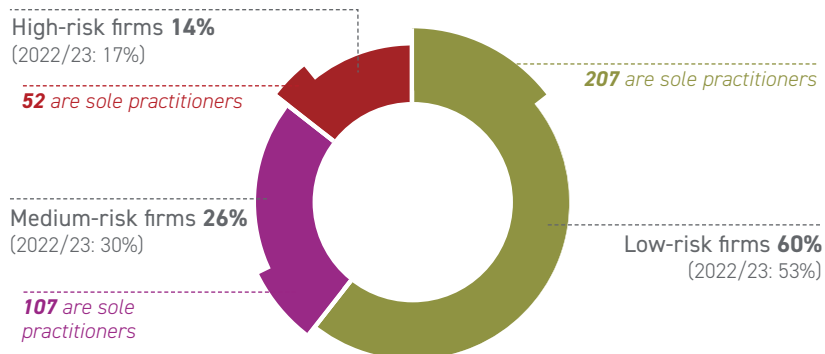
Results from the monitoring visits

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 2023/24, IFA firms were monitored according to the following review cycle:

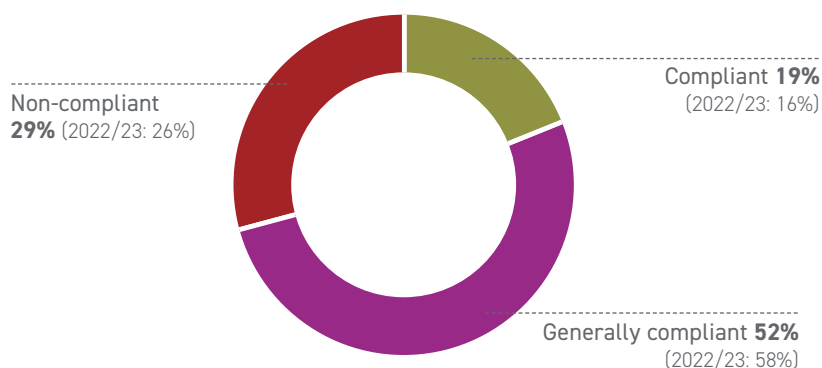
| Level of risk | Review cycle |
|-------------------|----------------------------|
| High-risk firms | At least every three years |
| Medium-risk firms | At least every five years |
| Low-risk firms | At least every ten years |

Risk assessment outcomes



During 2023/24, we conducted 123 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 71% (2022/23: 74%) of the firms reviewed were compliant and generally compliant with the Money Laundering Regulations. The remaining 29% (2022/23: 26%) 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 referral 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.

Non-MLR compliant firms 2023/24: findings



78%

Out-of-date firm-wide written risk assessment (2022/23: 63%)



59%

Inadequate written policies, controls and procedures (2022/23: 74%)



52%

Failure to undertake annual AML compliance review and/or incomplete appropriate training (2022/23: 76%)



67%

Unable to provide documentation that all relevant employees received sufficient AML training (2022/23: 79%)



28%

Failed to obtain a criminal record certificate for all beneficial owners, officers or managers (BOOMs) in the firm (2022/23: 55%)



83%

Failed to have written client risk assessments or inadequate client risk assessments (2022/23: 95%)

Firm-wide risk assessments (regulation 18)

We found that 78% of non-compliant firms (up from 63% in 2022/23) 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.

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

Others were deemed to be non-compliant due to inadequate or incomplete client risk assessments, suggesting the firm had not grasped the potential risks posed to it.

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 59% of non-compliant firms (down from 74% in 2022/23) did not have adequate written policies, controls and procedures in place. Firms often had either 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 meet 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.

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, 52% (down from 76% in 2022/23) had not undertaken an annual AML compliance review and/or had not completed appropriate training.

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

Training (regulation 24)

We found that 67% of non-compliant firms (down from 79% in 2022/23) 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 SAR to the MLRO. Firms are required to maintain a training log.

Criminal record checks of BOOMs (regulation 26)

We found that 28% of non-compliant firms (down from 55% in 2022/23) 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 83% of non-compliant firms (down from 95% in 2022/23) 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.

Case study: the review

Firm Y was selected for a desk-based review and allocated to an IFA AML reviewer. The member (Mr A) was in full-time employment and ran his newly launched practice as a side-line. Mr A asked that the review take place outside of working hours as he could not get time off work. He was advised that we didn't consider these exceptional circumstances but would try to accommodate him if possible.

The review took place early on a weekday evening. Mr A was verifying the identity and address of clients before issuing an engagement letter but had not been able to provide any other documents requested ahead of the review, such as policy and procedures, firm-wide risk assessment or client risk assessments.

The outcome letter was issued and the firm was deemed non-compliant.

Mr A acknowledged the outcome letter but then missed several deadlines to provide evidence of completed actions in the review findings schedule.

ENFORCEMENT ACTION

Mr A was referred to the IFA Regulatory Committee. The complaint alleged a breach of the fundamental principle of professional behaviour in the IFA Code of Ethics, alongside several breaches of the MLRs, specifically that he failed to:

- provide requested information or documents in accordance with Money Laundering Regulations 2017 (MLR 2017), Regulation 66;
- carry out and provide evidence of a firm risk assessment, breaching MLR 2017 Regulation 18;
- carry out a review of anti-money laundering policies, procedures and controls in accordance with MLR 2017 Regulation 19; and
- carry out complete customer due diligence (CDD) on clients MLR 2017 Regulation 27 – 37.

The Committee found the case proven and determined that it be referred to the Disciplinary Committee as they felt the matter warranted a sanction more severe than they could impose.

ACHIEVING COMPLIANCE

When Mr A was informed of the committee's decision, he phoned the Professional Standards team asking if there was anything he could do to make things right. We suggested that if he were to resolve the outstanding matters from the findings schedule, that could be taken as mitigation by the Disciplinary Committee, but the case would proceed.

Mr A was put in touch with a member of the AML review team who provided advice and guidance enabling Mr A to resolve the outstanding elements from the findings schedule. The review was closed but the disciplinary case for failure to cooperate with the review process will go ahead.

Impact of our supervisory work

Of the 123 reviews undertaken during 2023/24, 29% (up from 26% in 2022/23) were required to provide evidence to the IFA that they had remedied all non-compliant issues identified in the review outcome report, to demonstrate compliance with the regulations.

At the end of the AML review, the reviewer informs the firm of their findings and documents required actions in an outcome letter. 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 2023/24, the following enforcement actions were taken relating to non-compliance with the Money Laundering Regulations:

| | 2023/24 | 2022/23 |
|----------------------|---------|---------|
| Membership removed | 1 | 3 |
| Membership suspended | 0 | 0 |
| Total fines issued | £24,579 | £26,000 |

Disciplinary case study

Mr X was a supervised member who failed to cooperate with the IFA's compliance and monitoring functions, and whose firm had multiple MLR 2017 failures.

A monitoring review of Mr X's firm did take place, however, the member failed to comply with requests for documentation concerning a firm risk assessment, policies and procedures, relevant training and client due diligence. Mr X was attempting to create a bespoke system to meet his AML responsibilities, but experienced lengthy setbacks in its creation due to various external circumstances. In the interim, Mr X failed to implement controls within a reasonable timeframe, leaving his firm at risk.

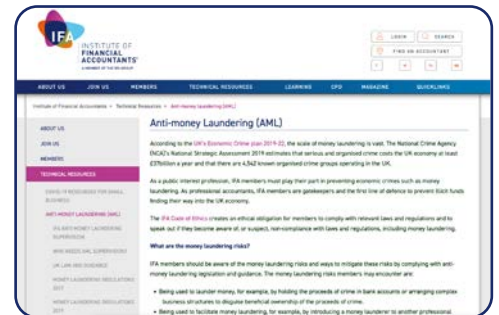
The Regulatory Committee considered this case and issued a Consent Order to Mr X, which was accepted. The Consent Order included a financial sanction, costs, and a regulatory order for an additional monitoring review to take place at the expense of Mr X.

Mr X was contacted by an IFA AML reviewer to provide guidance on his outstanding documents and an additional monitoring review took place. At this review, the firm was deemed compliant.

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.

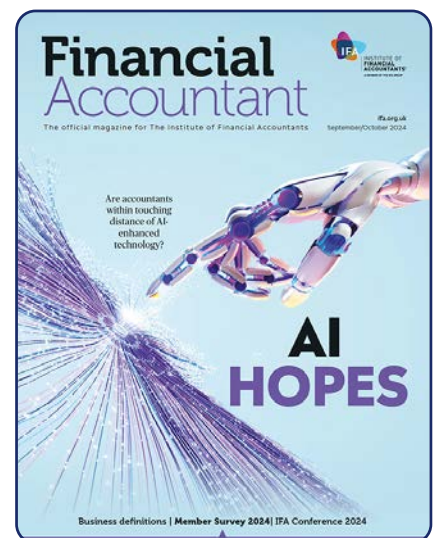
Our [website](#) includes information on the Money Laundering Regulations, risk-based approach, and suspicious activity reporting. More targeted information is shared electronically through dedicated emails to firms such as our Accountancy AML Supervisors' Group (AASG) alerts, which highlight various money laundering threats and red flag indicators. Some nine 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 recently updated in June 2023. During this reporting period the IFA chaired the AMLSF up to the end of 2023 and is currently the vice chair of the AASG.

We continue to review our firms' exposure to sanctions risk by monitoring their declared engagement with overseas jurisdictions. We have provided advice regarding the provision of accountancy services to clients with links to Russia, which is also reinforced in our AML Matters workshops and online guidance.

Our bi-monthly member magazine, weekly e-newsletter and MyCommunity site (an online member engagement platform) include updates on legal and regulatory changes, alongside other sectorial developments to keep our members 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.



It is encouraging to note the number of firms successfully utilising the templates that feature in AML Matters workshops during reviews

We continue to run the AML Matters series of three workshops at multiple times throughout the year. These are well attended by new and returning delegates (more than 40 attending each workshop on average) and feature positive interaction between members and the AML review team. The workshops focus on rectifying common areas of non-compliance that we find in reviews such as inadequate policies and procedures, firm-wide risk assessment and client due diligence.

It is encouraging to note the number of firms successfully utilising the templates that feature in AML Matters workshops during reviews.



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."

We encourage firms to raise concerns and [report breaches](#) of the regulations by IFA-supervised firms via the whistleblowing page on the IFA website, which includes a dedicated email and phone number. This may be done anonymously if preferred.

Looking ahead

Accountants in public practice make up the majority of IFA members. The IFA is committed to serving the SME sector and recognises the importance of supervision that combines guidance and training with appropriate enforcement action. AML supervision remains a key priority for the IFA.

We submitted consultation responses relating to the future of the supervisory regime and improving the effectiveness of the Money Laundering Regulations. We look forward to working with government, OPBAS and other professional body supervisors to implement any changes that come out of these consultations.

We will continue to encourage government and other stakeholders to align strategies such as HMRC's drive to improve the standard of tax advice and the Financial Reporting Council's (FRC) transformation to the Auditing, Reporting and Governance Authority (ARGA), as detailed in the King's Speech.

The IFA will continue to collaborate with other private and public stakeholders to work to further improve the UK's AML regime and looks forward to seeing enhancements in information sharing gateways to facilitate the flow of information and threats.

Resources

Due to the investment in IT systems reported in the previous reporting period, in 2023 the IFA Professional Standards team reviewed roles and responsibilities and re-aligned its structure to integrate the compliance team into our AML review function. The compliance team received extensive training from senior AML reviewers to conduct focused desk-based reviews on low-risk firms that make up the majority of IFA supervised firms. This also builds resilience regarding future planning, should existing AML reviewers move on to new roles. This addresses a weakness we identified in our previous team structure where, when key staff left, it could take significant time to embed new AML reviewers into the role.

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.

All the AML content on the IFA website has been reviewed to ensure our guidance is up to date and readily understandable

Website

During this reporting period, we reviewed the AML content on the IFA website and identified key areas for improvement. Our figures demonstrate that the risk-based approach, specifically the elements of client due diligence, remain an area where firms continue to be rated as non-compliant. We are developing new content aimed at raising awareness among IFA firms of the links between policies and procedures, client identification, effective client risk assessment, and how these elements feed into a comprehensive firm-wide risk assessment.

We are concerned that this continues to be challenging for a substantial number of non-compliant firms and therefore will be a priority when developing new content on the IFA website and guidance documents. The IFA head of AML & Compliance and Director of Professional Standards took part in a [short video to explain the IFA's approach to supervision in five key questions](#). This is available on the IFA website and promoted at regional networking meetings and in webinars, with the aim of demystifying the AML regime for small firms and to challenge them to review their policies and procedures.

All the AML content on the IFA website has been reviewed to ensure our guidance is up to date and readily understandable by all our firms whatever their size or structure.

The IFA is investing in further IT systems such as a new database and a new website. The website will have a business hub with resources for supervised firms including a fraud tool kit – bringing together advice from organisations such as the NCA and the National Cyber Security Centre (NCSC).

The IFA has developed an online member engagement platform, MyCommunity, where members can seek advice from established IFA practitioners as well as IFA staff on all aspects of public practice, including AML compliance.

Economic crime

We continued to participate in various working groups further 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. Engagement will continue with Companies House to develop procedures and guidance in relation to Authorised Corporate Service Providers (ACSPs). This will require members supervised by the IFA to register their business as an ACSP before they can submit information and carry out identity verification checks on their clients.

The IFA's risk-based approach to supervision is central to mitigating money laundering risks and the greater disruption of economic crime

We strive to maintain strong partnerships with public bodies such as HMRC, the Home Office, HM Treasury, Companies House, the 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 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.

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 contributed to the review and updating of the [AASG Risk Outlook](#) which will feature in our guidance and webinars to support member understanding.

The IFA Director of Professional Standards chairs the accountancy Information Sharing Expert Working Group (ISEWG) alerts sub-group, which reviews AML alerts issued by the NCA/NECC to summarise alerts appropriate to the sector. These alerts are discussed as part of AML reviews and are available in the member-only area of the IFA website.

Our collaboration with the NCA, NECC, Companies House, 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% (2022/23: 63%) of our firms provide, or intend to provide, trust or company formation services to their clients.

We updated our annual firm returns to gather further information relating to type of services provided and volumes. This is also reflected in our automated individual firm risk assessment and will be reviewed annually for any changes, such as ACSP requirements.

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 now gather information on firms that have registered with Companies House to undertake Registration of Overseas Entities (ROE) work. This is cross-referenced against information provided by Companies House to ensure that risks are applied appropriately, and AML supervision is confirmed.

Information and intelligence sharing

We share information and intelligence with other professional body supervisors, HMRC and Companies House, ensuring effective policing of the perimeter. 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.

We are 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. We look forward to working with OPBAS, law enforcement and other professional bodies to utilise the enhanced Regulation 52 gateways to improve the flow of information sharing.

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), chaired by the IFA in 2023, 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, Companies House 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, and IFA members, were involved in the testing of the new NCA SAR portal ahead of its launch in September 2023. This was widely publicised to IFA members on social media, the IFA website and in webinar content with a key message to re-register.

We worked with the UK's Financial Intelligence Unit (UKFIU) to enhance the quality of SARs to the NCA, taking part in a **UKFIU Podcast**. This followed knowledge-building sessions provided to the UKFIU and an article for the *SARs in Action* magazine. The content was aimed at improving the quality of SARs, 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, 82 (2022/23: 77) firms reported they had submitted a combined total of 211 SARs (2022/23: 216). Only six SARs were made available to AML reviewers to assess as part of an AML review. This is as a result of either firms not having submitted any SARs or having failed to retain copies of any submitted. In cases where no SARs were retained by firms subject to an AML review during this period, the reviewer discussed the importance of submitting timely reports containing relevant information with reference to UKFIU-published guidance.

We are concerned at the low level of reporting from IFA firms, however this should be premised by the size and nature of our firms' client base who predominantly engage with small local businesses. We feel this is an area to prioritise in relation to future outreach. On that note, we engaged the UKFIU to be a keynote speaker on the importance of submitting better quality SARs at the inaugural AML online conference in 2024 which was attended by over 130 delegates. This will be repeated annually due to the substantial engagement and feedback from members and firms.

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 2023/24.



"Thank you so much for your time yesterday in regard to the AML review. I have found your input and explanations of various AML regulations extremely useful and very informative. Your way of explaining each area of AML compliance requirements and the order in which it need to be carried out was indeed excellent!"



"As per your advice I have just completed the proposed timescale within your outcome letter. As an IFA practising member, I am highly satisfied with your efforts and service, and I am sure it will help me to organise our practice more professionally. Thank you again."



"It is a great relief to me to have got to a successful conclusion. I could not have done it without your support and understanding. It was truly exceptional, and I am extremely grateful."

Reflections

The development and rollout of the focused desk-based review format is a positive step in validating our risk assumptions attributed to low-risk firms. In providing training to conduct AML reviews to the compliance team, we have improved the resilience within our review programme to absorb any short-term absences and maintain the impetus with our review schedule.

It is gratifying to see the number of IFA firms that are using the suite of AML templates we developed in the last reporting period. We feel this demonstrates the need for such materials aimed at small practitioners and the SME market. We still have concerns that some third-party developers are selling software with features that may be unnecessary for some firms and may not meet regulatory requirements.

Our series of AML Matters workshops continues to be well attended despite the number of sessions we have run in the past. We will continue to develop content for these sessions aimed at common themes of non-compliance identified in this report.

As a cornerstone in the fight against economic crime, the provision of timely and quality SARs is paramount. We remain concerned that less than 5% of supervised firms have submitted a SAR in the last year. This is a sectoral problem and needs to be at the forefront of stakeholder agendas in the coming year. The IFA will continue to raise awareness among our supervised firms via regional network meetings, webinars, outreach work and AML reviews.

The number of firms referred to the regulatory committee appears to have reduced over the past six months, possibly as a consequence of the introduction of templates and our AML Matters workshops, where the importance of engaging with the review process is stressed. It is perhaps too early to draw concrete conclusions from this trend, however we hope to see a continuance in the next reporting period.



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