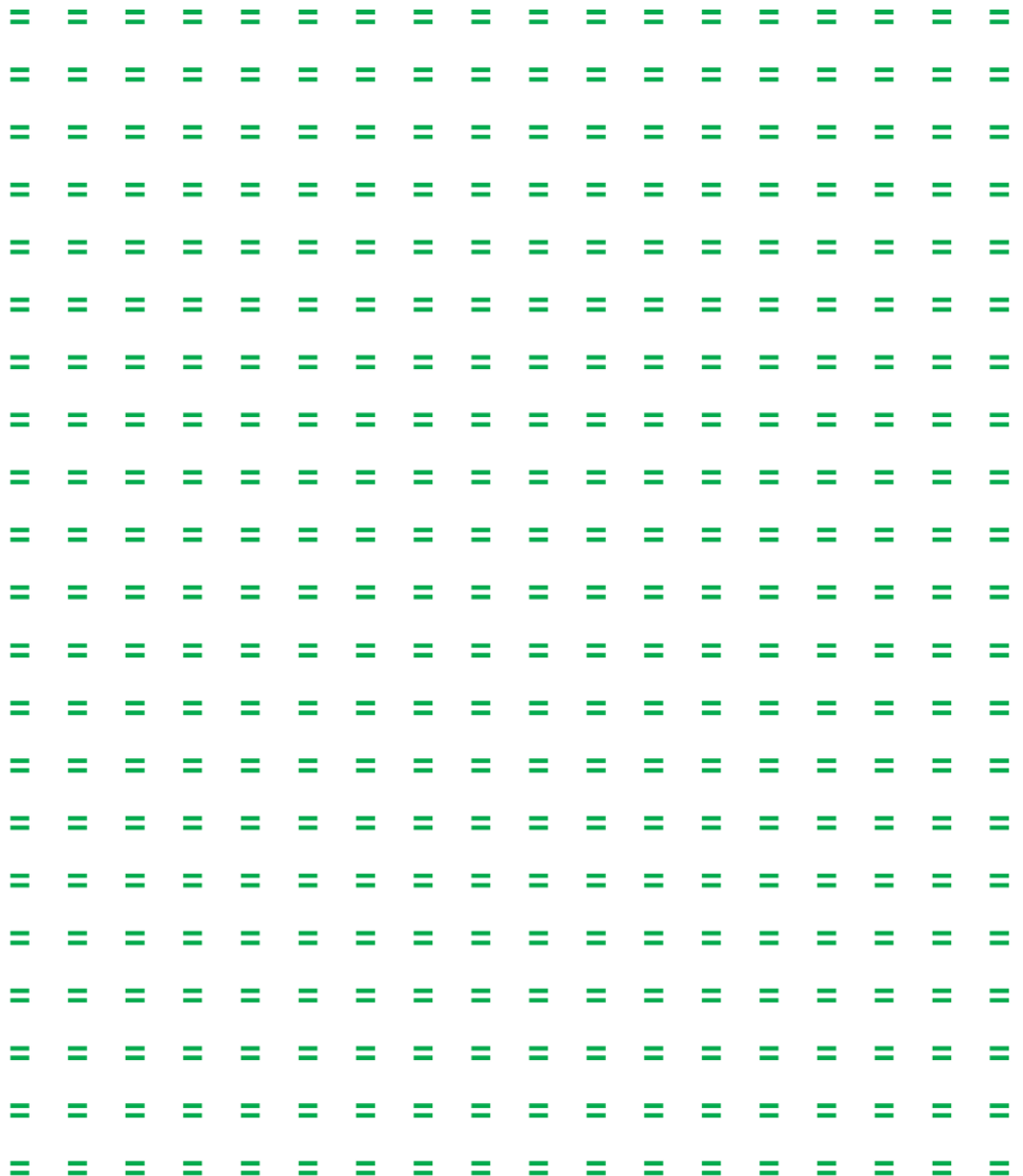


# AML annual survey 2022/23



## Key findings



# AML annual survey 2022/23 key findings

**AAT adopts a risk-based approach to providing effective anti-money laundering (AML) supervision and undertakes an annual survey to understand the policies, controls and procedures our supervised firms have in place to mitigate and effectively manage the money laundering and terrorist financing risks to which the accountancy sector is subject.**

## Overview

The 2022/23 survey ran between 07 November 2022 and 31 March 2023 with 6,202 firms responding. The survey consisted of 63 questions focusing on key AML areas such as; know your client, controls, risk assessments, staff training, and Trust or Company Service Providers (TCSPs).

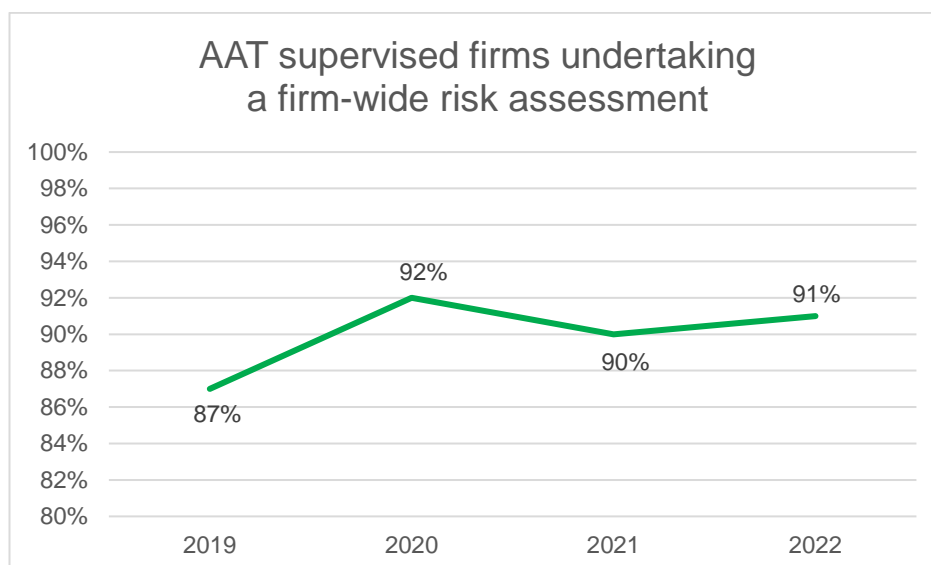
Of those that responded:

- 6% were assessed as being high risk
- 43% were assessed as being medium risk
- 51% were assessed as being low risk.

## Key findings

### Firm-wide risk assessment

Under Regulation 18 of the *Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017* (MLR 2017), firms must take appropriate steps to identify and assess the risks of money laundering, terrorist financing and proliferation financing. The regulations require that this risk assessment is kept up to date and in writing.



91% of AAT supervised firms are undertaking a firm-wide risk assessment, demonstrating that firms are continuing to better understand their AML obligations and the preventive measures they can take to protect their practices. It is important that firms continually take a step back and think about the risks affecting their firm as a whole. Firm-wide risk assessments will help identify the areas of their businesses that are most at risk and this will enable members to focus resources on the areas of greatest risk.

## Resources for AAT licensed members

AAT has developed a [firm-wide risk assessment checklist](#) for use by our supervised firms.

When undertaking a firm-wide risk assessment, firms should give consideration to:

- Chapter 4 of the [Anti-Money Laundering and Counter-Terrorist Financing Guidance for the Accountancy Sector](#) (AMLGAS)
- the [UK National risk assessment of money laundering and terrorist financing 2020](#) (NRA 2020) which concluded that there is a particularly high risk of criminals exploiting accountancy services for the purposes of money laundering and determined that high-end money laundering and cash-based money laundering remain the greatest areas of risk in the UK
- the [UK National risk assessment of proliferation financing](#) which highlights the key proliferation financing threats facing the UK today, as well as the specific vulnerabilities in the UK economy and financial system which actors may target to gain financing for their proliferation activities
- the [Accountancy AML Supervisors Group Risk Outlook](#) which identifies the circumstances where there might be a high risk of money laundering or terrorist financing in the accountancy sector and sets out the key risks and red-flag indicators to look out for based on emerging threats and trends.

## AML policies, controls and procedures

Regulation 19 of the MLR 2017 require firms to have appropriate policies, controls and procedures in place to mitigate and manage effectively the risks of money laundering and terrorist financing identified in the firm-wide risk assessment. These policies, controls and procedures must be proportionate to the size and nature of the business, approved by senior management, documented, implemented, regularly reviewed, and communicated internally to relevant staff within firm.



## Resources for AAT licensed members

AAT has developed a [AML policy statement template](#) and an [AML compliance - policy, controls and procedures template](#) to assist our supervised firms in documenting their AML policies, controls and procedures. The requirement for firms to document their policies, controls and procedures applies to sole practitioners and firms regardless of whether they employ staff.

Chapter 3 of the [AMLGAS](#) provides guidance on the responsibilities of firms and the implementation of policies, controls and procedures.

## Internal controls

Regulation 21 of the MLR 2017 requires firms to establish an independent audit function to ensure that the requirements of the regulations are being complied with. Firms are also required to carry out employee screening and appoint a compliance officer.

89% of members surveyed stated that they had completed a review of their policies and procedures in the last 12 months with only 11% surveyed indicating that no such review had been undertaken in the last 12 months.

## Resources for AAT licensed members

AAT has developed an [AML compliance review checklist](#) to assist our supervised firms in assessing their compliance with the MLR 2017, and has published an [article around employee screening](#) which includes a checklist for firms to consider both before and during the appointment of an employee.

Chapter 3 of the [AMLGAS](#) provides guidance to firms around employee screening and the monitoring of the effectiveness of their policies and procedures.

## Reporting

Accountancy service providers are gatekeepers to the UK's financial system. As such, they are subject to AML legislation and have a significant role to play in ensuring that their expertise and services are not used to further criminal activities. One of the AML obligations under the *Proceeds of Crime Act 2002* (POCA) includes identifying suspicious activity and submitting suspicious activity reports (SARs).

Intelligence gathered from survey responses suggests that the submission rate of SARs to the NCA by licensed members continues to be low (3% of our supervised population).

## Resources for AAT licensed members

AAT has developed an [SARs - maintaining internal records template](#) to assist our supervised firms in recording internal and external SARs, and regularly notifies firms of updates to the NCA's *Guidance on Submitting Better Quality SARs* and *Requesting a defence under POCA TACT* via Knowledge Hub and our licensed member newsletter. Please visit the [NCA website](#) for the latest versions of their guidance.

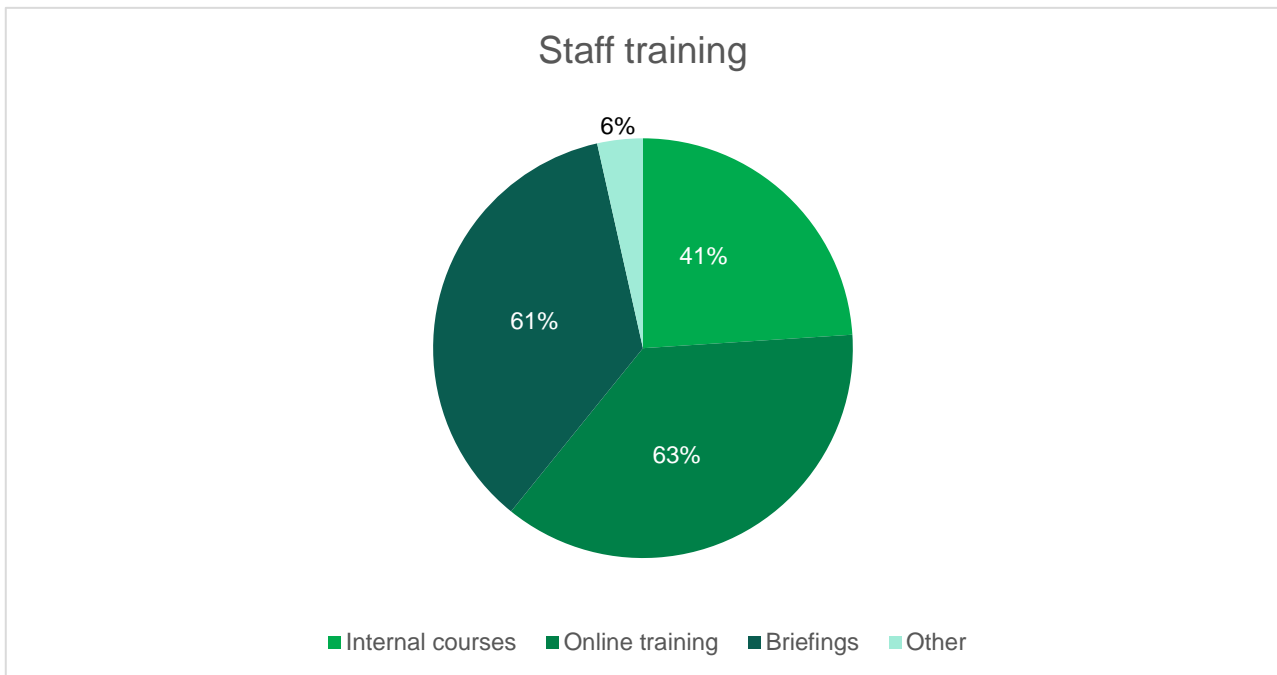
Chapter 6 of the [AMLGAS](#) provides guidance to firms around internal and external reporting procedures, offences under the relevant AML legislation, and requesting a defence against money laundering.

## Staff and principal training

Regulation 24 of the MLR 2017 requires firms to take appropriate measures to ensure that all staff, including any relevant agents, are regularly trained and updated on their responsibilities and obligations under the AML legislation and are aware of any requirements of data protection.

Records should be maintained of all AML training activities undertaken recording detail of the content delivered, the date the training took place, details of attendees, and evidence that staff have understood the messages being relayed to them.

Over 99% of firms surveyed in 2022 confirmed they all principals and staff have received AML training. Firms who employ staff (31%) use the following methods of training.



Less than 1% of our supervised firms with staff indicated they had not:

- implemented internal controls to ensure all principals and staff complied with the firm's policies, controls and procures
- made staff (including subcontractors) aware of the firm's MLRO
- ensured all staff understood what the Tipping Off offence was and the implications of such actions.

### Resources for AAT licensed members

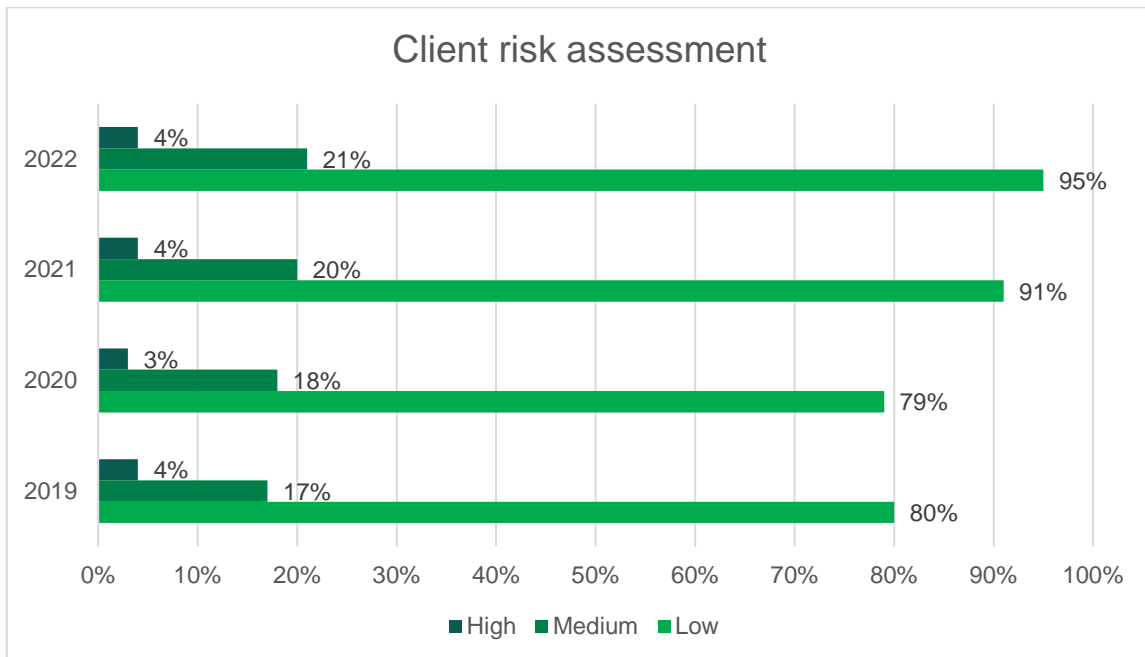
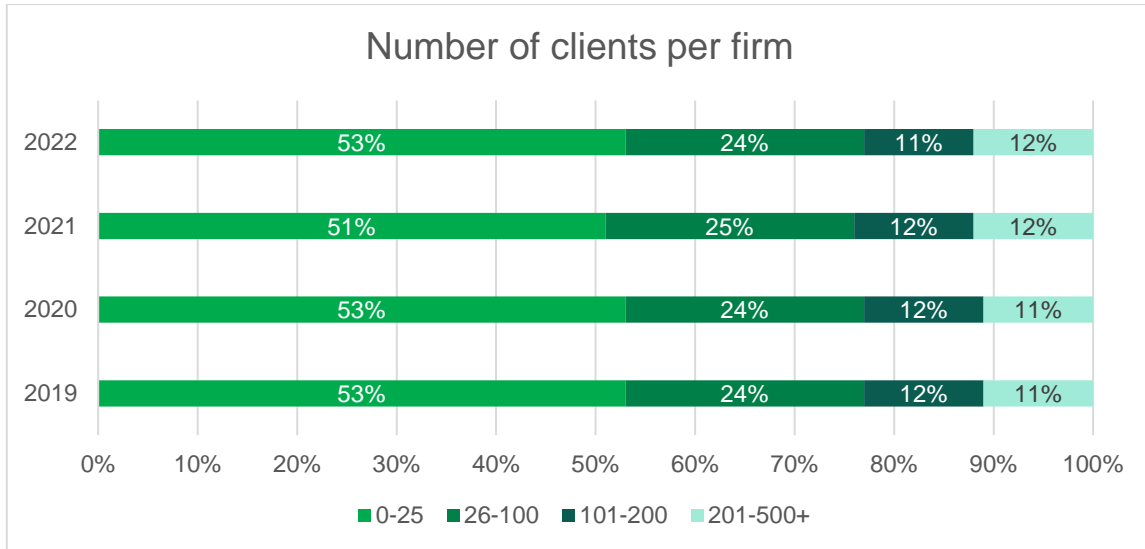
Chapter 8 of the [AMLGAS](#) provides guidance to firms around who should be trained, what should be included, and when training can be completed. AAT covered this in the article, [AML training for staff](#), and has also developed [free AML e-learning modules](#) to help firms understand money-laundering activities, how they can be identified, and their responsibilities as gatekeepers to detect and report suspicious activity.

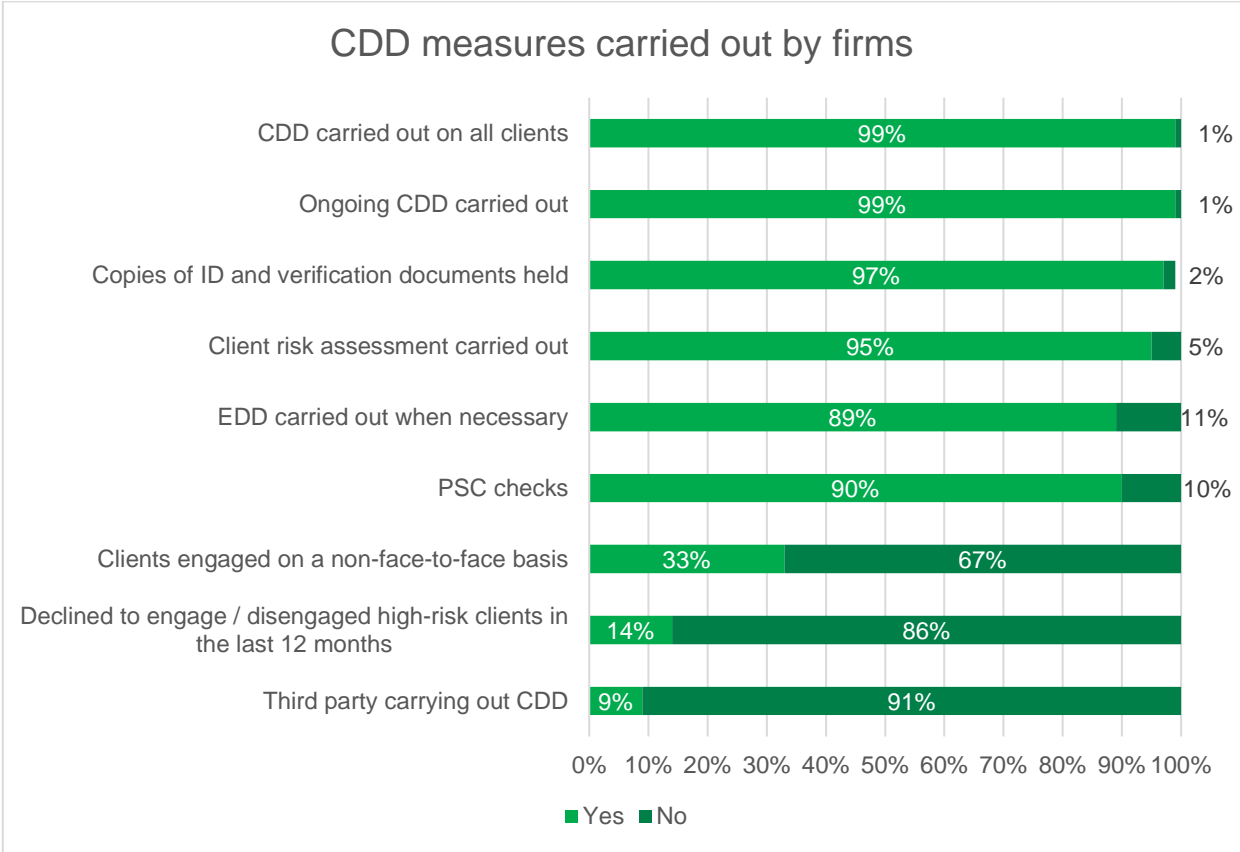
Firms can also access [Anti-Money Laundering: The Basics](#) developed to help professional accountants enhance their understanding of how money laundering works, the risks they face, and what they can do to mitigate these risks and make a positive contribution to the public interest.

## Customer due diligence

Under Regulations 27 and 28 of the MLR 2017, firms are required to apply customer due diligence (CDD) measures both when establishing a business relationship with a client and on an ongoing basis, and to keep a record of the CDD measures they have undertaken. These CDD measures must include identifying and verifying the identity of a customer and undertaking a risk assessment of the client. The extent of a firm's CDD measures must reflect the firm-wide risk assessment carried out by the firm.

The following charts set out our supervised firms' client risk profiles, the CDD measures undertaken by our supervised firms with clients, and the high-risk factors encountered by our firms.





High-risk factors	% of firms
Clients based outside of the UK	11%
Clients' money held by firm	10%
Clients are high-net-worth individuals	2%
Clients are PEPs	<1%
High-risk clients are considered to be uncooperative	<1%
Clients in high-risk jurisdictions	<1%
High-risk clients are considered to be involved or previously involved in criminal and/or terrorist activity	<1%

### Resources for AAT licensed members

Most firms have adequate CDD measures in place but improvements are needed in the areas of client risk assessment, checks against the register of persons with significant control (PSC) held by Companies House, and enhanced due diligence (EDD).

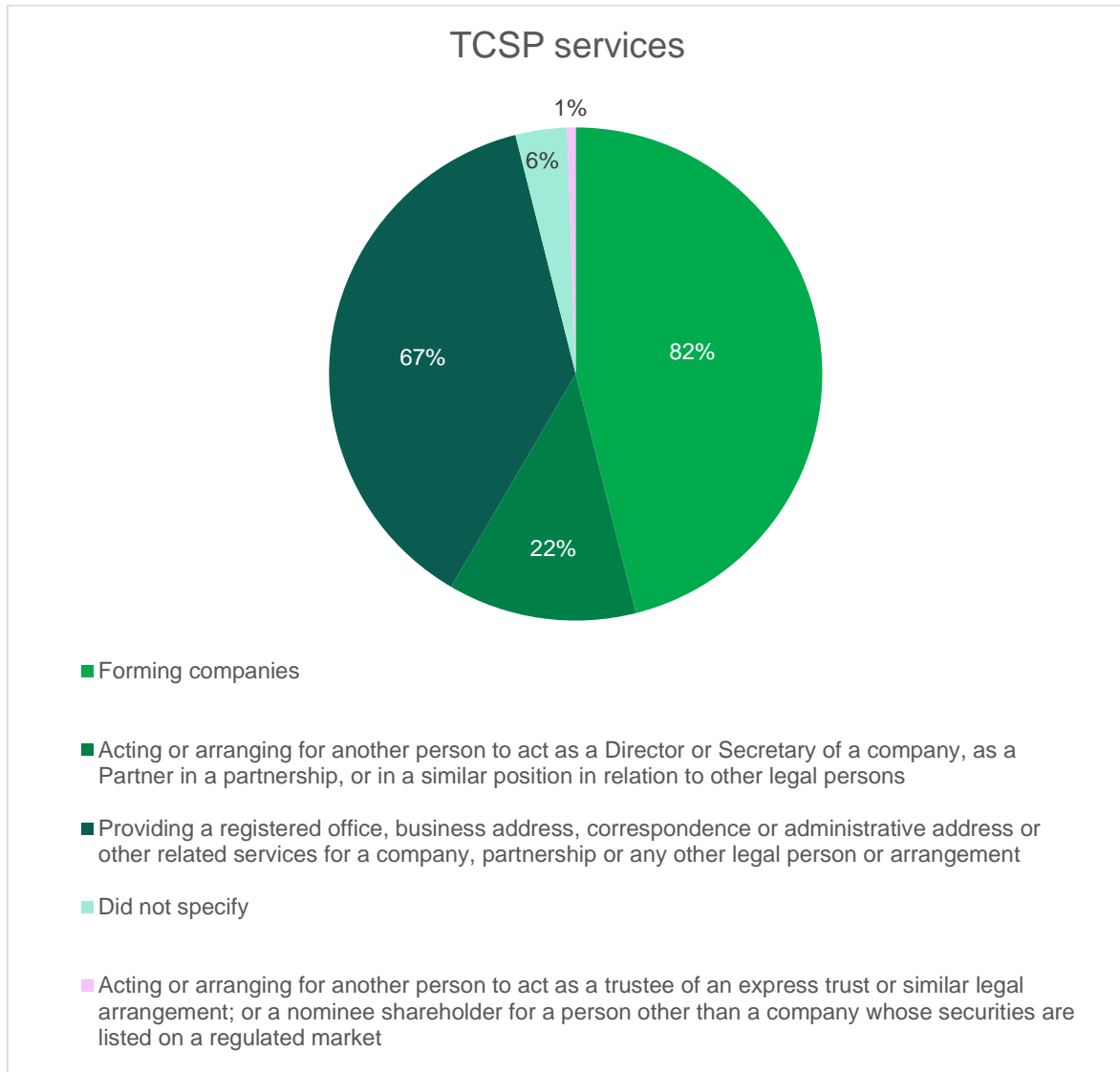
Chapter 5 of the [AMLGAS](#) provides guidance to firms on the stages of CDD, including client risk assessment, enhanced due diligence and obligations to report discrepancies in the PSC register. This chapter also covers politically exposed persons (PEPs), as well as financial sanctions and other prohibited relationships.

AAT recently updated its AML checklists and templates to assist firms with their CDD, explaining the changes in [this article](#). We also regularly post AML alerts and guidance on the risks of money laundering in the accountancy sector in [Knowledge Hub](#).

## Trust and Company Service Provider (TCSP)

TCSP services continue to be one of the highest risk services provided by accountancy service providers for money laundering. TCSP services can be exploited, either wittingly or unwittingly to enable the laundering of significant illicit funds through companies, partnerships and trusts.

35% of AAT's supervised firms act as a TCSP, with the majority either forming companies or providing a registered office address.



### Resources for AAT licensed members

AAT undertook a thematic review of its TCSPs in June 2022. Our [published findings report](#) includes helpful links to the various resources AAT has made available to those acting as TCSP, including:

- [TCSPs and money laundering: how can accountants stay alert?](#)
- [AASG Alert: 'cuckooing' the misuse of registered offices](#)
- [Criminal abuse of UK shelf companies](#)

Issue 21 of the [UKFIU's SARs in Action magazine](#) (August 2023) also includes an alert on the high risk behaviours & typologies associated with the TCSP sector (pages 17 to 20).



## Conclusion

It is recognised how challenging the last 12 months have been for practitioners, both personally and professionally, dealing with the ongoing impact of the pandemic and the cost of living crisis. Despite these challenges, response levels to the survey were high and there are also positive signs of continuing AML compliance and improvement when compared to previous years.

Whilst AAT is pleased to see examples of good practice, there are still shortfalls in respect of AML compliance amongst its supervised population.

AAT supervised firms are reminded to regularly review their AML policies, procedures and controls to ensure their compliance with the requirements of the Money Laundering Regulations. AAT has produced a [AML compliance review checklist \(docx\)](#) which firms may use to assist their review. Firms should also regularly check [AAT's Knowledge Hub](#) for key alerts on emerging money laundering and terrorist financing risks.

AAT's AML helpline offers advice on all aspects of complying with the Money Laundering Regulations, such as advice on how to report suspected illegal activity. To discuss any questions you might have, call us on +44 (0)20 7367 1347 or email [aml@aat.org.uk](mailto:aml@aat.org.uk).

The next AML survey will take place in October 2023.

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