

AAT Annual AML/CTF Supervision Questionnaire

Sector: Accountancy

Date appointed as a Supervisor: 1 January 2018

Reporting period: 6 April 2021 to 5 April 2022

Contents

1. Relevant population.....	3
2. Money Laundering and Terrorist Finance Risk	6
3. Supervision	8
4. Enforcement action	14
5. Information and Intelligence	16

AAT Anti-Money Laundering Annual Report

1. Relevant population

1.1 **Provide an overview of your supervised sectors including: the range of services they provide, an indication of what proportion of your supervised sector you believe undertakes operations outside of the UK, and any typical profiles of those with operations outside of the UK.**

The intelligence gathered from AAT's AML survey indicate that the level of risk associated with firms where supervised licensed members operate is rated as relatively low risk. This is primarily driven by the following components:

- Information from those AAT supervise shows that the vast majority are dealing with a small number of low risk, UK based, clients.
- Wider sector risk assessments, including the NRA, suggest that high-end money laundering poses the highest risk, particularly large-scale organised crime, and corruption by senior Politically Exposed Persons (PEPs) in overseas jurisdictions.

While AAT does not supervise members based outside of the UK, our findings indicate there are 575 firms (less than 10% of AAT's supervised population) undertaking work outside of the UK from their UK registered business address. In terms of general profile:

3% have told AAT they engage with PEPs, 79% are incorporated firms with the remaining 21% trading as sole practitioners, 73% provide TCSP services to clients and 13% consider themselves to have high risk clients.

1.2 **Please provide an overview of changes to supervision that have occurred because of COVID-19 and subsequent lockdowns.**

In response to the coronavirus (COVID-19) crisis and subsequent lockdowns, AAT had to adapt to circumstances in terms of how the reviews were being conducted, to ensure they continued to take place despite the challenges. This meant any firms determined through our risk methodology as requiring an onsite visit took place by way of a remote review instead. Remote reviews are desk-based but are intended to be as detailed as an onsite site review in respect of information reviewed and using online technology to hold meetings with the principals, the MLRO and staff at the firm. AAT's representatives started to resume site visits where feasible in October 2021 but only if several conditions were satisfied, such as the Reviewer and member being comfortable with doing so, no health concerns, the premises being COVID-19 safe (not based at home), and both parties vaccinated.

In terms of changes to our supervised population procedures, intelligence collected in the annual AML survey shows that in 63% of cases members are now engaging with clients on a "non-face to face" basis and using AML compliance systems to help aid their due diligence controls, an increase from only 23% in from the previous annual data collected. This activity has largely been impacted by COVID-19 which has reduced members ability to conduct client onboarding engagements physically.

1.3 Please provide details of any other steps you took in response to COVID-19 and the subsequent lockdowns not covered under 1.2, such as issuing guidance on related risks to your supervised population.

The COVID-19 pandemic presented AAT with a set of unfamiliar circumstances and required AAT to adapt and respond to the challenges quickly and effectively, to ensure our supervisory work remained uninterrupted. We continued to deliver on our supervisory function as efficiently as possible with the resources available and on a home working basis, allowing minimal disruption to regulatory, disciplinary, and monitoring work, and conducting reviews to firms presenting the highest risk of AML.

AAT routinely convert the issues we identify or are alerted to into regular *Bulletins* and *Alerts* for our licensed members to access in the Knowledge Hub and AAT Comment (see paragraph 3.6), so they are better informed on how to identify and report potential risks. AML specific to COVID-19 matters has been a specific area of focus, providing information and guidance for members to help them understand their high-level obligations, specifically the [accountant's role in spotting furlough, CBILS and BBLs-related fraud](#) and the importance of reporting suspicious activity during this period.

AAT is also aware that our licensed members will have minimised physical contact with existing and new clients as part of efforts to reduce exposure to Covid-19, but the situation will have generated new criminal, and consequently further money laundering opportunities. Guidance has therefore focused on members continuing to comply with customer due diligence and risk assessment requirements under the MLR by adjusting client onboarding procedures and mitigating new risks that arise by using alternative diligence methods. Guidance on other effective methods of CDD that should be undertaken and enhanced due diligence methods to ensure the member has obtained adequate CDD (where the money laundering risk inherent for a client matter is greater), have been prevalent.

To supplement the above written guidance along with our AML and ethical helplines, AAT also facilitated an AML webinar "[Practice Pros: Anti-money laundering and the role of the accountant](#)" featuring the affects Coronavirus has had on anti-money laundering as part of the learning objective and allowed our supervised members to share real-life case studies.

1.4 Please provide an explanation if any data required in Table 1 is not available.

Not applicable.

1.5 Please provide an explanation if any data provided in the 2019/20 column in Table 1 differs to your last HMT return

Not applicable.

1.6 Please provide any caveats you feel are appropriate to help us understand the data provided in Table 1 (please do not input text in the tables).

The "applications received" figure includes new applications only, not annual licence renewals. The difference in applications received during the reporting period but not reported as approved /rejected is due to those applications received still being assessed by AAT's Customer Operations Team. The application for approvals for BOOM includes any licence reinstatements (where the member may have failed to renew on time or taken a short break and therefore has a short window to take

corrective action and pay a late administration fee) as they are required to apply and undergo the criminality check as part of the fit and proper procedures in place.

Additionally, the applications refused include cases recorded where the applicant failed to provide the information necessary to obtain a practising licence / AML supervision in addition to the seven applications for AML (and as a BOOM) rejected on the grounds they failed to meet the fit and proper requirements of AAT's policy framework. Out of these cases, three applicants disclosed an insolvency matter, three applicants were subject to enforcement action by the previous supervisory authority and attempting to move to AAT without full disclosure, and the last application was declined on the grounds of an unspent criminal conviction which is a relevant offence under Schedule 3 of the Money Laundering Regulations 2017.

The figure reported for "approvals invalidated by disciplinary measures" include all licensed members where AAT has declined or terminated a practising licence or expelled the licensed member during this reporting period.

TABLE 1: Relevant Population			
	<u>Data required (number of)</u> <i>Please provide a number and no text. Use your answer to the questions to provide context for the data in the table.</i>	<u>Relevant period</u> <i>(6 April 2021 to 5 April 2022)</i>	<u>2020/2021</u> <i>(As reported in your last HMT return, if applicable)</i>
Size of relevant supervised population (those supervised for AML purposes only) <i>Please provide numbers and not percentages.</i>	(a) No. of relevant firms	3,093	2,868
	(b) No. of relevant sole practitioners	2,763	2,725
	Total size of relevant population (a+b)	5,856	5,593
	Total no. of 'BOOMs' as defined in Regulation 26	6,020	5,987
Applications for AML supervision (firms + sole practitioners)	Applications for membership received	771	906
	Applications for membership accepted	629	837
	Applications for membership rejected	88	49
Number of relevant persons (firms/ sole practitioners) acting as Trust and Company Service Providers (TCSP) <i>As defined in Regulation 12</i>	No. of Firms acting as TCSP	1,725	1,734
	No. of Sole practitioners acting as TCSP	549	747
	No. of Firms incorporated outside the UK acting as TCSP	0	0
	No. of sole practitioners acting as TCSP from outside the UK	0	0

Breakdown of services provided by relevant persons (firms/ sole practitioners) acting as Trust and Company Service Providers (TCSP) <i>Please add any other services in extra rows.</i>	Company formation	1,486	n/a
	Trust formation	1,486	n/a
	Providing registered office	1,430	n/a
	Arranging/acting as director/secretary	469	n/a
	Acting as a trustee	23	n/a
Applications for approval as BOOMs under Regulation 26 <i>(Please only include applications during the relevant period)</i>	Applications received	834	989
	Applications approved	692	916
	Applications refused	41	52
	Approvals invalidated by disciplinary measures	21	18

2. Money Laundering and Terrorist Finance Risk

2.1 Under Regulation 17, supervisors are required to identify and assess the international and domestic risks of ML/TF that relevant persons, for which it is the supervisor (“its own sector”), are subject. Please provide the details of all risk assessments carried out to meet Regulation 17 and outline your methodology.

On 1 November 2022, AAT undertook its annual AML data collection exercise for all supervised persons/firms to undertake a full risk assessment based on AAT’s methodology.

The data analysis from the AML survey completed in accordance with AAT’s risk methodology was used by AAT to select the core monitoring reviews undertaken. Having concentrated resource on the licensed members determined as high risk in previous returns, in this reporting period the selection focused on (Risk 4 – Medium/ high) and (Risk 3 – Medium). Other risk parameters included:

- 10% random sample
- High risk services
- Intelligence received.

AAT’s Methodology is at [Appendix 1](#).

2.2 What were the key findings in the sector risk assessments you have carried out to meet Regulation 17?

The [National Risk Assessment of money laundering and terrorist financing \(NRA\)](#) states that accountancy services remain attractive to criminals due to the ability to use them to help their funds gain legitimacy and respectability, as implied by the accountant’s professionally qualified status.

The accountancy services considered most at risk of exploitation continue to be:

- company formation and termination,
- mainstream accounting; and
- payroll.

The NRA concludes that accountancy services are at highest risk of being exploited or abused by criminals when the accountant doesn't fully understand the money laundering risks and does not implement appropriate risk-based controls.

The Accountancy AML Supervisors Group (AASG) have also published an [AASG Risk Outlook](#). This document sets out the key risks and red-flag indicators considered relevant to the accountancy sector. It draws on the National Risk Assessment, as well as additional risks that the AASG has identified through its own supervisory activity, such as:

- Clients seeking anonymity or undue secrecy
- Clients with a history of criminal activity
- High risk services
- PEPs
- Countries with organisations subject to sanctions
- Cash-based businesses
- Clients with a changing business, or involved in emerging sectors
- Performing high value financial transactions for clients with no clear business rationale, allowing criminals to transfer funds through the client's money account.
- High net worth individuals as individuals who have a net worth of £10m or more.

These risks can be well-managed through our licensed members having effective AML policies, procedures, and training, in line with the AML Guidance for the Accountancy Sector.

2.3 Please provide an explanation if any data required in Table 2 is not available.

Not applicable.

2.4 Please provide an explanation if any data provided in the 2019/20 column in Table 2 differs to your last HMT return.

Not applicable

2.5 Please provide any caveats you feel are appropriate to help us understand the data provided in Table 2 (do not input text in the tables).

The information gathered as part of our 2021 survey activity indicated that the level of risk associated at firms where AAT supervised licensed members operate, is relevantly low. This year's survey results show that there has been an increase in members rated medium/low risk and high risk, this increase is largely because of newly licensed members who are yet to have in place appropriate policies and procedures.

AAT is pleased to find many examples of good practices, particularly in the way that firms have tried to embrace the risk-based approach to AML and members disengaging with clients they considered to be high risk, as well as reducing the range of services provided, particularly concerning Trust and Company Service Provider services (TCSPs). There are, however, several areas where improvement must be applied to drive members to maintain a high level of scrutiny and to ensure that defenses are

at their highest levels. For instance, AAT found that firms are not performing, and updating, their client due diligence (CDD) throughout the client relationship. Furthermore, it was highlighted that some of the firms AAT reviewed haven't performed a regular review of the adequacy and effectiveness of their policies, controls, and procedures regularly.

TABLE 2: Money Laundering and Terrorist Finance Risk			
	<u>Data required:</u> <i>Please provide a number and no text. Use the questions to provide context for the data.</i>	<u>Relevant period</u> <i>(6 April 2021 to 5 April 2022)</i>	<u>2020/2021</u> <i>(As reported in your last HMT return, if applicable)</i>
Money Laundering or Terrorist Financing Risk	<i>Please state the number of relevant firms/ sole practitioners for each category (as identified in your member risk profiles)</i>		
<i>High risk</i>	Number of firms	146	42
	Number of sole practitioners	27	14
<i>Medium Risk</i>	Number of firms	1,659	1,254
	Number of sole practitioners	759	417
<i>Low Risk</i>	Number of firms	1,288	1,635
	Number of sole practitioners	1,977	2,231

3. Supervision

- 3.1 For each different risk category of relevant persons (for example, high, medium, low), detail your supervision strategy and available tools, including the frequency of supervisory activity to different risk categories and how you determine which relevant persons receive which type of supervisory activity.

AAT's licensed member population are required to complete a questionnaire pertaining to their AML policies and controls on an annual basis. Once AAT has identified and assessed the risks posed by each client and the various ways their firm could be used for money laundering, including terrorist financing, AAT will evaluate each client residual risk. The risk score identified based on the analysis of firm information translate into the following risk-based supervisory responses:

Risk category	Action / intervention
Low Risk	No further action required.
Medium/Low Risk	Monitor annual returns for changes of status.

Medium/High Risk	Any immediate queries addressed through internal practice assurance review case processes. Feeds into practice assurance review programme if not previously reviewed within the past five years.
High risk	Prioritised practice assurance review, unless this review has already been conducted in the past three years, in which case follow up action by telephone or disciplinary action where breaches identified.

The risk categories identified from the data were used by AAT to conduct the practice assurance sampling selection at the end of this reporting period to select the core of the reviews due to take place in 2021.

For this reporting period ICAEW's Quality Assurance Department (QAD) carried out the practice assurance and AML monitoring reviews on behalf of AAT. The sample selection for this period was 5% of our supervised firms to be reviewed on an annual basis with the addition of any follow-up reviews deemed necessary (at the members own cost). Moving forward, AAT will be looking to increase the number of reviews to approximately 10%, with a focus on thematic and deep dive reviews in respect of anti-money laundering risks presented through AAT's risk assessment exercise and wider sector risk indicators as discussed in sections 1 and 2.

Any follow up action, informal or formal, to non-compliant findings takes place by AAT's Professional Standards team. Licensed members are required to submit information to demonstrate that they have remedied the identified areas of non-compliance either by way of an action plan to bring the firm into compliance, or where significant shortfalls have been identified, a mandatory follow-up review is completed at the members own cost. Disciplinary proceedings and/or a fit and proper assessment carried out to determine if a licence must be terminated promptly to mitigate the risk to the public and AAT's overall supervisory regime.

3.2 What are the most common forms of non-compliance with AML/CTF obligations identified through your supervisory activities? If you have a numerical breakdown of which forms of non-compliance occurred the most frequently, please include this here.

AAT's practice assurance activity for the reporting period identified most shortfalls were in respect of findings relating to anti-money laundering controls and procedures in place. Some aspects of the review findings are relatively consistent across the 12-month period, with some sustained positive outcomes in the analysis in the continuing reduction in members without appropriate written procedures. The comparison provides some comfort in the reducing levels of members who have not performed a firm-wide risk assessment and carried out annual monitoring. However, the level of noncompliance with the core client due diligence procedures for new and ongoing clients is a focus for AAT. We are encountering a lack of appreciation of the need to document ongoing review of client due diligence on a regular basis.

The most commons issues identified during our monitoring exercise include the following:

AML Finding	Identified on reviews as a percentage (%) of the findings			
	QAD report to July 2021	QAD report to Oct 2021	QAD report to Dec 2021	QAD report to April 2022

No written procedures	12%	8%	4%	6%
Inadequate CDD procedures	23%	29%	27%	28%
Inadequate risk assessment	14%	9%	12%	10%
No annual AML review	16%	10%	17%	17%
No firm wide risk assessment	10%	7%	9%	7%
Inadequate CPD / training	8%	6%	12%	8%
Criminality check	0%	13%	8%	9%
PCR checking procedures	12%	9%	8%	10%
Other	5%	9%	3%	5%

'Other', as above, represents the requirement for employee screening and no supervision for connected entities.

3.3 What common themes emerge where you find your relevant persons have demonstrated non-compliance with their AML/CTF obligations (e.g., common services, sizes of firm, misunderstanding or gaps in risk assessments).

Compliance with the anti-money laundering (AML) regulations continues to generate the most review findings as it has done in previous years. The review findings and subsequent follow-up exchanges with the licensed member in response to action plans issued identify there is a continued misconception concerning AML procedures. This was particularly evident in the areas such as the recording of information. Although our licensed members show an understanding of their obligations such as due diligence and risk assessment, they are not always sufficiently documenting it or reviewing it often enough.

A further misunderstanding is in respect of licensed members who have been in public practice and known their clients for a considerable amount of time [preceding the introduction of the 2007 regulations] and as such consider themselves discharged of their obligations. We have also noticed that sole practitioners with no employees often don't appreciate the need to carry out annual monitoring and to complete a whole firm risk assessment. However, the overall proportion of members with significant weaknesses in AML is reducing, which is encouraging. This suggests that the outcomes of reviews where the member has minimal AML procedures is having a significant adverse impact on the pattern of results.

In this reporting period, in terms of the number of licensed members requiring follow-up action, 73% appeared to be larger AAT firms with staff and a sizable client base, with the remaining 27% operating as sole practitioners. All the accountancy providers who required an intervention had between 1 - 1300 clients.

It was also observed the majority (92%) hold a full accounting licence (as opposed to a bookkeeping licence) and are offering a number of accountancy and tax services, including TCSP, across the available tiers outlined [here](#).

3.4 If you experience barriers in using your powers effectively to support your AML/CTF supervisory strategy, please outline these here.

From a supervision perspective, we consider the lack of sufficient granular information on threat, impact and risk for the different sectors and services/products, as a barrier to pursuing a risk-based approach to supervision. The current approach in which the NRA amalgamates PBSs and HMRC into the 'accountancy sector' is not adequate given PBSs are interested in risks for their supervised population. For example, it is recognised that TCSPs are a major risk, but we are only left with high-level detail on why without any actual examples of what has been happening that can help to inform a Risk Based Approach (RBA). As a result, without any up-to-date detail on trends and the continued lack of specifics supplied to the sector around risks, there continues to be a lack of understanding of what the actual ML/TF risks are to PBS's. Consequently, this has had an impact on effectiveness and efficiency in delivering a risk-based approach

3.5 If you can provide evidence as to the effectiveness and impact of your supervisory strategy, please outline this here.

Our supervisory strategy has enabled us to capture more in-depth intelligence about our supervised population. Although the information gathered as part of our AML survey indicated that the level of risk associated at firms where AAT supervised licensed members operate to be relevantly low risk, there are several other factors which cannot be ignored and should drive the members to maintain a high level of scrutiny and to ensure that defences are at their highest levels. This intelligence has played an important part in allowing us to be more strategic in our engagement with our members focusing in areas and resources where compliance needs to improve the most. The impact of this has resulted in an improved compliance rate of around 20% when compared to the outcomes of AAT's practice assurance activity in previous reporting periods.

3.6 Please detail how you prioritise your supervision resources, including how this varies across different risk categories.

A significant proportion of AAT's expenditure is spent on the administration and delivery of our monitoring activity subcontracted out to ICAEW along with internal AAT staff costs for those responsible for the overall administration of AAT's supervisory activity (as discussed in 3.3), which includes verification of applications, compliance checks between supervisors and intelligence systems, developing resource and overseeing the monitoring and enforcement for monitoring reviews. The Professional Standards team are also trained to deliver on the AML helpline and AML whistleblowing helpline.

AAT's AML data collection exercise is another priority and key resource for ensuring we are collecting suitable intelligence and implementing our revised risk strategy, which has been driven by our obligations under the MLR2017.

Given the shortfalls in member insight into the requirements of the MLR2017 and AAT being compelled to respond to those breaches, we have continued to try and improve member engagement. Resource has therefore been focused on producing articles, templates and checklists within the Knowledge Hub and Licensing Zone to complement existing guidance. To assist with AAT's drive on AML, the following articles on anti-money laundering were published during 2021:

AAT Comment and AAT Knowledge Hub

- AML non-compliance: No procedures for reporting discrepancies in the PSC register

- AAT recommends webinar on UK sanctions related to Russia
- The impact of fresh sanctions as Russia invades Ukraine
- ‘Cuckooing’ the misuse of registered offices
- Money laundering risks with SMEs
- Members providing TCSP services without approval
- What accountants should know about the new Economic Crime Act
- AAT praised in fight against Anti-Money Laundering
- Good governance and anti-fraud controls in charities
- Help improve the SARs online portal
- NCA alert: the danger of tax evasion by staff
- NCA alert: Criminal abuse of UK shelf companies
- NCA bulletin: guarding against Payment Diversion Fraud
- NCA Bulletin: crime vulnerabilities and regulations in the art market
- NCA bulletin: bribery and corruption risks in mining
- AASG bulletin: Potential indicators of sexual exploitation
- NCA bulletin: Risks of open account trade-based money laundering (TBML)

3.7 Is the level of resourcing appropriate with regards to the risks within your supervised sector? Give reasons for any intention to increase, decrease or maintain the same level of resourcing.

AAT is planning to increase the volume of monitoring reviews completed from 5% to approximately 10%. Budget approval has been given for the recruitment of a new Professional Standards Officer which will increase team capacity and support the proposed increase the number of practice assurance reviews. This will focus in particular on desk-based reviews of low-risk members. Recruitment is underway and there is also potential for further recruitment if deemed necessary in the future.

Budget approval has also been given in principle for development of a web-based tool for use in the annual AML survey and practice assurance activity. This tool will be designed to allow for thematic reviews or ‘deep-dives’ where AAT can pinpoint specific license areas for greater scrutiny to assess risks in those categories.

3.8 Please provide an explanation if any data required in Table 3 is not available.

Not applicable

3.9 Please provide an explanation if any data provided in the 2020/21 column in Table 3 differs to your last HMT return.

Not applicable

3.10 Please provide any caveats you feel are appropriate to help us understand the data provided in Table 3 (do not input text in the tables).

As COVID-19 cases and restrictions have eased, there has been an increase in the number of on-site/remote review reports received in this reporting period where reviews are being concluded earlier, thus an attributing factor to the difference in the “review results” reported when compared to 2020-2021.

AAT subcontracts the administration and delivery of monitoring activity to ICAEW. For this reporting period, AAT budgeted £257,228.00 for exercising its AML supervisory through its review activity. It currently costs AAT the following amounts:

- On-site: £1,160 plus VAT
- Telephone reviews: £700 plus VAT

The figure in the table also includes average internal staff costs such as the Professional Standards Policy Development Manager, the Professional Standards team, and the overall administration of AAT’s supervisory activity, which includes verification of applications, compliance checks between supervisors and overseeing the monitoring, intervention, and enforcement for monitoring reviews.

The Professional Standards team are also trained to deliver on the AML helpline (phone and email) and AML whistleblowing helpline, but this amount excludes the money spent on undertaking fit and proper assessments of our licensed members and disciplinary investigations where costs are included into the broader exercise of our casework. Considering the proposed 5% increase of desk-based reviews, the Professional Standards Team is currently undertaking a recruitment exercise to increase the number of Professional Standards Officers from four back to five (pre-COVID-19) with the potential to increase this number.

3.11 If possible, please provide a case study of your supervisory activity in the relevant period.

Case study at [Appendix 2](#)

TABLE 3: Supervision			
	<u>Data required:</u> <i>Please provide a number and no text. Use the questions to provide context for the data.</i>	<u>Relevant period</u> <i>(6 April 2021 to 5 April 2022)</i>	<u>2020/2021</u> <i>(As reported in your last HMT return, if applicable)</i>
Desk-Based Reviews¹ <i>Provide the number of desk-based reviews evaluating a relevant persons’ compliance with AML regulations conducted during the relevant period. If a desk-based review then led to an onsite visit, please count as onsite visit only.</i>	Desk-based reviews conducted	125	124
<i>Desk-based review results</i>	Compliant rating	92	87
	Generally compliant	24	29
	Not compliant	9	8
<i>Actions taken following desk-based reviews</i>	Informal actions following desk-based review	86	37

¹ A desk-based review should make use of supervisory tools to achieve the same outcome as an onsite supervisory visit.

	Formal actions following desk-based review	33	12
	Referrals to another agency following desk-based review e.g., law enforcement	0	0
<i>Onsite Visits</i>	Visits conducted	109	70
<i>Onsite visits results</i>	Compliant rating	71	30
	Generally compliant rating	15	29
	Not compliant	23	11
<i>Actions taken following onsite visits</i>	Informal action following visit	71	34
	Formal action following visit	29	11
	Referral to another agency following visit e.g., law enforcement	0	0
<i>Resource allocation If your AML/CTF function is integrated into wider supervisory activity, give an estimate of the portion spent on AML/CTF</i>	FTE dedicated to AML/CTF supervision	4	4
	Expenditure on AML/CTF supervision	£378,244.84	£367,228.00

4. Enforcement action

4.1 Please provide an explanation if any data required in Table 4 is not available.

Not applicable.

4.2 Please provide an explanation if any data provided in the 2020/21 column in Table 4 differs to your last HMT return.

Not applicable

4.3 Please provide any caveats you feel are appropriate to help us understand the data provided in Table 4 (do not input text in the tables).

*AAT does not suspend membership. AAT is afforded the powers of Expulsion under the [Disciplinary Regulations](#) along with a number of other measures afforded to the decision maker within the [Indicative Sanctions Guidance](#) to address non-compliance.

Alternatively, the [Licensing Regulations](#) allows for a quick resolution of terminating a license (and membership) for the more serious cases where the member is identified as not complying with the laws, regulations and standards and fails to provide any reassurance they will comply moving forward.

Fines imposed on professional members trading without AML registration along with any licensed members submitting to follow-up activity at their own cost as a regulatory measure. There were ten follow-up reviews charged back to the licensed member in this period.

AAT published an updated version of the *Indicative Sanctions Guidance* document in May 2021, which now includes a new schedule of suggested financial penalties to consider imposing for AML related breaches as well as other public interest matters. The sanction revisions agreed by the Professional Regulations Standards Compliance Board (PRSC) and subsequently AAT’s Council also included a significant increase to the upper financial limit to £10,000 for serious matters such as “Conviction involving dishonesty, breach of trust or money laundering.”

AAT received one appeal in respect of a decision taken to terminate their AML supervision (this case is captured in the membership cancelled figure and invalidated by disciplinary measures in table 1). The appellant was subject to a practice assurance visit and subsequent follow-up review and was found to be non-compliant, specifically with the money laundering requirements in force, at each visit. The appeals committee convened on 30 June 2021 and the appeal was dismissed on the reasoning that: “*The MLR are an important set of requirements that contribute to protecting the public against criminals and adherence with the MLR contributes to the public interest in having safe and professional accountancy services available to members of the public. It was an understandable decision and one that was reasonable, especially in circumstances where the Appellant had failed to meet his obligations in an important area of practice over a protracted period and continued not to meet all his obligations.*”

4.4 If possible, please provide a case study of your enforcement action in the relevant period.

Case study at [Appendix 3](#).

Table 4: Enforcement Action			
	Data required: <i>Please provide a number and no text. Use the questions to provide context for the data.</i>	Relevant period <i>(6 April 2021 to 5 April 2022)</i>	2020/2021 <i>(As reported in your last HMT return, if applicable)</i>
Disciplinary measures for contraventions of the Regulations <i>Please only include fines, membership suspension/cancellation and other disciplinary action taken as a result of breaches which are related to AML/CTF, and/or contravention of the Money Laundering Regulations.</i>	Membership cancelled	14	18
	Suspension of membership	0*	0
	Number of fines on relevant persons and total sum	44 [£43,346.00]	32 [£27,620.00]
<i>If possible, please provide enforcement figures for relevant persons acting as TCSPs</i>	Membership cancelled	7	
	Suspension of membership	0*	
	Number of fines on supervised persons and total sum	10 [£25,048.00]	
Other Disciplinary measures	Membership cancelled	5	4

<i>Please include disciplinary measures taken which are unrelated to AML/CTF</i>	Suspension of membership	0*	0
	Number of fin es on supervised persons and total sum	10 [£17,091.00]	11 [£5,521.00]

5. Information and Intelligence

5.1 How do you cooperate with other supervisory authorities, the Treasury and law enforcement, including the sharing of information?

Staff across the organisation engage with other supervisory authorities, and HMT and law enforcement agencies to direct, support and assist in combatting economic crime. Below is a list of the boards, committees, forums and working groups that AAT attends:

- AAT is an engaged member of both the Accountancy AML Supervisors Group (AASG) and Anti-Money Laundering Supervisory Forum (AMLSF) focusing on sector specific issues arising in relation to AML/CTF obligations arising either for members of the regulated sector as supervised, or supervisors themselves. Maintaining excellent working relationships with these groups has enabled collaboration with other supervisors both within the accountancy sector and the wider private sector.
- AAT is a contributing member of the FCA Shared Intelligence Service (SIS) enabling it to fulfil the information sharing standards expected of an Anti-Money Laundering supervisory body. The system is checked regularly to ensure no adverse intelligence has been recorded in respect of members applying to hold a practising licence and AML supervision with us. AAT also contributes to the intelligence system with our own regulatory matters to assist other bodies with their own supervisory strategies.
- AAT is a member of the AMLSF Intelligence Sharing Expert Working Group who are responsible for improving intelligence sharing between accountancy sector professional body supervisors, anti-money laundering statutory supervisors and law enforcement agencies. They produce accountancy-specific summaries of JMLIT alerts for circulation throughout the profession.
- AAT has taken part in HMT/OPBAS roundtable meetings for Professional Body Supervisors and one-to-one briefings with law enforcement agencies on specific areas of shared interest.

5.2 Outline your policy and procedure for intelligence sharing with other supervisors and law enforcement agencies including details of any secure systems used.

AAT shares intelligence and information in various ways, including the exchange, by default, of all raw intelligence, as well as methods and techniques related to the acquisition of such intelligence. Some examples are outlined below.

- AAT shares intelligence with other supervisory authorities or professional bodies and the appropriate MLR gateway must be provided in any information exchange. These exchanges are primarily to ensure all firms are appropriately supervised, and to ensure

that any mutual members are unable to take advantage of moving between professional bodies to avoid any monitoring activity or enforcement action.

- AAT provide HM Treasury with a list of all licensed members who are approved to offer *Trust or Company Services* for inclusion on the Register of Trust or Company Service Providers register of all relevant persons. The information is shared with HMRC using their workspace e-room as agreed in the Memorandum of Understanding (Process). AAT is required to keep this register up to date with any changes.
- AAT is member of the FCA Shared Intelligence Service (SIS) enabling it to fulfil the information sharing standards expected of an Anti-Money Laundering supervisory body. SIS is an internet-based flagging database used by organisations for vetting of individuals and firms. Primarily AAT uses the database as part of the licence and AML application process but also uploads any action taken or sanctions imposed to assist other supervisors.
- As part of AAT’s regulatory process, whether it be disciplinary investigation or a fit and proper assessment case, if a licensed member is expelled or a licence is terminated, in addition to the SIS outlined above, HMRC as the default AML supervisor and the Agent Maintainer team are also notified of the cessation of AAT’s supervisory role.
- Relevant AAT staff members have been given clearance and access to secure CJSM systems for information sharing.

5.3 Please provide an explanation if any data required in Table 5 is not available.

Not applicable

5.4 Please provide an explanation if any data provided in the 2020/21 column in Table 5 differs to your last HMT return.

Not applicable

5.5 Please provide any caveats you feel are appropriate to help us understand the data provided in Table 5 (do not input text in the tables).

There were no outgoing referrals to Law Enforcement agencies in this period under regulation 66, 67 or 68 but AAT provided intelligence to crime agencies respect of two members under investigation for money laundering and/or fraud charges. Additionally, 316 exchanges were made with other professional bodies, the default supervisor HMRC and the FCA in respect of intelligence requests (incoming and outgoing).

Table 5: Information and Intelligence			
	<u>Data required:</u> <i>Please provide a number and no text. Use the questions to provide context for the data.</i>	<u>Relevant period</u> <i>(6 April 2021 to 5 April 2022)</i>	<u>2020/2021</u> <i>(As reported in your last HMT return, if applicable)</i>
Information requests	Information requirements issued under Regulation 66	0	0

	Information requests in support of other foreign authorities under regulation 67	0	0
	Requests to foreign authorities under regulation 68	0	0
Suspicious activity disclosure to the NCA (Regulation 104(4))	Disclosures submitted by the supervisor to the NCA under Part 3 Terrorism Act 2000	0	0
	Disclosures submitted by the supervisor to the NCA under Part 7 (ML) or 8 (investigations) of the Proceeds of Crime Act 2002	1	3

Anti-Money Laundering

AAT's Risk assessment framework and Supervisory Methodology

Contents

1. Introduction.....	3
2. Scope and applicability.....	3
3. Purpose and objectives.....	3
4. Roles and responsibilities.....	3
5. Supervisor implemented controls	4
6. Approach	5
7. Risk assessment methodology	6
8. Supervisory methodology	10
9. Conclusion.....	10
10. Monitoring and audit.....	10

1. Introduction

1.1. As a result of using this framework, AAT expects:

- improved effectiveness of AML systems and controls within the supervised population
- to adopt best practice, in support of AAT's role as a financially sound charitable organisation, and as an anti-money laundering (AML) supervisor
- risk-based and proportionate targeting of firms for supervisory compliance activity
- increased public confidence in the effectiveness of AAT firms in complying with Anti Money Laundering legislation.
- To support AAT's public objective to prevent crime and to promote the sound administration of the law for the public benefit

2. Scope and applicability

2.1. This policy applies to all those working in the organisation, in whatever capacity. A failure to follow the requirements of the policy may result in investigation and management action being taken as considered appropriate. This may include formal action in line with the organisations disciplinary or capability procedures for employees; and other action in relation to other workers, which may result in the termination of an assignment, placement, secondment or honorary arrangement.

3. Purpose and objectives

- 3.1. AAT's objective is to ensure that as a supervisor under the Money Laundering Regulations 2017, the organisation is targeting its resources and interventions proportionately to mitigate the risks that AAT firms are used by criminals to launder the proceeds of crime. Where shortcomings are identified, AAT will evaluate the seriousness of the shortcoming to determine remedial action, and how the firm should be held to account for its failings.
- 3.2. This Anti-Money Laundering (AML) risk assessment framework sets out the methodology used by AAT which is to:
- identify and target resources towards ensuring AAT firms (including sole practitioner businesses) are compliant with their responsibilities under the Money Laundering Regulations 2017; and
 - focus supervisory resources towards high-risk firms.
- 3.3. This framework operates alongside existing professional standards processes. This includes conducting reviews on a random selection basis with the aim to ensure that non-compliant members not deemed as high risk by virtue of the AML risk assessment framework are identified
- 3.4. AAT considers this framework sufficient to address the wider risks identified in the sector risk assessment.

4. Roles and responsibilities

- 4.1. AAT's Council is ultimately accountable for AAT's AML supervisory activity. Responsibility for supervisory activity has been delegated to the Professional Standards team through the Scheme of Delegation.
- 4.2. This team has the primary responsibility for the development and delivery of risk-based compliance monitoring and enforcement action. This activity is informed by this risk assessment framework and includes:
 - analysis of data provided by firms in an annual return
 - a determination as to action (if any) required as a result of information provided
 - monitoring reviews
 - enforcement action (where appropriate).

5. Supervisor implemented controls

Fit and proper assessments

- 5.1. AAT conducts fit and proper assessments at the earliest opportunity on all professional membership and licence applications. As a supervisory body under the Money Laundering Regulations, AAT takes its responsibilities seriously, particularly to ensure that professional accountancy services are not exploited by those involved in serious organised crime to launder their criminal proceeds. Additionally, AAT members must be able to demonstrate they can manage their financial affairs properly to promote public confidence in the accounting profession.
- 5.2. AAT has a robust approach to the assessment of the fit and proper status of applicants and considers the following risk indicators:
 - Criminal convictions
 - Insolvency
 - Civil sanctions
 - Disciplinary sanctions of other professional bodies
- 5.3. Each of these assessments is supported by its own policy which indicates the factors which AAT considers in determining whether an applicant is a fit and proper person to hold membership. Where an individual is not considered a fit and proper person, then they are refused membership and/or a practising licence.
- 5.4. Fit and proper status is tested each time an individual's membership status changes and members are required by virtue of AAT's regulations to disclose any change to their fit and proper status within 30 days of its occurrence. This seeks to ensure that unsuitable individuals are debarred from providing accountancy services to the public through AAT's licensing regime.

Qualification

- 5.5. AAT members have successfully completed a regulated professional qualification. This demonstrates that they have the required knowledge and understanding of operating proficiently as an accountant and are therefore well equipped to identify accounting issues.

Criminality check requirement

- 5.6. Before approving a licence application (including licence reinstatements) where AAT will be the supervisory authority, all members must demonstrate they do not have any unspent relevant criminal convictions as defined by Schedule 3 of the MLR by providing a basic disclosure certificate. The basic disclosure must have been obtained within the last three months from the date of submission. Any applicant who is subject to an unspent criminal conviction for a relevant offence will not be granted a licence.

Code of Professional Ethics

- 5.7. AAT members are required to comply with AAT's *Code of Professional Ethics*, which is based on international ethics standards as developed by the International Ethics Standards Board, the global standard setter for ethics standards for the profession. This requires members to act professionally in compliance with laws and regulations. Where AAT members do not, they are robustly held to account through AAT's Disciplinary Regulations.

AML Diagnostics

- 5.8. Before approving a licence, AAT requires all members to demonstrate their knowledge and understanding of their obligations under AML legislation. This ensures that members operating with an AAT licence have a fundamental awareness of their obligations and a platform upon which to build their policies and procedures accordingly.

CPD

- 5.9. All AAT members are required to keep their skills and knowledge up to date in accordance with AAT's CPD policy. AAT's Licensed members are required to comply with enhanced CPD requirements, which enshrine into AAT's own regulations the training requirements set out in the Proceeds of Crime Act 2002.

6. Approach

- 6.1. Against the backdrop of the risk controls highlighted in section 4 above, AAT uses the following three steps in taking a risk-based approach to supervisory activity:

a) Threat assessment

- 6.2. This is an evaluation of the threats facing Licensed members in respect of Anti Money Laundering compliance. This assessment is based on a number of factors, including:
 - National Risk Assessment
 - Supervisor led intelligence, gleaned from the Anti Money Laundering Supervisors Forum
 - Feedback from firms

- 6.3. Each of the threats identified is scored using the same risk assessment methodology set out below, albeit the measures are applied differently, reflecting on the broader overview.

b) Firm profile analysis

- 6.4. AAT requires firms to provide information annually. This information includes broad firm demographics and specific questions on AML compliance. This information is evaluated in the context of the identified threats using the risk methodology which AAT has developed to assess the firm's risk exposure.

c) Risk-based supervisory response

The firm profile analysis translates into four potential outcomes:

- No further action
- AML specific desk-based monitoring
- Practice Assurance review
- Disciplinary investigation

7. Risk assessment methodology

- 7.1. AAT assesses risk using the following formula:

$\text{Likelihood} \times \text{Impact}^2$
--

- 7.2. To ensure that supervisory intervention and resource is targeted towards firms vulnerable to more significant risks by virtue of their profile, the weighting has been increased towards the impact over likelihood.

- 7.3. Each of these is scored using a 1-5 scale, and determined as follows:

a) Likelihood

- 7.4. The likelihood is the assessment of how probable it is that a firm would be exploited by criminals for money laundering.

- 7.5. For example, likelihood could increase where:

- a firm offers high-risk services (Tier 1 of Licensing policy)
- a firm holds clients' money
- a firm has clients who it has engaged with on a non-face to face basis
- a firm deals with Politically exposed persons (PEPs)
- a firm indicates through its annual return that it has gaps in its AML policies and procedures.

7.6. That probability is measured using the following table which considers the likelihood of occurrence as a percentage.

LIKELIHOOD		
Score	Description	Likelihood of occurrence
5	Highly probable	>60%
4	Probable	41-60%
3	Possible	21-40%
2	Unlikely	5-20%
1	Rare	<5%

- All questions/answers provided in AAT's AML return will be given a risk score rating of 1-5 (1=Rare 2=Unlikely 3= Possible 4= Probable 5=Highly Probable).
- To determine the likelihood an average must be calculated from the likelihood indicators that are present.
- Once the average has been determined each risk rating is given a likelihood of occurrence percentage (Rare= <5% , Unlikely- 5-20%, Possible 21-40%, Probable 41-60%, Highly Probable > 60). For example, if from a firm's response they have scored an average risk rating of 4 **(probable)** on their AML return, then this would see the likelihood of occurrence as being **41-60% probable** that the firm may be exploited.
- On the other hand, if a firm provides low-risk services, and if no likelihood triggers are evident from the firm's assessment response, then the likelihood will be considered to be on average lower and given a rating of **<5 (Rare)** or **(unlikely) 5-20%**.
- Any firm indicating gaps in its AML policies and procedures will automatically be considered highly probable in terms of the likelihood of exploitation by criminals.
- The percentage taken from the likelihood of occurrence will be taken and applied to the AAT risk matrix below once the impact has been assessed.

b) Impact

- 7.7. Impact refers to the extent of harm that could materialise as a result of the characteristics of the firm. This information is gleaned from a combination of information provided by the firm, as well as information gleaned from third parties.
- 7.8. In assessing the impact that a firm's profile might expose it to risks of Anti Money Laundering, AAT has identified several factors which influence the extent of the impact.
- 7.9. These are:

i.) Firm

- 7.10. There are a number of factors to consider when evaluating impact for the overall firm. This includes if the firm structure is complex, driven by tax benefits or clearly designed to obfuscate ownership. As well as assessing the firm's financials with that of reliance on clients, i.e. are they dependant on one high net worth client or a few clients. AAT recognises that firms must expend resources on their AML compliance, but also that an increase in staff numbers and offices increases the vulnerabilities in a firm and therefore the potential for the firm to be used for money laundering.

ii.) Clients

- 7.11. There are a number of client factors that would automatically elicit a higher impact score in assessing a firm's risk of exploitation for money laundering. At the highest end of the scale are international politically exposed persons who seek to extract proceeds of corruption from their countries. At the lowest end of the scale are legitimate clients operating in low-risk areas, using the firm's services for legitimate means. Assessing the specific risks of clients is the responsibility of the firm, but in understanding the profile of a firm's client base, AAT can evaluate the appropriate level of supervisory intervention necessary to ensure compliance.

iii.) Services Offered

- 7.12. AAT has evaluated the services offered by its members and categorised them into four different tiers, with Tier 4 services indicating those considered to present the lowest risk of exploitation to money laundering, through to Tier 1, which details the services presenting the highest opportunity for exploitation by a money launderer. Members are also asked (where applicable) about their compliance with AAT's Clients' Money policy, firms who do not have money held in an appropriate bank account (on trust) will present a higher risk of harm.

iv.) Geographical reach

- 7.13. Firms with face to face contact in their local geographic area can gain more meaningful information about the clients with whom they are interacting. The further away a client is from the firm, the more opportunity there is for the client to disguise a criminal agenda, and the more challenging it will be to conduct adequate ongoing monitoring. The risk is exacerbated further by international dealings

v.) Intelligence

7.14. AAT will consider intelligence gathered on firms to determine the level of risk associated with a firm. The more relevant the source of information and the proximity to a money laundering or terrorist financing issue, the higher the potential impact that may materialise.

7.15. The scoring indicators across all categories are identified in the table below:

Score	1	2	3	4	5
Impact type	Minor	Limited	Moderate	Major	Critical
Clients	Less than five clients, all of whom are known to the firm and considered low risk by its own risk assessment	Up to 100 clients, and//or less than 25% are non-face to face engagements	Over 100 clients and/or over 25% of engagements are non-face to face.	All clients are non-face to face	Firm deals with politically exposed persons/persons with links to high-risk jurisdictions
Services offered	Tier 4	Tier 3	Tier 2	Tier 1	The firm is criminally complicit in money laundering/terrorist financing
Geographical reach	Localised clients with face to face contact	Regional clients with face to face contact	National clients with non-face to face engagement	International clients	The firm is dealing with high-risk jurisdictions
Intelligence	No intelligence received	Unrelated complaint	Third-party referral indicating poor compliance behaviours	Criminal referral of information indicating unwitting/negligent involvement in serious organised crime	An ongoing criminal investigation into complicity with serious organised crime
Staff resources	Sole trader	1-5 employees and/or sub-contractors AND a single-site operation	6 or more employees AND a single site firm	Network firm with offices across the UK	Global network firm

7.16. Each of the scores in the five categories is totalled, and then the average calculated to give an overall score for impact. This score is then fed into the overall risk assessment as is described below.

c) Overall score

7.17. The following table demonstrates how the scores equate to AAT's assessment of its firms:

Likelihood of Risk Occurring	HIGHLY PROBABLE (5) >60%	5	20	45	80	125
	PROBABLE (4) 41-60%	4	16	36	64	100
	POSSIBLE (3) 21-40%	3	12	27	48	75
	UNLIKELY (2) 5-20%	2	8	18	32	50
	RARE (1) <5%	1	4	9	16	25
		1- Minor	2-Limited	3-Moderate	4- Major	5- Critical
Impact of risk						

7.18. The weighting towards the impact over the likelihood ensures resource is focused towards higher risk firms. For example, where a firm has a likelihood rating of 5-20 % (Unlikely) and an impact of 3 (Moderate) this would represent a risk rating of 18. This risk score will feed into the supervisory methodology described below.

8. Supervisory methodology

8.1. The risk score identified based on the analysis of firm information translate into the following risk-based supervisory responses:

Risk Rating	Score	Resulting action
RED HIGH RISK	5	50+ Prioritised practice assurance review, unless this review has already been conducted in the past three years, in which case follow up action by telephone OR Disciplinary action where risks are not being adequately managed by the firm.
AMBER MEDIUM/HIGH RISK	4	20-49 Any immediate queries addressed through internal PA review case processes. Feeds into practice assurance review programme if not previously reviewed within the past five years.
YELLOW MEDIUM/LOW RISK	3	5-19 Monitor annual returns for changes of status.
GREEN LOW RISK	2	1-5 No further action required

9. Conclusion

9.1. The methodology set out in this document outlines how AAT uses a risk-based approach to inform its supervisory activity. The resulting actions all form the basis of other processes delivered by AAT's Professional Standards team in accordance with the requirements of AAT's regulatory framework.

10. Monitoring and audit

10.1. The organisation will regularly monitor and audit its Risk assessment framework and Supervisory Methodology for compliance with this document.

10.2. The audit will:

- identify areas of operation that are covered by the organisation's policies and identify which procedures and/or guidance should comply with the policy
- follow a mechanism for adapting the policy to cover missing areas if these are critical to processes, and use a subsidiary development plan if there are major changes to be made
- set and maintain standards by implementing new procedures, including obtaining feedback where the procedures do not match the desired levels of performance
- highlight where non-conformance to both the policy and record-keeping guidance is occurring and suggest a tightening of controls and adjustment to related procedures.

10.3. The results of audits will be reported to the PRSC.

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APPENDIX 2 – SUPERVISORY ACTIVITY CASE STUDY

The Case

The AML helpline received a telephone enquiry from an AAT licensed member who had suspicions around a client's behaviour. They contacted AAT for advice and guidance on what they should do. The enquiry in summary:

A previous client is on CIS scheme. On completing their tax return, the client was unhappy with the calculated tax liabilities. The client advised me not to submit the return to HMRC. After discussing the return with the client and not being able to reach an agreement, I informed them that I wouldn't be submitting the return to the authorities and disengaged. However, when logging into HMRC online platform to remove agent access, I noticed the client has since submitted the tax return but showing a large refund that I know is not correct.

This behaviour subsequently left our member in a position of suspecting or having reasonable grounds for knowing or suspecting money laundering / their being an offence under POCA. The member was also concerned that they / their firm might be inadvertently associated with this return, which they believe contains false information.

Relevant guidance

Section 160.9 of the Code of Professional Ethics states: *When a member learns of a material error or omission in a tax return of a prior year, or of a failure to file a required tax return, the member has a responsibility to advise promptly the client or employer of the error or omission and recommend that disclosure be made to HMRC. If the client or employer, after having had a reasonable time to reflect, does not correct the error, the member shall inform the client or employer in writing that it is not possible for the member to act for them in connection with that return or other related information submitted to the authorities. Funds dishonestly retained after discovery of an error or omission become criminal property and their retention amounts to money laundering by the client or employer. It is also a criminal offence in the UK for a person, including an accountant, to become concerned in an arrangement which he knows or suspects facilitates (by whatever means) the acquisition, retention, use or control of criminal property by or on behalf of another person.*

Supervisory Intervention

Setting out the *Money Laundering Regulations* and CCAB guidance, the member was advised that based on the circumstances divulged, AAT's advice is that they must consider filing a SAR with the NCA and that if they have any 'knowledge' or 'suspicion' of money laundering activity / proceeds of crime and fails to make a SAR, they will also be committing an offence. The member was also advised to consider notifying HMRC she is no longer acting as client's agent and that HMRC should not rely on any returns completed by her in respect of the client.

The member was advised on how to raise a quality SAR and signposted to the relevant online NCA reporting pages and AAT's [Knowledge Hub](#) for further support on submitting an effective report.

Tipping Off – the member was reminded to ensure that they must not discuss the SAR with the ex-client or any third parties, as they could be found guilty of the offence of "tipping off" in accordance with the Proceeds of Crime Act 2002 (POCA).

Further monitoring and outcome

The member engaged with the advice given and understood the obligation to report this to the relevant authorities as soon as possible. They were invited to contact the AML helpline should they require any further guidance or support on this dilemma or the general AML requirements.

APPENDIX 3 – ENFORCEMENT ACTION CASE STUDY

The Case

AAT carried out an on-site practice assurance review of a member's firm after their annual AML return indicated the risk score for the primary accountancy firm was medium/high risk. The member's other bookkeeping firm was also considered medium/low risk. A further risk indicator for selection was the prior disciplinary action against the member for providing accountancy services to the public without being registered with a supervisory authority for the purposes of Anti Money Laundering.

The review found significant breaches of the requirements of the Money Laundering Regulations (MLR), namely:

- Failure to have in place adequate Anti Money Laundering policies, procedures, and controls.
- Failure to carry out and/or record an adequate firm-wide money laundering risk assessment.
- Failure to apply adequate risk-based client due diligence and ongoing monitoring measures in respect of one or more clients.
- Providing TCSP services outside the scope of his AAT bookkeeping licence.
- Acted in contravention of AAT's *Clients' Money policy* by receiving and/or holding client monies in his firm's bank account.

Supervisory Intervention

As a supervisory authority under *The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017* ("MLR 2017"), AAT has a duty to effectively monitor the relevant persons for which it is the supervisory authority and take necessary measures for securing compliance by such persons with the requirements of the MLR 2017.

In light of the report findings, AAT issued the member an action plan, outlining the issues found and requested the member provide evidence as to the steps taken to comply with the MLR. The member subsequently addressed the actions and therefore AAT closed the practice assurance review in September 2021. The member was put on notice that further enforcement action would be necessary under the *Disciplinary Regulations* to address the breaches of the MLR (and other adverse practice management matters identified during the review).

Following a full investigation, the Investigation Team found the member guilty of misconduct in that his *professional or personal conduct, was found to be in breach of the Code of Professional Ethics and to have posed a risk to the public or was likely to undermine public confidence in the Association or its members.*

The member became subject to the following sanctions:

- A severe reprimand for 36 months.
- A monetary penalty of £4,000.00.
- A warning on future conduct.

Further monitoring and outcome

The member positively engaged with AAT's intervention and submitted to the penalties imposed. No further action required as the member is now deemed to be compliant with the MLR, although subject to an active sanction until 2025.