

INSTITUTE OF CERTIFIED BOOKKEEPERS



**ANTI-MONEY LAUNDERING SUPERVISION ANNUAL REPORT
(6th APRIL 2020 – 5th APRIL 2021)**

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1. A message from Board of ICB

The Institute of Certified Bookkeepers (ICB) was established to ensure that bookkeepers were held to the same high standards as the accountancy profession. It was the view of the Founders of ICB that the profession, dominated as it was by the highly respected Chartered accountancy bodies, had failed to expect the same high standards from bookkeepers, most of whom did not aspire to become accountants but who, none the less, were providing a crucial support service to the UK's micro and small businesses and who wanted strong leadership that fought for their recognition within the profession for the crucial role that they play.

Fuelled by the desire to bring bookkeepers into the professional arena and supported by the profession and the government of the day, ICB was formed in 1996 and set about radically changing the way that bookkeepers were viewed. It introduced an examination syllabus that was based on the needs of small business and set a series of examinations that were tough but relevant, and tested the competence, understanding and ethical values of people wanting to enter the profession.

The Founders of ICB and their Founding Head of Professional Standards, lobbied HM Treasury directly on the important role of the professional bookkeeper and the vital link that ICB could provide in the anti-money laundering chain. ICB was appointed as an AML Supervisor in the 2007 Money Laundering Regulations (MLR2007). ICB this year celebrates its Twenty-fifth anniversary, so for almost half of its existence it has been an AML Supervisor and regards this appointment as a defining moment for it and the profession.

In early 2011, ICB became the first Supervisor to appoint to its main Board a former SOCA officer as dedicated Director of AML Compliance. Building on this success, ICB was the first Supervisor, and possibly remains the only Supervisor, to appoint a former Police illicit finance officer as its Director of AML Compliance, and to appoint only former Law enforcement officers as its Investigations and Intelligence Officers and its Inspectors. This huge wealth of experience from people who know what money laundering looks like and what to look for, has been a major success and provides comprehensive, practical support to ICB members in a language that they understand.

ICB maintains an extremely strong and focused belief in the importance of the AML and firmly believes that this attitude and focus permeates the whole organisation and extends beyond money-laundering to broader ethical decisions that they face,

including fraud and tax evasion. The ICB commitment is further evidenced by its decision to create a bespoke online Risk Assessment and Due Diligence software system that assists members to properly identify client risk but also, by making use of the system mandatory, provide the ICB AML team with an unrivalled tool to help it assess, on a risk-sensitive basis, when members need help, additional guidance and training, or are ignoring or not properly understanding their obligations. The ICB AMLOnline system is a live, interactive source of up-to-the-minute information and alerts to potential problems or risk, rather than relying upon an annual self-certification or assessment.

The introduction of the Office for Professional Body Accountancy Supervisors, (OPBAS) has been very helpful in providing a benchmark of expectation and ICB fully supports its objectives. OPBAS has certainly focussed the minds of the accountancy sector supervisors, with the result that ICB now has on-going dialogue with the other bodies and has a platform for sharing information and best practice. Although, in ICB's opinion, there remain small gaps in the effectiveness of the sector, with the ongoing support and direction of OPBAS, ICB is hopeful that these are being addressed.

The challenge to professional bodies, in the view of ICB, is in demonstrating that, in effecting a strong and effective AML regime, they are not ignoring their core values of members support and extending their influence and role within the business sectors. The introduction of an annual, public AML report from all Supervisors, will assure members that there is a consistent and considered approach across the whole profession and will demonstrate to the general business population that they can have confidence in the professionalism and integrity of the bookkeepers and accountants in whom they place their trust.

ICB believes that this report reflects the high priority that it places on the anti-money laundering effort and its commitment to ensuring that its efforts are not recognised simply as fit for purpose, but as best practice.

2. About Us

2.1 [The Institute of Certified Bookkeepers](#) (ICB) is the largest bookkeeping institute in the world. It promotes and maintains the standards of bookkeeping as a

profession through the establishment of relevant qualifications and the award of grades of membership that recognise academic attainment, working experience and competence.

2.2 In our role as a membership body, we provide ongoing support to members to ensure they are knowledgeable and up to date with the latest legislation, mindful of their ethical obligations, and best-placed to provide a trusted and exemplary service to business.

2.3 ICB Objectives:

- to promote bookkeeping as a profession
- to increase recognition for bookkeeping as an integral part of the financial profession
- to promote education and learning
- to enable the achievement of a recognised bookkeeping qualification
- to provide a trusted benchmark for the profession
- to improve the career prospects of ICB members

2.4 We believe that sound financial management can have a profound effect on society at a personal, professional, and global level. We are passionate about empowering students of all ages and backgrounds to learn new skills, find fulfilling employment or set up their own businesses. By creating a pool of highly qualified bookkeeping talent we endeavour to help business owners take control of their finances at the right cost and, in turn, support the economy as a whole.

2.5 All this is possible through demonstrating a high level of commitment to compliance ensuring that our supervised population are **Engaged, Educated,** and **Encouraged** to conform to the legislation but **Enforcing** when necessary.

3. Office For Professional Body Anti Money Laundering Supervision (OPBAS)

3.1 In January 2018, The [OPBAS Regulations 2017](#) gave OPBAS powers to ensure the Professional Body Supervisors (PBS) of which ICB is one, meet the standards

required by the [Money Laundering Regulations 2017](#) (MLR) and subsequent amendments.

3.2 The aim was to improve the consistency of Anti Money Laundering (AML) of the PBS.

3.3 OPBAS is housed within the Financial Conduct Authority [FCA](#) and its key objectives are to reduce the harm of money laundering and terrorist financing by:

- ensuring a robust and consistently high standard of supervision by the PBS overseeing the legal and accountancy sectors
- facilitating collaboration and information and intelligence sharing between PBS, statutory supervisors, and law enforcement agencies.

3.4 The [OPBAS sourcebook](#) provides guidance for PBS on how they can meet their obligations which ICB are fully committed to.

3.5 OPBAS has recently published their 3rd report of the findings from their 2020/21 supervisory assessments [Anti-Money Laundering Supervision by the Legal and Accountancy Professional Body Supervisors: Progress and themes from our 2020/21 supervisory assessments](#)

4.0 ICB Supervisory Obligations

4.1 ICB has legal obligations as a PBS and carry out these responsibilities in a fair and transparent way.

4.2 Our obligations include

Regulation 49 of the Money Laundering Regulations 2017 which requires a PBS to:

- make arrangements to ensure their supervisory functions are exercised independently of any of their other functions which do not relate to disciplinary matters (Regulation 49(1)(a))
- provide adequate resources to carry out the supervisory functions (Regulation 49(2)(a))

4.3 The MLR require anti-money laundering supervisors to adopt a risk-based approach. This aims to contribute to the creation and maintenance of a coherent and effective risk-based approach to anti-money laundering supervision by PBS.

4.4 Regulation 46(2)(a) of the MLR requires a PBS to adopt a risk-based approach to the exercise of its supervisory functions, informed by the risk assessments carried out under Regulation 17.

4.5 Regulation 17(1) of the MLR requires a PBS to identify and assess the international and domestic risks of money laundering and terrorist financing to which its own sector are subject. In doing so, it must, under Regulation 17(2), take into account:

- reports published by the European Commission under the Fourth Money Laundering Directive
- guidelines issued by the European Supervisory Authorities under the Fourth Money Laundering Directive
- the report prepared by the Treasury and the Home Office under Regulation 16(6)
- information made available by the Treasury and the Home Office under Regulation 16(8)

4.6 Regulation 17(4) requires a PBS to develop, and record in writing, risk profiles for each relevant person in its own sector. Regulation 17(5) says this may be a single risk profile for a cluster of its members, although, if so, Regulation 17(6) requires the appropriateness of that clustering to be kept under review. When preparing risk profiles, a PBS is required to:

- take account of the risks that relevant persons will not take appropriate action to identify, understand and mitigate those risks (Regulation 17(7))
- review the risk profiles developed at regular intervals and following any significant event or developments which might affect the risks (Regulation 17(8), where examples are listed)

5.0 Annual Reports by Self-Regulatory Organisations

5.1 ICB are required by Reg. 46A inserted (10.1.2020) by [The Money Laundering and Terrorist Financing \(Amendment\) Regulations 2019](#)

to publish an annual report containing the following in relation to their supervisor activity:

- measures taken by the self-regulatory organisation to encourage the reporting of actual or potential AML breaches

- the number of reports of actual or potential breaches received by that self-regulatory organisation
- the number and description of measures carried out by the self-regulatory organisation to monitor, and enforce, compliance by relevant persons with their obligations under the Terrorism Act 2000 (TA) and the Proceeds of Crime Act 2002 (POCA) and AML Legislation

5.2 This report is the first of its kind under the requirements of the legislation and will be publicly made available on the ICB website.

6.0 Our Membership

6.1 ICB has 3287 members who are supervised for money laundering and consist of:

- 961 Sole Traders
- 2236 Ltd Companies

6.2 There are 489 supervised members acting as Trust and Company Service Providers (TCSP) as defined in Regulation 12 and are as follows:

- 254 firms acting as TCSP
- 235 sole practitioners acting as TCSP

7.0 How We Supervise

7.1 Our primary goal is to ensure all our supervised members are conversant with their obligations in relation to the MLR. This in turn will ensure the following:

- compliance with the legislation
- identification of Money Laundering actors
- protection of their practice and reputation
- protection of the Accountancy Sector's reputation
- protection of ICB's position as an effective PBS

7.2 We achieve this through

- engaging
- educating
- encouraging and

- enforcing

7.3 Since the introduction of the MLR, bookkeepers in practice have been required to put in place certain controls to help them identify, prevent, and report money laundering offences.

7.4 Bookkeepers are required by law to be monitored by an Her Majesty's Treasury (HMT) appointed supervisory authority such as ICB and to put in place anti-money laundering controls and, specifically, to implement policies and procedures.

7.5 There are always challenges and expectations within any supervisory landscape however going through the process of designing frameworks, policy and strategy ensures that current and new challenges can be met and responded both effectively and in a timely manner. The structures and global reach of PBS means that there are no two organisations that have the same challenges in managing and policing the Money Laundering Regulations.

7.6 The diverse nature of our supervised population and helping them understand risk and their role in conforming to legislation and protecting their organisation is ongoing and fluid.

7.7 We started at the ground up looking at internal policies and procedures and then focusing on our members' organisations enhancing our communications framework to ensure staff and members knew about the stand and approach that the organisation was taking in relation to our obligations as a PBS.

7.8 Introducing, not only a reactive approach to supervision but proactively engaging with members and making full use of the supervisory tools to identify weaknesses in members' AML obligations. Whereas a reactive approach to risk has its place in the supervision of members it is important to understand the risk landscape through proactive investigation to capture all eventualities and eliminate such risks before they require a reactive approach.

7.9 Using open-source research, shared intelligence from other PBS and data analysis helps the ICB compliance team build a picture of the members and their practise to identify any risks or breaches of the MLR which in turn helps members in their change management process to reduce the impact from any identified risks. This ensures compliance with the legislation, identification of potential money laundering actors and reputational damage to the member, their practice, ICB and the wider sector.

8.0 Risk Based Approach to Compliance

8.1 The Money Laundering Regulations 2017 require anti-money laundering supervisors to adopt a risk-based approach (RBA) to its supervisory function which ICB promote and have adopted. This is supported and championed from board level down, with a dedicated director of compliance, intelligence researcher and inspectors covering all areas of the UK.

8.2 ICB focuses its AML resources where the risk of money laundering is greatest taking into account the findings of the [National Risk Assessment of Money Laundering and Terrorist Financing 2020](#) (NRA) and material provided by governmental and non-governmental bodies, therefore having the most effective impact.

8.3 The NRA is an assessment of ML and TF risks that impact the UK. It identifies that there remains a high risk of money laundering within the accountancy sector especially cash based and that professional services, such as those offered by bookkeepers, are an attractive vehicle to money launderers.

8.4 ICB's risk based approach focuses where the risks are deemed to be the highest to enable action to be taken to reduce the risk with the implementation of effective management and controls, carrying out thematic analysis on areas identified as potentially high risk, such as members providing trust and company services and payroll services.

8.5 Just as we encourage our members to know and understand their clients to understand risk it is equally important that ICB adopts the same principles with its membership. Knowing and understanding the landscape of our supervised members allows us to establish what the norm is then to identify the abnormal. This enables ICB to establish a risk-based approach to supervision and ensures the members have necessary controls in place to minimise risk.

8.6 One of ICB's principal tools for monitoring members' AML compliance is through its AML Online client risk assessment portal.

8.7 All members are required to input all their clients onto the system and to complete a template of relevant AML risk related questions regarding each of these clients. These questions are designed to assess the AML risk that each client poses by looking at the client's behaviour, geographical areas of operation, services provided, transactions and delivery channels, these questions mirror the provisions

of Regulation 18 (2) (b) of the MLR 2017 which a relevant person must consider when assessing their AML risk.

8.8 Their answers go through a series of algorithms and a risk score of High, Medium, or Low is generated. The member is required to manage the AML compliance of their client in accordance with this scoring. This information is enhanced further with data captured through our practice licence application and renewal process as well as through all other ICB interaction with the member.

8.9 The Intelligence and Investigations officer within ICB constantly reviews members' AML compliance and looks for any possible negative indicators through use of forums, social media, Companies House and any other open-source information and intelligence that might alert ICB to any issues that may impact their AML risk.

8.10 All this information is collated within the database and provides ICB with an AML Risk Profile for each member which is how we manage our RBA to supervision. The system also generates our AML risk reports which will indicate a possible AML risk within our members which can then be analysed by our compliance team.

8.11 ICB risk assessment of its members is a dynamic ongoing process and member risk is subject to constant change depending on underlying circumstances at a particular time as well as any activity or inactivity by them.

8.12 For instance, as members add or remove clients to AML online their risk profile also changes dependant on the risk attached to the client, if for example they were to add 4 high risk clients and remove 4 low risk clients their risk profile would be immediately raised in line with its riskier client base and would be visible to ICB. The ICB approach is unlike most other supervisory authorities who conduct an annual data collection exercise from which they allocate an AML risk rating on a given day each year.

8.13 AML online is monitored constantly by the ICB compliance team and follow up actions are taken where AML breaches are discovered through, telephone compliance inspections and compliance inspection visits which are carried out by our AML compliance inspectors. OPBAS have had an overview of ICB AML Online system and been shown how practice risk profiles are generated and fit into our risk-based approach to supervision as part of their PBS Supervisory Assessment process.

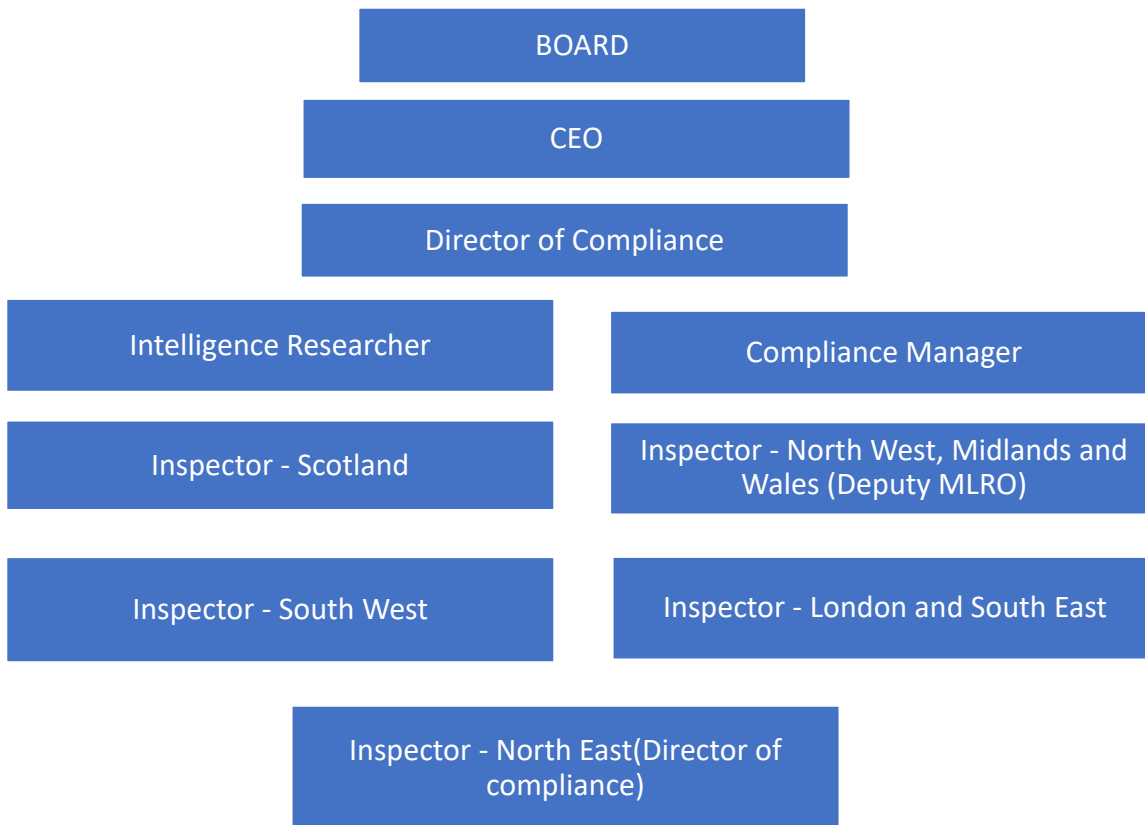
8.14 Members are also reviewed for compliance with ICB Professional Conduct Rules.

8.15 ICB will actively share any intelligence obtained with other PBS if it is deemed relevant and equally action any information provided by other PBS or law enforcement agencies.

9. Structure of Compliance Team

9.1 The AML compliance team during this reporting period was structured as below and has changed considerably for the current period which will be reported on in the next ICB annual report.

9.2 ICB have employed ex law enforcement officers both as employees and contractors to carry out these roles. They have vast experience investigating financial crime, serious organised crime, and corruption both within the UK and overseas. Their experience is not only invaluable when inspecting members and identifying AML failings but also to provide education and advice coupled with real life experience and case studies to add a sense of reality to members desk-based compliance.



10. The Inspection Process

10.1 Intelligence researchers initially review all data that is available to them to establish if the supervised member appears to be complying or otherwise with their obligations in relation to the money laundering legislation. If it is believed there are failings in their compliance, they are referred for inspection and a full intelligence review is conducted which is forwarded to the inspector who will carry out the inspection.

10.2 The inspector will contact the member and arrange a suitable time to carry out the inspection which will either be via telephone, Zoom or physically.

10.3 The inspection comprises a full review of the member's adherence to the legislation including a dip sample of client files. At the conclusion of the inspection the member will either be found to be compliant or non-compliant. Prior to January 2021 there was the additional category of general compliant, however it was believed that this was too subjective and to ensure consistency amongst the

inspectors and inspections this category was removed and if any of the legislation was breached a non-compliant outcome would be recorded. This was discussed with OPBAS who supported the amendment to our inspection process.

10.4 Once a member is found to be non-compliant the inspector will provide any number of actions for the member to complete and give a period in which to do so. Once all actions have been completed the member will be referred to the Director of Professional Standards for discipline proceedings in relation to the breaches identified.

10.5 Areas identified as good practice during inspection have been cascaded to other members during subsequent inspections and through our training mediums. Examples of good practise have been the development of systems to monitor CDD expiry dates therefore ensuring no CDD goes out of date, the sharing of training resources and examples of believed suspicious activity.

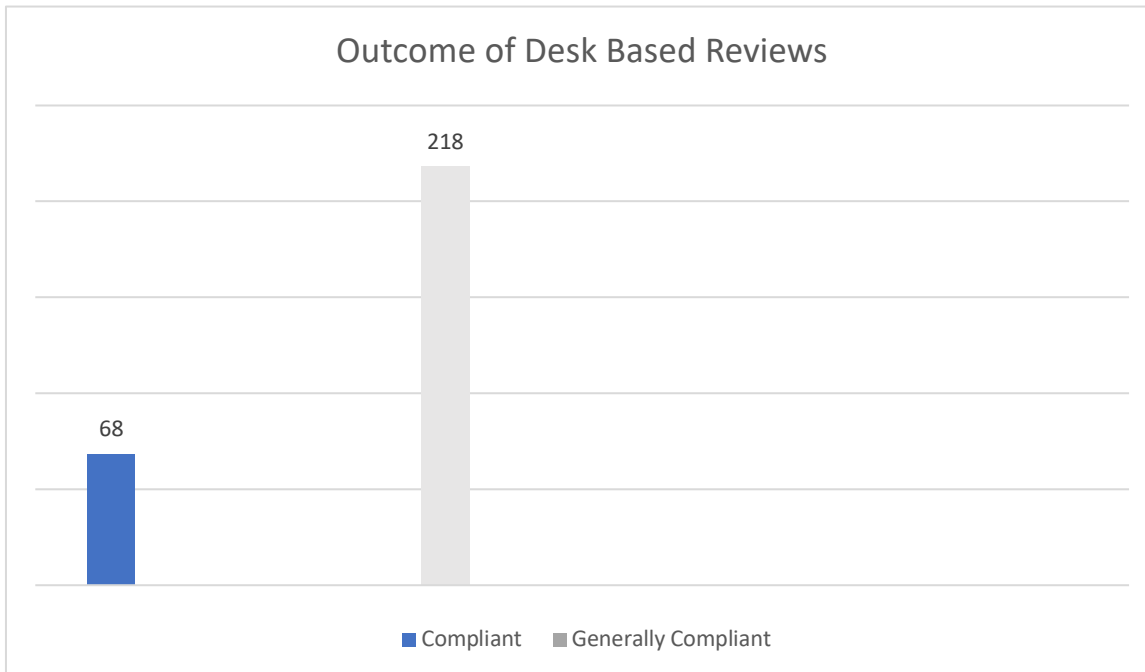
10.6 The below is a visual of the inspection process:

1. Review of Member's Compliance
2. Non Compliant Members Referred For Inspection (Telephone/Zoom/Physical)
3. Intelligence Research
4. Member Inspected
5. Compliant - No Further Action
6. Non Compliant - Action Plan and Referred to Director of Profesional Standards
7. Non Compliance Reviewed By Director of Professional Standards And Fine Levied.
8. Fine Paid or Appeal Lodged
9. Appeal Reviewed
10. Sanctions Board - To Ensure Consistency of Process

11. Enforcement Data

11.1 During the reporting period a total of 408 members were reviewed to establish their compliance with the MLR. During this process it was established who would be subject to a physical inspection.

11.2 A total of 286 Desk Based Review¹ were carried out on members during the reporting period with the following outcomes:

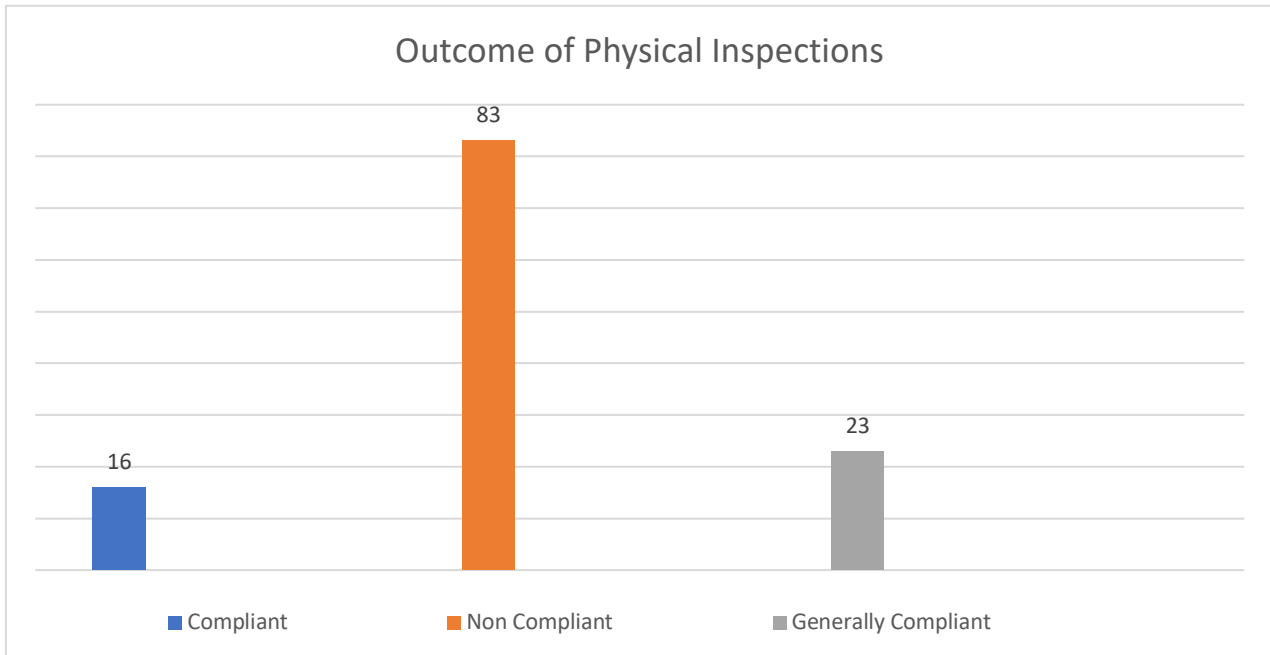


11.3 Those found to be generally compliant on desk-based review were resolved by formal actions other than fines.

11.4 A total of 122 Physical Inspections² took place in the reporting period with the following outcomes:

¹ HMT reporting standards state that - If a desk-based review then led to an onsite visit, count as onsite visit only. A desk-based review should make use of supervisory tools to achieve the same outcome as an onsite supervisory visit.

² Due to Covid 19 the majority of physical inspections were carried out via Zoom

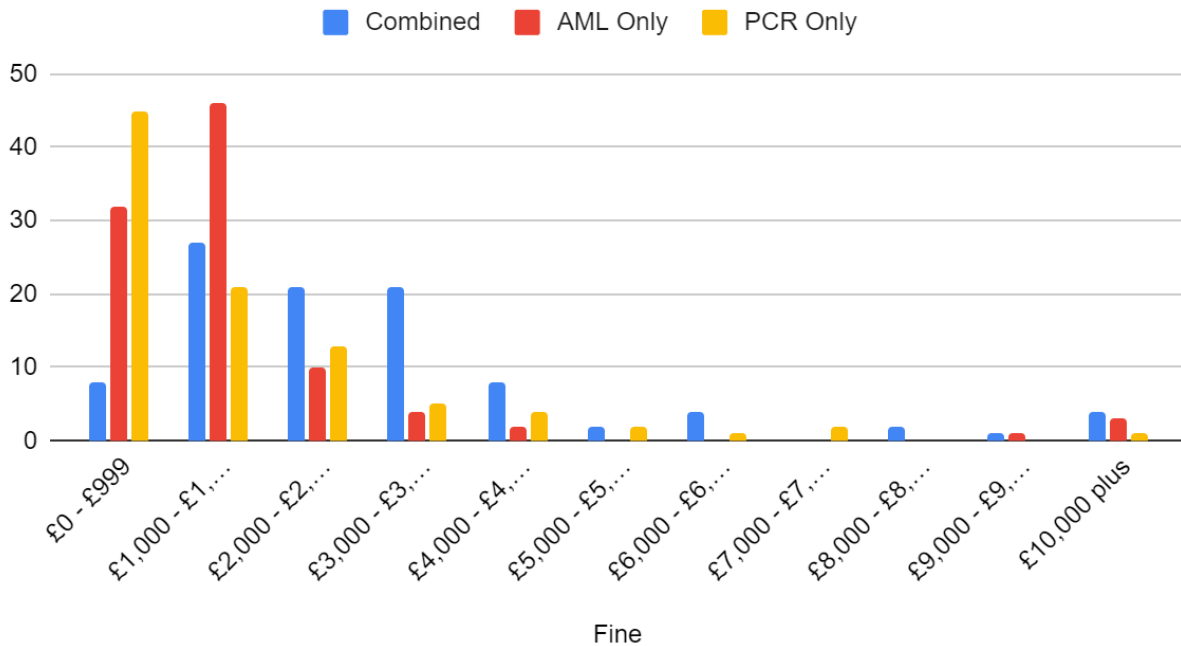


11.4 All members who were identified as being non-compliant or generally compliant were issued with an action plan for completion and dependant on the actions provided were reinspected. As previously mentioned since January 2021 the generally compliant rating has been removed from the inspection process and members are found either compliant or non-compliant.

11.5 ICB has wide ranging powers available under its professional conduct regulations as well as the powers conferred under the MLR 2017. We find that these are adequate to support our supervisory strategy at this moment in time.

11.6 Of the 106 members found to be non-compliant or generally compliant, on physical inspection, 8 were resolved with informal action and 98 with formal action by way of fines. These fines totalled £395,700 and ranged greatly with the vast majority under £4,000. Monies collected for breaches of AML regulations are required to be used by supervisors to fund their compliance efforts. 4 of these fines were for breaches of the AML regulations only. Far more often it was found members who were not compliant for AML were also in breach of the Professional Conduct Regulations. Details of individual fines levied can be found at **Appendix 4**

Breakdown of Fines Levied in Period



11.7 The main areas members were found to be non-compliant during the reporting period were as follows:

- 69% had not taken appropriate measures to ensure that its relevant employees had sufficient training relating to money laundering and terrorist financing and/or training records (Regulation 24)
- 64% had not completed an adequate practice risk assessment to identify and assess the risks of money laundering and terrorist financing to which its business is subject (Regulation 18)
- 54% failed to establish and maintain policies, controls and procedures to mitigate and manage effectively the risks identified in any risk assessment undertaken under regulation 18 (Regulation 19).

11.8 Thorough analysis of the findings of the common weaknesses following the inspection of members has enabled us to focus resources on these areas to target educational activity throughout the reporting period utilising webinars, branch meetings, and ICB TV to cascade training.

11.10 Members have at all times fully engaged with the inspection process and have provided positive comments in support as per **Appendix 1**

12.0 Suspicious Activity Reports (SAR)

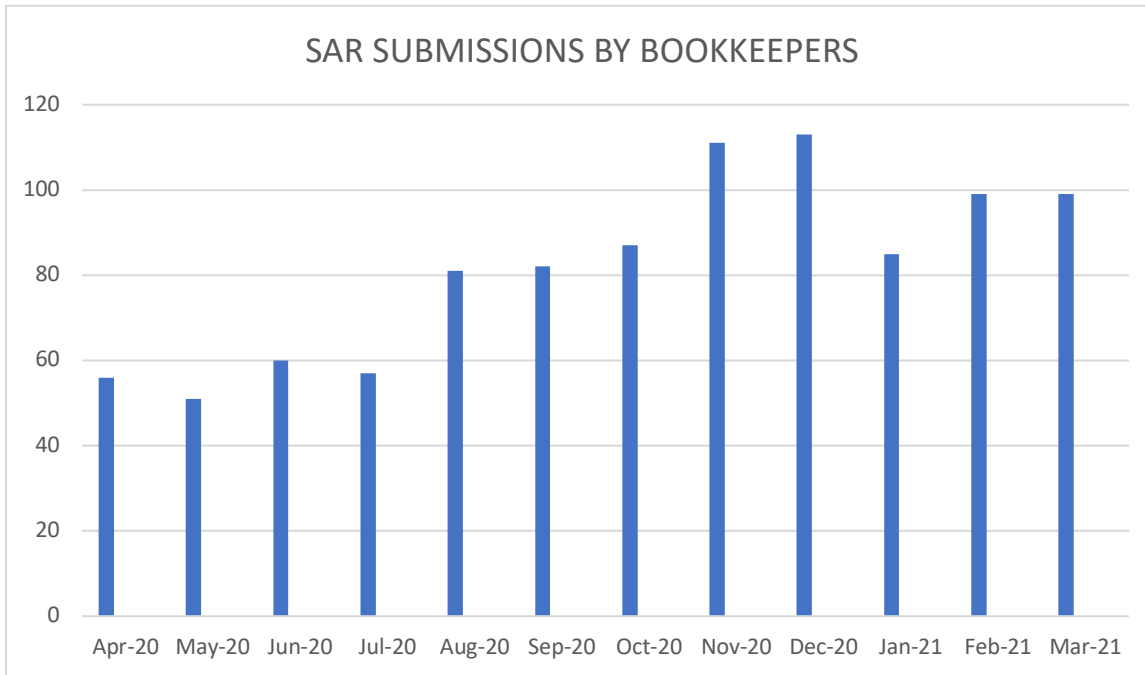
12.1 If during the course of our supervised member's business within the regulated sector they know or suspect that money laundering or terrorist financing has/is taking place they must submit a SAR to the UK Financial Intelligence Unit (UKFIU) which sits within the [National Crime Agency](#) (NCA). This will alert law enforcement agencies to potential instances of money laundering or terrorist financing.

12.2 Failing to submit a SAR in such circumstances is a criminal offence. Submitting a SAR not only ensures members conform to the legislative requirements but also protects their practice, staff, reputation, and profession as well as identifying possible offenders and assisting in the tracing of assets obtained through the money laundering process. The information provided may just be the missing piece of the jigsaw.

12.3 There has been considerable input from ICB for our members in relation to SARs with comprehensive material on our [website](#). The physical inspection process identified 87 of the 122 inspected had adequate knowledge of the SAR regime with the inspectors feeling confident that any suspicion would be identified and reported. Those who it was felt did not have the requisite knowledge were provided with the help and advice needed so as they have become confident with the regime.

12.4 The members who confirmed that they had submitted SARs provided commentary on the rationale for their suspicion with well thought out and recorded thought processes. Equally well recorded was rationale for any internal reports submitted to the Money Laundering Reporting Officer (MLRO) which were not subsequently reported.

12.5 The below sets out the number of SAR submissions to UKFIU from bookkeepers for the reporting period, this being 981 and has been broken down into months, this will enable further analysis to establish any potential factors in the financial calendar which may impact such submissions. As it is not known how many of these were attributed to ICB supervised members no meaningful analysis in relation to our membership can be carried out.



12.6 When UKFIU are in a position to provide submission figures for the ICB supervised population further analysis can take place to assist with any training requirements identified.

13. Whistleblowing

13.1 Regulation 46(2) of the Money Laundering Regulations 2017 requires a PBS to take effective measures to encourage its own sector to report breaches of the provisions of the Regulations to its supervisory body.

13.2 This is further reinforced in the OPBAS sourcebook which requires us to have whistleblowing arrangements in place to allow concerns to be raised through an independent channel able to protect the whistleblower's confidentiality.

13.3 ICB has a [dedicated whistleblowing](#) email address and telephone number for members to contact in confidence if they know or suspect a breach of the Money Laundering Regulations by a professional in the regulated sector. This dedicated means of contact provides a mechanism that allows a member's voice to be heard with all calls and emails directed to appropriate ICB staff who are trained in handling confidential information. ICB has standard operating procedures and policies in place to ensure that the information received is properly recorded and evaluated and, where the information is found to have substance, escalated. All information provided is dealt with in the strictest confidence and support and

guidance provided to those reporting. All such reports are thoroughly and objectively investigated, with action taken when appropriate.

13.4 Supervised members must not confuse the ICB whistleblowing line with their legal responsibility to submit a SAR to the National Crime Agency if money laundering is suspected. A SAR must still be submitted where there is the requisite knowledge or suspicion of money laundering even though a disclosure has been made using the whistleblowing line. Similarly, if a member has a complaint about the professional competence of, or treatment by, an ICB Bookkeeper which is not related to money laundering, this should be reported through the ICB Professional Conduct channels.

13.5 Four reports were made to the whistleblowing lines during the reporting period. On further investigation all four were identified as not whistleblowing issues, three were in relation to suspicious activity and the fourth was referred to HMRC Policing the Perimeter Team.

13.6 ICB has an ongoing education process in relation to whistleblowing and encourage members to use the confidential means of communication if they wish to report such matters.

ICB Whistleblowing telephone line
0203 405 7581
ICB Whistleblowing email address
confidential@bookkeepers.org.uk

14. Challenges

14.1 There have been some challenges during the reporting period which in the main can be attributed to the ongoing Covid 19 pandemic. This resulted in ICB having to adopt new working practices following the suspension of face-to-face onsite inspections. However, ICB embraced the technology available and was able to continue with the inspection process using Zoom. Whereas this medium can in no way replace the face-to-face physical onsite inspection it allowed ICB to continue to identify, throughout the pandemic, those members who were not conforming to the MLR and therefore reduce risk.

14.2 The actual number of physical inspections increased during the Covid restrictions from the last reporting period by 30, through using Zoom technology.

14.3 ICB also provided advice and assistance to members in relation to verification of new clients and the updating of existing client due diligence. This was together with advice in relation to Covid 19 fraudulent furlough activity.

15. The Future

15.1 Financial crime is evolving and changing, and we must remain dynamic and agile in our response. Strategy and legislation will need to change accordingly to stay ahead of the money laundering actor and to address new technologies as they emerge.

15.2 Comment has recently been made that:

“There is a sense that too many professional body supervisors have no appetite to enforce the regulations and are riven with conflicts of interest. There is also the concern that the money laundering supervisors do not meet the specific criteria for effective supervision laid out by the Committee on Standards in Public Life in 2016. Overall enforcement of the money laundering regulations appears, at best, to be patchy”³

15.3 Whereas this may be a valid observation, ICB has identified and understands this possible conflict of interest in policing its own membership, whom we want to encourage initially to become supervised members and remain as such whilst at the same time ensuring compliance with the obligations placed upon them by the legislation. This being not only to the ultimate benefit of the member, their practice, and clients but also to prevent our bookkeepers from being a safe haven for criminals to launder their criminal property.

15.4 The Open Consultation, Amendments to the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 Statutory Instrument 2022 closed on the 14 October 2021, invited views and evidence on the steps that the government proposes to take to amend the MLR. Any amendments that will be made will allow the government to make some time-sensitive updates to the MLR, which are required to ensure that the UK continues to meet international standards set by the Financial Action Task Force, whilst also strengthening and ensuring clarity on how the anti-money laundering regime

³ [https://hansard.parliament.uk/lords/2021-04-27/debates/2851806A-06D3-408B-9183-5937345CC4ED/MoneyLaunderingAndTerroristFinancing\(Amendment\)\(High-RiskCountries\)Regulations2021](https://hansard.parliament.uk/lords/2021-04-27/debates/2851806A-06D3-408B-9183-5937345CC4ED/MoneyLaunderingAndTerroristFinancing(Amendment)(High-RiskCountries)Regulations2021)
16.10hrs Lord Chidgey

operates, following feedback from industry and supervisors on the implementation of the Money Laundering and Terrorist Financing (Amendment) (EU Exit) Regulations 2020⁴.

15.5 Any changes to legislation will be fully implemented by ICB and ensure that our members fully comply with any changes to their obligations.

15.6 ICB alerts its members to any criminal activity that may impact their practices and has agreed to sign up to the Accountancy Sector Fraud Charter. This will provide members with additional information to make them aware of and combat fraud.

15.7 ICB remains committed to achieving excellence for itself and members through Engaging, Educating, Encouraging and where necessary Enforcing the legislation without fear or favour. The resources provided to members and fines levied during this reporting period reflect this commitment as too does the removal of any honorary title or position of influence of members found to be non-compliant.

15.8 ICBs future priorities are to continue educating its supervised population in relation to their AML obligations and strive to ensure all members understand these obligations and are compliant, reaching those members who have yet to engage. To make members aware of any emerging threats and risk in relation to money laundering or terrorist financing by actively engaging with other supervisory bodies, UKFIU, OPBAS and others.

15.9 Further thematic work has already started and will continue to be carried out in relation to the findings of the NRA such as the TCSP register and members providing payroll services.

15.10 The compliance team, since this reporting period, have undergone some considerable changes with the appointment of a new director of AML compliance, an additional intelligence researcher, additional support from a cadre of other departmental staff when required together with a new director of professional standards, who has reviewed and refined the AML fine structure within a new framework and change in strategy.

16. Emerging Risks

⁴https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1004603/210720_SI_Consultation_Document_final.pdf

16.1 As with all criminal activity financial crime will see new risks emerging as well as old risks re-emerging.

16.2 One of the risks that has been highlighted recently is that there has been an increase in cases of Cuckooing or Squatting, where criminals take over the identity of companies for their criminal activity.

16.3 One such incident occurred to an ICB member who experienced this activity whereby directorships were amended at Companies House without the knowledge of the member, which, if had this gone unnoticed, would no doubt have been used as a vehicle for committing criminal offences. Further analysis of this activity is planned which will be cascaded to members and other supervisory bodies as necessary. Members are advised to follow their own company, address and name on Companies House using the alert facility to be notified of any changes which may have been made without their knowledge.

16.4 Brexit and our exit from the EU will no doubt provide the criminal fraternity with opportunities which we have to be ever mindful of.

16.5 The withdrawal from Afghanistan, which the FCA have recently shared a [statement](#) on, will provide financial criminal opportunity for some and for which the sector must remain alert to.

16.6 ICB understands there has been a sudden growth in the number of overseas companies offering outsourced bookkeeping and accountancy services, either direct to businesses or, more commonly, to bookkeeping and accountancy practices. These companies offer high volume, quick turnaround accounting by highly qualified accountants, normally from countries such as India and the Philippines, where labour costs are considerably lower and therefore offer bookkeeping and accounting firms greater margins on back-office transactional work. Further analysis is being carried out and any intelligence will be shared.

16.7 ICB sees the proliferation of accounting software and the universal acceptance of digital documentation as a major challenge to its members' ability to properly validate accounts. Bookkeepers provide a front-end audit of the transactions of a business, ensuring that the source of funds is appropriate to the business and from legitimate sources. Whilst ICB applauds the increasing use by small businesses of software packages that bring greater order to their accounts and transactions, ICB is concerned that the greater move towards DIY accounting opens up major new avenues for money laundering and fraud, whereas bookkeepers and accountants

impose Know Your Client and Source of Funds checks and controls that cut off potential money laundering and fraud.

16.8 The additional intelligence researcher recently employed by ICB will enable the review of additional members' compliance to AML and the thematic analysis of additional areas of risk to combat any potential money laundering activities. They will also be able to provide in depth analysis of any new trends identified.

17. ICB Resources

17.1 Exemplars in their field, ICB members are committed to maintaining their skills and working to the highest standards of professional excellence. ICB as an organisation is committed to providing relevant qualifications and ongoing professional development for members including AML training. Members are continually reminded of the potential harm caused if money laundering is facilitated by them, harm to the economy, the profession, their business, and reputation.

17.2 ICB has provided comprehensive guidance in relation to their responsibilities and by sharing its resources, information updates and access to an AML helpline, ICB endeavours to maintain the standards of the profession and provide a benchmark by which bookkeepers and the wider business community can judge best practice and risk management. Members have fully engaged with the training provided and **Appendix 2** details some of their comments.

17.3 ICB make full use of all technology available and continue to provide members with the following resources:

- ICB TV – *Thank Furlough Its Friday* with founder Garry Carter and the Director of Technical Policy. Providing a weekly bookkeeping update with a question-and-answer session covering all aspects of bookkeeping and risk
- ICB TV - *Wages Wednesday* with ICB's Payroll Policy Advisor, from i-Realise, providing payroll advice. (An area the NRA identifies as being most at risk of exploitation)
- ICB TV – *Mike on Monday* with ICB Inspector Mike Jardine (now Director of Compliance) detailing all members need to know about the MLR with a question-and-answer session.
- Inspire Tour – Pre pandemic ICB toured the UK with its annual roadshow engaging members with technical knowledge, regulatory updates and sharing best practice. This moved online during the pandemic continuing to provide support to members.

- Bookkeepers Summit - Now in its 12th year, the Bookkeepers Summit is an immersive, digital experience, bringing together bookkeeping professionals from across the globe and featuring trademark inspirational content, high-impact workshops covering AML.
- Branch Meetings – ICB has 32 branches across the UK which hold regular meetings which are attended by the compliance team to provide presentations and updates in relation to their regulatory obligations.
- Technical help line – providing answers to technical questions for members
- AML help line – direct line to the compliance team for members to ask anything AML or regulatory.
- Comprehensive Money Laundering section of the website for members to keep abreast of everything ML related. Templates to complete for risk assessments etc. and links to external resources as detailed at **Appendix 3**

18. Conclusion

18.1 Since 2017, the UK’s anti-money laundering and counter-terrorist financing regime has undergone review by the Financial Action Task Force (FATF) and achieved the best ratings of over 100 countries assessed so far with a robust understanding of its money laundering and terrorist financing risks⁵ but was found to be “*moderately effective*” and there were weaknesses identified within the supervised population in relation to their risk-based approach.

18.2 It is however disappointing that we have continued to identify failings in relation to compliance with the current regulations amongst our members and it is our aim to ensure all our supervised membership becomes and remains compliant.

18.3 This is particularly of concern, as it has been identified⁶ that accountancy services providers (ASP) pose a high risk of money laundering by being attractive to criminals as they have the ability to be used to help their funds gain legitimacy and respectability, whether this is through being complicit or naive and as such remain at risk of being exploited or abused by criminals.

18.4 Trust and company service providers as well as mainstream accounting and payroll have been identified as the accountancy services considered most at risk of

⁵ [National risk assessment of money laundering and terrorist financing 2020 – P4.](#)

⁶ [National risk assessment of money laundering and terrorist financing 2020 - P79.](#)

exploitation by criminals seeking to launder money, services which many ICB members provide.

18.5 The policing of the legislation is forever in the sights of the legislators and those enforcing, as can be seen from the recent article in the Times⁷ which states that global fines for failures related to money laundering within banks and financial services were five times higher in 2020 than 2019 at \$2.2 billion as regulators took a harder line regarding breaches.

18.6 Ensuring the effectiveness of financial crime controls and effectively reducing financial crime risk is a key priority under this year's [FCAs business plan](#). David Geale, Director at the FCA recently [wrote](#) to all CEO's in the banking sector highlighting disappointment in continuing to identify common weaknesses in relation to compliance with the legislation, similar weaknesses to those identified by ICB.

18.7 Whereas ICB takes no pleasure in levying fines on its members it has been necessary to do so and in doing so ICB will always carry out its obligations as a PBS with transparency, fairness, consistency and in accordance with the legislation⁸. Including the issuing of fines to some members who held elected positions within the ICB. We provide all the necessary information, help and guidance to members to ensure they are complaint, and the issue of fines is reluctantly the final part of the process.

18.8 The legislation is there not only to prevent ML but also to protect members, their business and reputation and if disciplinary action is the only way that will encourage members to become compliant and ensure money laundering actors do not use ICB members as vehicles for laundering their criminal assets then we make no apology.

18.9 With an increase in resources ICB will continue to address its supervisory obligations, exploring new and innovative ways to ensure compliance with the legislation whilst at the same time developing its risk-based approach. Working hand in hand with other PBS, OPBAS, UKFIU, HMT and others. Not forgetting, as detailed in the NRA, serious organised crime costs the UK economy £37bn a year

⁷ [The Times](#) P33 Monday 23 August 2021 – “Dirty Cash Crackdown Hurts Banks”

⁸ Regulation 49(1)(d) of the Money Laundering Regulations 2017 requires a professional body supervisor to make arrangements to ensure that contravention of a relevant requirement by a member renders the member liable to effective, proportionate and dissuasive disciplinary measures under the professional body's rules

and that the level of abuse to the UK accountancy sector is high for money laundering.

18.9 It is imperative that high standards of supervision are achieved and maintained whilst detecting, deterring, and disrupting criminals from laundering money, our success will ultimately help make our members' practices a success and protect them from the money launderer.

Appendix 1

Supervised Members Inspection Testimonials

"I am grateful that the inspector came out and went through things with me as it gave me more of understanding of the things that I needed to make sure that I was doing and actually doing them"

"I would like to pass my thanks on to the inspector for making the inspection a learning session rather than the fear factor I was led to believe it would be. This is the advice and help I needed to improve my policies and procedures and move forward with the confidence in the help I have been given"

"I am actually very pleased to have had this opportunity to really understand our MLR obligations a new employee started today so will be doing that MLR training I wrote as a result of the inspection and is appreciated"

"Excellent inspection, by a very knowledgeable and professional inspector"

"The inspector conducted the interview in a very polite and professional manner and made us feel at ease. He answered all our questions and explained the whole procedure clearly. He was very informative and helpful"

"Can you please pass on my thanks to the inspector, it has been a great learning curve for me, and he has made it a useful experience that I can learn from"

"The inspector was extremely helpful in his explanations and guidance in relation to aspects of the compliance assessment where we need to address and improve the compliance function of the Practice. His manner was exceptional and although this assessment was conducted over the phone as opposed to a physical visit I felt at ease and appreciated talking through the points highlighted for ongoing review, so we have a clear way forward in relation to improving our AML compliance recording and reporting"

I wanted to pop you a note to let you know I found the audit very helpful. Time spent speaking with you has not only updated my knowledge but has reinforced the importance of keeping on top of my due diligence. It has been a pleasure to deal with you, and I now know who to contact for in relation to AMLR.

The inspector was very friendly and made the inspection an educational rather than stressful (as we had thought!) experience, thank you.

"We recently had our first MLR Inspection and didn't know what to expect. We thought that we were compliant and had ticked all the boxes but found that we had some bits missing. The inspector was so helpful, and informative. At no point did he make us feel that we had done wrong! He just gently guided us through and made the necessary adjustments easy to follow. Within a few hours

we had almost got everything up to 100%, he made an arduous task a pleasure to complete. And now we know how, it will be really easy to fully maintain. The biggest thing we learnt is that it's not enough to review on an annual basis, we will now overhaul completely every quarter".

"My practice selected for Anti Money Laundering inspection, and I received call from ICB inspector so initially, I was worried and panic as why I was selected for inspection then I realised that as a MLRO It is my responsibility to show evidence to my regulatory body that I am complying with all AML regulatory requirement of my practice. The inspector was very professional, friendly, and polite during interview which gave me more confident. He asked me all relevant questions and also inspected my client records. My Practice is fully compliant with AML regulatory requirement. However, he provided some useful guidance for my practice on ongoing monitoring and new regulation. I have completed all my risk assessment and client on boarding using Excel spreadsheets and keeping track of all my clients. However, I found that ICB AML online tools is better than excel spreadsheet for risk assessment and due diligence as well as ICB has useful resources, guidance and forms which helps a practice to assess the client and practice risk assessment. It saves time, resources and it is quick and give exact information what is require in terms of regulatory requirement. I would recommend all members if your practice is selected for inspection then do not panic as this is to give you necessary guidance and ensure that your practice is comply with all regulatory requirement from regulatory body. I would strongly recommend all members that to comply with regulator requirement, do visit ICB AML resources section, policy and procedure statement and do as directed by ICB. Finally, the purpose of inspection to provide guidance to practice and ensure we take necessary steps to comply with regulator requirement"

"I experienced my first MLR inspection with the ICB. I found the whole process very educational, and it was good to be able to ask questions and clarify areas I was unsure of. I also found, the inspecting officer, very approachable and knowledgeable. He made the process as pain free as possible. Finally, thank you very much for your time, assistance, and guidance in completing the actions to bring our practice into compliance. I have found the review process very helpful in better understanding the legislation and requirements and where to find resources to do so was good. Having been through the process I would certainly recommend other members to make full use of the resources provided by the ICB to ensure AML records are correctly maintained"

"I wanted to say a massive thank you, for the inspection of compliance with my practice that was recently conducted. You are a very genuine person, very professional, knowledgeable on the MLR Regs, polite and respectful. I was happy to assist, thank you for the guidance and encouragement to continue"

"With regards to the inspection, I would like to say that it has been most helpful to have the inspection and made me more aware of what is expected of me as a practice. The inspector was extremely understanding and answered any questions that I may have regarding what I needed to do"

"The prospect of an AML Inspection by the ICB was a very scary concept, made even more scary by the fact we failed, miserably. We had a lot of work to do to get where we needed to be, and it was extremely daunting. The inspector has been a pillar of support over the past few months and the encouragement and patience shown by him and the ICB in getting a busy practice to where it needed to be was second to none. I cannot thank the inspector enough, he was there every step of the way with practical help and reassurance that we would make it through, making the experience both smooth and bearable. It's been a massive learning curve but getting that call today to say we were now fully compliant is the best feeling, we can now start planning for the future. I would say to any individual or practice who is either going through this or about to be inspected, daunting as it may be, try not to stress, if you listen and act on the advice given you will make it. I genuinely can't thank you enough for all your help and support – nor the ICB for their patience with the amount of time it's taken us to get to this stage

"I thank the ICB and you for all your efforts in supporting me during the whole AML Inspection process. What was something that initially gave me sleepless nights, turned out to be a positive experience. I was guided, educated, and informed throughout the whole process. Everyone at The ICB was courteous and helpful. It showed me that the ICB care about its members, and the processes put into place for them are to protect them, more than anything else. You, as the compliance officer, were personally very kind and helpful, and for this I thank you personally. I stand by these comments whole heartily and therefore am quite happy to have them attributed to me.

Appendix 2

Supervised Members Training Testimonials

“AMLR is an in-depth and extremely important topic, the inspector’s presentation was excellent and covered a lot of content. What I found extremely valuable were the real-life examples of money laundering and what to expect from an inspection,

the emphasis was definitely on educating to ensure compliance rather than instilling fear”

“I just wanted to say thank you so much for your Monday afternoon meetings. Having you go through everything in bite sized manageable chunks is really helping me over the AML regulations. Even the fact that it’s just half an hour every Monday is great, it’s easy to slot half an hour into my day but anything longer might get pushed back”

"The Monday episodes of ICB TV featuring Mike Jardine and the "bite-sized" AML sessions are absolutely fantastic. By breaking things down, it concentrates the mind on each area and the Q&A sessions after are really useful too. I have used this as part of my AML training, and they can be watched again on You Tube. Thank you ICB and Mike!"

“Just a quick email to thank you and say how useful the Mike on Mondays recordings are. I decided to go through them because I wanted to make sure I was completely happy with my AML policies and procedures as part of my annual review. I really liked the bite sized chunks with short videos covering specific aspects of AML. It can feel like an overwhelming topic if it's not broken down like that. I feel much more confident and clear about my role as an ICB bookkeeper and my professional and legal obligations in relation to AML & TF as well as how to identify risks and mitigate them..... and crucially how to document all of this to be compliant. I've updated my PEP policies as a result of the webinars and am really pleased with the review. Also, I gained back quite a few hours per year because I had been asking clients for updated proof of address every year when they hadn't moved house., and I'd been doing this for 4 years! Somehow, I had got it into my head that it was an annual requirement. Thanks for giving me back quite a few hours of my life over the next few years as with 31 clients it all adds up. Thanks once again to Mike. It's so good having you there at the ICB to consult on all things AML related”

Appendix 3

External Resources

NCA

- [National Crime Agency \(NCA\).](#)
- [Introduction to SARs](#)

- [NCA SAR Online Portal](#)
- [Guidance for anti-money laundering supervisors on submitting better quality suspicious activity reports \(SARs\)](#)
- [Glossary Codes and Reporting Routes May 2021](#)
- [Guidance on Submitting Better Quality SARs](#)
- [SAR Online Quick Start Guide](#)
- [SARs Reporter Booklet August 2021](#)
- [SAR Online User Guidance](#)
- [SARs in Action](#)
- [UK Financial Intelligence Unit Suspicious Activity Reports Annual Report 2020](#)
- [Defence Against Money Laundering \(DAML\) FAQs](#)
- <https://ukfiu.podbean.com/>
- https://www.youtube.com/results?search_query=national+crime+agency

CCAB

- [CCAB Anti-money laundering guidance for the accountancy sector](#)

Home Office

- [Home Office Circular 022/2015](#)
- [Economic Crime Plan](#)

Legislation

- [Proceeds of Crime Act 2002 \(POCA\)](#)
- [Terrorism Act 2000 \(TACT\)](#)
- [The Money Laundering, Terrorist Financing and Transfer of Funds \(Information on the Payer\) Regulations 2017](#)
- [The Money Laundering and Terrorist Financing \(Amendment\) Regulations 2019](#)
- [5th EU Directive](#)

- [Consultation re amendments to the Money Laundering, Terrorist Financing and Transfer of Funds \(Information on the Payer\) Regulations 2017 Statutory Instrument 2022](#)

Stated Cases

- [R v Da Silva \[2006\] EWCA Crim 1654.](#)
- [Anwoir and others \[2008\] EWCA Crim 1354](#)
- [Shah v HSBC \[2012\] EWHC 1283 \(QB\)](#)

HMRC

- [Report a discrepancy about a beneficial owner on the PSC register by an obliged entity](#)
- [Understanding risks and taking action for Trust or Company Service Providers](#)

Financial Action Task Force

- [FATF](#)
- [Guidance For Risk Based Approach](#)
- [Mutual Evaluation Report of the United Kingdom](#)

Joint Money Laundering Steering Group

- [JMLSG](#)

OPBAS

- [Progress and themes from our 2020/21 supervisory assessments](#)

FCA

- [Business Plan 2021-2022](#)

Appendix 4

Fines Levied for period 06 April 2020 to 05 April 2021

Inspection Ref	Inspection Date	Fine Issued
30/2020	21/05/2020	£850

31/2020	22/05/2020	£1,375
32/2020	25/05/2020	£1,425
33/2020	04/06/2020	£2,700
34/2020	08/06/2020	£1,950
35/2020	08/06/2020	£1,575
36/2020	10/06/2020	£1,975
37/2020	11/06/2020	£3,575
38/2020	11/06/2020	£3,275
39/2020	12/06/2020	£1,625
41/2020	17/06/2020	£1,925
42/2020	18/06/2020	£4,950
43/2020	22/06/2020	£3,925
44/2020	29/06/2020	£2,175
45/2020	10/07/2020	£625
46/2020	13/07/2020	£3,450
47/2020	15/07/2020	£63,325
47/2020	16/07/2020	£4,150
49/2020	20/7/2020	£27,750
50/2020	21/07/2020	£1,625
51/2020	21/07/2020	£6,525
52/2020	22/07/2020	£625
53/2020	22/07/2020	£12,125
55/2020	28/07/2020	£2,500
58/2020	10/08/2020	£1,600
59/2020	11/08/2020	£1,175
60/2020	12/08/2020	£900
61/2020	17/08/2020	£1,825
62/2020	20/08/2020	£4,800
63/2020	21/08/2020	£1,650
64/2020	27/08/2020	£21,075
65/2020	03/09/2020	£4,800
66/2020	04/09/2020	£3,675
67/2020	07/09/2020	£4,100
68/2020	10/09/2020	£4,500
70/2020	18/09/2020	£3,975

71/2020	18/09/2020	£3,375
72/2020	21/09/2020	£1,550
73/2020	21/09/2020	£9,025
74/2020	24/09/2020	£6,000
78/2020	06/10/2020	£3,925
80/2020	09/10/2020	£3,625
81/2020	12/10/2020	£2,300
82/2020	13/10/2020	£3,475
84/2020	15/10/2020	£2,750
86/2020	21/10/2020	£2,800
87/2020	21/10/2020	£2,225
88/2020	22/10/2020	£3,175
89/2020	22/10/2020	£8,625
90/2020	23/10/2020	£2,300
91/2020	23/10/2020	£2,425
93/2020	30/10/2020	£3,850
94/2020	02/11/2020	£1,850
95/2020	02/11/2020	£1,600
96/2020	02/11/2020	£5,975
98/2020	04/11/2020	£2,850
100/2020	05/11/2020	£1,400
101/2020	09/11/2020	£2,500
102/2020	09/11/2020	£5,100
104/2020	12/11/2020	£6,575
105/2020	12/11/2020	£925
106/2020	13/11/2020	£3,075
109/2020	18/11/2020	£1,900
110/2020	19/11/2020	£1,825
111/2020	25/11/2020	£1,325
112/2020	03/12/2020	£3,250
113/2020	07/12/2020	£850
114/2020	08/12/2020	£2,025
115/2020	10/12/2020	£1,000
116/2020	14/12/2020	£1,675
117/2020	18/12/2020	£2,000

118/2020	21/12/2020	£8,700
01/2021	06/01/2021	£800
02/2021	13/01/2021	£1,075
03/2021	14/01/2021	£3,000
04/2021	15/01/2021	£2,400
05/2021	29/01/2021	£3,150
06/2021	01/02/2021	£1,100
08/2021	21/01/2021	£3,175
09/2021	28/01/2021	£3,425
10/2021	12/03/2021	£4,675
11/2021	18/02/2021	£1,475
13/2021	03/02/2021	£1,650
15/2021	02/02/2021	£1,150
16/2021	11/02/2021	£2,550
17/2021	05/02/2021	£2,400
18/2021	16/02/2021	£2,100
19/2021	19/02/2021	£2,150
21/2021	22/02/2021	£6,700
22/2021	31/03/2021	£2,275
23/2021	17/02/2021	£3,500
24/2021	09/03/2021	£1,600
25/2021	03/03/2021	£950
26/2021	10/03/2021	£3,025
27/2021	22/03/2021	£3,675
28/2021	15/03/2021	£2,125
31/2021	23/03/2021	£2,800
32/2021	30/03/2021	£4,875