

The Institute of Certified Bookkeepers

AML Supervision Annual Report 2022/23

This report sets out how we meet our obligations as a supervisory authority under The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (MLRs).



Foreward from ICB CEO



Ami Copeland
ICB CEO

In a world where the financial landscape is continually evolving, the role of effective Anti-Money Laundering (AML) supervision remains as crucial as ever. This year has been marked by significant strides in our ongoing efforts to bolster the AML frameworks within the bookkeeping sector, underpinning our steadfast commitment to mitigating the risks associated with money laundering and financial crime.

In the spirit of our organisational values: Purpose, Passion and Progress, we have not only upheld but also fine-tuned the robustness of our oversight. We have deepened our focus on a holistic supervisory approach, not just emphasising regulatory adherence for its own sake, but also championing the value of *really knowing your client* like a Certified Bookkeeper is uniquely placed to do.

The power of education remains at the core of our strategy. By nurturing our members' proclivity for detail and professional scepticism, and building capacities through our guidance materials and educational events, we are embedding AML compliance into the culture of the bookkeeping profession. This year, we have witnessed a spirited engagement in our educational offerings, reflecting the sector's collective commitment to staying ahead of evolving risks.

We believe that professional body supervisors like ICB play a crucial role in fortifying the accountancy sector's AML activity and we have contributed to the recent dialogue on HM Treasury's proposals for AML Supervisory Reform. By actively supporting and monitoring our members' AML efforts, together we contribute significantly to shielding our economy from malicious financial activities and exploitation. But what we do transcends mere regulatory compliance; our robust stewardship upholds the integrity and professionalism of the people entrusted with the hopes and dreams of the nation's businesses.

Bookkeepers are not merely observers but active architects of a resilient financial ecosystem where genuine enterprise thrives and exploitative threats find no harbor.

I commend our member practices on their enduring commitment to upholding the standards that define our thriving sub-sector of the accountancy profession. It is through our shared dedication and continuous collaboration that we continue to see improvements in the level of compliance among our practices, and contribute to a safer, more secure financial future for all.

A handwritten signature in black ink that reads "Ami Copeland".

Ami Copeland
ICB CEO

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Our role

The Institute of Certified Bookkeepers (ICB) is the only UK professional body that is dedicated to supporting bookkeepers. We ensure, through examination, continuing professional development, and by engendering the highest professional, ethical, technical and ethical standards, that bookkeepers are properly recognised for the experts they are and for the crucial work they do.

We were designated as a Supervisor in accordance with Schedule 1 of the Anti-Money Laundering Legislation 2007. This role entrusts us with the responsibility to oversee our members, ensuring they are well-informed and guided to effectively mitigate money laundering risks.

Additionally, we are tasked with monitoring regulatory compliance, and applying sanctions when necessary to uphold the required standards of compliance.

We embrace our dual role of supervisor and educator as an opportunity to promote professionalism and enhance the public's trust in bookkeepers.

We recognise the substantial threat posed by money laundering and are here to provide guidance to our members. This includes educating them on what money laundering might look like within their work, and their role in preventing it from infiltrating the accounting sector.

In the UK, we supervise just in excess of 5,000 members working in a little over 3,000 practices, made up of sole traders, partnerships, limited companies and limited liability partnerships. The majority, 65%, are sole traders and a noteworthy 78% of ICB practices are female-run.

78%

*of our practices are
female-led*

Our approach

As required by Regulation 46(2)(a) of the Money Laundering Regulations 2017 (MLRs), we have adopted a risk-based approach to exercise our supervisory functions, informed by the risk assessments carried out under Regulation 17.

An effective risk-based approach underpins all aspects of ICB's anti-money laundering supervision and enables us to identify, assess and understand the money laundering risks within our sector (bookkeepers and payroll agents) and mitigate them on an ongoing basis.

Our risk-based approach means we focus efforts where the risks are highest and consider the likelihood of unwanted outcomes. This helps to identify situations where additional measures and controls may be appropriate. We ensure that the measures we take to reduce money laundering are proportionate to the risks identified. We have a clear methodology which evidences the appropriateness of the risk-based approach.

Using a variety of communication channels, such as publishing guidance and speaking regularly to members, helps our supervised population better understand, identify and manage money laundering risks.

We are continually improving our supervisory approach to ensure that it

supports our supervised practices' adoption of their own risk-based approach.

We have seen our risk-based approach is more effective when it encourages our supervised population to aim for achieving positive outcomes related to reducing money laundering and understanding their clients' businesses, rather than exclusively concentrating on compliance with prescriptive and detailed rules.

As the fourth largest accountancy body supervisor and the only one which supervises bookkeeping and payroll professionals exclusively (rather than accountants) we have a sound understanding of the nature of the risks to our sector, but we are not complacent and support this with regular risk assessments and 'risk refreshes'. This up-to-date analysis of sector risk enables us to select the most effective supervisory tools.

ICB's effective supervision depends on our timely identification and prioritisation of areas requiring greater supervisory attention. We tailor our strategies to address the risks identified across the accountancy sector as well as those specific to our sector. The intensity of the strategies employed for different members or clusters of members within our supervised population are commensurate to the risks identified.

Assessing risk

Our proprietary technology solution, AML Online, is our primary tool for starting to identify which members, or clusters, of our supervised population are at the greatest risk of being used by criminals to launder proceeds from crime.

Supervised practices are required to input all clients onto AML Online within reasonable timeframes. The tool takes the practice through an online risk assessment and pulls in Companies House data where applicable.

Using AML Online, practices record the services they perform for each client, and identify the individuals on whom to carry out due diligence.

AML Online also facilitates ICB's risk rating of our practices, showing us in real-time which members are compliant and keeping up-to-date with their client risk assessments and due diligence, and providing transparent information that enables us to risk rate our supervised population based on:

1. Probability: the likelihood of money laundering taking place because of the activity undertaken by a member or cluster of the supervised population or the environment they operate in. This risk can increase or decrease depending on other indicators:

- a) product and service risk (the likelihood that products or services on offer can be used for laundering money)
- b) client risk (the likelihood that customers' funds may have criminal origins)
- c) the nature of transactions (e.g. frequency, volume, counterparties)
- d) delivery channel risk (the way in which services are delivered can increase risk)
- e) geographical risk (does the member, its clients or agents trade in riskier locations)
- f) other indicators of risk including the member's compliance history, attendance at AML events, complaints about a member or about the quality of a member's internal controls – intelligence from other supervisory authorities and law enforcement agencies, and from other sources (e.g. consumers, whistle-blowers)

2. Impact: the potential harm caused if money laundering is facilitated by the member, cluster or sector. This can, among others, depend on:

- a) a member's size (turnover, number and type of customers, number of premises, value of transactions etc.)
- b) links with other businesses (susceptibility to being involved in 'layering' activity)

Supervised population

3098

PRACTICES SUPERVISED FOR
ANTI-MONEY LAUNDERING
COMPLIANCE

34

AVERAGE
NUMBER
OF CLIENTS
PER
PRACTICE

103,016

CLIENTS ON AML ONLINE

92,625

NEW CLIENT, AND ON-GOING, CHECKS
CARRIED OUT
BY PRACTICES
USING AML ONLINE

65%

SOLE
PRACTITIONERS

7%

HAVE OVER
100
CLIENTS

TCSPs

Practices under ICB's supervision that offer Trust or Company Service Provider (TCSP) services alongside their accounting services must formally notify us.

Trust and company services have been deemed as high-risk services in the [National Risk Assessment 2020 \(NRA\)](#), and as such, we closely monitor practices that act as TCSPs.

	Total Number	As a % of ICB supervised practices
Practices acting as a TCSP	433	14%

Nature of the trust and company services provided by our TCSP practices	% of TCSPs
Provide a registered office	54.7%
Form companies	54.1%
Provide a correspondence address	37.9%
Act or arrange for another person to act as a trustee of an express trust or similar legal arrangement	19.4%
Provide a business address	19.1%
Act or arrange for another person to act as a director of a company	17.6%
Provide an administrative address for a company, partnership, other legal person or arrangement	15%
Form legal persons	4.4%
Act or arrange for another person to act as a trustee of an express trust or similar legal arrangement	2.9%
Act or arrange for another person to act as a partner (or in a similar position) for other legal persons	2.6%
Act or arrange for another person to act as a nominee shareholder for another person (unless the other person is a company listed on a regulated market which is subject to acceptable disclosure requirements)	1.2%

Monitoring compliance

We monitor compliance throughout the year using real-time risk analysis from AML Online and we also look at practice engagement metrics such as webinar attendance and accessing of AML guidance, together with compliance history. We are then able to direct our resources where they're most needed; towards the areas of greatest risk.

We proactively monitor practices and pre-emptively provide guidance. Each new practice and BOOM is criminal record checked required to attend an online on-boarding interview, which is used to verify ID and provide an overview of the requirements of the MLRs and how ICB monitors compliance. Our ongoing monitoring suggests these interviews are one of our most effective tools in ensuring a practice puts in place effective policies, procedures and controls.

Following the onboarding interview, all new practices are invited to a live monthly webinar hosted by the Director of Compliance and the Chair of the Advisory Council, wherein further practical guidance on AML is provided and new practices can ask questions. These webinars have been given a five-star rating by attendees.

	On-boarding interviews	Intelligence checks
Total	279	583

We proactively carry out intelligence checks on practices according to our risk assessment using our own data, open source research, and the Shared Intelligence Service (SIS).

Intelligence checks may lead to:

- no further action
- informal communication to provide further guidance or request information
- a desk-based review or onsite review involving an extended live session with the practice

Compliance reviews

We carry out in-person AML compliance reviews to assess practice compliance with the MLRs in terms of fulfilling the technical requirements as well as ensuring effectiveness.

Reviews may be desk-based (remote) or onsite and involve the key personnel from the practice. During the review the practice will be required to share documentation such as:

- Whole of practice risk assessment
- Policies and procedures statement
- Client due diligence files
- Staff training records
- SARs reporting policies
- Record-keeping systems, procedures and controls
- Evidence of discrepancy reporting to the PSC Register

	Desk-based reviews	Onsite reviews	Total
Total	75	63	138
Compliant	6	8	14
Non compliant	69	44	113
Informal action	12	11	23
Formal action	57	33	90

Unlike other professional body supervisors, our reviews cannot have a 'Generally Compliant' outcome and practices will be rated as either compliant or non compliant. We have identified that this binary approach understates the level of general compliance within our supervised population and we are undertaking a project to explore ways to improve our rating system.

Compliance reviews may lead to:

- no further action
- informal action, eg. practice is given 30 days to carry out follow-up action to improve
- formal action, eg. reprimand, financial sanction, expulsion

Enforcement action

We will impose financial and non-financial sanctions on practices who fall short.

If we see evidence that a non-compliant practice can improve, and is committed to meeting the required standard, we will set 'follow-up activity' and give the practice 30 days in which to complete them. We always check that the practice has completed the necessary actions within the timeframe.

Follow up activity may include carrying out further client due diligence, improving documentation, or undertaking training.

Financial sanctions are intended to remove the benefits of non-compliance and deter future non-compliance. There are fixed fines for AML breaches as detailed in the ICB Sanctions Policy.

In certain cases, where we have evidence of risk to the public or the reputation of the profession, we may publish details of sanctions against members and/or expel a member.

Enforcement action	Number of practices
Follow-up activity required	113
Fine	29
Sum of fines	£82,175
Expulsion	1

Resources

Help and support

In 2022/23 we received **996 AML enquiries** by email and telephone. Our dedicated AML team offers guidance on all aspects of complying with the Money Laundering Regulations, such as advice on submitting a SAR.

0203 405 4000
aml@bookkeepers.org.uk

We also have a dedicated whistleblowing channel for bookkeepers or members of the public to raise an AML concern about one of our members.

0203 405 7581
confidential@bookkeepers.org.uk

AML resources on website

There were **178,158 views** of our online AML resources.

AML webinars and workshops

We ran **31 AML-dedicated webinars and workshops**.

184 people attended one of our live Welcome Webinars for New Practices

Onboarding calls

We held **onboarding calls with 279 people** before we authorised their licence. We use these calls to verify their ID and talk them through the MLRs and their AML obligations.

AML to-do list

There were **1704 downloads** of our AML to-do list.

“

As a sole practitioner, the community, support & guidance that ICB offers really are invaluable.

Lara Manton MICB
LJM Bookkeeping Ltd

“

I'm proud to be a long standing ICB member – invaluable advice and support always online and by phone.

Wendy Elliott FICB PM.Dip
FB Accounting Serices Ltd

Articles and risk updates

We published **five articles on AML** and shared the Accountancy AML Supervisors' Group (AASG) alert summaries from the National Crime Agency (NCA).

Intelligence sharing

Regulation 50(1) of the Money Laundering Regulations 2017 requires a professional body supervisor to take such steps as it considers appropriate to:

- co-operate with other supervisory authorities, the Treasury and law enforcement authorities in relation to the development and implementation of policies to counter money laundering and terrorist financing*
- co-ordinate activities to counter money laundering and terrorist financing with other supervisory authorities and law enforcement authorities*

Regulation 50(3) says such co-operation may include the sharing of information which the supervisory authority is not prevented from disclosing.

We believe that timely and granular intelligence sharing is vital to the success of the supervisory regime.

We use the FCA Shared Intelligence Service (SIS) to ensure there are no adverse findings against a member who is applying for an ICB licence to practise.

Where we are aware that a new or existing member has another supervisor, we will contact that supervisor to ensure the appropriate supervision is in place or to request or share information on any adverse findings.

We contribute to and share best practice in various groups including the Anti-Money Laundering Supervisory Forum (AMLSF) and Accountancy Anti-Money Laundering Supervisors Group (AASG).

196

Checks on the Shared Intelligence Service (SIS) performed by our AML team

171

Authorisation checks made between ICB and other Professional Body Supervisors

We are also a member of the Accountancy Intelligence Sharing Expert Working Group (Accountancy ISEWG), which plays a vital role in helping to detect, disrupt and prevent money laundering and terrorist financing.

The Accountancy ISEWG promotes and facilitates a strong working relationship between Accountancy Professional Body Supervisors, statutory AML supervisors and law enforcement agencies through the Joint Money Laundering Task Force (JMLIT).

Looking ahead

Risk and emerging threats

The 2020 National Risk Assessment of money laundering and terrorist financing (NRA) underscores the vulnerability of the accountancy services, which remain appealing avenues for criminals seeking to legitimise the source of funds, leveraging the credibility of professionally qualified bookkeepers and accountants.

Accountancy services identified as most susceptible include:

- company formation and termination
- mainstream accounting
- payroll

Furthermore, the NRA points out additional areas vulnerable to risks, which have been integrated into our risk assessments.

The NRA emphasises that a solid understanding of money laundering risks and the meticulous application of risk-based controls are essential to safeguarding accountancy services from exploitation by criminals.

We will continue to adapt our supervisory approach to incorporate emerging threats and trends within our sector.

AML Supervision Reform

We are engaging in HM Treasury's consultation on potential reform to AML supervision as published in June this year. Alongside other professional body supervisors we prefer the 'OPBAS +' option which would see a continuation of the current structure of the supervisory system and a strengthening of the powers of the Office for Professional Body AML Supervisors (OPBAS).

Irrespective of the outcome of the consultation (expected by March 2024) we are committed to supporting our members AML efforts and will continue to support and guide professional bookkeepers and payroll professionals.

Technology investment

We are undertaking a digital transformation, with phase one due for completion in the summer of 2024.

Improvements will be made to our website and in particular the AML Online tool which received 159,521 views in 2022/23.

Case studies

CASE STUDY 1

A prominent and long-standing member of ICB, who was a successful Branch Chair, was found on review to be non-compliant. The member was relieved of their position as Branch Chair and provided with an action plan. The practice was fined £800.00.

The practice immediately completed the action plan. At the end of the probationary period, the practice was assessed as compliant and the member was reinstated as a Member of Good Standing. The member accepted that they had been non-compliant and had breached the MLRs. The practice remained fully engaged with ICB throughout and now provides support to members by sharing the experience and talking not only about how they have worked to improve their AML policies and procedures, but also how they have benefited from embedding these procedures into the practice and feel that the experience overall has been very positive.

CASE STUDY 2

As part of our ongoing monitoring of practices operating in high-risk sectors and those practices that could be vulnerable to abuse, ICB selects practices for review even when they are compliant with the technical requirements of AML as evidenced through our tool, AML Online.

We carried out an on-site review of one of our larger member practices, which has in excess of 6,000 clients. Three reviewers spent a full day at the practice and it was found to be compliant.

The lead reviewer reported that the practice had fully integrated AML policies and procedures into everything that they did and, rather than seeing AML as a box-ticking exercise, the focus was on effectiveness and continuous improvement. Our reviewer identified an 'culture of compliance' that was promoted by the principals and permeated down to the entire staff.

The Institute of Certified Bookkeepers is the UK's only professional body dedicated to bookkeepers.

We certify, support, inform and connect bookkeepers around the world, and provide the trusted benchmark for the bookkeeping profession.

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.

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 and, in turn, support the economy as a whole.

Our Mission

We are here to empower bookkeepers to empower businesses.

Our Vision

Behind every good business there will be a good bookkeeper, and behind every good bookkeeper there will be ICB.

Our Values

Purpose, Passion and Progress

ICB

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