



**Chartered
Institute of
Taxation.**

Making AML matter

**CIOT and ATT ANNUAL AML
SUPERVISION REPORT**

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Foreword

The CIOT and ATT strongly support the UK's drive to combat money laundering and terrorist financing. We recognise that AML supervisory activity is a key element in the fight against financial crime.

The NRA advises that the risk of money laundering through tax advisers (and accountancy service providers more generally) remains high. These services remain attractive to criminals due to the ability to use them to gain legitimacy and risks are at their highest when firms do not fully understand AML risks and do not implement appropriate risk based controls. Firms can therefore be exposed to AML risks unwittingly or through negligence.

The CIOT and ATT work together in providing AML supervision to their members. This report sets out the supervisory actions taken by both bodies during the period 6 April 2020 to 5 April 2021. This time was dominated by the COVID 19 pandemic which impacted on how the CIOT and ATT operated and on the firms we supervise. We very quickly moved from physical AML supervisory visits to online ones. We worked with firms as they dealt with the pressures they were facing, to ensure visits were scheduled at appropriate times and dates – even undertaking these during evenings where it assisted members.

One of the positive aspects during the period was that we were able to reach vastly increased numbers of members with our AML webinars compared with previous conference and branch meeting sessions. This has helped us to get messages out successfully in relation to compliance, the risk-based approach, suspicious activity reporting and whistleblowing.

CIOT and ATT supervisory activity seeks to support supervised firms to manage and mitigate the risks they face. We seek, wherever possible, to work with firms to bring them into compliance. However, there is a requirement on us to take effective, proportionate and dissuasive disciplinary measures where non-compliance is identified and this is dealt with through the independent disciplinary body the Taxation Disciplinary Board.

Through our wide ranging supervisory activity we have identified that most firms are compliant or generally compliant with the requirements of the legislation but on occasion it is necessary to issue action plans. Areas identified during 2021 where some supervised firms needed to focus their attention in order to become fully compliant are set out in this report. Our approach is first to work with firms to bring them in to compliance and only if progress is not made do we refer the firm for disciplinary action. AML compliance should never be a tick box exercise but those not meeting the basic requirements do expose themselves to risks and to falling into the category of negligent or unwitting professionals.

Throughout the period we have continued to work with other AML supervisors (and other government agencies) through the Accountancy AML Supervisors' Group (AASG) and AML Supervisors' Forum (AMLSF) together with HM Treasury and the Home Office. We also remain committed to providing effective AML supervision to our members as our part in working against financial crime and working with the Office for Professional Body AML Supervision (OPBAS) to achieve this aim.



Jane Ashton

ATT CEO



Helen Whiteman

CIOT CEO

What we do

The CIOT and ATT as AML Supervisors

The CIOT and ATT are, along with 21 other professional bodies, government appointed anti-money laundering supervisors. See [here](#) for the full list of professional body supervisors.

As AML supervisors it is our responsibility to ensure that tax advisory and accountancy firms run by our members:

- a. understand the AML/CFT (anti money laundering and counter terrorist financing) risks facing their business and how to mitigate them; and
- b. comply with their AML/CFT obligations.

Our performance and our effectiveness as Supervisors is monitored by the Office for Professional Body AML Supervision (OPBAS). We have regular contact with OPBAS and they have conducted two assessment visits since they became operational in February 2018.

Each year we submit a report to HM Treasury giving detailed information about our supervisory activities for inclusion in HMT's annual report on AML and CFT supervision. The report published in 2020 related to the 2018/19 year and is available [here](#).

The CIOT and ATT Councils govern each body. AML is a standing item on the Councils' agenda and an AML report is provided for each meeting. Volunteer members also assist in our AML work. The Professional Standards Committee has oversight of AML matters and receives reports at each of its quarterly meetings. The AML panel, whose members have experience in AML compliance as MLROs and in other related roles, provides insight into the operation of the MLR in practice. We are very grateful to these volunteers for the significant time and expertise they provide to improve our effectiveness as AML supervisors.

The internal management of AML supervision is the responsibility of the CIOT Director of Public Policy and the ATT Chief Executive. We have monthly AML management meetings which monitor key performance indicators and decide on matters of policy. The 5 staff in the Professional Standards team undertake the day to day supervisory work required and are completely separate from our membership team.

Externally, we work with other AML supervisors (and other government agencies) through the Accountancy AML Supervisors' Group (AASG) and AML Supervisors' Forum (AMLSF). These groups provide the opportunity to work collaboratively to provide more effective supervision and information sharing.



Who we supervise

The CIOT and ATT supervise firms where a member is the sole proprietor or where there is at least one member who is an equity partner, member of an LLP or company director listed at Companies House and where the firm includes the provision of tax advice. Our AML supervision scheme rules are set out on the CIOT website [here](#) and the ATT website [here](#).

The services provided by our supervised populations are the provision of tax advice, tax compliance and complementary accounting services to a variety of clients ranging from individuals and small businesses to high-net worth individuals and niche practices specialising, for example in expatriate tax or research & development.

The firms registered for AML supervision range from sole traders to firms of tax advisers/accountants with gross fee incomes varying between £1,000 per annum and over £19.5 million (CIOT) and £100 per annum to £3.9 million (ATT).

Firms have to apply for supervision and are subject to a number of checks before they are accepted for supervision and must renew annually by submitting a detailed return. The return form includes questions relating to a firm's compliance with the MLR. Non-compliant answers are followed up.



A risk based approach

As required by the MLR we adopt a risk-based approach to supervision. We take in to account the updated National Risk Assessment (NRA) issued in December 2020 which stated that overall the risk of money laundering through accountancy service providers (which includes tax advisers) remains high. It added that this is mainly because criminals seek legitimacy by using the services of these professionals and said

“The risk is highest when ASPs do not fully understand the money laundering risks and do not implement appropriate risk-based controls, particularly where ASPs fail to register with a supervisor. “

The AASG Supervisory risk assessment (see [here](#) and [here](#)) and the CIOT/ATT’s own risk assessment of the risks faced by the tax sector also inform our approach.

From information gathered from visits and discussions with supervised firms as well from other external sources we consider the main areas of risks for our supervised populations to be:

- a. Tax evasion. Calls to our helpline to discuss the need or otherwise to make a SAR where a client has potentially and knowingly underpaid tax indicate this is an area of concern.
- b. Unwitting involvement in money laundering owing to lax policies and procedures and a failure to understand the serious regulatory requirements associated with the money laundering regulations 2017 and related legislation

To assist firms with their understanding of AML and CTF risk we provided the following webinars:

- June 2020 - AML compliance reminder which included the 5th Money Laundering directive, COVID 19 implications and risk. For details see the CIOT website [here](#) and the ATT website [here](#): and
- November 2020 - What does a risk based approach mean for tax practitioners? For details see the CIOT website [here](#) and the ATT website [here](#).

We have also issued a number of alerts to supervised firms in relation to potential areas of specific risk.

How we supervise

Our aim in the first instance is to work with members to ensure they are equipped to be compliant. To help achieve this we:

- require completion of a detailed initial registration and subsequent annual renewal form
- follow up with firms which provide non-compliant answers on these forms
- bring changes to the legislation and practical points relating to AML raised by members or identified through our visit programme/review of registration forms to firms' attention through:
 - the issue of a newsletter to all supervised firms (including intelligence alerts received through intelligence sharing work of the AASG)
 - updates in the weekly newsletters which go out to all members
 - articles in Tax Adviser (the monthly magazine for members)
 - targeted emails to members and updating guidance on our website.
 - webinars and update sessions at conferences
- provide pro forma risk assessment and policies and procedures documents
- provide information about AML risks in the sector through work with AASG on the AASG supervisory risk assessment (risk outlook)
- provide a helpline which members access by telephone or by email. Supervised firms are encouraged to contact us for guidance on how to meet the requirements of the regulations. In particular, we get regular queries from members about suspicious activity reporting and talk through the facts they have come across and assist by pointing to relevant guidance. The MLRO or sole practitioner ultimately needs to make the decision on whether to report or not.



Supervision visits

Supervision visits not only give us the opportunity to check compliance but also to learn about the challenges firms face with AML compliance and to see some really good practice which we can then share with other supervised firms.

In accordance with the MLR all our supervised firms are given a risk rating. With the NRA in mind, given the potential inherent risks attached to tax work few of our firms are considered to be low risk.

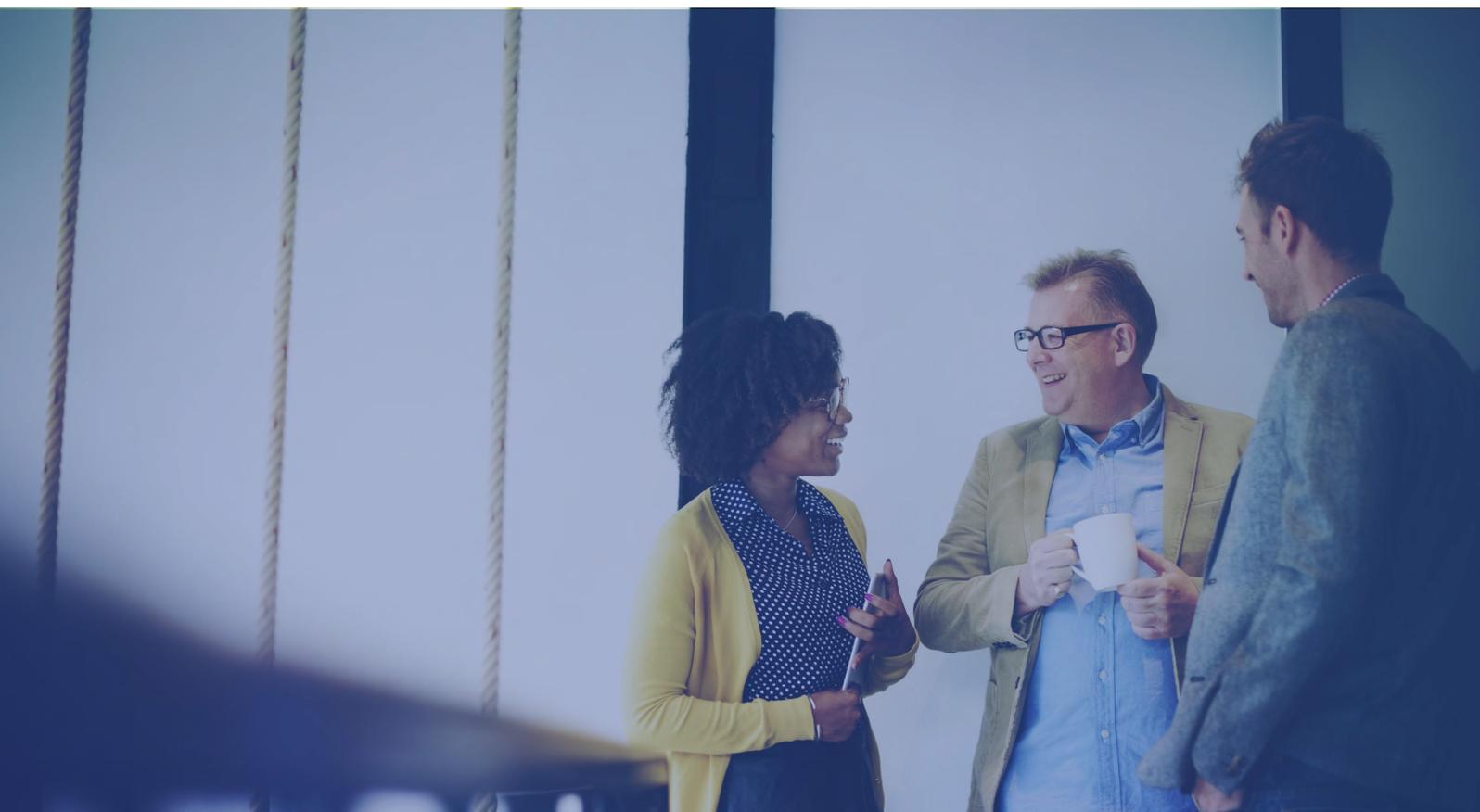
Firms assessed as having a higher risk profile are included in our programme of visits as well as some rated as medium risk. This covers a range of firms from sole practitioners through to the larger practices. The programme is flexible and when new risks are identified we can add visits to the schedule at short notice. For example, information shared through the Information Sharing Expert Working Group enabled us to target particular areas of work during 2020/21.

Firms selected for a visit have to complete a questionnaire about their business and supply their AML risk assessment and policies and procedures in advance. During the visit we gather sufficient information to enable us to understand the risks associated with the firm and assess whether their risk based approach is adequate. We will also discuss the firm's approach to CDD, ongoing monitoring, training and record keeping amongst other things.

Trust and Company Service Provider risks are explored and firms are reminded about the requirement to be on the HMRC TCSP register.

Aspects of SARs, including the need to maintain a record of submissions to the MLRO, confidentiality and the importance of making good quality reports are also covered during a visit. An AML webinar provided as part of the CIOT autumn conference (which is also open to ATT members and is available on the CIOT website [here](#) and the ATT website [here](#)) provides guidance on making good quality SARs.

At the end of the visit the firm is given a compliance rating of compliant, generally compliant or non-compliant. Firms with a generally compliant or non-compliant rating are given an action plan with a deadline of one month to complete the actions. Failure to do so (in the absence of mitigating circumstances) may result in referral to the Taxation Disciplinary Board (TDB) for enforcement action.



Enforcement action

Members are warned about the potential for disciplinary action if they provide false information on return forms/pre visit questionnaires or are not compliant with the requirements of the regulations.

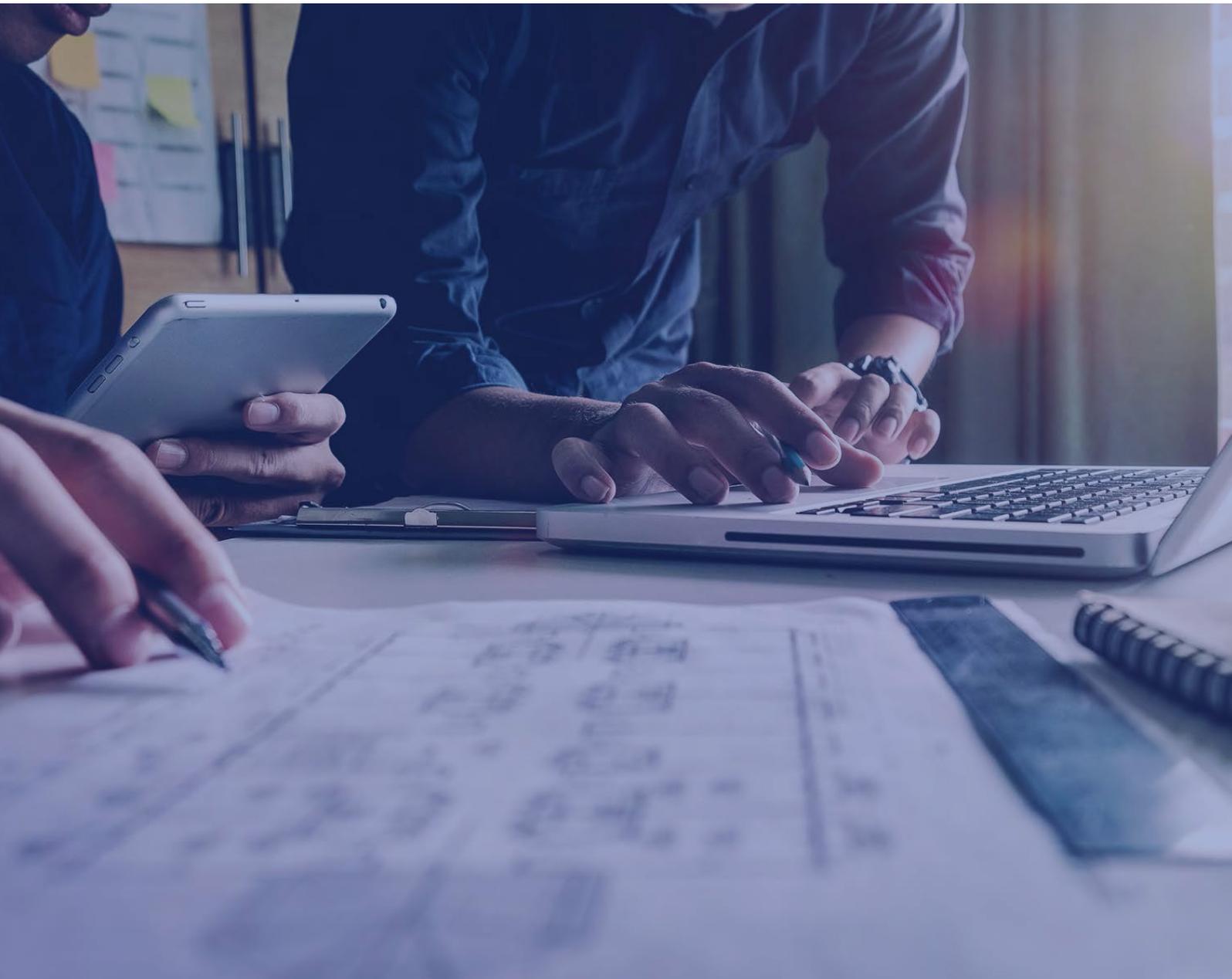
The Taxation Disciplinary Board is an independent body which handles all disciplinary matters in relation to CIOT and ATT members. Information about the disciplinary process and the indicative sanctions guidance can be found on the TDB website.

During the year 4 firms were disciplined for failure to:

- submit renewal forms by the required deadlines
- submit a criminality check certificate
- deal with action points following an AML review.

In 3 cases the sanction applied was a financial penalty and in one case the member was suspended.

Fines totalling £8,379 were levied against firms which were late with their initial registration.



Main themes arising from monitoring programme

As noted above, after each AML compliance visit the reviewed firm receives a rating – compliant, generally compliant or non-compliant. Most are found to be compliant or generally compliant with only minor administrative failings to address. The main areas needing further attention by some firms were

1. Individual client risk assessment and practice risk assessments

The need for a written risk assessments to be in place for each client is not always apparent where, for example, a sole practitioner has been in practice for many years and knows their longstanding clients well. They are generally aware of inherent risks and manage and mitigate them in their day to day approach to work but they lack the paperwork to evidence this. We have provided pro forma practice risk assessment and policies and procedures documents (which members must adapt to reflect their own practice) to help firms comply with the requirements of the MLR and feedback from those using the documents has been positive.

2. Record keeping

A number of firms needed to review their record keeping requirements to ensure they were meeting the requirements of the MLR to destroy the appropriate records 5 years after the business relationship unless they had agreed a longer period eg through engagement letters.

3. Ongoing monitoring

Not all firms appreciated the need to review client due diligence and risk assessment requirements on an ongoing basis. As tax practitioners will routinely review background information on clients when they prepare annual tax returns they were advised to extend this to consider AML monitoring requirements.

4. Criminality check certificates

Criminality checks had not always been undertaken on all of the Business Owners, Officers and Managers (BOOMs). The BOOM definition is not always well understood by firms. Missing criminality checks related almost exclusively to spouses not involved in the business and were provided post visit. We have never discovered any MLR Schedule 3 offences from any of the criminality check certificates submitted in respect of the BOOMs of supervised firms.

5. Training

Firms had undertaken training but were not always keeping a training log.

6. Policies and procedures documents

As a result of a continued education programme there are now very few firms who do not have policies and procedures documents in place. Where they are missing they tend to be in sole practitioner firms where the need or relevance of having a written policy for oneself is not always recognised. On occasions firms have really useful forms, software etc they are using to meet AML requirements but these are not included in their policies and procedures document. Alternatively, they sometimes use the standard documents provided by us or the other training providers but fail to tailor them to their practice.

Other areas of work

We continue to work with the other AML supervisors through the AASG and AMLSF together with HM Treasury and the Home Office. We also have regular catch up sessions with OPBAS to discuss developments in our supervisory approach.

We continue to represent our supervised firms through consultation responses and during the year the CIOT and ATT both responded in relation to the HM Treasury consultation on the Economic crime levy: Funding new government action to tackle money laundering and completed and provided an additional questionnaire requested from supervisors.

We also submitted both CIOT and ATT responses to the House of Commons Treasury Committee Inquiry into Economic Crime.

We have worked in collaboration with AASG and other parties on future initiatives to manage and mitigate fraud risks which involved a number of meetings as well as written feedback.

The CIOT and ATT publish their whistleblowing policies on their websites here and here. We also published an article in Tax Adviser to provide the whole membership with more information about AML whistleblowing <https://www.taxadvisermagazine.com/article/time-blow-whistle>. We had 7 instances where information was received and appropriate follow up action taken.



2021/22 Meeting the Challenges of the Future

The CIOT and ATT have continued to develop their AML supervision strategies since 6 April 2021 and to respond to the challenges arising.

COVID 19 risks required us to quickly adapt the way we operated in 2020/21 and whilst restrictions have continued to ease since 6 April we remain cautious about arranging physical AML inspection visits at this stage. We continue to be encouraged by how the use of new technology has enabled us to still maintain an effective programme of visits during the period. Similarly, new technology has enabled firms to continue to service the needs of their clients and maintain the AML policies and procedures required to manage and mitigate risk. New ways of working mean new areas of risk and we continue to be aware of monitoring risks to us and our firms in this area.

Tax advisers will often only become aware of potential money laundering long after the transactions take place when they come to prepare accounts and tax returns. Our tax technical colleagues have been working with us on professional standards guidance on the correction of errors in relation to COVID support schemes. Over the coming months we expect to see continuing discussions about issues identified in relation to claims for government COVID support and potential suspicious activity reporting.

We continue to develop internal systems to understand more about the risk profiles of our supervised firms. By understanding the risks faced we can assist our firms with the solid work they are doing to manage and mitigate risk. Refining this process will continue to be a priority for us.

The need to ensure that our firms understand and take seriously the legal requirements on them to comply with the requirements of the MLR and associated legislation remains. We will therefore continue our series of webinars and newsletters in order to get messages out to members. We also work with the Taxation Disciplinary Board to ensure our enforcement procedures remain fit for purpose, and are effective, proportionate and dissuasive.

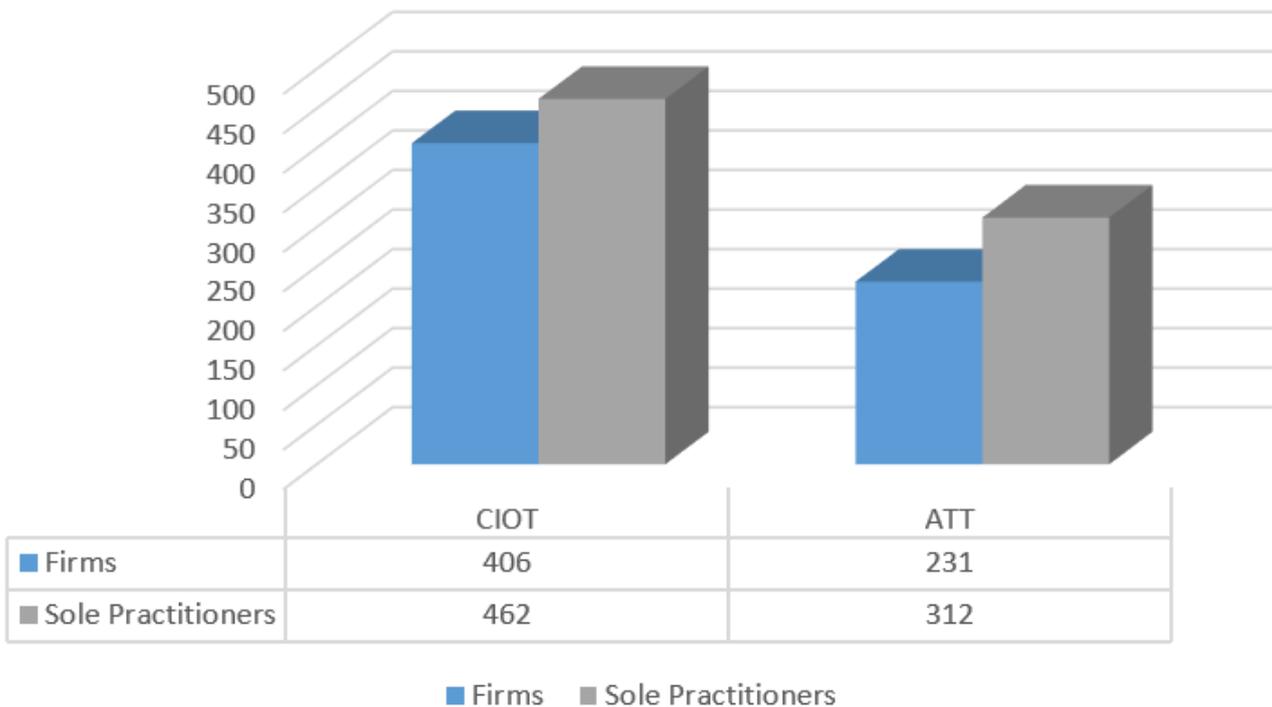
We will continue our liaison with other Supervisory bodies through AASG and AMLSF and through the Information Sharing Expert Working Group and we will pass on to firms the alerts generated. While these information sharing initiatives are valued we still seek more granularity from law enforcement and in particular case studies identifying where members of our sector have failed to meet the requirements of the regulations and what the outcome might have been if they had acted appropriately. We seek to work with the NCA and other law enforcement agencies further in 2021/22 to obtain more detailed intelligence relating to tax advisers to assist our members.

The pace of change continues to present challenges for both us and our firms. During 2020/21 firms had to get to grips with changes brought about by the update to regulations resulting from the 5th Money Laundering Directive. Further changes are expected and the CIOT and ATT have recently each responded to the Call for Evidence: Review of the UK's AML/CFT regulatory and supervisory regime and the consultation on Amendments to the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 Statutory Instrument 2022. This is also the first year for which we have needed to produce an annual AML report and there continue to be new initiatives on fighting fraud, supervision of SARs reporting and intelligence sharing. The CIOT and ATT continue to represent the views of members in these discussions and the need for the requirements to be proportionate to the risks faced by the firms we supervise.

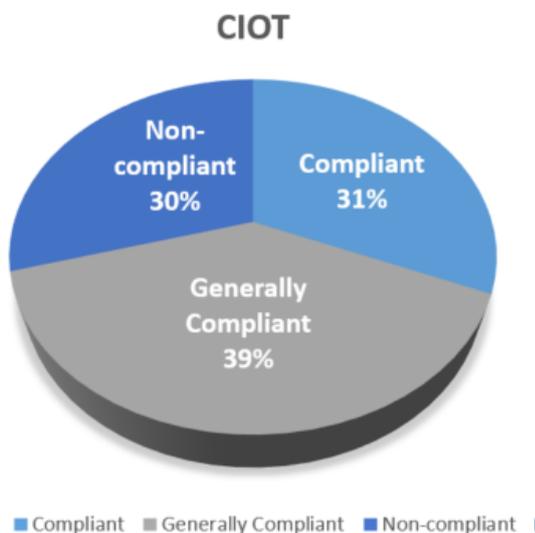
AML 2021 Statistics

A snapshot of AML activity throughout 2020/2021.

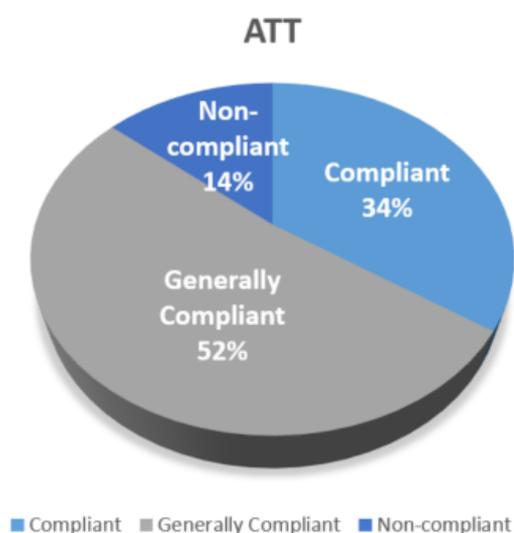
THE NUMBERS AND TYPES OF FIRMS SUPERVISED



OUTCOMES OF AML CIOT REVIEW VISITS



OUTCOMES OF AML ATT REVIEW VISITS



NEW REGISTRATIONS IN 2021

CIOT registrations



= **106**

ATT registrations



= **58**

COMMUNICATIONS



- 2 AML Newsletters
- 4 Webinars (1 provided by NCA)
- Average viewing figures for each of the 3 CIOT/ATT webinars - 900
- Tax Adviser articles
- Alerts sent out
- Regular contributions in internal Weekly News

ENFORCEMENT



- Over £8000 charged in fines for late first-time registration
- £900 charged for late renewal and late submission of criminality check certificate
- One member suspended for persistent failure to submit criminality check certificate

TOOLS



- Pro forma policies and procedures
- Pro forma risk assessment
- 69 FAQs on AML



For more information visit :
tax.org.uk/anti-money-laundering-aml
att.org.uk/members/anti-money-laundering

Appendix - Guidance for Supervised Firms

There is a considerable amount of guidance available to firms:

CIOT website AML guidance including:

- Anti-Money Laundering overview and registration
- CIOT Anti-Money Laundering Scheme Rules
- AML Guidance for the Accountancy Sector
- Practice risk assessment and policies and procedures (Guidance and pro forma documents)
- Newsletters
- Frequently asked questions
- HMRC TCSP register Q&A for businesses
- Anti-Money Laundering Training and ID Verification
- CIOT Supervisory risk assessment
- Whistleblowing policy

ATT website AML guidance including:

- Anti-Money Laundering overview and registration
- ATT Anti-Money Laundering Scheme Rules
- AML Guidance for the Accountancy Sector
- Practice risk assessment and policies and procedures (Guidance and pro forma documents)
- Newsletters
- Frequently asked questions
- HMRC TCSP register Q&A for businesses
- Anti-Money Laundering Training and ID Verification
- ATT Supervisory risk assessment
- Whistleblowing policy

Money Laundering regulations:

The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017

The Money Laundering and Terrorist Financing (Amendment) Regulations 2019

The Money Laundering and Terrorist Financing (Amendment) (EU Exit) Regulations 2020

National Crime Agency publications and guidance

Suspicious Activity Reporting online portal

Money laundering and illicit finance including links to:

Introduction to SARs

Glossary codes and reporting routes

SARs in Action Magazine September 2021

Appendix - Glossary of Terms

AASG Accountancy AML Supervisors' Group (AASG). CIOT and ATT participate in this group which is a subcommittee of the UK Anti Money Laundering Supervisors Forum. It provides a forum in which professional bodies work collaboratively to develop accountancy sector supervisory policy to promote consistency in standards and best practice.

The AASG consists of the accountancy professional body supervisors listed in Schedule 1 of the Money Laundering Regulations

AMLGAS Anti-Money Laundering Guidance for the Accountancy Sector (AMLGAS) previously known as the CCAB guidance.

AMLSFUK AML Supervisors Forum (AMLSF) – This is a forum for all AML supervisors including HMRC and the FCA. It is also attended by representatives of OPBAS, HM Treasury, the Home Office, NCA and other relevant law enforcement agencies.

FATF Financial Action Task Force (FATF) is an independent inter-governmental body that develops and promotes policies to protect the global financial system against money laundering, terrorist financing and the financing of proliferation of weapons of mass destruction. The FATF Recommendations are recognised as the global anti-money laundering (AML) and counter-terrorist financing (CFT) standard.

MLTF Money Laundering and Terrorist Financing

MLR The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer)

Regulations 2017 as amended by The Money Laundering and Terrorist Financing (Amendment)

Regulations 2019 and The Money Laundering and Terrorist Financing (Amendment) (EU Exit) Regulations 2020 (see guidance page for links)

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