

**Chartered
Institute of
Taxation.**

MAKING AML SUPERVISION WORK IN A WORLD OF CHANGE

**CIOT and ATT ANNUAL
AML SUPERVISION REPORT
2022/2023**

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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 Anti-Money Laundering (AML) supervisory activity is a key element in the fight against financial crime.

The National Risk Assessment (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 who are in practice (approximately 1,450 firms). This represents a small fraction of our membership most of which work in practice for firms supervised by other accountancy bodies such as the ICAEW and ACCA. This report sets out the supervisory actions taken by both bodies during the period 6 April 2022 to 5 April 2023. We built on lessons learned during the COVID 19 pandemic. We held face to face meetings where necessary (for example where the member's circumstances meant they need additional support and guidance), but our default position was to retain our online programme for most AML supervision visits. We also continued our successful programme of online webinars, which enabled us to reach more members, more efficiently.

Particularly at the start of the period, work focused on the heightened level of risk where firms might be providing services to those subject to government sanctions following the Russian invasion of Ukraine. We had taken immediate action at the end of 2021/22 to alert firms to the implications, risks and the necessary response. We continued this work during 2022/23, reviewing firms with increased risks owing to the nature of their client base and supporting members where they had queries on the clients they were able to retain or take on and the services they could provide.

CIOT and ATT supervisory activity seeks to support and educate 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. During 2022/23 we started to plan for some operational changes to strengthen the disciplinary process.

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. This report sets out the areas identified during 2022/23 where some supervised firms needed to focus their attention in order to become fully compliant. Our approach is first to work with firms to bring them in to compliance and only if sufficient progress is not made do we refer the firm for disciplinary action.

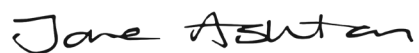
Our strength as supervisors stems from the facts that:

- we have small supervised populations of tax advisers relative to our scale as professional bodies; and
- our supervisory staff and the management team come in the main from tax backgrounds and understand well both the risks in this field and the practical ways to address those risks and fulfil the requirements of the Money Laundering Regulations (MLR).

AML compliance should never be a tick box exercise and those not meeting the basic requirements 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.

The 2022/23 period was one of continuing developments in legislation and requirements on firms and supervisors. At the same time the CIOT and ATT navigated through a number of internal changes which had some impact on the focus of our supervisory activity. We expect the pace of change to continue over the forthcoming period and support the need for change in the supervisory regime. We look forward to working with OPBAS and HM Treasury on changes to the regime over 2023/24 and 2024/25.



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 whom we supervise:

- a. understand the Anti-Money Laundering and Counter Terrorist Financing (AML/CTF) 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. The last assessment took place in 2021 with no significant action points identified. We expect our next assessment to be in spring 2024.

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/CFT supervision. The report published in 2022 related to the years 2020-22 and is available [here](#).

The CIOT and ATT Councils govern each body. AML is a standing item on the Councils' agendas 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 Money Laundering Reporting Officers (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 five staff in the Professional Standards team undertake the day to day supervisory work required and are completely separate from our membership team who deal with membership applications and subscriptions.

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 a subsection of our membership, that is, 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](#).

No changes were required to these scheme rules in 2022/23 but we continue to keep them under review. The first step in our checks that members are meeting their AML obligations is through our requirement for all members to complete an annual return. Those who are principals in a firm have to indicate who their AML supervisor is, which enables us to check our records and follow up to ensure compliance where required.

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 tax incentives.

The firms registered for AML supervision range from sole traders to firms of tax advisers/accountants with gross fee incomes varying between £150 per annum to over £14 million (CIOT) and £325 per annum to £34 million (ATT), the next largest ATT firm after this had fees of £7 million. The majority of our supervised firms operate solely within the UK with only a small number of firms undertaking some operations outside of the UK.

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 and non-compliant firms are dealt with accordingly. During 2022/23 we reviewed how the new registrations process operated and updated and improved this to ensure a more robust procedure and better tracking of all applications received. We also recognised the need to make some changes to our Membership Annual Return process to ensure we were able to follow up on all firms requiring supervision with the CIOT and ATT. A case study referring to work arising from annual return work is included in Appendix Two.



A risk based approach

As required by the MLR we adopt a risk-based approach to supervision. We took into account the **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.”

We also took the **National risk assessment of proliferation financing** into consideration in our risk based approach. From September 2022 all regulated entities have been required to have a Proliferation Financing Risk Assessment in place, and during 2022/23 we provided guidance and wording for our firms to incorporate this into their risk assessment which is available on the CIOT website [here](#) and on the ATT website [here](#).

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. The facilitation of tax evasion. This is borne out by the content of calls where members wish to discuss cases where they are considering whether it is appropriate to make a SAR. These nearly always involve a client who has potentially and knowingly underpaid tax.
- 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 MLR 2017 and related legislation

To assist firms with their understanding of AML and CFT risk and to promote improved compliance we provided the following webinars:

- May 2022: AML and Professional Standards webinar including information about Russian Sanctions and the update to the High Risk Third Countries list.
- November 2022: AML Webinar including details of emerging AML risks, Russian sanctions and the provision of accountancy services, Verification and the overseas register and hints and tips for compliance based on common queries we receive from members and areas of non-compliance identified.
- January 2023: HMRC webinar covering Register of Overseas Entities (ROE). We included slides highlighting the AML risks in relation to ROE work.
- Details of past and upcoming webinars can be found on the CIOT website [here](#) and the ATT website [here](#).

We also issue alerts to supervised firms in relation to potential areas of specific risk and updates to guidance through our weekly newsletters, AML specific newsletters to supervised firms and articles in our magazine Tax Adviser.

Sanctions risks had a continuing focus throughout 2022/23 and we continued to provide guidance to members through our helpline, websites, webinars and publications.

Emerging risks during the year included:

- Crypto assets – An emerging risk that we are currently monitoring is in relation to the use and taxation of crypto assets. We plan to provide supervised members with guidance on the areas of potential risk and red flags associated with crypto assets.
- Verification of overseas entities – We have provided members with information on the verification of overseas entities on the CIOT website [here](#) and ATT website [here](#) and we held a webinar on the Overseas Entities Register
- Chinese underground banking and funds from China – we provided information on the emerging risk of Chinese underground banking and funds from China on the CIOT website [here](#) and ATT website [here](#).

Annual return work has also identified the risks of those in niche areas of tax work and those providing tax software failing to understand when the services they provide bring them within the scope of AML supervision. In response we have liaised with HMRC and undertaken continuing work in 2023/24 to provide clear advice in this area. The case studies included in Appendix Two cover an example of work in this area.

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 (around 3%) 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. Low risk firms are also looked at carefully to ensure they have an appropriate risk rating and where risks potentially might be higher these are also included in the visit programme. 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, late registering firms were quickly slotted into the programme for AML visits.

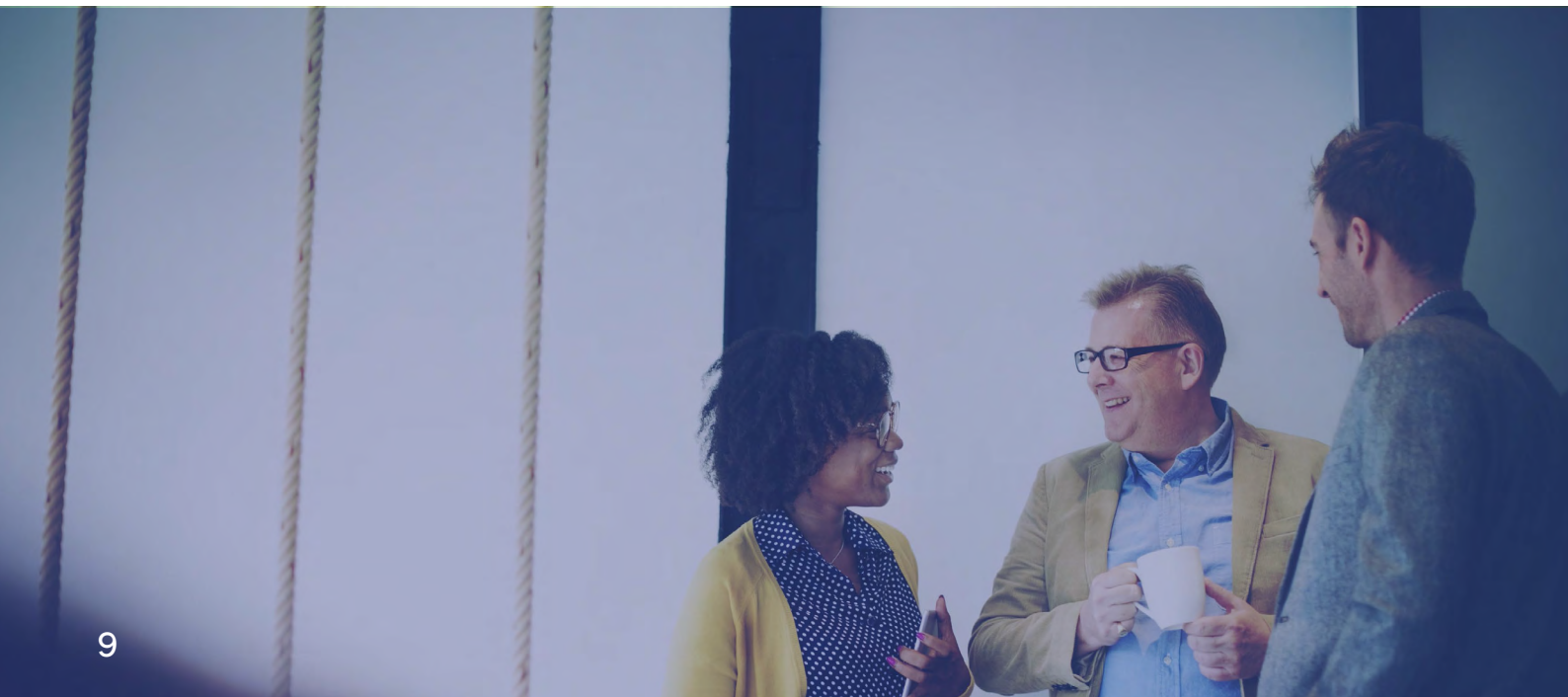
Firms selected for a visit have to complete a questionnaire about their business and supply their AML risk assessment, policies and procedures and training log in advance. During the visit we gather sufficient information to enable us to understand the risks associated with the firm and assess whether their response (which should be risk based) 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 (TCSP) risks are explored and firms are reminded about the requirement to be on the HMRC TCSP register. During 2022/23 we also had an increased focus on sanctions checks undertaken by the firm and the AML approach adopted on any clients with Russian connections.

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.

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.

Case studies relating to AML supervision visits are included in Appendix Two.



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](#) (TDB) 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, six firms were disciplined for failure to submit their renewal form by the required deadlines and in all cases a financial penalty was charged.

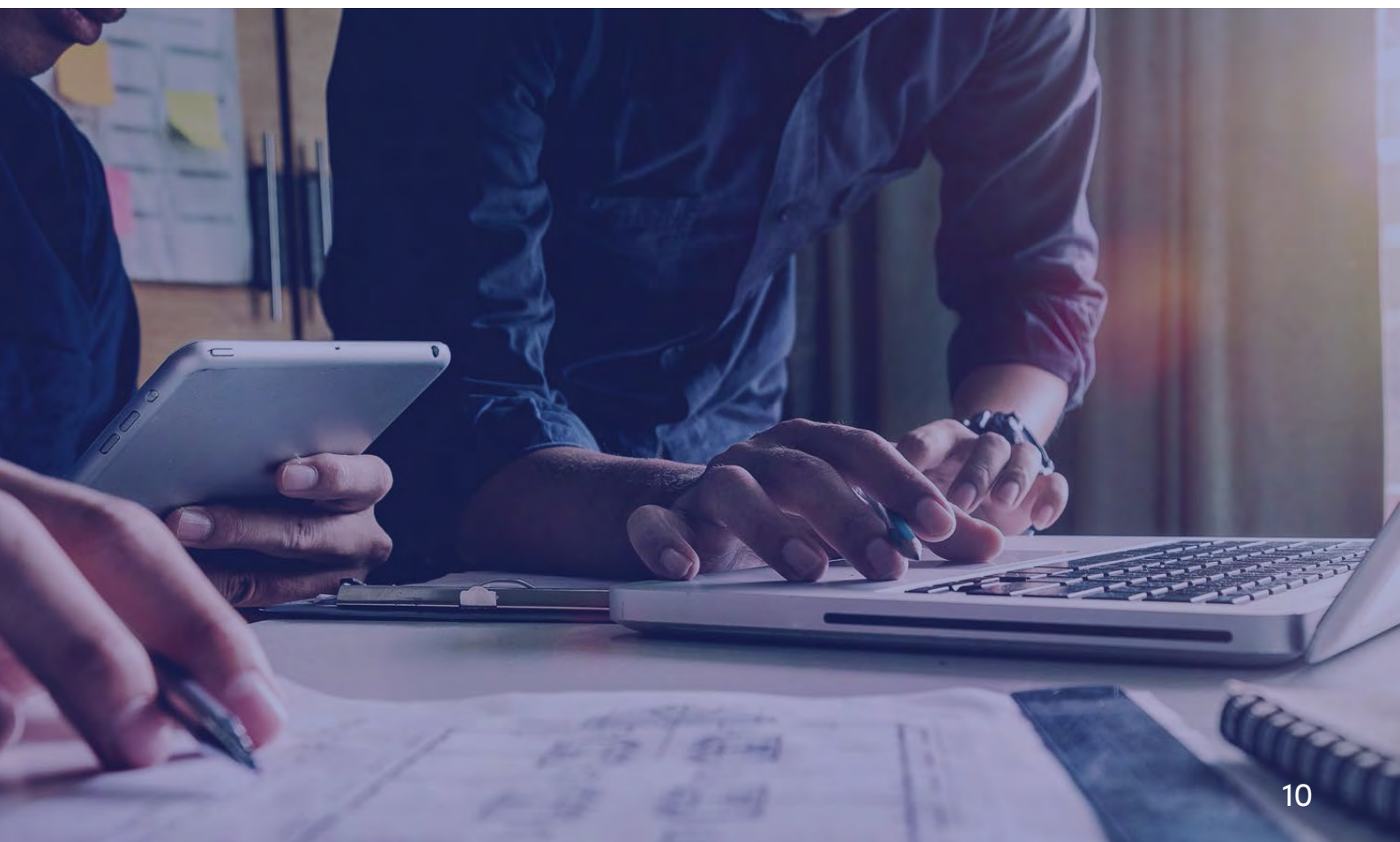
Fines totalling £14,560 were levied against firms which were late with their initial registration (a significant increase from £4,726 levied in 2021/22). The increase is mainly as a result of better internal procedures for identifying and tracking late registrations and us taking a firmer approach on non-compliance.

One AML supervised member was suspended for a non-AML related matter and two AML supervised members were fined for non-AML related matters.

We introduced a new policy which came into force on 1 June 2022 to make it clear to members that a harder line would be taken on late AML supervision registrations. This policy states that all late registrations will be considered for referral to the Taxation Disciplinary Board and there will be an automatic referral for any over a year late. This had been advertised on the CIOT and ATT websites and in Tax Adviser Magazine. Two referrals took place in the period to 5 April 2023 with disciplinary action then in the hands of the TDB. We expect to be able to report the outcome of these cases in our 2023-24 report.

The Taxation Disciplinary Board also reviewed their indicative sanctions guidance during 2022/23 and published an [update](#) in May 2023.

A case study relating to referral for enforcement action is included in Appendix Two.



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 (see Appendix One) with only minor administrative failings to address. The main areas of non compliance that required further attention by some firms or which we know needed to be an area of focus were:

1. Training

We found that although firms had undertaken AML training they were failing to evidence this sufficiently with a written training log that included details such as:

- the training that was given
- the dates on which it was given
- which individuals received the training
- the results from any assessments.

Our experience is that small firms don't always appreciate the legislative requirement to evidence what they are doing through a written log. Time and cost constraints for sole practitioners and small practices and the lack of a designated or full time compliance officer mean that these more administrative requirements are at times overlooked. Continuing education is therefore needed in this area.

2. Ongoing monitoring

Whilst firms understand that client due diligence and client risk assessment is required at onboarding, it is not always understood that this should be reviewed on an ongoing basis and evidenced. When undertaking supervision visits, we look for evidence that ongoing monitoring is noted on the file even when there is no change to the client information or risk rating.

As tax practitioners will routinely review background information on clients when they prepare annual tax returns, ongoing monitoring is generally already part of their procedures. Firms will ask questions to establish new sources of income or wealth to ensure the tax return is complete. For example, if a client has a new source of income from renting a property, firms will require background information about this and will want to note their records on the cost of the property (ready for future capital gains computations) and the source of funds for the purchase to establish the correct tax claims for interest, improvement to the property etc. What firms don't always do is specifically recognise the AML related monitoring required and the need to formally consider the risk rating and client due diligence and note that they have done so. We prompt our small firms to consider this through the wording included in our pro forma policies and procedures document and other forms which specifically include boxes to record ongoing monitoring. We continue to educate the supervised population about these requirements.

3. Practice Risk Assessments (PRA) and Policies and Procedures (P&P) documents

Some small firms and sole practitioners may believe that written PRAs and P&Ps are not required due to the size of their firm, we have found that the significance of having a written policy for sole practitioners is not always recognised with a small number of our firms.

We provide pro forma PRA and P&P documents for our members to adapt to reflect their own practice to ensure the firm identifies the risks applying to that firm and can respond with appropriate policies and procedures to manage and mitigate the risk. Feedback from those using the documents continues to be positive.

We have found that some firms have really useful forms and software that they are using to meet AML requirements but have not included these in their policies and procedures document. We have also found that firms sometimes use the standard pro forma documents provided by us or the other training providers but fail to tailor them to their practice.

Our small firms often fail to understand why the same provisions apply to them as to much larger firms, for example the need to have clear written risk assessments (plus written evidence of ongoing monitoring) in place for each client. They know their clients well and whilst they are generally aware of inherent risks and manage and mitigate them in their day to day approach to work they fail to meet some administrative requirements to demonstrate compliance with the regulations.

This continues to be an education piece that we consider during our visits, webinars, and newsletters.

4. Record keeping

We identified a small number of firms that needed to review their record keeping requirements to ensure they were meeting the requirements of the MLR to destroy the appropriate records five years after the business relationship ends unless they had agreed a longer period e.g. through engagement letters.

The main reason for this is that in general tax records for clients do need to be retained for a number of years because of potential HMRC enquiries or details needed for the future sale of assets. Therefore this continues to be an area where members need education and to understand how the tax requirements fit with data protection requirements and the requirements of the MLRs.

5. Suspicious Activity Reporting

Changes to the MLR gave clearer authority to require firms to provide us on request copies of any suspicious activity disclosures made to the NCA. Supervision has involved very few firms with any suspicious activity reports (SARs) we could review for quality.

We are conscious of the feedback from law enforcement that they expect the accountancy sector to increase the number of SARs and the quality of those SARs. We have therefore covered this during AML supervision visits during the year and as part of our November 2022 webinar. In 2021/22 we had attempted to obtain from the NCA further details about SARs submissions by our members but at that stage granular information of this nature could not be provided. We therefore look forward to further information being available and fed back to supervisors following the SARs transformation programme.

It should be noted that in the tax advice sector the relatively low number of SARs is partly attributable to the application of the privilege reporting exemption which means in relation to some corrective work relating to tax errors firms must not make a SAR.

Follow up undertaken on areas of non-compliance

This year we have taken additional action by:

- a. Following up with members that provide non-compliant answers in AML onboarding and renewal forms.
- b. Highlighting the importance of P&P and PRA in our November 2022 webinar and in other publications for members.
- c. Arranging AML visits to firms that indicate non-compliance in AML forms, and risk assessing these firms accordingly.

Other areas of work

In response to the sanctions imposed following the Russian invasion of Ukraine we have continued to update and publicise our dedicated web pages providing guidance to members. Information received from members and supervised firms about their clients with potential Russian connections has enabled us to review the risks our supervised firms face, visit small numbers of firms with elevated risks and provide advice where needed to the individual firms.

The Register of Overseas Entities was introduced with haste during 2022/23 and the CIOT and ATT provided website guidance on this and worked with HMRC and Companies House to ensure a webinar was provided in advance of the 31 January 2023 registration deadline.

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. The CIOT and ATT Head of Professional Standards has also been asked to represent the AASG at the Public Private Threat Group on Money Laundering.

We continue to represent our supervised firms through responses to consultations, calls for evidence and information requests. During the year the CIOT and ATT responded to the consultation on the OPBAS sourcebook changes. We also commenced a review of all internal procedures once the updated sourcebook was issued.

The CIOT and ATT took part in ongoing work being undertaken by OPBAS on the risks associated with TCSP work undertaken by firms. Detailed responses were provided to a questionnaire relating to TCSP work undertaken by firms and the associated risks. As a result we reviewed the TCSP questions being asked in our registration and annual renewal form and planned ahead to adjust those for 2023/24.

The risk assessment process for our firms was reviewed in relation to the 2022/23 AML renewals and a further review took place in early 2023 ready for the 2023/24 renewals.

The CIOT and ATT publish their whistleblowing policies on their websites [here](#) and [here](#). We remind firms about this policy during webinars and when responding to member queries through our helpline and during visits. We had 3 instances where information was received and appropriate follow up action taken.

We have also taken an active role in work with HMRC on areas of risk relating to tax crime through an initiative known as the Tax Crime Alliance and have joined the crypto assets sub group as part of our work to raise awareness of AML risks in relation to this area.

During 2022/23 the CIOT and ATT commenced a process of review of the operation of the independent Taxation Disciplinary Board. A plan was developed to modify operational arrangements which will in future ensure a quicker resolution of disciplinary cases and more close oversight of the initial stages of the process to ensure that disciplinary action in relation to AML failings is proportionate and dissuasive.



Reflections on 2022/23

At the outset of 2022/23 the CIOT and ATT recognised that this would be a year of transition owing to a number of internal changes. It was also recognised that the TDB needed some support to strengthen the disciplinary process, and planning to change operational arrangements commenced.

Internal changes gave us the opportunity to review our structure and ensure that:

- a. We had more overlap in the roles performed to minimise delays during periods of staff illness and annual leave; and
- b. Succession planning would be easier in the event of future staff changes.

We took the time needed to ensure the staff with the right skills were recruited to fill the roles required in the supervisory team.

The focus of supervisory work was considered and during the team changes care was taken to maintain supervisory activity but shift focus to some key areas:

- a. We shifted visits until later in the supervision year once new staff had been trained and advised OPBAS of the change in programme for a period during 2022
- b. We brought in temporary assistance from a retired ATT Technical Officer to assist in increasing visit numbers from January 2023 onwards.
- c. We accepted that visit follow up and some other compliance follow up work could be dealt with over a longer time period than the target timescales set out in our policies and procedures with the aim of meeting these targets again as soon as the team was up to full staffing levels. It should be noted that action points are always outlined at the end of supervision visits so members were aware of requirements. In the main action points related to administrative improvements required within the firms rather than a lack of understanding of the risks in relation to their client base.
- d. We suspended our programme of regular updates to our internal AML handbook on the basis that the March 2022 version provided sufficient direction internally, until the updated OPBAS Sourcebook was available.

Supervisory work remained effective for the year and was monitored on a monthly basis:

- We undertook 65 AML visits (total for CIOT and ATT) which compares favourably with the 73 from the previous year despite lower staff numbers and the training requirements in relation to new staff.
- We maintained the quality of AML visit work (measured by our internal Quality Control process)
- We maintained our AML webinar programme and were able to provide a webinar on the Register of Overseas Entities as an additional event. There have been over 1700 views of our webinars overall which we consider is a measure of their success.
- We maintained our helpline assistance and undertook follow up work on over 50 cases where firms reported connections with Russian clients.
- We developed an improved AML new registrations process.
- We identified improvements which could be made to our annual return checks to ensure that our system required more checks to be undertaken. This has improved our policing the perimeter work.
- We reviewed and adjusted the scoring for our risk assessments of our supervised firms.
- We have developed intelligence sharing work following the changes to regulation 52 of the MLRs and have seen increased interaction with other supervisors in this area.

2023/24 and beyond – what comes next for CIOT and ATT AML Supervision?

The CIOT and ATT recognise a number of challenges to be addressed in the 2023/24 supervision year including:

- Increasing the number of AML supervision visits by approximately 25%.
- Improving turnaround times on visit follow up by both us and members to fully meet our internal targets.
- Working with supervised members to improve their understanding of SAR reporting and the quality of those reports.
- Continuing to provide our AML webinar programme.
- Increasing the number of AML newsletters issued to supervised members.
- Continuing to improve our policing the perimeter work by enforcing the requirement for all members to submit an annual membership return which requires those in practice to notify us of their AML supervisors.
- Continuing the intelligence and information sharing process with other supervisors to remove bad actors from our firms and improve the fight against economic crime.
- Working on the operational aspects of the TDB process to ensure swift turnaround on AML cases and proportionate and dissuasive penalties for AML failures.
- Providing guidance and support to members in relation to the changes in the Economic Crime and Corporate Transparency Act.
- Thematic work on the AML risks in relation to crypto assets.

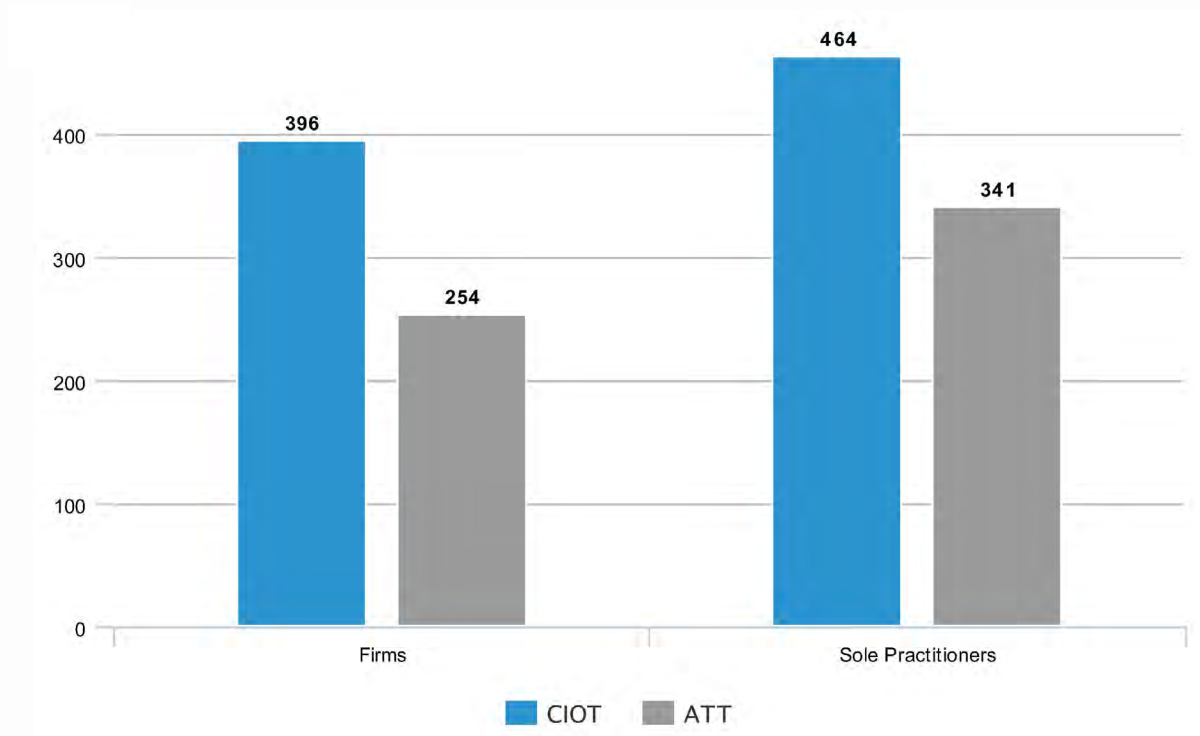
Alongside these challenges we note the potential changes in the landscape of supervision and have recently responded to the Reform of the Anti-Money Laundering and Counter-Terrorism Financing Supervisory Regime: Consultation. The CIOT response is available [here](#) and the ATT response is available [here](#).

As outlined in our response we consider that OPBAS+ is the most feasible and cost effective approach and we look forward to working further with OPBAS and HM Treasury during 2023/24 and 2024/25 on any changes announced.

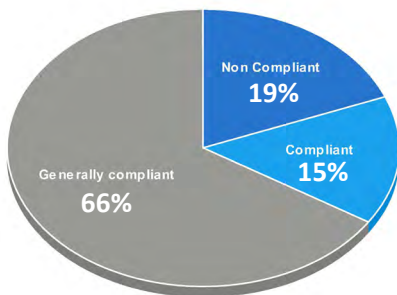
AML 2022/23 Statistics

A snapshot of AML activity throughout 2022/2023.

THE NUMBERS AND TYPES OF FIRMS SUPERVISED

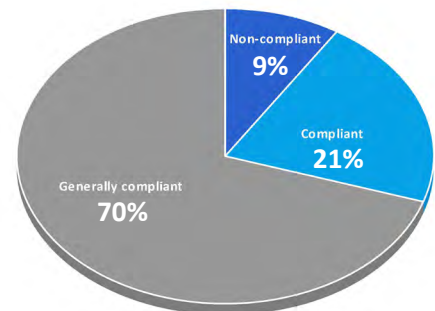


OUTCOMES OF AML CIOT REVIEW VISITS



■ Non Compliant ■ Compliant ■ Generally compliant

OUTCOMES OF AML ATT REVIEW VISITS



■ Non-compliant ■ Compliant ■ Generally compliant

Risk rating of firms before review visits

CIOT

High- 75%
Medium- 19%
Low- 6%

Risk rating of firms before visit

ATT

High - 45%
Medium- 55%

Approximate number visited in 2022/23 from each risk category:

CIOT

High - 36%
Medium - 1%
Low - 1%

ATT

High - 65%
Medium- 3%

NEW REGISTRATIONS IN 2022/3

CIOT registrations

 = 77

ATT registrations

 = 31

COMMUNICATIONS



- Over 50 follow ups needed relating to Russian Sanctions
- 3 AML webinar with over 1,700 views in total
- Tax Adviser articles
- Regular contributions in Weekly News

ENFORCEMENT



- Over £14,000 in fines for late registration
- £2,400 in fines charged for late renewal

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 Two – AML Supervision Case studies

Case Study One – The Importance of the Member Annual Return

All members are required to complete an annual return to confirm that they are meeting a number of legal and membership requirements. An ATT member working in a niche area of tax practice indicated that another professional body was his AML supervisor but he could not select this option when preparing his annual return. The query was picked up by a member of the AML supervision team who explained that the professional body he was referring to was not an AML supervisor and that the member needed to register with the ATT for supervision.

The individual insisted that the other body supervised the firm and that they did not need to register with ATT. Detailed guidance was set out as to why the ATT considered that the area of work needed to be AML registered.

It was noted that the firm had a logo on their website from another AML supervisory body so liaison took place with them and they confirmed they were not AML supervisors.

The firm then checked directly with HMRC as to whether AML supervision was required and received the response that they did not need to register.

The ATT continued to consider that AML supervision was required and took up this matter with HMRC's Agent Compliance Team who we meet on a regular basis. They arranged for an Economic Crime Technical Specialist to review the case and HMRC asked the firm for additional information. HMRC then reversed their decision in relation to the company and confirmed to them that they needed to register for AML supervision with ATT.

Registration was then put in place.

Case Study Two – Notification of connections to Russian clients

Following the issue of our AML newsletter in March 2022 a CIOT member and MLRO in a supervised firm emailed in to advise the CIOT that they had some Russian Nationals as clients.

Following this notification the firm was rated as high risk and a visit was arranged.

The visit took place online and connections with overseas clients and any Russian clients were specifically discussed. Following this the firm was rated as generally compliant and follow up points related mainly to a refresh required to the practice policies and procedures and risk assessment document.

The member also asked questions about Suspicious Activity Reports (SARs) and guidance was provided on the use of glossary codes and the need to avoid acronyms and abbreviations when making a SAR. The new SARS reporting system due to go live later in 2022 was also referred to.

Case Study Three – Follow up on non-compliance

The member's firm was rated as high risk.

A desk based review was arranged with the member who was found to be non-compliant with the requirements of the MLRs in the following respects:

- Member did not have full CDD records
- There appeared to be gaps in the risk rating of clients
- Ongoing monitoring could not be evidenced
- Financial Sanction sanctions checks were not being undertaken (although the risk profile of clients was limited in this regard)
- Record retention and associated policies needed to be reviewed

The member failed to provide a full response to us. They were advised that they would be referred to the Taxation Disciplinary Board (TDB) for disciplinary action unless they complied and were subsequently referred. Disciplinary Action is currently in progress.

Appendix Three - Guidance for supervised firms

There is a considerable amount of guidance available to firms:

CLOT website [AML guidance](#) including:

- [Anti-Money Laundering overview and registration](#)
- [CLOT 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](#)
- [CLOT Supervisory risk assessment](#)
- [Whistleblowing policy](#)
- [Guidance on Russian Sanctions](#)

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- [Newsletters](#)
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- [Anti-Money Laundering Training and ID Verification](#)
- [ATT Supervisory risk assessment](#)
- [Whistleblowing policy](#)
- [Guidance on Russian Sanctions](#)

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](#)

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

National Crime Agency publications and guidance

[Suspicious Activity Reporting online portal](#)

[Money laundering and illicit finance](#) including links to:

[Introduction to SARs](#)

[New SAR Portal Overview \(User Guide A\)](#)

[New SAR Portal - How to Register \(Guide B\)](#)

[New SAR Portal FAQs](#)

[New SAR Portal Guidance Signpost](#)

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.

AMLSF UK 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)

Amendments to the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 Statutory Instrument 2022

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