

For the period
6 April 2024 to 5 April 2025



Anti-Money Laundering Supervision Report

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Key terms

Term	Meaning
AML	Anti-money laundering
BOOM	Beneficial owner, officer, or manager (in relation to our firms)
CDD	Customer due diligence (when identifying clients)
CTPF	Counter-terrorist proliferation financing
FCA	Financial Conduct Authority
HMT	HM Treasury
ICAS	Institute of Chartered Accountants of Scotland
KYC	'Know your client' processes
MLCP	Money Laundering Compliance Principal
Money Laundering Regulations (MLRs)	The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017
MLRO	Money Laundering Reporting Officer (a role in firms)
ML	Money laundering
NCA	National Crime Agency
PCRT	Professional Conduct in Relation to Taxation
OPBAS	The Office for Professional Body AML Supervision
SAR	Suspicious Activity Report

About ICAS

ICAS (The Institute of Chartered Accountant of Scotland) is the world's oldest professional body of accountants. We represent over 24,000 members working in the UK and around the world. Our members work in private practice and in a range of businesses, as well as in the public and not-for-profit sectors. They contribute significantly to society.

ICAS' Royal Charter requires that we act in the public interest. Our regulatory functions are designed and exercised to place the public interest first. Our Charter also requires ICAS to represent its members' views and protect their interests. On the rare occasion that these are at odds with the public interest, it is the public interest that must be paramount.

ICAS is a Professional Body Supervisor (PBS) for anti-money laundering (AML) and counter terrorist and proliferation financing (CTPF). We supervise more than 750 firms for AML/CTPF compliance, most of which are based in Scotland.

The Regulation Board is the body appointed by ICAS' Council to be responsible for regulation and regulatory policy at ICAS, including our approach to AML/CTPF. In addition to overseeing how ICAS maintains professional standards amongst members, students, affiliates, and firms, the Regulation Board is also a strategic body, discussing developments in regulation and monitoring ICAS' engagement with its oversight regulators.

Foreword from the Chair of the Regulation Board

On behalf of the Regulation Board, I am pleased to introduce this report of ICAS' activities as an AML supervisor, covering the 12 months from 6 April 2024 to 5 April 2025.

Money laundering and the financing of terrorism damage the society in which we all live. As such, ICAS and its members collaborate to meet high standards to combat both and to keep our society safe. ICAS is accountable to the Office for Professional Body Anti-Money-Laundering Supervision (OPBAS), which is part of the Financial Conduct Authority.

Having now chaired the Board for more than a year, it is clear to me that AML is a key priority for ICAS. This takes two forms: first, ICAS' effectiveness as a supervisor of ICAS firms, and second, work to help ICAS firms increase their standards of compliance. Recent years have shown encouraging signs in both aspects.

ICAS has increased the size of the team leading to an increase in supervisory activity for AML. Monitoring visit levels are now close to pre-COVID levels, with more firms getting the basics right when it comes to compliance. The Board recognises in this the hard work of the relevant ICAS teams and also ICAS' members and firms.

There is of course no room for complacency. The Board is aware of the challenging environment presented by technology and geo-politics. It is clear that firms have a better handle on how to deal with more straightforward clients, but supervisory activity shows the difficulties firms face with more unusual situations. This includes 'outlier clients'. Firms also face broader challenges including staffing and financial pressures.

With this in mind, the Board has focused on the AML support ICAS is providing to supervised firms. The expectation is that firms will find a reasonable helping hand to help get them to where they need to be. Set against the challenges are opportunities, not least of which is technology, with AI and digitisation set to improve the effectiveness of AML compliance. This will benefit both ICAS' teams and also its firms.

As this report was being finalised, the Government announced its intention to make the Financial Conduct Authority (FCA) the single professional services supervisor for AML/CTPF, significantly reducing the role of ICAS and the others professional body supervisors. This would clearly have a major impact on ICAS and its supervised firms and will be discussed by the Regulation Board as a matter of priority.

I would like to finish by thanking the teams at ICAS for their hard work and positivity. I also give thanks to our ICAS firms and members for their collaborative hard work with the teams.



John Sutherland
Chair of the Regulation Board

Our public report

The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (MLRs) require AML supervisors – such as ICAS – to publish an annual report setting out how they discharge their supervisory obligations. We have published a report each year since 2019 and were one of the first supervisors to do so.

The main purpose of this report is to provide supervised firms, stakeholders, and other interested parties with a better understanding of ICAS' actions as an AML supervisor. We hope that this will increase transparency and provide reassurance as to the robust nature of our activities.

The report covers the period from 6 April 2024 to 5 April 2025 and should be read alongside other information on AML which is published by ICAS. All references to ML/AML in this report should be read to include CTPF, where appropriate.

Our commitment

ICAS remains committed to improving AML compliance amongst our supervised members and firms. We achieve this through robust supervisory activities, targeted support, and by working collaboratively with OPBAS and other supervisors to agree and promote best practice.

What we have achieved

We believe that ICAS' effectiveness as an AML supervisor has increased steadily over recent years, with measurable evidence of success. Last year, several important changes were made to our supervisory approach, the main change being a more risk-focused approach to monitoring. This year, we have developed our approach to regulatory action, to help deal with non-compliance, as well as improving our effectiveness in other areas.

Larger regulatory teams, with fully-trained professionals

Acquiring more relevant data from our firms

Increased visit numbers

We're doing more thematic reviews

More AML communications with firms, inc. videos

A revised AML Regulatory Actions Guidance

Evolving our risk-based approach

Better engagement with external bodies, e.g. FIN-NET

What we have planned

While good progress has been made in recent years, we know that we cannot afford to sit still. We have an evolving AML workplan, responding to developing risks, and working alongside OPBAS and the other supervisors.

Further support and guidance for firms

Reporting our thematic review findings

Review the impact of the Regulatory Actions Guidance

Integrate our AML and Practice Monitoring programmes

Expand our programme of thematic reviews

Update our internal guidance on AML roles & responsibilities

Some of this work will have been completed by the publication of this report, but falls outside the reporting period (6 April 2024 – 5 April 2025).

Our ability to evolve and improve our AML supervisory functions will, of course, be impacted by the Government's [announcement](#) in October 2025 of its intention to transfer AML and CTPF supervisory responsibilities to the Financial Conduct Authority (FCA).

ICAS Regulation Strategy

Published in September 2023, the [ICAS Regulation Strategy](#) continues to guide our actions as an AML supervisor, with an underlying goal to promote trust in the accountancy profession through excellence in regulation. We understand that this cannot be achieved unless we secure appropriate standards of AML compliance amongst supervised firms.

Regulation remains core to the work of ICAS and our Council, with a commitment to this included in the wider [ICAS 2030 Strategy](#), which places ethical leadership at the heart of everything we do.

We expect the Regulation Strategy to continue to evolve. While regulatory and enforcement actions will always be an integral part of what we do, ICAS is also looking at what can be done to support our supervised firms, acknowledging that we are all working together towards a shared aim of reducing the scale and impact of financial crime.

HMT consultation

The Government [consultation paper](#) published in June 2023 set out four options to change the supervision model for AML in the UK:

- OPBAS+, with OPBAS being given enhanced powers.
- Consolidation of the professional body supervisors, possibly with one supervisor for accountancy.
- A single body undertakes all AML supervision in the accountancy and legal sectors.
- A single AML supervisor, also taking on the supervisory responsibilities of the FCA and the Gambling Commission.

ICAS' response argued in favour of OPBAS+, expressing strong concerns over the other options, which we believe could significantly disrupt the positive progress which has been made over recent years in improving AML effectiveness in the UK.

In October 2025, the Government published its response to the consultation, confirming its intention to establish the FCA as the single professional services supervisor for AML/CTPF, with a timeframe to be established. ICAS' response to the announcement is available [here](#). The impact of this change will be significant on ICAS and our supervised firms.

ICAS at a glance

Established by Royal Charter	24,000 + members	4,000 students
1,800 + PC-holders	1,600 + BOOMs	750 + supervised firms

The broad profile of our supervised community remains consistent with what we have disclosed in our previous reports. While most of the firms we supervise for AML are smaller practices based in Scotland, we do supervise firms of various shapes and sizes across the UK.

ICAS AML supervision – overview

Governance

The Regulation Board ('the Board') is the executive board established by Council for setting policy and procedures relating to the regulatory functions of ICAS, including AML supervision. AML is a key focus of every Board meeting, as recorded in the meeting notes which are published on the ICAS website ([here](#)). The Board receives reports and statistical information, allowing it to exercise effective oversight of ICAS' role as an AML supervisor. It reports into Council and the Oversight Board, with the Chair of the Regulation Board (a Public Interest Member) sitting on both of these bodies.

Operational AML functions are delegated to two regulatory committees: the Authorisation Committee (which deals with licensing, regulatory monitoring, and CPD), and the Investigation Committee (which investigates and assesses alleged breaches of rules, regulations, etc). Where a case against a member or firm is sufficiently serious as to require a disciplinary hearing, ICAS operates independent Discipline and Appeal Tribunals, which are overseen by the Discipline Board ([here](#)).

All boards, committees, and panels are constituted under published Regulations and comprise of a mixture of Chartered Accountants and lay members (including legally qualified chairs for the tribunals).

ICAS Anti-Money Laundering Regulations

ICAS first published the [AML Regulations](#) in 2019. These Regulations (which are reviewed and amended from time-to-time, as required) set out the framework which ICAS follows when supervising firms, in line with relevant legislation. Importantly, the Regulations set out the supervision application process and the obligations of supervised firms.

Supervisory activities

ICAS is an AML supervisor recognised under Schedule 1 of the [Money Laundering Regulations](#). This status brings with it a range of responsibilities, as set out in the '[Sourcebook for professional body anti-money laundering supervisors](#)', published by OPBAS.

Our main supervisory functions are as follows:

- Licensing firms and individuals that are supervised by ICAS for AML purposes.
- Monitoring AML compliance through on-site and desktop inspection visits.
- Gathering data from our supervised population through annual returns and thematic reviews to inform risk analysis of our supervised population.
- Oversight of CPD (Continuing Professional Development).
- Taking appropriate enforcement action where there is a failure to meet required standards.
- Promoting best practice in AML through articles, webinars, and other engagement.

We work closely with OPBAS and the other professional body supervisors; particularly those in the accountancy sector. We are a member of several AML groups, including the AML Accountancy Supervisors Group ('AASG'), and the Anti-Money Laundering Supervisors Forum ('AMLSF').

Risk-based approach

All of ICAS' functions as an AML supervisor are conducted using a risk-based approach. We take a proportionate approach to supervision, primarily focusing our attention on areas where the highest risk of money laundering activity occurs, whilst also taking account of the impact of such risks (i.e. probability and impact).

Every firm that is supervised by ICAS for AML is assigned a risk score which places it in a particular risk category- this risk category impacts the level and frequency of ICAS' supervision. The calculations of the risk score and risk category are made using a risk assessment tool which draws on the information provided via the AML Declaration issued to all regulated firms annually.

Other factors, including the size of the firm, its client base, its compliance history, and any material changes in its operation are also taken into consideration. In addition, we take account of what is happening more generally in the accountancy sector, working closely with other supervisors as well as law enforcement agencies.

Risk ratings are subject to regular reviews and will increase or decrease as appropriate.

AML monitoring procedures

Introduction

We continue to make improvements and enhancements to our monitoring function in order to provide high-quality AML supervision, responding to the growing expectations of OPBAS and our other stakeholders.

In August 2023 we introduced a risk-targeted monitoring regime, which was explained in detail in the previous annual report. We continue to review our monitoring approach to ensure that it is operating effectively.

Who we monitor

We undertake AML monitoring reviews for all firms which are supervised by ICAS for AML. In addition to examining firm-wide risks and compliance processes, we review the work of individual principals (partners, directors, etc.) and employees.

While firms vary in size, the majority of entities are sole practitioners, or firms with two or three principals, based in Scotland.

How we risk assess firms

Each firm must submit an AML Declaration to ICAS each year. The information submitted highlights the AML risks faced by the firm. The return includes questions on the nature of the firm's clients, the services provided, various AML compliance questions, and other risk factors. The declaration is updated annually to ensure that it reflects current ML/CTPF risks. Many of the questions derive directly from risks highlighted in the National Risk Assessment and from the risk intelligence we receive from regulatory and supervisory sources and law enforcement.

The responses provided by firms are collated, with risk scores and weightings allocated, giving every firm an overall AML risk score. We revise risk scores based on any additional intelligence received in relation to each firm from law enforcement, complaint investigations, disciplinary proceedings, other monitoring visits to the firm, compliance history, and other external and internal sources.

Once all firms have a risk score, we allocate them into one of the following risk categories:

Lowest	Low	Medium	High	Highest
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From 1 August 2023 onwards, the risk category has determined:

- How often a firm is reviewed;
- How the firm is reviewed; and
- How the Authorisation Committee will deal with serious non-compliance.

Risk assessments are refreshed in response to new information, with each firm's risk assessment also being reviewed and updated as part of our monitoring process, as explained below.

How we monitor on a risk basis

The risk-targeted monitoring programme was launched on 1 August 2023, which means that it was operating for the 12 months covered by this report. Under this regime, our monitoring resources are focused according to risk. We spend more time reviewing firms which are higher on the risk scale, and by extension, more time reviewing their higher risk clients and services.

The level of risk determines the frequency and nature of ICAS monitoring visits, as follows:

- Highest/high risk – approximately every two years – more likely to be onsite visit.
- Medium risk – approximately every four years – may be either onsite or desktop visit.
- Lowest/low risk – every 4-10 years – more likely to be a desktop visit.

This monitoring approach therefore aims to:

- Direct resources to the most significant ML/CTPF risks;
- Check whether these risks are being adequately mitigated; and
- Reduce the regulatory burden for low and lowest risk firms.

Onsite reviews: the review is undertaken with the reviewer attending the firm's office for at least part of the review process. These usually include face-to-face opening and closing meetings with the firm's MLRO and compliance team, with review work being undertaken by the reviewer onsite.

Desktop reviews: reviews are conducted remotely and do not require the reviewer to attend the firm's office. To facilitate this, firms share various documents with the reviewer in advance of the review, so that these can be considered remotely. Whilst opening and closing meetings with the MLRO and compliance team are required, these are usually through video-conferencing facilities.

Whilst still reviewing the general levels of procedural compliance, the monitoring review focuses more on the effectiveness of the firm's risk management, policies and procedures by looking at the firm's biggest risks and assessing how these are being handled.

We start monitoring reviews with the firm's risk assessment, comparing it to the most recent ICAS AML Declaration submitted by the firm, as well as its Firm-Wide Risk Assessment. This allows us to assess the risk factors present in the firm (updating our risk assessment as previously explained). We then focus much of our monitoring work on file reviews, which are selected on a risk basis. These reviews focus on the firm's identification and treatment of these risks.

As well as checking AML compliance, as before, the review focuses more on the AML risks being faced by the firm and how the firm manages those risks.

The monitoring reviews now generally take longer as more time is required by the reviewers in conducting research during the visit and in closing down queries with the firm.

As in previous years, further sector-specific AML checks are conducted during Audit Monitoring and Insolvency Monitoring visits to ensure that these specialist engagements also cover the appropriate AML procedures.

Who conducts the monitoring

The Monitoring Team consists of qualified accountants employed by ICAS as monitoring reviewers. Our team members have the relevant knowledge, skills, and experience to undertake reviews.

In 2023 and 2024, we expanded the resource in our monitoring function, recruiting an additional five reviewers, with all new AML reviewers having undergone intensive induction and training during that period. All reviewers are now suitably experienced to lead AML Monitoring visits.

All reviewers are subject to quality control review to ensure consistency across the team, with new reviewers subject to more detailed review. There is also significant consultation during monitoring visits on any more complex issues that arise.

How a visit is conducted

The underlying aim of the monitoring process has always been to establish the extent to which supervised firms are meeting their obligations under the MLRs, the CCAB's 'Anti-Money Laundering and Counter-Terrorist Financing Guidance for the Accountancy Sector', as well as other regulations and guidance issued by ICAS.

Our monitoring regime is fully risk- focused, so in addition to monitoring overall compliance, the approach aims to identify the most significant risk factors being faced by the firm, seeking to understand the firm's risk management.

We take a 'scaled-up' approach to our risk-based monitoring. If there are more risk factors present in the firm, it is likely that the scope of the visit will be wider. Therefore, lower and low risk visits are usually shorter, with more time required for medium to high-highest risk firm reviews.

The following matters are addressed in all reviews:

- Checking to ensure that the appropriate AML governance is in place within the firm by:
 - Assessing whether an appropriate MLRO and MLCP have been appointed who is / are suitably experienced and competent person(s). This also includes an assessment of whether sufficient resources have been devoted to AML compliance.
 - Assessing whether all beneficial owners, officers, and managers (BOOMs) in the firm have been approved by ICAS.
- Conducting internet and Companies House searches over the firm to check whether there are any specific AML risk factors to follow up. (For example, a Companies House search could identify that principals in the firm have directorships which could fall into TCSP services if billed through the firm or could identify additional entities providing accountancy services which are not AML supervised).
- Discussions with the firm to assess the understanding of the AML risks which it faces.
- Assessing the effectiveness of the firm's Firm-Wide Risk Assessment, including the firm's proliferation risk assessment, and AML Declaration in identifying the risks and reporting them to ICAS.
- Concluding on the overall risk assessment of the firm and highlighting potential deficiencies.
- Assessing the adequacy of the firm's AML policies, procedures, and training. While on the lowest risk visits, this is through discussion only, on all other visits this is by reviewing the policies and procedures, training records, and via file reviews (see below).
- Considering whether there are any risks identified in the firm's bank accounts. On the lowest risk visits this is by discussion only, but on all other visits by the review of the bank accounts.
- The firm's reporting procedures are assessed for adequacy and for quality, with a review of Suspicious Activity Reports ('SARs') which may have been submitted to the NCA. This is an area where we have expanded work, with greater consideration of the quality of SARs and also the decisions of the firm following a SAR, i.e. whether the firm continues to act for the client or disengages. In particular, consideration is given to the requirements of the Code of Ethics and the Professional Conduct in Relation to Tax ('PCRT').

With the exception of visits to lowest risk firms, client engagements are reviewed to assess customer due diligence as follows:

- On low-risk visits, we may only look at one file, usually to confirm that the firm's policies and procedures are operating as stated.
- On medium, high, and highest risk visits, the reviewer will conduct a risk-based file selection to ensure that a sample of engagements are reviewed to cover the risk factors identified.
- The engagement reviews focus on how the firm is adequately mitigating or safeguarding those risks by assessing the adequacy of the firm's customer due diligence procedures applied to those engagements.
- This review includes assessing whether:

- Directors and beneficial owners have been identified and verified, particularly in complex and unusual business structures.
- Sufficient research has been conducted to gather adequate know your client information to support the client risk assessment.
- This information has been appropriately analysed to conduct an effective client risk assessment.
- The extent of due diligence overall appears sufficient for the level of risk identified.
- The firm's risk assessment and due diligence are being kept up to date by appropriate ongoing monitoring, based on the client risk assessment.

The reviews also follow up any AML issues which were identified by ICAS in previous monitoring reviews, to ensure that these have been satisfactorily addressed.

How the visit concludes

At the conclusion of the monitoring fieldwork, the reviewer arranges a closing meeting with the MLRO to discuss the preliminary findings (either in person at the firm's office, or remotely).

The reviewer then drafts a report, setting out the findings in more detail, which is provided to the firm, with a request to provide a detailed action plan, responding to the report, and explaining how any issues will be addressed, along with timescales. Certain follow-up action is discussed and agreed with the MLRO & MLCP at the closedown of the visit, with the expectation being that such action will be taken as soon as is reasonably possible, usually within one month of the visit.

All reports are subject to an internal quality review in ICAS, to ensure consistency across all reviewers, that the correct review methodology has been followed, and that the reviewer's conclusions are fair and balanced.

The role of the Authorisation Committee

Monitoring reports which have been assessed as 'compliant' can be closed down by the Monitoring Team with no further action required, and no need for referral to the Committee

Monitoring reports assessed as 'generally compliant' or 'non-compliant' will require the firm to complete specified follow-up action, which in the vast majority of cases means a follow-up check conducted by the Monitoring Team.

The close-down of each monitoring visit assessed as 'generally compliant' is considered by a member of the Authorisation Committee who is an accountant with relevant experience.

Where the monitoring visit is assessed as 'non-compliant', the closedown of the visit is considered by the full Committee in plenary session, to decide whether any further regulatory is required. The Committee meets approximately once every two months.

ICAS' AML [Regulatory Actions Guidance](#) sets out the regulatory actions available to the Committee, as well as the decision-making process. The new version of this guidance was introduced in April 2025 following an in-depth review and period of testing. The Committee is closely monitoring the impact and effectiveness of the revised guidance.

AML monitoring – 2024/25 outcomes

This section of the report sets out the main monitoring activities conducted in 2024/25 and the key findings and conclusions.

Risk-based reviews in 2024/5

Visits by risk

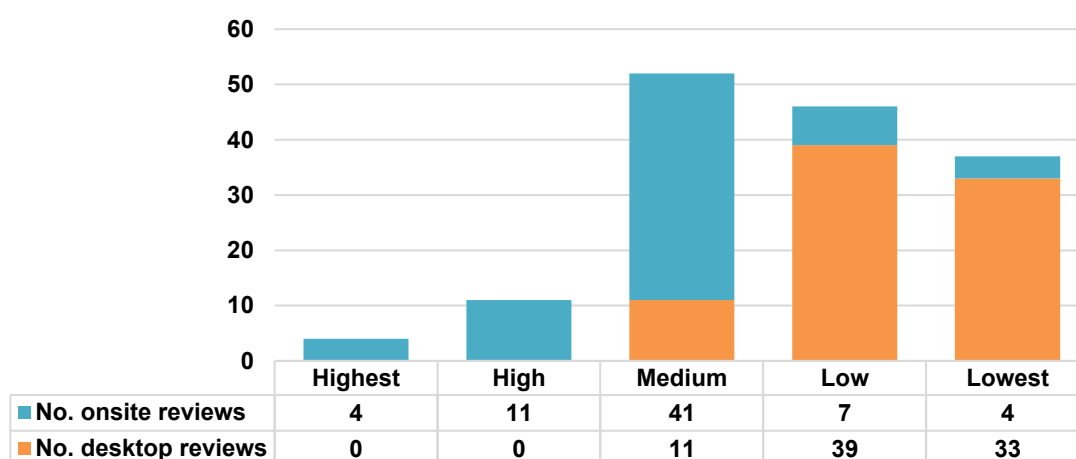
During the period covered by this report 150 firms were visited. This is the highest number of visits in a 12-month period since 2019 and represents a 56% increase from the prior year. All visits were conducted under the risk-based monitoring regime, ensuring that a sample of firms from each risk category are reviewed every year.

In addition, there were a further 29 firms reviewed as part of the whole firm risk assessment thematic review, making a total of 179 firms monitored during the period.

For the 150 full-scope visits, the figures below show how many firms were visited in each risk category.

- As explained above, highest and high-risk firms are usually visited onsite, but there were a few exceptional circumstances that required the full-scope high risk review to be conducted remotely.
- While medium visits can be conducted using either method, they were predominantly conducted onsite during the period.
- Low and lowest-risk firms are predominantly remote desktop reviews, unless the firm is connected to a highest-high-medium risk firm.

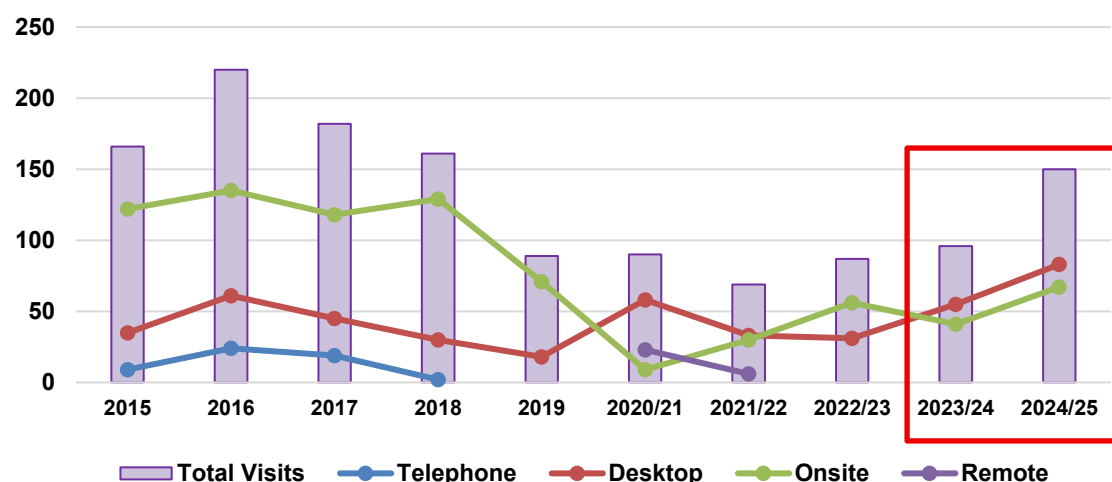
If discussions at the start of the visit lead to a change in the firm's initial risk category, the reviewer will usually proceed based on the updated risk category.



Comparing visit numbers

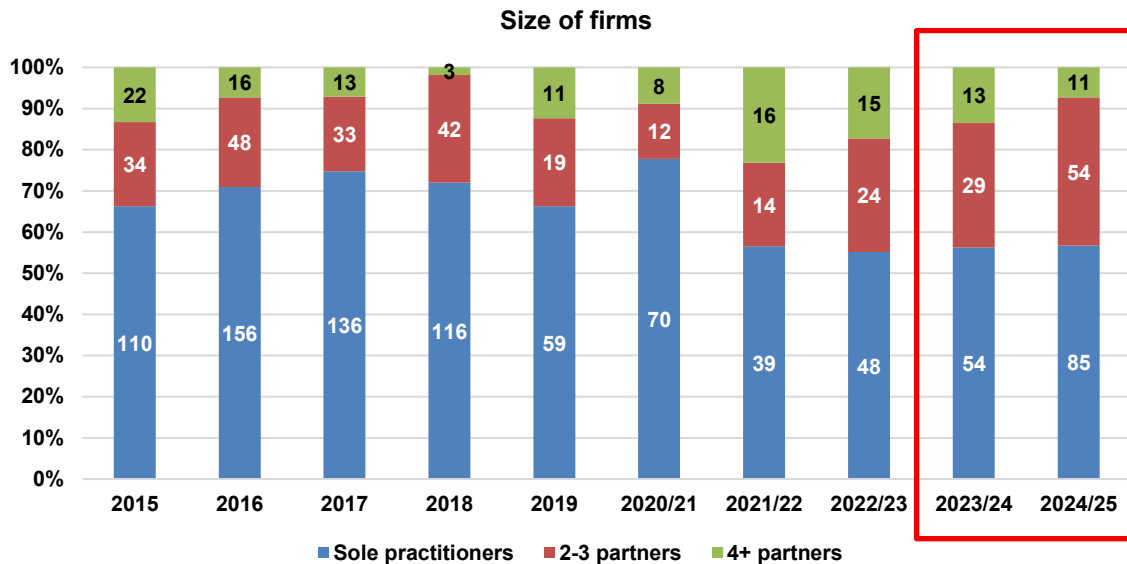
Following the recruitment and training of five new reviewers in 2023/4, the Monitoring Team returned to full capacity during the 2024/25 period, which resulted in a significant increase in the number of visits conducted. The chart below illustrates the types of reviews undertaken against the total visits in each period. Consistent with prior period results, visits were solely comprised of either desktop or onsite visits, with the latter conducted for all highest and high-risk visits, and for the majority of medium-risk visits (with occasional exceptions assessed on a case-by-case basis).

Visits by review type



Size of firms reviewed

The size of firms visited in 2024/25 remained relatively consistent compared to the prior period, with only a small decrease in the number of larger firms visited.



Key risks

We risk assess our firms against a wide range of risks as explained earlier in the report. The most significant risks in our supervised firm currently are:

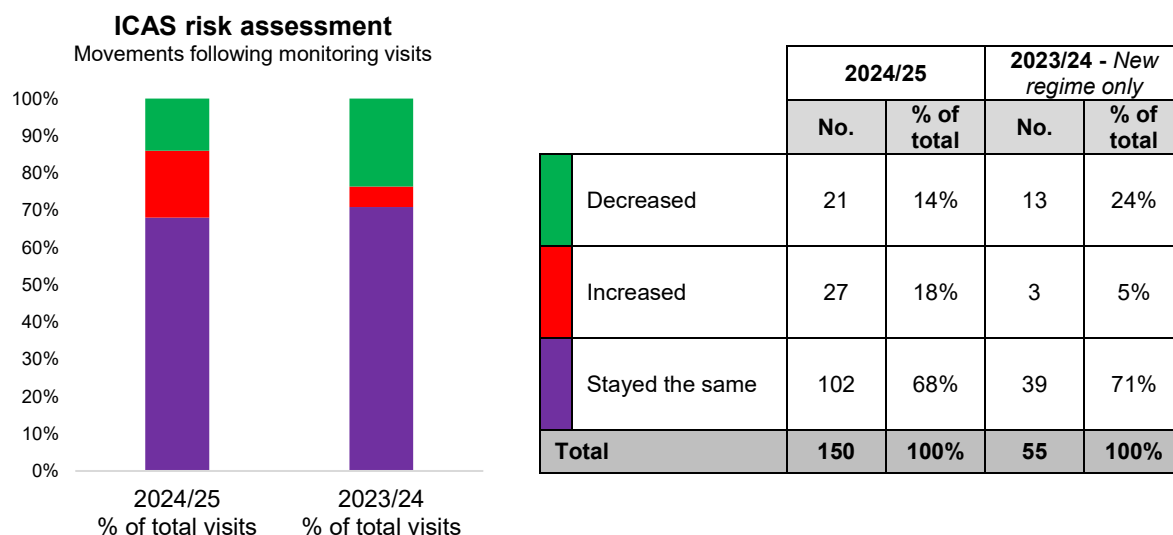
<u>Client Risk Factors</u> • High risk or sanctioned countries • Presence on sanctions lists • Operating cash-based businesses • Operating in high-risk industries • Operating in industries vulnerable to human trafficking • International PEP clients • Complex structures or issues • Difficulties identifying beneficial ownership of clients	<u>Service Risk Factors</u> • TCSP services for non-clients • Insolvency services (monitored separately) • Tax mitigation (advising or acting for clients) • UK regulated agent for overseas entities <u>Other Risk Factors</u> • Offences highlighted in disclosure checks • Insufficient / lack of AML training by MLROs (and MLCPs where applicable)
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Firms that sit in the high and highest risk categories tend to be either firms with a combination of some of the factors above, or are larger firms which have a diverse range of clients and client services

Changes to risk categorisations during the visit

As explained above, each firm's risk category – derived mainly but not exclusively from the firm's AML Declaration responses – is refreshed during their monitoring visit.

The total movement in risks during the monitoring period is displayed below. This has been compared to the prior period, which represented the first eight months of the new risk-based monitoring regime:



This data demonstrates that many firms (68%) were found to have been appropriately risk-assessed by ICAS based on the information they submitted prior to the start of their monitoring visit. However, increases and decreases to risk assessments were also identified:

- **Increases to risk assessments**

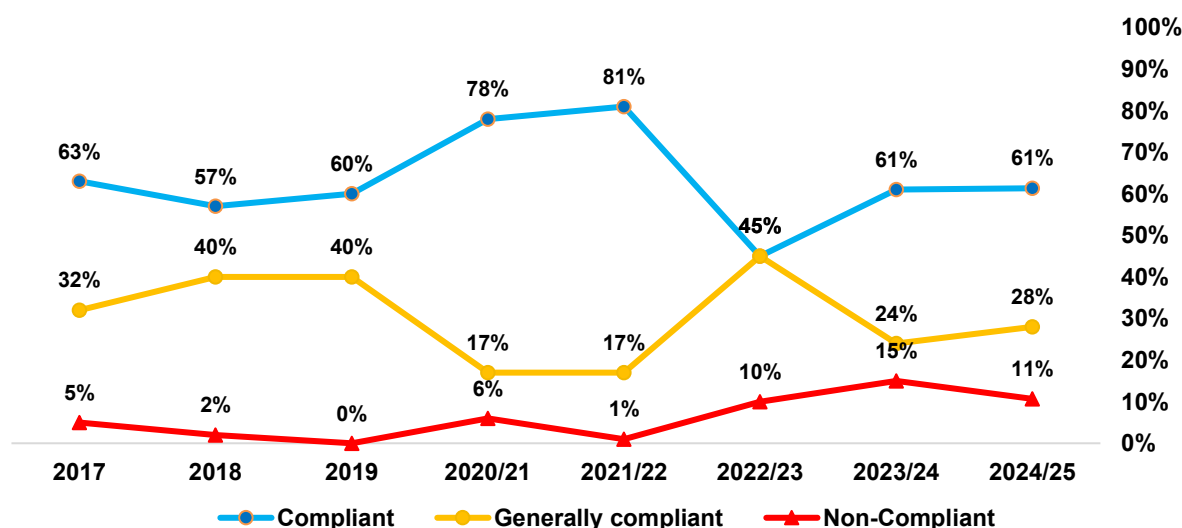
Visits to 27 firms (18%) resulted in an increase in their risk category. Larger movements were noted between lowest/low to medium (12) and medium to high/highest (7), with one outlier resulting in a movement from low/lowest to high/highest. In respect of this case, the firm was subject to follow-up and consideration by the Authorisation Committee.

- **Decreases to risk assessments**

Of the remaining 21 firms (14%), 11 decreased from medium to low/lowest and 4 decreased from high/highest to medium. The most common risk factors that were missed by firms are broadly consistent with the results of our 2024/5 thematic review which is explained below in the thematic review section below.

Visit outcomes – year on year comparison

The analysis below outlines the overall visit outcomes compared with previous monitoring results:



Following an increase in non-compliance during the previous period – primarily attributed to the implementation of the monitoring approach – the results for the current period show improvement. The proportion of firms classified as 'compliant' (receiving either A or B grades) remained steady at 61%, while the percentage of non-compliant firms (those receiving C- or D grades) has declined by 4%.

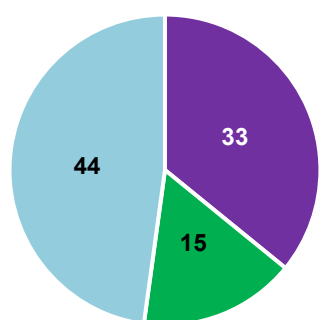
Meanwhile, there has been a corresponding rise in generally compliant firms (C+ grades). This outcome demonstrates the progress being made by firms in responding to our communications regarding AML risks and ensuring procedures are effective at addressing these.

Movements in compliance from one visit to the next

The following analysis presents a detailed breakdown of this period's compliance results to clarify whether firms' results improved, worsened, or stayed the same compared to their previous visit.

The information is presented alongside the preceding period, although this does not constitute a strict 'like-for-like' comparison due to variations in the visit portfolios between the two years.

	No.	2024/25	No.	2023/24	Change
Compliant	92	61%	59	61%	0%
No change	33	22%	21	22%	0%
Improved	15	10%	11	11%	-1%
New	44	29%	27	28%	+1%
Generally Compliant	42	28%	23	24%	+4%
No change	8	5%	10	10%	-5%
Improved	2	1%	0	0%	+1%
Worsened	14	9%	5	5%	+4%
New	18	12%	8	8%	+4%
Non-compliant	16	11%	14	15%	-4%
No change	1	1%	2	2%	-1%
Worsened	11	7%	9	9%	-2%
New	4	3%	3	3%	0%



■ No change ■ Improved ■ New

Compliant firms

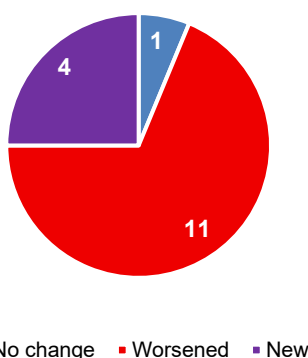
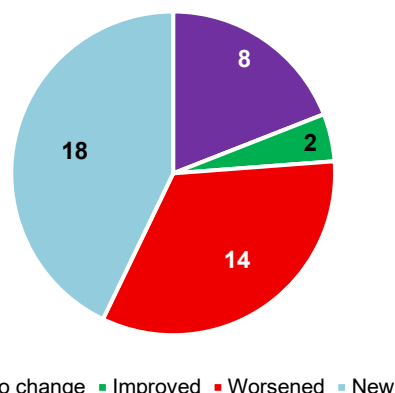
92 firms during the period were assessed as compliant (61%), with almost half of these being first-time visits (44). Approximately 70% of compliant firms were sole practitioners, which can present lower inherent risk compared to larger, more complex practices within the framework of our revised monitoring focus (for context, 56% of the firms visited were sole practitioners).

Firms which either improved their results to become compliant (15), or remained unchanged from their previous visit (33), remained largely consistent with the previous period when presented as a percentage of total compliant visits.

Partially compliant firms

Partially compliant visits – of which there were 42 in the period – refer to firms which met most requirements of the MLRs, but with certain deficiencies identified by ICAS as requiring further review.

Notably, 14 (33%) partially compliant firms experienced a decline in grading compared to their previous visit. Nearly two-thirds of these were larger, multi-partner/BOOM firms, again, reflecting the consequences of our revised monitoring approach which focuses reviews on firms with higher risk profiles, thereby increasing the likelihood of instances of non-compliance.



Non-compliant firms

The main conclusion here is that we have seen low levels of repeat 'non-compliant' offenders and very few firms with repeat issues. Only one firm which was previously non-compliant at its previous visit stayed non-compliant i.e. failed to improve. All other firms visited this year which were previously non-compliant had improved, which is pleasing.

Of the 11 firms which declined to 'non-compliant', only two had repeat failings (and even the incidence of repeat issues was low). The remaining nine firms had new issues identified as a result of our focused-risk monitoring. The four remaining firms were first-time visits.

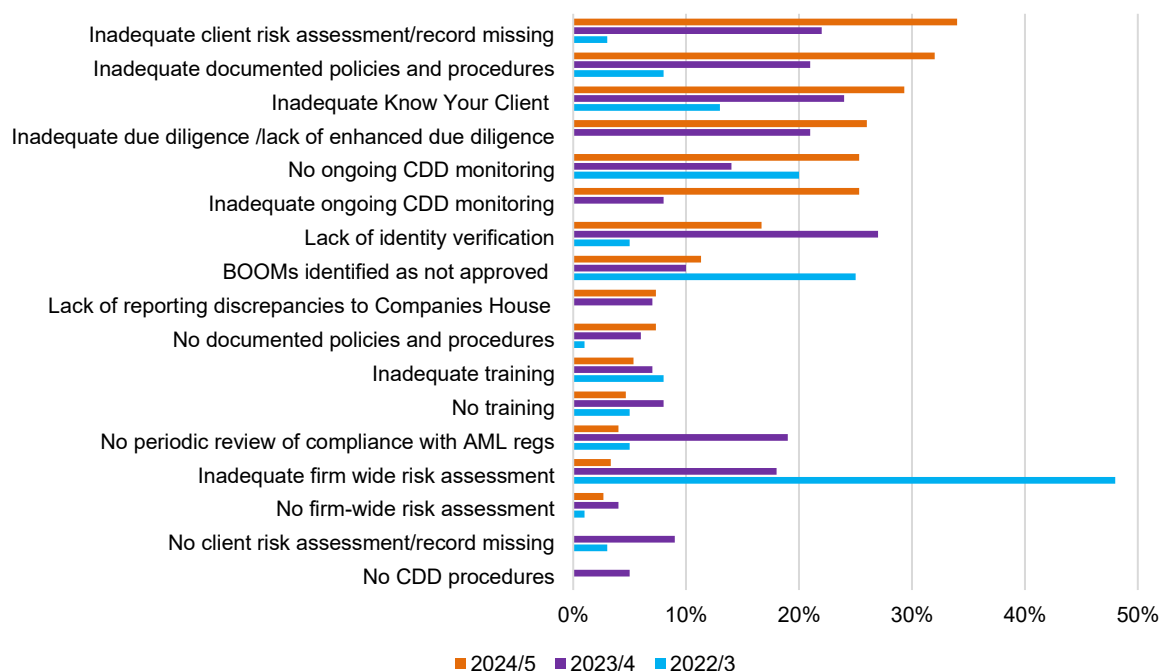
Similar to the previous period, we saw that most non-compliant firms were dealing with changing circumstances within their organisations, some of which was felt to have contributed to their non-compliance:

- 10 of the firms which declined in performance were found to be grappling with either resource constraints, a lack of understanding of client-specific risk factors, or a combination of both. In several instances, the increased focus on higher risk factors as a result of the new monitoring approach exposed underlying limitations in firms' ability to assess and manage risk effectively.
- Two 'new' non-compliant firms, which had initially been categorised as low risk, were revealed to be small practices facing notable resource limitations, which significantly contributed to their non-compliance.

The trend of resource constraints – particularly amongst smaller firms – is considered to be a recurring issue. ICAS therefore continues to take proactive steps to support these practitioners by highlighting available resources. This effort is reflected in the relatively low number of newly identified non-compliant firms (four in the current period as compared with three in the previous period).

AML monitoring – common findings & case studies

This section of the report details the more common AML compliance issues identified by ICAS during the period, as well as some example case studies illustrating the observed improvements achieved by our revised monitoring approach.



Common areas of non-compliance

The key areas of non-compliance remain largely unchanged from the previous period, which is to be expected given the relatively recent introduction of our risk-focused monitoring approach.

Both periods highlight persistent challenges around client risk assessment, documentation of policies and procedures, the completeness of KYC information and weaknesses in ongoing monitoring.

As 2024/5 was the first full monitoring year where the risk-based approach focused on the detail on the quality and effectiveness of firm's CDD, it was therefore anticipated that the extent of CDD findings would be more marked than previous years.

It is important to note that whilst the prevalence of non-compliance in these key areas continues to increase, the rate of such findings when compared to the previous period and 2023/23 is slowing down in almost all areas. This is illustrated in the table below and is discussed in more detail later in the report.

Area of non-compliance	2024/25	2023/24	2022/23	Rate of change	
				2024/25	2023/24
Inadequate client risk assessment	34%	22%	3%	+54%	+633%
Inadequate documented policies & procedures	32%	21%	8%	+52%	+162%
Inadequate Know Your client	29%	24%	13%	+21%	+85%
Inadequate/lack of Enhanced Due Diligence	26%	21%	N/A	+24%	+100%
Inadequate ongoing CDD monitoring	25%	8%	N/A	+212%	+100%
% represents the % of firms visited					

Underlying causes

During this most recent period of review, the ICAS Monitoring Team began collecting information on the underlying causes/issues behind non-compliance. As this started at the beginning of 2025, the observations below cover the shorter period to 5 April 2025.

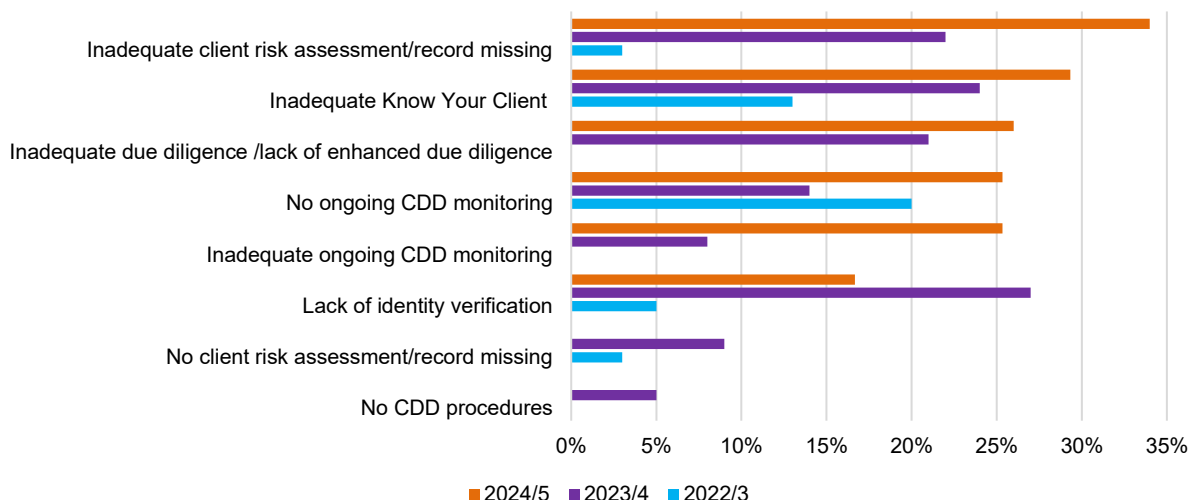
The main observed factor associated with non-compliance was firm size. Notably, smaller firms and sole practitioners were more likely to experience significant or repeated compliance issues, often linked to limited time and resources allocated to their compliance function.

Additional factors included firms with long-standing client relationships, which sometimes resulted in insufficient collection and retention of CDD. Sole practitioners also reported challenges when their MLROs were approaching retirement or facing personal difficulties, both of which affected regulatory compliance.

AML monitoring – CDD performance

This section of the report presents the main CDD findings identified during the 2024/25 period.

A comprehensive review of CDD was undertaken in the previous period due to the implementation of the new monitoring regime and the associated increased attention to CDD effectiveness, as well as firm responses to higher risk scenarios.



The increase in the incidence of non-compliance was expected, given this was the first full 12-month period of focusing our monitoring effort on the effectiveness of firms' CDD and risk mitigation. Common issues persist, making it necessary to examine the factors that may affect firms' ability to address changing and emerging risks within the sector.

In line with previous reporting, several recent case studies are provided below to illustrate our analysis.

1. Client risk assessment

% represents the % of firms visited	2024/25	2023/24	2022/23
Inadequate client risk assessment/record missing	34%	22%	3%

This issue was identified in 34% of visits. While most firms had client risk assessments in place, these sometimes failed to capture key risk factors on the firm's highest risk clients. Common shortcomings included insufficient consideration of elements such as the nature of the business, geographic location, and operational complexity. In some cases, firms did recognise certain risks, but their assessments lacked clarity on the procedures implemented to mitigate them.

As with the previous period, firms are making a concerted effort to assess common risks within their business. However, they continue to overlook less frequent but higher-risk factors.

Examples of risk factors that were frequently missed or inadequately addressed include cash-based businesses, clients with overseas connections (including those linked to high-risk or sanctioned countries), and clients operating in high-risk industries such as those vulnerable to human trafficking.

These gaps often stem from a limited understanding of risk factors. Guidance to be issued following the whole firm risk assessment thematic review (covered in the 'AML Monitoring – other findings' section below) should help firms improve their approach to completing client risk assessments.

Case study – deficiencies in client risk assessments

A High-Net-Worth Individual was selected for review by the Monitoring Team. While the individual was previously convicted of fraud, the client risk assessment did not record this risk and so the mitigations expected were not formally considered.

Where firms are acting for clients with criminal convictions, it is noted that in many cases insufficient CDD is being conducted to ensure that the risks raised by the convictions have been sufficiently mitigated. It is often clear from discussions that the MLRO has good knowledge of the clients' history and has obtained sufficient information to satisfy themselves that the previous conviction does not pose a risk, however this is rarely documented on file. This is of particular relevance where the crime was of a financial nature.

Case study – what good looks like for client risk assessments

A cash-based business was selected for review by the Monitoring Team. The firm correctly highlighted the potential risk attached to the business operating in cash, and recorded that the client retained good accounting records and that any differences in cash reconciliations would be investigated. The file included a three-year analytical review, showing an assessment of margins.

Case study– what good looks like for client risk assessments

A client was selected due to connections with Russia by the Monitoring Team. The firm completed a detailed risk assessment in conjunction with KYC information. The documentation clearly set out the nature of the connection – a Russian subsidiary within the group. Following the invasion of Ukraine, the group took a decision to divest the Russian subsidiary. This was confirmed via the group's legal counsel. This firm decided to increase ongoing monitoring of the client.

2. Know Your Client ('KYC')

% represents the % of firms visited	2024/25	2023/24	2022/23
Inadequate Know Your Client	29%	24%	13%

This issue was identified in 29% of visits. We did not typically see a complete absence of KYC information; rather, most findings related to insufficient or incomplete background details held on file. This limited firms' ability to demonstrate their (often detailed) knowledge of their clients, and lacked the depth needed to support applicable AML risks associated with individual clients.

As highlighted in our previous report, the focus of the new monitoring approach is on the adequacy of KYC information in supporting client risk assessments and not merely its presence. Firms are reminded of the importance of gathering sufficient data to assess all relevant risk factors. Common areas where information was lacking included:

- The nature of the goods/services provided.
- The transactions undertaken (e.g. cash, card, through contracts, on an ad hoc basis).
- Geographical connections that exist (e.g. in relation to the Directors and/or Beneficial Owners, key customers and suppliers).
- The clients' key customers and suppliers.

The following case study demonstrates an example of where our review identified improved/sufficient KYC information.

Case study – what good looks like for KYC

A file review was conducted by the Monitoring Team of a client with a complex structure. To verify this information and demonstrate sufficient KYC, the firm had taken the following actions:

- Obtained and verified the group structure.
- Carried out electronic checks on the client company and the parent company, confirming the ultimate owner as a US listed entity.
- Attached the US stock listing to the KYC information.

3. Enhanced Due Diligence

<i>% represents the % of firms visited</i>	2024/25	2023/24	2022/23
Inadequate/lack of Enhanced Due Diligence	26%	21%	N/A

Deficiencies in firms' completion of Enhanced Due Diligence (EDD) were identified in 26% of our monitoring visits. We observed that EDD was sometimes not applied to clients who appeared to present higher risk. In some cases, this was due to poor client risk assessments that failed to clearly indicate whether EDD was necessary. In others, EDD procedures were undertaken but not adequately documented, resulting in gaps in apparent risk mitigation.

It is not unusual that findings of this nature continue to be raised as visits focus on higher client risk factors as previously explained.

Case study – deficiencies identified with EDD, resulting in follow up review

A file review was conducted by the Monitoring Team due to the client having links to a country included on the FATF grey list. While the firm had identified the risk, it had not recorded the additional checks performed.

A follow-up check was carried out to ensure that the firm had taken appropriate remedial action. The firm had reviewed the client's due diligence procedures, to ensure checks were carried out on customers and funders. In addition, independent checks were carried out on the organisation providing funding and sufficient assurance was obtained over the source of funding.

Case study – what good looks like for EDD

A file review was conducted over a UK PEP (politically-exposed person) client, which had been identified via the completion of an electronic search by the firm. The EDD procedures applied by the firm included:

- Senior management approval to take on/retain the client.
- Additional measures to establish and document the client's source of wealth.
- Enhanced monitoring of transactions and business relationships on a periodic basis.

4. Ongoing monitoring

<i>%s- represent the % of firms visited</i>	2024/25	2023/24	2022/23
Inadequate ongoing CDD monitoring	25%	8%	0%
No ongoing CDD monitoring	25%	14%	20%

There has been a noted increase in findings related to firms' execution of periodic monitoring of CDD, which is essential in ensuring that client information and associated services remain current. These findings include instances of insufficient documentation, inadequate consideration of ongoing monitoring, as well as cases where reviews were entirely absent.

It is important to highlight that, in many instances, issues concerning ongoing monitoring were largely documentary and did not necessarily indicate failures to identify relevant client risk factors. In such cases, the adoption of the revised monitoring approach is bringing attention to risk factors not previously documented, thereby influencing ICAS' assessment of the effectiveness of AML monitoring.

Given the continued prevalence of this CDD deficiency, firms are reminded of the importance of conducting structured periodic checks and maintaining properly documented and dated working papers as evidence of their reviews.

Case study – deficiencies identified with ongoing monitoring

A visit was conducted to a long-established larger firm with several partners and turnover circa £1.7m and approximately 3,000 clients. While this firm had historically achieved a high standard of regulatory compliance, this was not reflected in the current visit. The review highlighted a number of CDD weaknesses brought about by the firm not ensuring rigorous ongoing monitoring:

- Inconsistent or inaccurate recording of beneficial owners and/or directors.
- Risk assessment not reflecting current AML risks.

The firm had a large number of legacy clients, with the failings mainly applying to those clients. Increasing work commitments have made it difficult for the firm to apply sufficient resources to ensure they were able to meet their AML obligations.

These were considered significant findings, requiring the firm to apply additional resources to AML compliance. The firm was put on a follow-up check to establish whether the necessary resources were applied post-visit and whether improvements were made. The follow-up check has since confirmed that the required improvements have been made.

5. Identity verification

%s- represent the % of firms visited	2024/25	2023/24	2022/23
Lack of identity verification	17%	27%	5%

It is pleasing to see improvements in identity verification of both Beneficial Owners ('BOs') and Directors, which had previously been highlighted as an area of non-compliance in our previous report.

Firms are reminded that guidance is available for members in the CCAB Anti-Money Laundering, Counter-Terrorist and Counter Proliferation Financing Guidance for the Accountancy Sector ('[CCAB AML Guidance](#)'), which explains how verification should be conducted. Further details in this area can be found in [ICAS' 2023/24 AML Monitoring Report](#).

6. Other CDD findings

%s- represent the % of firms visited	2024/25	2023/24	2022/23
No client risk assessment/record missing	0%	9%	3%
No CDD procedures	0%	5%	0%

In addition to reductions in findings related to firms' verification procedures, there were no instances identified during the current period where firms had not conducted any CDD procedures, including client risk assessments.

AML monitoring – other findings

This section of the report covers the other findings identified on visits.

1. Firm-wide (whole firm) risk assessments

%s- represent the % of firms visited	2024/25	2023/24	2022/23
Inadequate firm-wide risk assessment	3%	18%	48%

The number of findings in relation to the adequacy of the completion of firm-wide risk assessments decreased significantly in 2024/25, with the issues noted resulting from the Monitoring Team identifying risks that were not covered by the firm in its own assessment.

However, as noted earlier in the report (in the 'Key risks' sub-section of 'AML monitoring – 2024/5 outcomes'), some of the risk factors missed by firms triggered changes in their risk categorisations by ICAS following the monitoring visit. Of particular concern was the number of firms deemed 'low' or 'lowest' risk, based on their own assessments, which then increased to medium (or in one case high) risk following the visit.

Given those findings, we conducted a thematic review of firm-wide risk assessments to give us a better understanding of the issues. This is covered in the thematic review section below.

2. BOOM approvals

%s- represent the % of firms visited	2024/25	2023/24	2022/23
BOOMs identified as not approved	11%	10%	25%

As highlighted in the previous report, it is a criminal offence for an AML-supervised firm to have a Business Owner, Officer & Manager (BOOM) who has not been approved by the supervisory body.

Whilst the number of failings of unapproved BOOMs remains low year-on-year (11% in the current period, covering approximately 11 firms), issues continue to persist. This is further supported by the results of the BOOM thematic review which was completed in the year (as detailed in the thematic review section below).

Failure to comply with this requirement is likely to result in regulatory action being taken by the Authorisation Committee, including regulatory penalties. Guidance published by ICAS in this area is available [here](#).

3. AML policies and procedures

%s- represent the % of firms visited	2024/25	2023/24	2022/23
Inadequate documented policies and procedures	32%	21%	8%

Findings in relation to firms' documented AML policies and procedures were identified in 32% of monitoring visits, which was an increase of 11% compared to 2023/24.

Nearly two-thirds of these findings were due to a lack of formal procedures for identifying and reporting discrepancies concerning Persons with Significant Control (PSC) to Companies House, which is one of the newer requirements for firms. Other findings pointed to gaps in procedures associated with Trust and Company Service provision (TCSP).

Firms are reminded that they must have in place an AML policy that addresses the main requirements of the MLRs.

4. Less significant findings

AML training

%s- represent the % of firms visited	2024/25	2023/24	2022/23
Inadequate training	5%	7%	8%
No training	5%	8%	5%

Findings in relation to the AML training undertaken by firms have continued to decrease year-on-year. Firms which were identified as having issues in relation to training tended to also have compliance failings in other areas, suggesting more generally poor engagement with the MLRs.

As in previous years, firms are reminded that all principals, professional staff, and other staff engaging in services to clients must receive adequate training on the relevant requirements, which training must be completed on a regular basis and appropriately recorded.

Compliance review function

%s- represent the % of firms visited	2024/25	2023/24	2022/23
No periodic review of compliance with the MLRs	5%	19%	4%

Further improvements were identified in relation to firms' own monitoring of their compliance with the MLRs, with the incidence of issues decreasing by 14% since the 2023/24 period.

Firms are expected to have an independent audit function in place covering AML compliance. While this does not apply to sole practitioners with no relevant employees, they must review their compliance with the MLRs. This means that all firms are expected to undertake a compliance review annually.

Focus on SARs

Suspicious Activity Reports (SARs) are a crucial source of intelligence in the ongoing fight against criminal behaviour in the UK. Reports provide information that may be unknown to law enforcement and can sometimes be the missing piece of a complicated puzzle, leading to a successful criminal prosecution.

With failing to report suspicion being a criminal offence which carries a maximum penalty of five years in prison, an unlimited fine, or both, it is crucial that ICAS makes firms aware of their reporting requirements, and that we incorporate SARs into our supervisory processes.

Monitoring

The firm's SAR reporting policies and procedures are a significant focus of AML monitoring visits. The firm's MLRO will be interviewed, alongside a review of the reporting policies and procedures, with consideration given to the following:

- Are records maintained of any matters reported by staff to the MLRO and action taken?
- Are reports made by staff to the MLRO held separately by the MLRO and not on the client file?
- Is there evidence that the MLRO has considered reports made by staff within a reasonable timescale following the report being made?
- Are procedures in place covering external reports to the National Crime Agency (NCA)?
- Has the firm retained evidence of the external reports?
- Has the firm included all relevant information obtained in the external report?
- Where the MLRO has decided not to report has the justification for the decision been appropriately documented?
- Has the firm considered the need for a DAML request?
- Where reports have been made were appropriate glossary codes quoted as part of the report?
- Are reports to NCA held separately by the MLRO and not on the client file?
- Are procedures in place for suitable secure storage of internal reports and SARs for at least five years after receipt by the MLRO?
- Where reports have been made to the NCA, has the firm considered the implication for continuing to act for the client in the future, taking into account the [ICAS Code of Ethics requirements](#) and [PCRT](#) (Professional Conduct in relation to Taxation).

Where there have been internal reports made within the firm, the reviewer will consider a sample of the reports made in the review period. Where reporting levels are low, all reports will be reviewed. The review will cover, for example, the timeliness of reporting, the nature of the reports, and the decision on submitting a SAR (and the justifications).

Of the 150 firms reviewed during 2024/5, 22 firms reported 105 SARs (compared to 77 in the previous prior period, and 28 in 2022/23). All of these SARs were reviewed, with the main concern identified (10 firms) being a lack of glossary codes applied (although it should be noted that these reports were made in the period prior to the introduction of the new NCA portal which prompts to include a glossary code).

Monitoring visits also identified that some firms have not been consistently documenting decisions made after submitting SARs, especially regarding whether to continue or end client relationships. For tax-related SARs, such as those involving unresolved tax errors, there are issues with compliance with the Professional Conduct in Relation to Taxation (PCRT).

For non-tax SARs, firms sometimes lacked clear documentation of their ethical responsibilities and regulatory risk assessments. These findings indicate the need for more thorough record-keeping and improved adherence to compliance standards to address potential risks associated with transactional services.

Analysis of SARs by glossary code

XXTEUKXX - UK based tax evasion	XXF4XX - personal tax evasion	XXF3XX - corporate tax evasion	XXF5XX - vat fraud
35	24	20	24
XXF9XX - fraud against private sector	XXCVDCC - COVID Government priority scheme	XXF1XX - Benefit fraud	Other
7	1	3	6

In line with the prior period, the statistics show that tax evasion and VAT fraud are the most common grounds for submission of SARs. This is unsurprising given that accounts and tax compliance services are the most common services provided by ICAS-supervised firms.

Analysis of SARs reported by firms during visit

No. of partners	No. of firms with SAR	No. of firms visited	% of firms visited	No. of SARs in the last 24 months
Sole practitioner	3	85	4%	3
2-3 partners	11	54	20%	44
4+ partners	8	11	72%	58
Total	22	150	15%	105

Similar to the previous period, sole practitioners had the lowest incidence of SARs. While caution should be exercised in drawing conclusions, this is likely to indicate that some sole practitioners may not be reporting when they should be, which such practitioners reminded of the importance of their statutory responsibilities in this area. It should be noted that lower numbers could also reflect that some sole practitioners have fewer higher-risk clients.

Advice on SARs

ICAS' Investigations Team operates a confidential helpline which deals with queries about whether a member or firm has a reporting obligation. While any decision to submit a SAR will always fall to the firm's MLRO, the team are able to provide guidance and signpost resources that may help in reaching an informed view (e.g. the [CCAB Guidance](#)).

Guidance on SARs

We strongly advise all firms to ensure that they have robust processes in place to deal with SARs, including appropriate MLRO training. Ignorance of the legal requirements will not be an adequate defense if there is an identified failure to submit a SAR. Unfortunately, we still undertake visits where we see MLROs who are unsure of their reporting obligations.

ICAS publishes articles on SARs on the AML section of the [ICAS website](#). We operate a portal for the MLROs of our supervised firms, which shares intelligence we have received and are able to pass on.

Further information is provided in the section on Support below.

Thematic reviews

While full-scope monitoring visits may be ICAS' most important and detailed means of checking our supervised firms' compliance with their AML obligations, we have been increasingly exploring other supervisory tools which can improve the effectiveness of our approach.

One such tool is a thematic review, which allows our team to undertake a detailed review of a particular area of AML compliance, using varied methodologies based on appropriate sample sizes.

Such reviews can allow us to get a better understanding of an issue or concern, without the need to rely on monitoring processes, which generally take longer and are more resource intensive.

Since our previous report, we have commenced / finalised thematic reviews in the following areas:

Finalised in 2024/25: thematic review of BOOMs

This thematic review was designed to assess the level of compliance with the requirement to have all BOOMs authorised by ICAS. Regulation 26 of the MLRs requires individuals with certain roles in supervised firms to be approved by the relevant provisional body supervisor.

As highlighted earlier in the report ('BOOM Approvals' sub-section of 'AML Monitoring – other findings'), whilst the incidence of BOOM issues has been relatively low in recent years, deficiencies here may constitute a criminal offence, and so it was selected for a short thematic review in order to draw firms' attention to this important area.

To assess compliance, we compared our records for selected ICAS firms with the records held at Companies House (covering shareholders, directors and secretaries). We wanted to see whether firms had correctly confirmed to ICAS – through their AML Declaration – their BOOMs.

81 firms were reviewed (approximately 10% of the population), with 15% of these (12 firms) found to have BOOMs that were not authorised by ICAS. The non-authorised BOOMs were summarised as follows:

- 7 firms with an unapproved director.
- 3 firms with an unapproved company secretary.
- 1 firm with an unapproved director & an unapproved company secretary.
- 1 firm with an unapproved non-principal MLRO.

In each case the ICAS Monitoring Team has contacted the firm and ensured that they have submitted appropriate approval applications for each unauthorised BOOM.

It is important to note that this review was completed prior to the update of our Regulatory Penalty regime April 2025 (further details below). Under the revised guidance, any firm identified as having failed to have all BOOMs authorised with ICAS will be referred to the Authorisation Committee to consider the application of a regulatory penalty.

We will continue to confirm that all BOOM's are authorised during our AML monitoring visits. To assist firms, we have published an article on BOOMs on ICAS' website: [Treatment of beneficial owners, officers and managers \(BOOMs\) in ICAS firms | ICAS](#) and expect to communicate further in this area.

Conducted in 2024/25: thematic review of firm-wide risk assessments

As identified in monitoring visits in both 2023/4 and 2024/5, we have found that a significant proportion of lowest and low-risk firms are failing to identify risk factors in their annual AML Declarations and in their firm-wide risk assessments, resulting in changes to their risk category following a monitoring visit.

As this information plays an important role in how we risk categorise our firms we conducted a review to identify the proportion of low and lowest risk firms with incomplete or ineffective firm-wide risk assessments and to identify common risks which were missed.

We reviewed a random sample of just over 10% of our firms assessed as lowest and low-risk following their submission of their 2024 AML Declaration.

The thematic review found that while most firms understood the service risks facing their firm, many firms failed to identify client risks. The list of the client risks most frequently omitted by firms is as follows:

- **Cash-based businesses**
- **Clients with connections to high-risk or sanctioned countries**
- **Clients with overseas connections**

- **Organisations vulnerable to human trafficking, including employment agencies**
- **Clients operating in high-risk industries**
- **High-value dealers**
- **Non-face-to-face clients**
- **High-net-worth clients**
- **UK PEPs**
- **Clients with unusual transactions**

The main cause of the omissions was identified as being a lack of understanding of the relevant AML/CTPF risks. 21% of firms also overstated the extent of their AML policies and procedures.

The knock-on impact of these errors and omissions was that 55% of the sampled firms should have been placed into a higher risk category than the category which had been applied based on the information submitted in their AML Declaration. These firms were told to correct any errors in future risk assessments, with the implications of movements in risk grades being taken into account for monitoring reviews.

As a result of the findings, ICAS published detailed guidance to firms accompanying the 2025 AML Declaration. Our experience from recent monitoring reviews indicates that this guidance is helping firms improve their understanding. Further communications will be issued to further emphasise the relevant issues here.

Firms are reminded to declare all risk factors present within their client base, even if it is believed that sufficient mitigations are in place.

As risk categories form the basis of how firms are monitored, firms are also reminded of the seriousness of providing incorrect information to ICAS and of the regulatory action that could be taken by ICAS in response (including regulatory penalties).

Follow-up, regulatory actions, and discipline

ICAS' Rules and Regulations provide a range of tools to use as an appropriate response to AML non-compliance which we have identified. This section of the report details the main tools and actions which we use.

ICAS AML Regulatory Actions Guidance

ICAS' approach to dealing with AML non-compliance which is identified on monitoring visits is set out in the [Regulatory Actions Guidance](#), with an updated version published in April 2025.

The guidance has two distinct purposes:

- To provide guidance on the nature of regulatory action which may be appropriate for AML non-compliance (Section 3).
- To set out the process which will be followed by ICAS when determining regulatory issues in relation to AML compliance (Section 4).

Using the guidance promotes effective and consistent determination of AML regulatory issues. In addition, the approach in the guidance – which is published on the ICAS website and highlighted where appropriate, including as part of monitoring visits – allows firms to better understand the likely consequences for AML non-compliance.

It is important to understand that discretion will be applied when considering whether regulatory action is appropriate. Where outcomes are set out in this guidance, these are indicative and not prescriptive. Decision-makers will exercise their reasonable discretion in all cases, supported by the guidance.

2024/25 regulatory action

A regulatory penalty was raised during the relevant period in response to non-compliance identified by ICAS as follows:

- A regulatory penalty of £250 applied to a firm following a failure to pay AML licence fees within a reasonable timescale.

A regulatory penalty of £600 was applied to a firm in response to AML non-compliance shortly after the period covered by this report. While the non-compliance was identified through monitoring activity before April 2025, it will be covered in our report for 2025/26.

Looking ahead

The application of the revised guidance to monitoring visits undertaken after 5 April 2025 is expected to result in more regulatory penalties being raised by the Authorisation Committee.

Whilst not covered by the relevant period for the report, by the end of October 2025, eight firms had been referred to the Committee following the identification of non-compliance falling within the terms of the guidance, with the Committee raising regulatory penalties between £100 and £900. For the initial period of the application of the revised guidance, the Committee has decided that its default position will be to publicise such findings anonymously.

Further details on the application of the new guidance will be presented in future annual reports.

Follow-up action

The guidance reflects that, in the first instance, and where appropriate, ICAS will try to work with firms to achieve improved compliance. In practice, this means that AML non-compliance identified on a monitoring visit may be addressed through 'follow-up actions' (unless the circumstances are sufficiently serious to warrant more robust action).

Through this process, a member of the monitoring team will advise the firm of:

- The areas of AML non-compliance which have been identified.
- What action is required to address the non-compliance.
- The timescale within which such action should be taken.

Firms will be asked to confirm in writing their agreement to complete the follow-up action within the set timescale. Where the firm is able to demonstrate to ICAS that the follow-up action has been completed in full within the timescales set, further regulatory action may not be required.

While this happens in most cases, a failure to complete the action within timescales is likely to result in further regulatory actions being considered, including regulatory penalties, suspension of supervision, and/or a referral to ICAS' Investigation Committee.

Year	% of firms requiring some form of follow-up action
2024/25	39%
2023/24	39%
2022/23	55%
2021/22	18%
2020/21	23%
2019	40%

Firms facing follow-up actions may request assistance from ICAS' Practice Support team to help them complete the required actions. This support is free of charge unless significant assistance is required.

Of the 96 firms visited in 2023/24, 37 were subject to follow-up action (comprised of 24 firms which were 'generally compliant' and 13 which were 'non-compliant'. Further information for these 37 firms is as follows:

- 31 firms cleared their follow-up checks.
- Follow-up for the remaining six firms has not been completed for the following reasons:

- Ill-health of the principal's spouse.
- Two firms have merged with a practice which is supervised by a different professional body.
- One firm ceased practice at the request of the Authorisation Committee.
- Follow-up for one firm was superseded by a full visit.
- One firm is implementing new AML processes.

Case study – how our new regime for follow-ups is driving improvements

An initial AML review was carried out on a newly established sole practitioner assessed by ICAS as low risk, with a turnover of approximately £150,000. The review of the firm's CDD documentation identified several deficiencies in its new client procedures:

- There was no requirement to obtain evidence of identity or verification for clients, beneficial owners, or directors.
- KYC procedures did not include documentation of the source of funds or wealth where relevant AML risk factors had been identified during the ICAS review.
- CDD files lacked appropriate risk assessments and supporting documentation.
- Enhanced Due Diligence (EDD), where applicable, was not consistently documented across client files.

The practitioner was clearly advised of the remedial actions required, with a follow-up check conducted at the end of 2024 to ensure appropriate action.

- **Client identification:** the firm updated its new client procedures to require identity verification for clients, beneficial owners, and directors. A revised AML policy was provided, and a sample of new client files confirmed that ID verification was now properly documented.
- **Source of funds/wealth:** the KYC policy was amended to include a dedicated section for recording the source of funds or wealth for each client. A sample review of client files showed this information was consistently documented.
- **Risk assessment:** the firm adopted an AML risk assessment template based on the ICAS GPM model. Policies were updated to mandate completion of this assessment for all client files, with ongoing review requirements. The follow-up sample confirmed that risk assessments were present on all files, and where high risk was identified, appropriate EDD measures were documented.

We believe that our approach to follow-up action continues to be robust and effective, with evidence to demonstrate an improvement in the levels of AML compliance across our firms.

39% of firms visited in 2024/5 have been given directions for follow-up actions, with information for these firms to be repeated in next year's report.

Authorisation Committee

More serious non-compliance is referred to ICAS' Authorisation Committee. Referrals are also made where firms fail to appropriately deal with follow-up actions identified by the Monitoring Team. The guidance sets out the powers available to the Committee, as well as the process it will follow when making decisions. In more serious cases, the Committee has the power to apply regulatory penalties, and/or withdraw a firm's AML supervision.

Referral of concerns

In some circumstances, the Authorisation Committee may decide that it would be appropriate for the AML concerns to be considered by a different body. For example:

- If the circumstances indicate that a supervised entity or individual may be liable to disciplinary action, a referral may be made to ICAS' Investigation Committee (e.g. where there are ethical issues).
- If ICAS becomes aware that there has been a breach of legislation, it may need to report matters to the relevant law-enforcement agencies and/or HMRC.

In addition to taking whatever action is deemed appropriate, ICAS may make a referral to another professional body AML supervisor, if any of the employees of a supervised entity are members of that body.

Example of a referral to the Investigation Committee

A previous visit to a well-established unincorporated sole practitioner (with turnover below £100k), had identified concerns that non-compliance previously identified by the Monitoring Team had not been appropriately remediated. Attempts to ensure that action had been taken through a follow-up check were delayed, with the Committee deciding in October 2023 to refer the member to the Investigation Committee to consider a liability to disciplinary action. ICAS accepted the surrender of the member's practising certificate while the investigation was ongoing to reduce the risks involved.

The Investigation Committee found the member liable to disciplinary action and referred a formal complaint to the Discipline Tribunal. The Tribunal determined that the member was guilty of professional misconduct and excluded him from ICAS membership. A financial penalty of £10,000 was applied, with a requirement to pay costs £7,917.11. The outcome will be published on the ICAS website for 10 years.

While ICAS will try to give members a chance to demonstrate improvement, this cannot be allowed to take longer than is required. Non-compliance with monitoring processes can be a regulatory and a disciplinary offence, requiring separate actions from ICAS.

Investigation Committee

The Investigation Committee is responsible for investigating concerns raised over the competence and conduct of members and firms and assessing whether there is a liability for disciplinary action under ICAS' Rules and Regulations.

During the period of this report, the Investigation Committee upheld one complaint that included (as part of the determination) a failure by a firm to carry out appropriate and sufficient customer due diligence measures for a client, in breach of the MLRs and the ICAS Anti-Money Laundering Regulations.

Whistleblowing

ICAS recognises the importance of establishing appropriate channels for members, firms, students and the public to raise concerns over money laundering concerns.

Our teams operate a confidential helpline (0131 347 0271) which deals with queries relating to possible money laundering reporting issues. While any decision to submit a SAR will always fall to the MLRO, these conversations can be very helpful.

In addition, ICAS has established an independent [whistleblowing helpline](#) with Protect, a UK charity which works with individuals and businesses to try to encourage safe whistleblowing. The service offers free advice regarding whistleblowing and speaking up.

The ICAS Protect Helpline is 0800 055 7215 and we would encourage all members – whether in practice, business, or otherwise – to make use of it, where appropriate.

Members should always bear in mind that ICAS' Regulations impose obligations on them to report certain matters to ICAS. These obligations cover conduct and competence more generally, rather than simply focusing on money laundering concerns. Reports allow ICAS to investigate possible liabilities to disciplinary action, as well as considering whether referrals to other agencies might be required. A helpsheet on the reporting obligations is available [here](#).

As ICAS is not a law enforcement agency, any whistleblowing reports made to ICAS would not meet the legal obligation on an MLRO to report suspicions of money laundering activity to the National Crime Agency should the need arise.

Finally, regard should be had to ICAS' [Power of One](#) initiative. Launched in 2015, it calls on all members to place ethical leadership at the heart of their professional responsibilities, to shape the culture and values of their organisations to help re-establish ethics at the core of business practices and to rebuild public trust in business.

Support and communications

Although it is essential that our regulatory and supervisory functions are carried out with an appropriate level of independence, ICAS also has a dedicated team that offers support to members and firms in improving their AML compliance.

Practice Support

The ICAS Practice Support Team operates independently from the Regulatory Teams and offers assistance to members in the following areas:

- General AML support and advice.
- Questions in relation to practical matters in relation to AML compliance.
- AML compliance training tailored to suit the needs of the firm.

The Practice Support team works closely with ICAS' Practice Board.

Further information on all the services available can be requested through practicesupport@icas.com

ICAS General Practice Manual

The General Practice Manual (GPM) is provided at no cost to all firms supervised by ICAS. It includes a collection of helpsheets, templates, and various resources designed to assist members and firms in meeting their AML obligations covering:

- AML policies and procedures.
- Suspicious Activity Reports.
- Trust or company service providers and AML supervision.
- Tipping off.
- Client due diligence and risk assessment.
- Firm wide compliance and risk assessments.

It can be accessed on the ICAS website [here](#) (requiring members to log-in to the website).

The Professional Conduct in Relation to Tax document (available [here](#)) also gives specific guidance in relation to reporting tax fraud.

All resources are regularly updated to reflect changes in legislation and guidance, as well as developments in best practice.

MLRO Alert Hub

Through its membership of the Accountancy Anti-Money Laundering Supervisors Group (AAGG), ICAS provides regular alerts on existing and emerging issues to MLROS (MLROs) via this Hub. Each MLRO from a firm supervised by ICAS is invited to join the Hub, which is updated independently from the ICAS website to ensure the confidentiality of the information shared.

The ICAS Practice Team also holds briefings with the MLROs of the 15 largest firms that we supervise as and when necessary, and we plan to roll these out to more firms in 2025/26.

Webinars and events

ICAS regularly features [webinars and events](#) to support members and firms with AML and related matters. Past webinar recordings can also be accessed. We also launched a series of on demand videos called [AML in focus](#), which take a closer look at specific areas of difficulty or interest.

National Crime Agency (NCA)

The NCA produces a variety of resources, including publications, podcasts, and periodic webinars, to offer advice and guidance to firms under Anti-Money Laundering (AML) supervision. These resources are accessible through their [website](#).

Notably, there is specific [guidance](#) aimed at improving the quality of SARs. The NCA regularly publishes the 'SARs In Action' magazine, which provides insights into the advantages of SARs and their impact on serious and organized crime. Additionally, the UK Financial Intelligence Unit (UKFIU)

has developed several podcasts that can be found on major podcast platforms such as Apple and Google Play. To find these, simply search for "UKFIU."

CCAB Guidance for the Accountancy Sector

The most recent [Anti-Money Laundering, Counter-Terrorist and Counter-Proliferation Financing Guidance for the Accountancy Sector](#), approved by HM Treasury, was released by the CCAB in June 2023. This document serves as a valuable resource for members and firms, clarifying their responsibilities under the Money Laundering Regulations.

Regulation News

In September 2023, ICAS started publishing a quarterly email newsletter to provide its supervised members and firms with important information about changes in regulation. Many of the articles which have been highlighted in the newsletters have involved developments in AML.



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