

AML Audit – Do We Need One and Why?

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Presenter

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I worked for the Law Society for 11 years, initially as a manager at the Legal Complaints Service and latterly as Head of Practice Standards at the Solicitors Regulation Authority.

In 2012 moved to a firm as Head of Compliance.

Since November 2019 I have worked as a consultant and my particular areas of expertise include SRA compliance, file reviews, AML compliance and complaint handling.

Agenda

- Welcome and Introduction
- Why do we need an independent audit
- What does SRA expect
- What does an 'independent' audit really mean
- What is the point of an audit
- The audit is done. What now?
- Summary

Why Do We Need An Independent Audit

Regulation 21 Of The Money Laundering Regulation requires that:

“Where appropriate with regard to the size and nature of its business, a relevant person must... (c) establish an independent audit function with the responsibility—

- (i) to examine and evaluate the adequacy and effectiveness of the policies, controls and procedures adopted by the relevant person to comply with the requirements of these Regulations;*
- (ii) to make recommendations in relation to those policies, controls and procedures; and*
- (iii) to monitor the relevant person’s compliance with those recommendations.”*

What does SRA expect

When the Regulations first came into a force, there was a general assumption that this would only apply to the large law firms.

However, the SRA's Risk Outlook in 23 November 2020 stated that 'most firms' should be commissioning independent audits.

Firms will have to justify themselves if they do not consider independent audit necessary under the Regulation.

What does an 'independent' audit mean

The legislation is not clear on what 'independent' is.

However, the SRA is clear that it should be either:

- somebody internal who is not marking their own homework- so not generally involved in AML compliance, such as the MLRO/Compliance Manager etc,
- or an external third party

What Is the Point of an Audit?

An independent AML audit is a test of the firm's AML program.

It tests to determine whether a firm has an appropriate AML program, that the policies are being followed by staff.

In effect – is the firm and the staff actually doing what they say they are doing in the policies.

The Audit Is Done. What Now?

Whoever carries out the audit should produce a report detailing good and poor practice and recommendations.

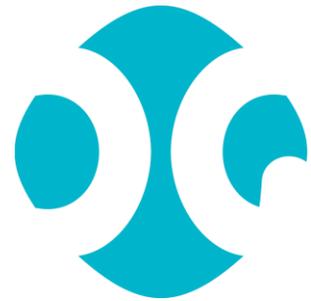
The firm should implement the recommendations and produce evidence that they have done so.

At the next audit, the evidence of the recommendation being implemented should be produced to the auditor.

Summary

- Consider whether your firm needs an independent audit
- If not, document why not
- If an audit is carried out, implement the recommendations

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