



Independent AML audit (Regulation 21)

Audit Date		Next Audit	
Name of Auditor		Role / Position	
Name of Firm		Date reported to [Board]	

Methodology

E.g. This audit was conducted over a four day period by [X] who is the [position in the firm]. The [Board] commissioned this audit in compliance with Regulation 21 of the Money Laundering Regulations 2017, having established that the firm is of the size and nature to warrant such an audit.

The audit followed the following format:

Timing	Activities	Detail
Day 1	<ol style="list-style-type: none">1. Opening meeting with compliance team (COLP/MLRO/MLCO)2. Desktop review of AML documentation3. Technical interview with MLRO/MLCO4. Day 1 wrap up meeting with compliance team	<ol style="list-style-type: none">1. Confirming the purpose, scope and process of the audit process. Reiterating meetings that people need to attend.2. Auditing the paperwork. Does it meet the requirements of the MLRs? Are there any clues to weaknesses or areas to concentration in the audit process?3. In depth technical review with senior AML figures.4. Wrap up to give preliminary thoughts and give firm an opportunity help guide the remainder of the audit.
Day 2	<ol style="list-style-type: none">1. Interview 1 (legal team member) inc. 2 x file reviews2. Interview 2 (legal team member) inc. 2 x file reviews3. Interview 3 (legal team member) inc. 2 x file reviews4. Interview 4 (support team member)5. Interview 5 (support team member)	Staff interviews using objective interview format intend to check staff's understanding of AML and see whether processes are being applied properly and consistently across the firm.
Day 3	<ol style="list-style-type: none">1. Interview 6 (compliance team)2. Interview 7 (managing partner)3. Day 3 wrap up meeting	<ol style="list-style-type: none">1. In depth technical review with compliance team/manager.2. High level feedback and discussion around potential findings and remedial action.3. Wrap up with key compliance



		people - preliminary findings and any remedial action discussed with managing partner.
Day 4	1. Audit drafting	Compiling findings and conclusions

The auditor had regard to the following documents:

Internal:

- Firm wide risk assessment
- AML policy
- AML training records
- SAR reports
- Risk register
- Standard risk assessments for all departments

External:

- LSAG guidance
- SRA Sectoral Risk Assessment

Audit Scoring




Red = Compliance failure





Amber = Risk identified

Green = Compliant




Substantive Audit

1. Structure		Findings
People and Positions	<ul style="list-style-type: none"> • Are there people in the in MLRO and MLCO positions? • Does the MLRO have deputies? • Are there any other money laundering positions? • Do the people in those positions understand their responsibilities? • Are they engaged? • Do staff know who the people are in those positions and are they approachable? • Is there any delegation of day to day role? • If yes, is this documented? 	<p>[Insert findings]</p>  <p>[Insert Red/Amber/Green rating]</p>









	<ul style="list-style-type: none"> Are the duties / responsibilities of all partners / directors and employees adequately documented? 	
Firm Wide Risk Assessment	<ul style="list-style-type: none"> Is there one in place? Is it signed off by the senior management team? When was it last updated? Does it match what you know of the Firm? Or does it look like a template? Does it reflect the risk of the Firm? Does it take into account the National Risk Assessment and Sectoral Risk Assessment? Is there a mechanism for risks identified in clients / matter assessments to be fed into the FWRA? 	<p>[Insert findings]</p>  <p>[Insert Red/Amber/Green rating]</p>
Oversight	<ul style="list-style-type: none"> How is compliance with PCPs monitored? How are the results of monitoring reviewed within the Senior Management Team? 	<p>[Insert findings]</p>  <p>[Insert Red/Amber/Green rating]</p>
Record Keeping	<ul style="list-style-type: none"> Does the firm have procedures relating to keeping records and related data protection matters? 	<p>[Insert findings]</p>  <p>[Insert Red/Amber/Green rating]</p>
<u>2. Policies, Controls and Processes</u>		<u>Findings</u>
AML Policy	<ul style="list-style-type: none"> Is the Policy up to date? Is it in an easy access / understandable format? Does the Policy (alongside processes etc) cover the LSAG Guidance? (see tick sheet) Have staff been adequately trained on the Policy and Processes? Are the PCPs approved by senior management and is this documented? 	<p>[Insert findings]</p>  <p>[Insert Red/Amber/Green rating]</p>
Client and Matter Risk Assessments	<ul style="list-style-type: none"> Does the firm implement written client risk assessments to include AML and TF risks? 	<p>[Insert findings]</p>







	<ul style="list-style-type: none"> • Does the firm implement written matter risk assessments to include AML and TF risks? • Is there a written procedure for the risk assessments? 	 [Insert Red/Amber/Green rating]
Client Due Diligence Process Standard, Simplified or Enhanced	<ul style="list-style-type: none"> • Does this apply to all departments, or selected? • Briefly describe the process in theory and practice? • Is there a written procedure? • Are there identification and verification procedures for individuals and ultimate beneficial owners? • How is CDD monitored? • Can a fee earner still work without CDD? • How does the Firm decide what level of due diligence to apply and how does this operate in practice (particularly simplified)? • What are the practices relating to ongoing monitoring? • Does the Firm use Electronic Verification and how is this put into effect and monitored? • Does the firm have sufficient understanding of the underlying technology (e.g. databases that it interrogates, how the algorithms work)? • Is there evidence that the firm over-reliant on technology without critically thinking about the risk in front of them? • How is ongoing monitoring handled? • What is the firms position on Reg 39 Reliance in policy and in practice? 	[Insert findings]  [Insert Red/Amber/Green rating]
PEPs, High Risk, EDD Process	<ul style="list-style-type: none"> • How does the Firm define PEPs? • What controls are in place for PEPs? • How does the Firm decide when EDD is fulfilled and what are the processes and controls around EDD? 	[Insert findings]  [Insert Red/Amber/Green rating]








<p>Source of Wealth / Funds Checks</p>	<ul style="list-style-type: none"> • Does the Firm have processes effective for both source of funds and wealth? • Does the firm understand the difference between SoW and SoF? • When are checks on wealth and funds undertaken? • How does the Firm check third party funds – including from group companies, community funding and the bank of Mum and Dad? • What are the firm’s processes if the source of wealth changes or does not match when received? 	<p>[Insert findings]</p>  <p>[Insert Red/Amber/Green rating]</p>
<p>CTF Policy</p>	<ul style="list-style-type: none"> • Does the firm have a Counter Terrorist Financing policy? • How are checks made? • Are staff aware of the policy and what the red flags are? 	<p>[Insert findings]</p>  <p>[Insert Red/Amber/Green rating]</p>
<p>Sanctions Checks</p>	<ul style="list-style-type: none"> • How does the firm check for sanctions at the start of the matter? • How does it continue to monitor? • Do staff know what to do if a sanction is present? 	<p>[Insert findings]</p>  <p>[Insert Red/Amber/Green rating]</p>
<p>Tax Advice Included</p>	<ul style="list-style-type: none"> • Has the firm reviewed the departments for any areas of tax advice? • Are these included on the FWRA? • Are departments with tax advice included in CDD regime? 	<p>[Insert findings]</p>  <p>[Insert Red/Amber/Green rating]</p>
<p>Companies House</p>	<ul style="list-style-type: none"> • Does the firm understand when discrepancy reporting is required? • Is there evidence of discrepancy reporting taking place as required? 	<p>[Insert findings]</p>  <p>[Insert Red/Amber/Green rating]</p>
<p>SAR – reporting to MLRO</p>	<ul style="list-style-type: none"> • Do staff know when to report? • Do they report suspicions or queries? • How are these handled? 	<p>[Insert findings]</p> 



	<ul style="list-style-type: none"> Does the MLRO / MLCO keep a list of reports and decisions made? 	[Insert Red/Amber/Green rating]
SAR MLRO Reporting	<ul style="list-style-type: none"> Does the MLRO have a list / register of SARs and DAMLs they have made? Can you see how decisions of whether / not to report have been made? How successful have the DAMLs been? How does the firm handle the period after reporting? 	[Insert findings]  [Insert Red/Amber/Green rating]
Monitoring Processes	<ul style="list-style-type: none"> How does the firm monitor whether CDD / reports / source of wealth checks has been carried out? Are there reports through the practice management system? File reviews? What processes are in place for chasing? Where are results reported? 	[Insert findings]  [Insert Red/Amber/Green rating]
Breaches and Regulatory Intervention	<ul style="list-style-type: none"> Has the firm had any requests from the SRA for documents or a review? How was it handled? What was the outcome? Has the firm had to report any breaches or investigations? How was it handled and conclusions? 	[Insert findings]  [Insert Red/Amber/Green rating]
3. Understanding and Culture		Findings
Training	<ul style="list-style-type: none"> When was training last carried out? What format did it take? Did training include: ML Regs, POCA Part 7, Terrorism Act Part 3, LPP, Data Protection aspects, Red Flag / risk indicators? Who did the firm chose to train? Was there any specific role-based training (eg for MLRO, accounts etc?) Who attended? What do people remember from the training? Did it cover PCPs? 	[Insert findings]  [Insert Red/Amber/Green rating]
Culture	<ul style="list-style-type: none"> For the Senior Management Team (SMT) is compliance with ML Regs 	[Insert findings]



	<p>tick box, a nuisance, or more of a priority?</p> <ul style="list-style-type: none"> • For other staff is compliance with ML Regs tick box, a nuisance, or more of a priority? • Does the firm understand and embrace the AML regime? • Is there an open dialogue about the Regs? • How are PCPs communicated to staff and partners / directors? 	 <p>[Insert Red/Amber/Green rating]</p>
Understanding	<ul style="list-style-type: none"> • Do the SMT understand what is required of them? • Do the MLCO and MLRO have a good understanding of the Regs and other legislation and their roles within? • Do staff understand what they need to do, why they need to do it and what to look out for? 	<p>[Insert findings]</p>  <p>[Insert Red/Amber/Green rating]</p>
Registration	<ul style="list-style-type: none"> • Is the firm properly authorised by the SRA for AML (and TCSP) work? • Are all BOOMs properly registered? • Is there a system for ensuring that changes to the firm's services, structure or BOOMs triggers a registration amendment? 	<p>[Insert findings]</p>  <p>[Insert Red/Amber/Green rating]</p>
Employee screening	<ul style="list-style-type: none"> • What is the procedure for screening relevant employees? • Is an effective system in place? 	<p>[Insert findings]</p>  <p>[Insert Red/Amber/Green rating]</p>
Regulation 21 audit	<ul style="list-style-type: none"> • Is there a system for commissioning independent audits? • Were recommendations in the previous audit appropriately actioned? 	<p>[Insert findings]</p>  <p>[Insert Red/Amber/Green rating]</p>

Conclusions and Recommendations

	Conclusions	Recommendations
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1. Structure	<ul style="list-style-type: none">• [Insert conclusions]	<ul style="list-style-type: none">• [Insert recommendations]
2. Policies, Controls and Processes	<ul style="list-style-type: none">• [Insert conclusions]	<ul style="list-style-type: none">• [Insert recommendations]
3. Understanding and Culture	<ul style="list-style-type: none">• [Insert conclusions]	<ul style="list-style-type: none">• [Insert recommendations]
4. Overall adequacy and effectiveness	<ul style="list-style-type: none">• [Insert conclusions]	<ul style="list-style-type: none">• [Insert recommendations]
5. Any other general observations and recommendations	<ul style="list-style-type: none">• [Insert conclusions]	<ul style="list-style-type: none">• [Insert recommendations]