



Anti-Money Laundering Independent Audits

Our AML Independent Audits provide peace of mind
that you, your firm and your clients are safe.

Teal
Compliance

Compliance specialist and CEO of Teal Compliance, Amy Bell, leads a team of expert consultants with over 100 years' combined experience and provides support and guidance to law firms and compliance officers on all AML compliance matters.



I qualified as a solicitor over two decades ago and remember clearly the day the obligations on solicitors came into effect. I've been at the forefront of developing policies and workable procedures ever since.

Now, as a consultant, I've been representing the legal sector for over a decade and have worked with hundreds of law firms, and thousands of solicitors, who still all grapple with the same issues:

- How do I make sure I am complying with the law and regulators' expectations?
- How do I build processes which aren't difficult to follow and don't cause delays for our clients?
- How do I get my teams engaged with this important aspect of compliance?

At Teal, we've built a comprehensive audit process which is proven to be acceptable to regulators around the world, and ensuring those important questions are answered. We don't just tell you if you've complied or not. We'll provide feedback on the efficiency of the processes and give you and your team guidance on how to build compliance programmes that work.

At Teal, we believe in:

- **Being honest with our clients** - we'll never recommend a solution which doesn't fit with a firm's risk profile.
- **Giving our clients practical help** - we'll implement our solutions quickly and apply our guidance immediately.
- **Sharing what we have** - we share our knowledge and experience, and provide valuable support to our clients when they need it.

This guide helps you understand a little more about the AML Independent Audit service we offer. But, if you'd like to know more, simply get in touch.

A handwritten signature of Amy Bell in a cursive, black ink font.

Amy Bell, CEO of Teal Compliance



The Legal Requirements of an Independent Audit

The AML audit process is a way to strengthen or improve a firm's AML programme. It's how you assess whether a firm's AML policies, controls and procedures are up-to-date, comply with The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (MLR), and are functioning in practice as intended.

The purpose of an AML audit is to:

- Examine and evaluate the adequacy and effectiveness of the policies, controls and procedures adopted by a firm, to ensure compliance with the requirement of the MLR
- Make recommendations in relation to those policies, controls and procedures
- Monitor compliance with those recommendations

There are two types of independent audits you may consider:



Mandatory Audit

Regulation 21 of the MLR requires a relevant person, where appropriate to the size and nature of the business, to establish an independent audit function. This doesn't necessarily need to be an external audit. However, it needs to be conducted by someone in the firm who's independent of the risk/compliance/AML function, but equally has enough AML knowledge to be able to conduct the audit. It's important to note that any findings in an audit report carried out under regulation 21 are disclosable to the Regulator.



Non-Mandatory Audit (Internal Audit)

A firm may choose to conduct an internal money laundering audit as routine procedure, as a way of checking whether the firm's policies, controls and procedures are and comply with the MLR. The audit report in these circumstances would remain for internal purposes only, and confidential to the firm.

Our Approach to Compliance

When we look at the root causes of compliance issues within a firm, it's rarely because of a lack of policies and procedures, it's not that straightforward. In fact, the recipe for success requires quite a few ingredients. Our "6 Cs of Compliance" methodology drives everything we do. So, whatever service you need from us, you can rest assured that it will be building towards a successful compliance programme.

Our 6-step method guides you through making a practical, compliance framework.

1. Clarity

We explain what the law means and how to apply it to your firm.

2. Capacity

We take the firm through the options for resourcing an effective compliance function.

3. Communication

No-one likes reading policies or coming to compliance training. We change that. With readable, practical policies and procedures, staff know what the requirements are and, through our interactive live training sessions, they find out why it's relevant and important.

4. Commitment

Buy-in from staff is so important and without it, compliance is very difficult. We make it real and change the mindset of staff, so it isn't just a 'tick box' process, but a meaningful and necessary endeavor.

5. Consistency

Firms need to know their compliance works, and by introducing a control framework, compliance officers will know where processes are being followed and, more importantly, where they're not.

And, most importantly...

6. Culture

Underpinning all of these is a compliance culture, with clear leadership, as well as an incentivisation programme to maintain momentum and protect the firm.





What You Can Expect From Our Independent Audits

There are four stages to our Independent Audits:



Stage 1: The Review of Policies and Procedures

A full review of your AML policies and procedures, risk assessment and matter-based risk assessment, will be conducted by our auditor.

When conducting the review, the auditor will assess whether your AML policies and procedures meet the requirements of the MLR. They'll check each specific regulation against your AML policies and procedures, to confirm whether or not you've met that requirement.



Stage 2: The Test

As part of the Independent Audit, the auditor will test the knowledge, understanding and application of your processes. This is usually tested through staff interviews and matter file reviews.

Interviews

Interviewing staff will help the auditor assess their knowledge and understanding of money laundering, money laundering red flags and the firm's processes.

File Reviews

The auditor will carry out a review of files and assess whether the matters comply with your AML policies and procedures. The auditor may also request to review some closed files. Reviewing a closed matter will assist the auditor in assessing whether there was on-going monitoring of risk and whether the completion instructions to accounts included information as to risk.



Stage 3: The Audit Report

Once the Independent Audit has been conducted, a written report, known as an 'audit report' will be prepared.

The audit report will detail whether the risk assessment, AML policies, controls and procedures comply with the requirements of MLR, and whether any changes are required as a result of any deficiencies identified.

The audit report will also include:

- 1** Details of the specific MLR regulations they were checked against
- 2** A full explanation of what was examined for that specific regulation
- 3** Clarification of which areas are compliant, non-compliant and partially compliant, as well as recommendations for improvements in behaviour and practice
- 4** An indication of where there are potential failings and a recommended course of action



Stage 4: The Final Review

Following an implementation period, the firm should conduct a review to establish compliance with the recommendations.

As part of the final review, the auditor will assess whether the recommendations have been carried out and whether there's any evidence to show if they're effective.

Preparing For An Independent Audit

To ensure a smooth and efficient audit process, you should take the following steps to prepare:

- 1 Appoint an audit team within your firm**

Assign a team of key individuals responsible for coordinating the audit process. This team should include the MLRO, MLCO, members from the compliance department, and potentially representatives from other relevant departments.
- 2 Gather relevant documentation**

Compile all necessary documentation related to your firm's AML/CTF policies, procedures, risk assessments, staff training records, customer due diligence (CDD) files, and any other relevant records. We'll send you a full list of exactly what we need.
- 3 Conduct a self-assessment**

Review your firm's AML/CTF policies and procedures against the legislative requirements to identify any gaps or areas for improvement. Correct any deficiencies or weaknesses before the audit.
- 4 Prepare staff**

Ensure staff are aware of the upcoming audit and their involvement. Make sure you've provided refresher training on AML/CTF policies and procedures (in line with the Legal Sector Affinity Group Guidance), so they're prepared to answer questions or demonstrate their understanding.
- 5 Establish communication channels**

Set up clear communication channels between the audit team, Teal, and relevant departments. This will facilitate prompt responses to any information requests, and help ensure a smooth audit process.
- 6 Review previous audit findings**

If your firm has undergone previous audits, review the findings and ensure that any recommendations have been implemented. Be prepared to demonstrate the actions taken to address previous issues.
- 7 Organise logistics your end**

Consider the logistics for the audit, such as arranging for Teal to either access to your firm's premises, providing workspace and resources, or online access to your systems. We can help with scheduling remote meetings with key personnel.
- 8 Set expectations**

Share the scope, objectives, and expectations of the audit to all relevant parties. This will help ensure that everyone's on the same page and understands their roles and responsibilities.

By taking these steps to prepare for the audit, your firm will be in a better position to demonstrate compliance with the Money Laundering Regulations, identify any areas for improvement, and implement the necessary changes to strengthen your AML/CTF framework.

Get Maximum Benefit for Time Invested

Audits can be extremely helpful for your firm if you approach them with the right mindset. Here are some tips on how to get the most out of your audit experience.

- 1 Embrace the process**
Instead of dreading the audit, think of it as a fantastic opportunity to improve your firm's AML/CTF framework and overall compliance. The insights you gain will be invaluable!
- 2 Be proactive**
Don't wait for the auditor to point out issues. Identify and fix any weaknesses in your AML/CTF policies/procedures beforehand, so you can focus on continuous improvement during the audit.
- 3 Stay engaged**
Actively participate in the audit process, ask questions, and share your thoughts with the auditor. The more you're involved, the more you'll learn and grow from the experience.
- 4 Keep an open mind**
Be receptive to feedback and suggestions from the auditor. They're there to help you improve, so take their advice on board and be ready to make changes if necessary.
- 5 Learn from the findings**
After the audit, take the time to thoroughly review the findings and recommendations. Use them as a roadmap to strengthen your AML/CTF framework and enhance your firm's compliance.
- 6 Share knowledge**
Ensure everyone in the firm is aware of the results and changes that need to be made. Sharing knowledge will help create a culture of compliance and ensure everyone's working together.
- 7 Implement changes promptly**
Don't let those audit recommendations sit on a shelf collecting dust! Act on them quickly and efficiently, and monitor their effectiveness over time.
- 8 Set goals**
Use the audit as a benchmark to set clear, measurable goals for improving your firm's AML/CTF compliance. Keep track of your progress and celebrate your successes along the way.
- 9 Stay up-to-date**
Keep up-to-date of any changes in the MLR and industry best practices. This will help you maintain a robust AML/CTF framework and stay prepared for future audits.
- 10 Reflect and refine**
After implementing the recommended changes, take a step back and assess their impact. Learn from your experiences and refine your processes as needed to ensure ongoing compliance and continuous improvement.

What Our Clients Say

Our AML Independent Audit service comes highly recommended by our clients. Don't just take our word for it. Here's what they have to say...



We have been using Teal to support our compliance frameworks, and every aspect of our experience with them has been fantastic. From the training to the audits, and especially the 'Ask Teal' helpline, nothing is too much trouble, and you get quick support from some of the industry's best compliance experts. Just having them there to support our continued growth takes a huge weight off my mind. Highly recommend to firms of all size and structure!

Carrie Caladine - Right Legal

As COLP and MLCO of a large regional full service law firm, with day-to-day responsibility for leading and managing a business unit of 10 fee earners, I have found the guidance and support from Teal an invaluable adjunct to our employed Risk & Compliance team. Their depth of knowledge, response times and commercial pragmatism are invaluable. We had an existing relationship through our primary insurers and, when our full time Risk & Compliance Manager and Internal Auditor both exited the business, we took the decision to outsource the key elements of those roles to Teal. Overall, this has been a hugely beneficial change and gives us access to a breadth of know-how and whole market insight that we did not enjoy previously, this really helps drive compliance in a readily accessible way.

Ross Strowger - Partner, Ashtons

Having heard Amy Bell speak at Law Society events in the past few years, and listened to her practical and pragmatic approach to compliance, I decided that I needed to speak with her after we received notice from the SRA that we had been selected for an AML audit. Amy was extremely helpful when I spoke to her, and gave me some guidance on what to expect with the SRA audit, and how we might improve our processes where necessary. All in all, our audit went well, so when it came to our annual independent AML audit in 2021, we decided to use Teal Compliance.

Simon Harbord was our auditor and his approach to our audit was organised, reassuring and very helpful. Having reassured staff that Simon was approachable and just wanted to listen to how they approached compliance, staff were more than happy to speak with him. We have now received our report from Simon, exactly when he said we would receive it, and we will now work on any points that Simon has highlighted for improvement in our AML processes.

Teal Compliance know their stuff! They are approachable, helpful and knowledgeable, and I would not hesitate in recommending them.

Claire Vincent - Baker Gotelee

Get in touch

If you'd like to talk to us about our AML Independent Audit service, please get in touch.

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