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MONEY LAUNDERING FRAMEWORK FOR PROFESSIONAL ACCOUNTANTS: POST COVID-19

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ABSTRACT

The COVID-19 pandemic has sparked global challenges, economic disruption, and increased related crimes, such as scams, fraud, and cybercrime. It has also changed the routines of individuals, businesses, and governments in combating financial crimes, especially professional accountants. As front-liners in the anti-money laundering (AML) regime, professional accountants play a vital role in combating financial crime, including money laundering activities that have risen during the pandemic. However, limited studies have investigated the money laundering reporting framework for professional accountants. Hence, this study aims to investigate the money laundering framework for professional accountants that suits the post-pandemic period. This paper focuses on the current red flags for money laundering activities, specifically for professional accountants, as mentioned in prior literature and publicly available reports such as the Financial Action Task Force (FATF), ICAEW, and ACCA Global. Since this study focuses on the money laundering framework for professional accountants, this study also referred to the MIA Competency Framework, which highlights the importance of professional scepticism and professional judgement. Professional accountants must exercise high professional scepticism and judgement when dealing with money laundering risk indicators related to related party transactions, beneficial ownership and e-commerce activities. This is to provide quality reporting to the authorities and to proceed with money laundering investigations. This paper contributes to the regulators and professional accountants by proposing a money laundering framework for professional accountants that would assist them in fulfilling their role as money laundering reporting entities.

Keywords: Money laundering, professional accountants, professional scepticism, professional judgment, Covid-19 endemic.

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1.0 INTRODUCTION

March 2020 marked the history with an outbreak of a public health emergency due to Covid-19. Since the start of the outbreak, the spread of the infection across the countries and regions of the world has been on the rise, leading to central lockdowns to protect the public against the spread of the disease (Onyeaka et al., 2021). The United Nations Office on Drugs and Crime reported that the Covid-19 pandemic has had a significant impact on our societies and economy. It was also reported that there is an increase of Covid-19 related crimes, including imposter scams, investment scams, product scams, charity fraud, and cyber-related fraud (FinCEN, 2020), along with a trend evolving towards cyber-laundering (Wronka, 2021). As such, the Covid-19 pandemic has brought significant changes to accounting professionals (Jabin, 2021).

Professional accountants act as anti-money laundering (AML) front-liners for companies in their day-to-day operations by reporting any suspicious transactions encountered based on their professional judgement (Ravenda et al., 2019). Their positions provide them with the opportunity to detect any suspicious activities occurring within the organisation. However, their credibility in combating money laundering is questionable (Giles, 2019; Salehi et al., 2020). In addition to the demand as AML reporting entities, the accountant's role has now become more complex particularly during the pandemic because they are required to work remotely. While working remotely, professional accountants need to be proficient in both professional and information technology skills to add value to the company (Shen et al., 2020), apart from equipping them with the awareness of money laundering and cybercrime risk (Jabin, 2021). The Malaysia National Risk Assessment on Money Laundering and Terrorism

Financing 2020 mentioned that Accountants have medium-high risk towards money laundering. It is mentioned that the accountants are significantly vulnerable due to substantial exposure to ML/TF risk.

According to the anti-money laundering (AML) regime, suspicious activity reports (SAR) in their daily operations are to be made by the professional accountants. However, based on a survey conducted in 2020, only 2-3% of the professional accountants were willing to report the SAR to the authorities (Imeny et al., 2021). Hence, the lack of willingness among the professional accountants could be the possible reason for the increase in money laundering activities (Giles, 2019; Imeny et al., 2021). Lack of enforcement imposed on professionals who fail to report suspicious transactions also contributes to their commitment to reporting the SAR (Norton, 2018). Since professional accountants owe a duty of care to the public at large (Aziz, 2021), they should discharge their duties as money laundering front liners (Giles, 2019; ICAEW, 2020) by upholding professional values, ethics, and attitudes per the Code of Ethics for Professional Accountants. Failure to do so leads to the loss of trust among the public (Giles, 2019).

As front-liners in the anti-money laundering (AML) regime, professional accountants play a vital role in combating financial crime, including money laundering activities that have risen during the pandemic. However, limited study has investigated the money laundering reporting framework specifically for professional accountants. Professional accountants' adherence to professional values, ethics, and attitudes is essential, especially during this pandemic with an uprising trend in money laundering (Jabin, 2021; Vitvitskiy et al., 2021). Malaysia National Risk Assessment Report 2020 mentioned that accountants are significantly vulnerable due to substantial exposure to ML/TF risk. There is a need to decrease the net risks by improving the compliance and AML/ CFT understanding, coupled with proportionate supervision. Thus, this study aims to investigate the money laundering framework for professional accountants that suits the post-pandemic period, as an initiative in combating money laundering activities among the organisations.

2.0 MONEY LAUNDERING RED FLAGS FOR ACCOUNTANTS

Technological advancement and the borderless nature of global business have led accountants to adopt new technology and be alert to the rise in sophisticated crime, such as violations of privacy, pornography, counterfeiting, defamation, hackers, drug cartels, cybercrime, and international money laundering (El-Hilali, 2020). Hence, as AML front-liners, they are responsible for ensuring that their business transactions are derived from legal sources and prompt reporting of suspicious transactions to the authorities. Thus, professional accountants must keep abreast with the latest regulations related to money laundering, terrorism financing, and cybercrime.

Although money laundering does not directly impact financial statements, it can negatively impact audit firms if money-laundering-related events are not reported in time. For example, the Ministry of Finance Malaysia, 1Malaysia Development Berhad (1MDB), and other subsidiaries filed a lawsuit against KPMG Malaysia for their negligence in reporting the fraud risk during the 2009 and 2014 audits. Major losses could have been evaded if KPMG managed to obtain sufficient evidence to support the audit findings (Yatim, 2021).

Even though professional accountants are not required to design their audit procedures to detect money laundering activities in a company, the Statement on Auditing Standards (SAS) 54 requires the auditor to be aware of any SAR during an audit (Melnik, 2003). Hence, they must play their role as a money laundering reporting entity as they are frequently consulted by organisations and individuals for business, regulatory, and compliance advice (FATF, 2019). As front-liners, professional accountants must undertake preventive measures to avoid their company from being used as a conduit for money laundering. The preventive measures include risk assessment, customer due diligence (CDD), submission of suspicious transaction reports (STR), and record maintenance of transactions. Money launderers tend to use the companies or business transactions to facilitate their laundering operations, such as cash deposits or withdrawals from accounts, retail foreign exchange operations, issuing and cashing cheques, purchase and sale of stock, buying or selling of property, and sending and receiving international funds transfers (FATF, 2019).

One indicator that can be used to determine possible money laundering activities is related party transactions which involve transactions between a corporation and its management, owners, immediate family members and/or affiliates. Hence, professional accountants should evaluate any indicators of fraud risk by determining the adequacy of accounting processing and disclosures applicable to related party transactions (ACCA Global, 2015; ICAEW, 2010; Marks, 2020). An auditor may consider: a) the corporate structure, b) special purpose entity controlled or influenced by management, c) transfer of assets to related parties in a considerably different quantity than the value of the markets, d) the use of special-purpose entities as a deliberate misrepresentation of the reporting entity's financial position or performance, e) complex equity transactions, f) unusually large discounts or returns, transactions under circular arrangements such as sale and repurchase apart from management services, where no attention is shared, g) transaction is overly complicated, and h) unusual terms of trade involving unidentified related parties or unusual processes.

Generally, front or shell companies are used as an intermediary for money laundering. Therefore, accountants, like money laundering front-liners, should check the legality of the companies during any financial transactions. In response, the Financial Action Task Force (FATF) strengthened its beneficial ownership requirements in 2012 by introducing best practices as a guideline for reporting institutions (FATF, 2019). Professional accountants are recommended to assist with beneficial ownership reporting. Moreover, PricewaterhouseCoopers (2020) also shared a recommendation within the Beneficial Ownership Guideline (Paragraph 24 (e)) for companies to have an appropriate internal policy on beneficial ownership reporting. The company or partners need to be notified of the limited liability partnership of the beneficial ownership and the changes made if any.

However, the risk indicators have become more complex due to Covid-19 as businesses embraced digitalisation. Moreover, the restriction movement order encouraged citizens to opt for online businesses, also known as e-commerce. The increasingly popular e-commerce also provides opportunities for cyber laundering, since money laundering activities are performed through the internet. E-money does not require intermediary institutions, hence, making it less detectable compared to financial institutions (Ifrani, 2019). The e-commerce platform is also less regulated compared to financial institutions, which allows criminals to use this innovative system to legalise their illegal proceeds that are usually derived from drug sales, tax evasion, or corruption (Ifrani, 2019). Although authorities have introduced new measures such as new risk indicators, the perpetrators always manage to find ways around these measures (Van der Veer, 2020). Examples of common money laundering tools and techniques include wire transfers, opening accounts at financial institutions under false names, false invoicing, smurfing, shell companies, and alternative remittance systems (Buchanan & Zabala, 2017).

The practice of money laundering in cyberspace through online transactions is referred to as ‘cyber-laundering’. Unlike conventional money laundering, the borderless nature of online transactions offers speedy and less detectable money laundering activities as perpetrators can launch their act as long as there is internet access. Cyber laundering depends on the use of various types of transactions and financial service providers, ranging from wire transfers to e-money transactions. Criminals prefer a quick and efficient method when laundering the proceeds of crime. Moreover, the perpetrators of cybercrime tend to be well-educated and are technically competent, as they develop methods that are quite complex and unconventional. Since the regulations on the cloud are still under development (Ng & Kwok, 2017), it is difficult to locate the physical location of the data as companies use public cloud data. Hence, it is difficult for the investigating officers to detect illegal activities. Table 1 summarises the possible risks.

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Table 1: Possible risks

Category	**Risk Indicators**	**Source**
Related Party Transactions	1. Corporate structure. 2. Special purpose entity controlled or influenced by management. 3. Transfer of assets to related parties in a considerably different quantity than the value of the markets. 4. Special purpose entities as a deliberate misrepresentation of the reporting entity's financial position or performance. 5. Complex equity transactions. 6. Unusual large discounts or returns, transactions under circular arrangements such as sale and repurchase and management services, where no attention is shared. 7. Transactions are overly complicated. 8. Unusual terms of trade, previously unidentified related parties or unusually processed.	ACCA Global, 2015; ICAEW, 2010; Marks, 2020.
Beneficial Ownership	1. Ownership structure. 2. Bearer share and nominee shareholder arrangements. 3. Nature of its business. 4. Legal form. 5. Proof of existence. 6. Company arrangement. 7. Persons exercising control.	FATF (2019)
E-commerce	1. Wire transfers. 2. Opening accounts at financial institutions in false names. 3. False invoicing. 4. Smurfing. 5. Shell companies. 6. Alternative remittance systems.	Buchanan & Zabala (2017)

Hence, accountants are encouraged to consider the money laundering risk indicators in their money laundering judgments. The risk indicators cover both pre- and post-Covid-19 risks, including those related to money laundering, terrorism financing, and cybercrime. They need to enhance their professional scepticism in their decision making.

3.0 PROFESSIONAL SCEPTICISM

As front-liners in money laundering prevention, the credibility of professional accountants in combating money laundering is yet to be explored (Giles, 2019; Salehi et al., 2020). However, the new norm of remote working due to Covid-19 should not hinder professional accountants, especially auditors, from sustaining audit quality (Jabin, 2021). The professional accountant's adherence to professional values, ethics, and attitudes is crucial during this pandemic era where money laundering is prevalent due to quarantine measures (Vitvitskiy et al., 2021). The trend of money laundering is not only growing but is also evolving, with the rise in cyber-laundering due to the increase in digital transactions during the pandemic (Wronka, 2021).

Among the key professional values that are important to professional accountants include "professional scepticism" and "professional judgement". The MIA Competency Framework defines scepticism as "an attitude that includes a questioning mind, being alert to conditions which may indicate possible misstatement due to error or fraud, and a critical assessment of evidence". Professional scepticism is based on sceptical thinking and attitudes (Nolder & Kadous, 2018). In this case, the intellectual component of professional scepticism reflects an auditor's critical thinking and objective decision making. In short, professional accountants must evaluate the validity of the evidence by questioning the contradicting signs or by questioning the reliability of the documents or statements of the person responsible. Professional scepticism throughout the process could reduce the risk of overlooking suspicious situations, over-generalisation of observations, together with mistaken hypotheses in determining the nature, timing, and extent of evidence collection procedures before evaluating (Nolder & Kadous, 2018).

The strong use of professional scepticism enhances the awareness and readiness of auditors to address unconscious bias (Dohrer, 2020). According to Dohrer (2020), the five types of unconscious biases that may impede the maintenance of professional scepticism, include automation bias, availability bias, confirmation bias, overconfidence bias, and anchoring bias.

Table 2: Types of unconscious biases

Types of Bias	Explanation
Automation	A tendency to support automated output even where there are questions about whether human reasoning or inconsistent knowledge is adequate or reliable
Availability	A tendency to rely on situations or experiences which are ready or immediately reminiscent than those which are not;
Confirmation	A tendency to rely on information to support existing convictions than in information to contradict that belief or to cast doubt on it;
Overconfidence	A tendency to overestimate one's capacity for accurate risk assessment and other decisions or judgments or
Anchoring	A tendency to use an initial piece of information as an anchor, which is not adequately evaluated for subsequent information.

Source: Dohrer (2020)

During the Covid-19 pandemic, auditors must identify the original and actual information, since most of the evidence is present in digital form (Dohrer, 2020). Auditors should also be conscious of any risks posed by such biases by rejecting contradictory information, especially if the contradicting information was internally generated by external sources and corroborative information. The changes in information technology are perceived as important contextual factors affecting professional scepticism, as companies are moving towards digitalisation.

Technological advancements help in handling, analysing, and communicating timely information effectively with companies. Subsequently, companies have rapidly adapted such developments into their business models especially into financial and corporate reporting information systems, which positively affect audits. Despite the advantages, the auditors face new challenges constantly as the technological changes require new audit instruments. Therefore, auditors are required to adapt to the changing environment, especially in terms of professional scepticism. This study discusses three components of professional scepticism, namely questioning the mind, searching for knowledge, and self-esteem.

3.1 Questioning Mind

Hurtt (2010) describes "questioning mind" as a person's interest and curious behaviour. This component refers to the actions of someone who constantly questions and seeks explanations. Meanwhile, Kurtz (1992) and Hussin and Iskandar (2013) emphasised that auditors with inquiring minds continually question to obtain justification, rationale, clarification, definition, or proof. For instance, even if the answer is based on the customers' honesty, the auditor should not be content with a less persuasive explanation (Mardijuwono & Subianto, 2018). Therefore, an auditor should possess a questioning mentality to acquire enough audit information before making any audit choices or judgments (Yustina & Gonadi, 2019).

The International Standard on Auditing (ISA) 200 and 240 requires auditors to have an inquisitive mind in exercising their roles and responsibilities. Auditors should be mindful of doubtful or inconsistent audit evidence (document dependability) per paragraph A20 of ISA 200 (2009). Meanwhile, ISA 240 (2008) paragraph A7 refers to the prerequisite for auditors, to keep an open mind and be mindful of events indicating possible financial statement inconsistencies due to fraud or error. Both standards emphasise auditors performing a critical evaluation of audit evidence while questioning the evidence's veracity (Hussin & Iskandar, 2013). In short, auditors should possess an inquiring mind during audits.

Questioning the customer greatly increases the auditor's performance in the audit review assignment. Increasing professional scepticism improves the auditor's ability to choose the appropriate audit data to generate the desired result. A complete run of professional scepticism is linked to maintaining a questioning mind, where the auditor has to be cautious and evaluate difficulties that may arise as a result of the requirements for further audit evidence.

3.2 Searching for Knowledge

The professional scepticism of auditors is built based on the search for knowledge, a crucial factor (Ciołek, 2018). According to Hurtt (2010), the hunt for knowledge refers to an individual's interest in knowledge instead of the validation or acquisition of specific facts. In general, the pursuit for information is linked to curiosity which then leads to an increased understanding that can also be applied in auditing services (Gabryela, 2017). Although curiosity underpins both mind-questioning and knowledge-seeking, there is a subtle distinction between the two traits. The pursuit of knowledge is either motivated by general curiosity (Hurtt, 2010) or the desire to learn for its own sake (Ciołek, 2018; Hurtt, 2010). Hurtt (2010) also stated that a sceptical or doubting mind is a part of an inquiring mind. When stumbling upon a new or complicated circumstance, one’s curiosity emerges from a strong sense of wanting to know or learn something. In essence, curiosity promotes the configuration of behaviour that aims to minimise uncertainty (Gagné, 1985; Popkin & Stroll, 2002; Hussin et al., 2019).

The hunt for knowledge comprises the attribute of seeking additional information, having fun while doing so, and deferring judgments until sufficient information is accessible (Gabryela, 2017). Nelson (2009) mentioned that a knowledgeable auditor can assess complex evidence and spot mistakes. Auditors with broad knowledge and suitable audit judgement ability (Nugraha & Suryandari, 2018) can detect fraud and increase their audit service quality (Su et al., 2016). Auditors can also present critical questions and gather more audit evidence while performing audit services by improving their audit quality based on their search for knowledge characteristics.

3.3 Self-Esteem

According to Hurtt (2010), self-esteem is a sign of professional scepticism. Self-esteem and belief in one's ability are two characteristics of self-confidence (Hurtt, 2010). Hussin and Iskandar (2013) also added that auditors with this trait are more confident in efficiently executing audit services and formulating their audit judgments. A sceptic who exhibits higher levels of self-confidence is more likely to act on the audit information that he or she believes is incorrect. Meanwhile, Gabryela (2017) defines self-esteem as a character based on an individual's capability and capacity. Auditors with a high level of self-esteem will feel more at ease and confident with their abilities (Erlina et al., 2018).

Generally, auditors prefer to gather audit information on their own instead of relying on audit evidence provided by the clients. Forsman and Johnson (1996) pointed out that a hallmark of self-esteem is the ability to grasp what can be done, what has been done, and to determine the auditor's direction and goal (Hussin & Iskandar, 2015). Moreover, experience is perceived as an essential factor in self-confidence (Erlina et al., 2018). Auditors with a high level of confidence in their ability can complete the assignment at any point in time. However, repetitive errors and failures in completing an assignment correctly could affect the degree of confidence within the auditor (Erlina et al., 2018). Hence, to ensure honest and fair audit opinion, every audit judgement and decision must be made with confidence (Hussin & Iskandar, 2015). An insufficient level of self-assurance would lead auditors to entirely accept the client's position and ignore any existing doubts or objections.

4.0 PROFESSIONAL JUDGEMENT

Professional judgement is defined as “the application of relevant training, professional knowledge, skills, and experience commensurate with the facts and circumstances, including the nature and scope of the particular professional activities, as well as the interests and relationships involved” (MIA, 2018, p. 12). Unfortunately, the movement control order implemented during the pandemic has made client verification difficult to ascertain, thus, limiting the auditors’ ability to exercise professional scepticism and professional judgement. Misjudgement could lead to the failure of detecting any suspicious transaction, resulting in a breach of professional standards. During the pandemic, it is also important for professional accountants to also consider Covid-19-related risk assessment in their professional judgement, particularly in audit engagements. Generally, professional judgement is essential during three stages, namely going concern assessment, analytical procedures and customer risk assessment, together with accounting estimates. Hence, professional accountants must be able to gather the necessary evidence to report any cases of money laundering activities and transactions.

4.1 Going Concern Assessment

Covid-19 has significantly reduced companies' revenue, making it difficult for professional accountants (such as auditors) to assess the critical doubts on the company's ability to continue in the current situation or whether the going concern basis is still appropriate as a basis for the preparation of corporate financial statements in extreme situations (KPMG, 2020). The auditors are supposed to be familiar with their clients and be able to anticipate any issues of concern that may influence their audit opinion in the audit report. In a previous study on auditors' response to the financial crisis, Xu et al. (2013) indicated that auditors took conservative measures to protect themselves from high-risk exposure during the global financial crisis. However, Mareque et al. (2017) added that the percentage of reports issued ongoing concern qualifications were similar before and during the crisis.

Auditors should exercise professional scepticism when conducting the ongoing concern assessment with the support of sufficient working documents. Yet working remotely from home raised the challenges of risking internal control operations, where auditors required a longer duration than usual to perform an audit (PwC, 2020). Since the audit work could get more sophisticated during the Covid-19 outbreak, the high uncertainty implied the necessity to employ an adequate number of staff to conduct the audit procedures involved within the time given (KPMG, 2020). Due to the rapid changes in the situation, auditors need to ensure that the subsequent review of events continues until the audit report is signed (PwC, 2020). In difficult times like the pandemic, auditors should be sceptic with all their clients to ensure that the financial statements comply with the Malaysian Reporting Financial Standards and that the clients do not accept illicit funds from money launderers.

4.2 Analytical Procedures and Customer Risk Assessment

Another issue that can be affected by the current pandemic is the performance of analytical procedures. Analytical procedures are employed during the audit planning, fieldwork, audit completion, evaluation, and reporting stages (Trompeter & Wright 2010; Messier et al., 2013;

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Noh et al., 2017). Analytical audit procedures are desirable as it helps to guide and equip auditors with relevant pieces of evidence to support their conclusions (Calderon & Green, 1994). These procedures usually involve a diagnostic process that determines the cause of unexpected fluctuations in the account balances or the risk of major misstatement during an audit plan due to fraud (Rose et al., 2017, 2020). As for the money laundering requirements, all professional accountants should conduct Know Your Customer (KYC) and Client Due Diligence (CDD) to better understand and assess their clients.

During the Covid-19 pandemic, auditors may need to increase the use of analytical procedures as companies may manipulate their reported earnings by providing falsified financial statements (Rose et al., 2020). The quality of audit evidence is important to ensure accurate conclusions from the auditors. If the reported information is not very strong or of low quality, the risk of the auditor making a wrong audit opinion is high (Rose et al., 2017). The quality of audit evidence mainly depends on the form and source of the evidence. Due to Covid-19, auditors are more likely to rely on evidence from external sources such as customers, suppliers, or banks, which are more reliable than those obtained from clients (PwC, 2020). For example, the account receivable confirmation obtained from the client's customers is more reliable than the records prepared by the clients themselves. However, the reliability of evidence obtained from the clients is determined by the reliability of the client's internal control (Rose et al., 2020). Although the pandemic reduced the use of original forms, original invoices that are used to support payment transactions are still more reliable than the copy invoices sent by email. Thus, the working-from-home strategy could affect the sufficiency and reliability of audit evidence which may consequently affect the audit quality (KPMG, 2020).

The documents and records that were easily falsified by the client during the pandemic could jeopardise audit judgement. This situation would also impair the ability of the professional accountant (auditor) to identify money laundering transactions. For example, the falsifications include fictitious turnover, commercial loan fraud, wire transfer fraud, suspicious transfer accounts, embezzlement, etc.

4.3 Accounting Estimates

The Covid-19 pandemic could affect a variety of audit aspects, particularly those requiring sound professional evaluation. For example, determining materiality requires professional assessment. The selected benchmark for determining materiality used before may need to be adapted. Hence, different metrics compared to the previous would need to be based on their materiality (income and pre-tax income). Professional decisions should be documented to explain the auditor's findings and to enhance the quality of the judgement, which can be used based on the rationality of subjective rulings. Hence, auditors should pay greater attention to the ISA 230 documents due to the challenges faced by many auditors and the significance of professional evaluations.

In general, further judgement is needed concerning accounting estimates. In the future, actual results could significantly differ from the estimated although both results are based on reasonable and acceptable opinions, made in good faith and guided by the sound application of accounting standards while preparing them. The judgments should be made based on available information, where the judgement made by the management should also be documented to justify the opinion expressed (Arnold, 2020).

4.4 Professional Efficacy

The skills, personal qualities, and training acquired by professional accountants are considered important factors determining job quality as they enhance employees' expertise and competency. Francis (2011) also stated that the training would be the heart of the accountancy profession, whereby Lennox and Wu (2018) added that expertise and professional knowledge can be obtained through indirect experiences (training, workshops, and direct experience, such as direct interactions with customers in specific industries). Meanwhile, Chen et al. (2008) demonstrated that professional experience gained during on-the-job training can substantially improve performance. Unfortunately, the Covid-19 outbreak forced the cancellation of all monthly training, workshops, and other professional development programmes in accounting and audit companies for their employees (Deloitte, 2020). The cancellations were a part of the new plan to cut costs and ensure social distancing to prevent the spread of the pandemic. The social distancing strategy directly reflected on the efficiency and ability of the accountants, where it could harm their job performance. In addition, the possibility of personnel loss due to illness or quarantine could collectively affect the performance of accounting and audit firms. Hence, it is important for professional accountants to enhance their professional efficacy in the midst of the pandemic, in order to be abreast with the current environment.

5.0 MONEY LAUNDERING RISK JUDGEMENT

According to PwC (2016), money laundering facilitates activities and economic crimes such as tax evasion, corruption, drug and human trafficking, and terrorism, by transferring or holding the required funds to commit crimes. The common factor influencing money laundering operations is the need to control gains from criminal activities, the need to cover the true ownership and source of proceeds, alongside the need to change the form of the illegal proceeds (Idowu & Obasan, 2012). A successful money laundering process refers to the likelihood of the launderer or criminal securing the illegal proceeds to obtain clean money.

Professional judgement is made by experienced people or experts, such as bank analysts. One of the components of judgement is the proximity and closeness between two parties. Proximity holds a role in the three stages of auditors' ethical decision-making process (Johari et al., 2019). A thorough and robust assessment is required before any judgement to ensure the appropriateness of the judgement to solve certain issues. Hence, professional accountants need to practise CDD and KYC to screen for money laundering risk judgement. However, the movement control implemented during the pandemic made it difficult to verify client documents and records, whereby the evaluation of the truthfulness of client transactions and the identity of the owner became challenging.

The concept of professional scepticism and professional judgement are crucial aspects in the anti-money laundering & counter financing of terrorism (AML/CFT) requirements under the AMLA issued by Bank Negara Malaysia (BNM). As a front-liner in combating money laundering, professional accountants need to exercise high professional scepticism in each of the steps, mainly 1) KYC, 2) screening, 3) risk profiling, and 4) enhancing due diligence.

High scepticism among professional accountants boosts their scepticism towards suspicious transactions, thus reducing the failure rate in combating money laundering. Most importantly, the KYC procedure requisites high scepticism and professional judgement especially in investigating a client's source of funds or wealth. Imeny et al. (2021) stated that unjust investigation by auditors could expose the country to significant terrorist financing risks. Thence, highly sceptical auditors could verify a client's identity using reliable and independent sources or screen the client against Ministry of Home Affairs (MOHA) and the United Nations Security Council Resolution (UNSCR) Sanction List for Terrorism, Proliferation, and other UN-Sanction Regimes.

Among the many tools available to facilitate client screening, knowing your client's due diligence tool is the most preferred. "It's great to see that there's so much effort and creativity being put into making those critical and laborious tasks more effective and efficient," says Hanson. "At the same time, you've got to recognise that these tools can only do so much, and human judgement is always going to be a vital component of knowing your customer." Hanson is emphatic that there is a huge overlap between the core skills of accountants and what it takes to fight financial crime (ICAEW, 2020).

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Alternatively, a new requirement that must be carried out by every firm is to document a 'whole firm' risk assessment. Hence, accountants must execute systems and controls (including training) capable of assessing risk, performing CDD, monitoring existing clients, keeping appropriate records, reporting suspicious activities both internally (to a nominated officer) and externally (by the nominated officer to the National Crime Agency) (Giles, 2019). Failure to disclose knowledge or suspicion is itself a money laundering offence committed by an accountant. Accountants who work in the public interest must act with integrity and uphold the law at all times (Giles, 2019). Hence, this study proposes the following conceptual framework.

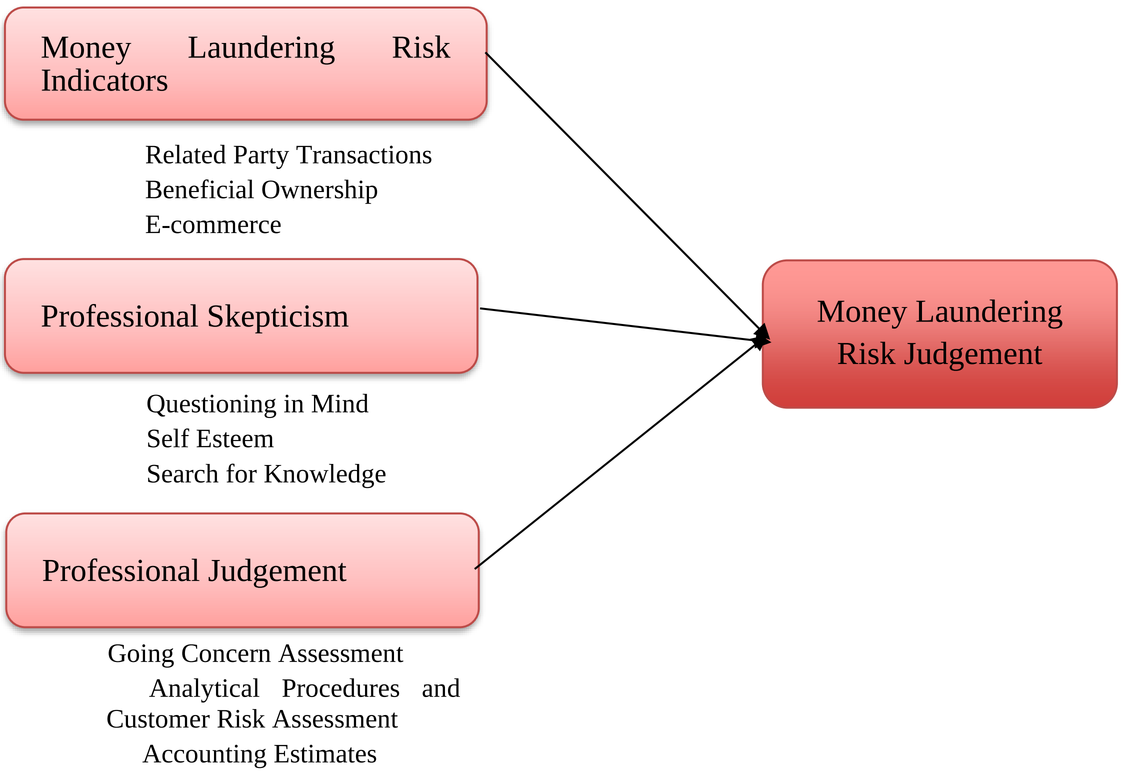

Figure 1: Proposed framework for money laundering risk judgement

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6.0 CONCLUSION

Professional accountants are the AML front-liners for companies, holding a vital role in reporting any suspicious transactions based on their professional judgement. Their positions provide them with the opportunity to detect any suspicious activities occurring within an organisation. Professional accountants must uphold the professional values, ethics, and attitudes per the Code of Ethics for Professional Accountants in discharging their duties as money laundering front liners. They must navigate the money laundering landscape in their professional judgement, by understanding the risk indicators and by promptly reporting any suspicious activities to the authorities. To carry out their responsibilities well, they also need to enhance their professional scepticism and professional judgement in their daily operations. Subsequently, professional assistance would enable authorities to act against possible money laundering activities by curtailing money laundering activities at the source. This study is expected to contribute by assisting regulators, professional bodies, and professional accountants in understanding the factors that need to be considered to improve the role of professional accountants as money laundering reporting entities. The proposed framework, on the other hand, is based on secondary data such as publicly available reports, articles from professional bodies, and prior literature. Therefore, future research could conduct interviews and surveys, especially with professional accountants (money laundering key players) to determine the actual factors influencing their money laundering reporting and recommend corrective measures to improve money laundering reporting in the future.

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