



CONDUCTING A COMPLIANCE AUDIT

A compliance audit is a comprehensive review of an organization's adherence to legislation and regulatory guidelines. All Regulated Entities are required to submit Annual Reports on compliance with anti-money laundering and anti-terrorism legislation. This is in accordance with Paragraph 116 of the Financial Services (Implementation of Industry Standards) Regulations, No. 51 of 2011. This newsletter seeks to provide some clarity and necessary guidance for the effective and accurate submission of the aforementioned report at the end of an entity's financial year.

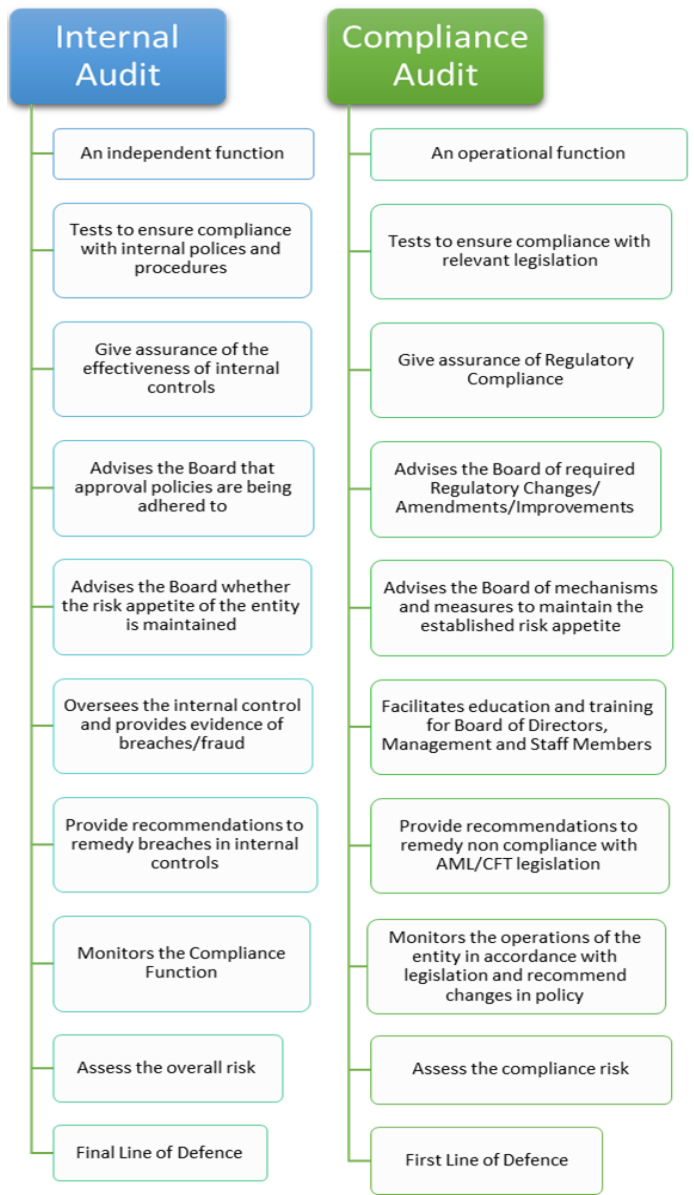
Why should a Compliance Audit be Done?



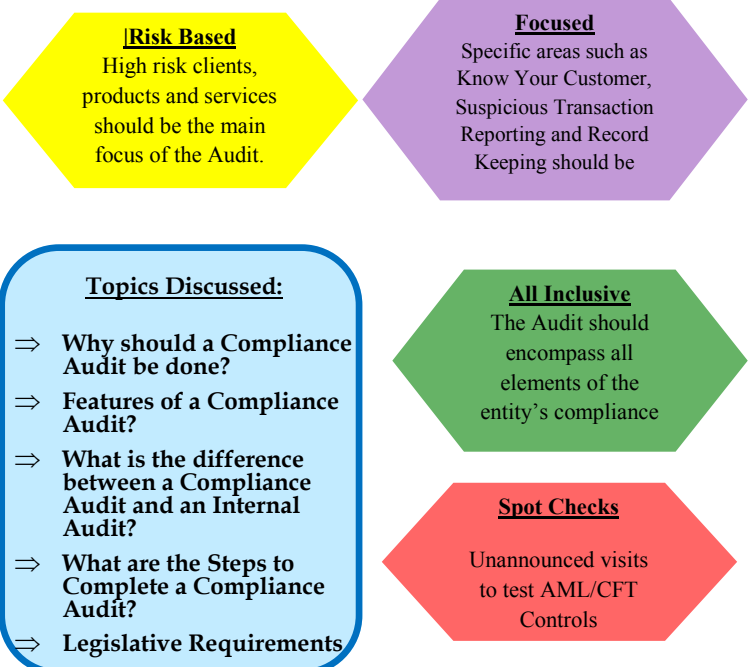
An Anti Money Laundering/Countering the Financing of Terrorism (AML/CFT) Compliance Audit is conducted to meet the following objectives:

- ⇒ To determine the effectiveness of the entity's AML/CFT Compliance Program;
- ⇒ To provide assurance that the entity is compliant with established Board – approved policies and procedures;
- ⇒ To provide assurance that the entity's policies and procedures are in accordance with local AML/CFT laws and regulations;
- ⇒ To identify weaknesses or deficiencies in the AML/CFT Compliance Program relative to the AML/CFT Laws and Regulations; and
- ⇒ To ensure there is constant review of relevant legislation.

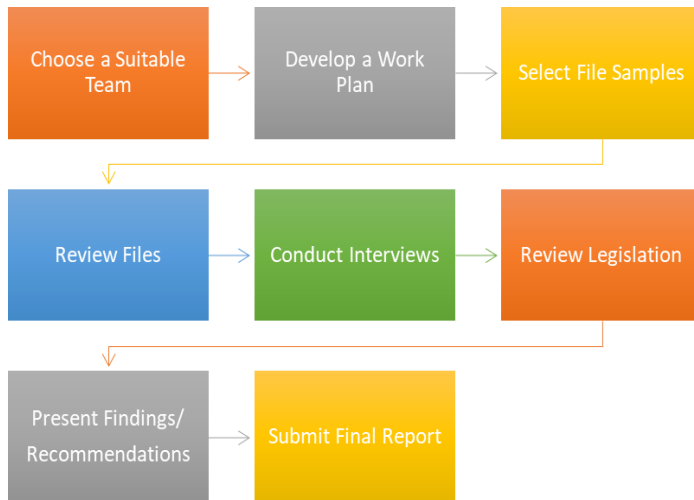
What is the Difference between a Compliance Audit and an Internal Audit?



Features of a Compliance Audit



Steps to complete a Compliance Audit



1. Suitable Team

The individuals selected to conduct the assessment should possess extensive knowledge of AML/CFT issues, the entity's internal policies and procedures and local AML/CFT legislation.

2. Development of Work Plan

A comprehensive Work Plan should include the following areas:

- ◆ Review of Files;
- ◆ Interviews;
- ◆ Operational Systems Tests;
- ◆ Review of Policies and Procedures;
- ◆ Time Period for Review;
- ◆ Review of Legislation; and
- ◆ Progress from previous Compliance Audit.



3. Select File Samples

Random or targeted samples from the Client/Customer and Human Resource files in addition to transaction history should be selected for review.

4. Review of Files

A checklist should be created to record the findings of each file after review.

5. Interviews

Discussions should highlight employee's knowledge of policies, procedures and legislation. The employees must also understand their role within the organization and demonstrate the ability to recognize suspicious transactions. They should also be aware of their reporting lines.

6. Legislative Review

This is done to ensure that policies and procedures are in line with local AML/CFT Legislation.

7. Presentation of Findings and Recommendations

A formal report should be prepared outlining the following:

- * Scope of Audit;
- * Observations and Findings;
- * Weaknesses and Deficiencies;
- * Ratings for each segment examined (Satisfactory, Needs Improvement, Deficient, Low, Medium, High);
- * Recommended Actions;
- * Deadlines for Implementation of Recommended Actions.



8. Final Report

The Final Report should be submitted to Management and the Board of Directors for discussion and feedback.



Subsequent to the completion of the Compliance Audit Review, a copy of the Report should be submitted to the FSRC on an annual basis in accordance with the FSR.



Legislative Requirements

Compliance with the following pieces of legislation should be tested when conducting an AML/CFT Compliance Audit.

- Proceeds of Crime Act, Cap 4.28
- Anti-Money Laundering Regulations, No. 46 of 2011
- Financial Services (Implementation of Industry Standards) Regulations, No. 51 of 2011
- Financial Services Regulatory Commission Act, Cap 21.10
- Anti-Terrorism Act, Cap 4.02
- Anti-Terrorism (Prevention of Terrorist Financing) Regulations, No. 47 of 2011
- Minimum Guidelines for the Role and Appointment of Compliance and Reporting Officers, No. 11 of 2018



References

Financial Services (Implementation of Industry Standards) Regulations, No. 51 of 2011

