



INTOSAI TASK FORCE

**FIGHT AGAINST THE INTERNATIONAL MONEY LAUNDERING-FAIML
WORKING PLAN**

	Page
I. INTRODUCTION	02
II. CREATION OF THE TASK FORCE	03
III. THE ROLE OF SAIS IN ANTI MONEY LAUNDERING	04
IV. ORIGINAL WORKING PLAN	05
V. SECOND TASK FORCE MEETING	07
VI. OBJECTIVE 3	08
VII. NEXT MEETING	09

I. INTRODUCTION

Money or asset laundering is the group of activities or operations destined to turn, transfer, transform, hide, and conceal money or goods obtained illegally, into patrimonial values with the purpose to show or pretend (intentionally), to be legal or legitimate gains.

These activities use all formalities and procedures demanded by any legal or financial business. Money is laundered through legal or legitimate established organizations, beyond the financial sector.

The development and integration of international markets facilitates benefits, generating high volume of transactions, used to finance criminal organizations linked with drug traffic, terrorism, corruption, minor traffic and other illicit activities.

Criminal organizations use changing and accommodating strategies to inject money in the legal systems to clear their illegal asset position, entering in new crime activities of money laundering and fraud.

Money laundering has a corrosive effect in the economy, government and social welfare. It harms developing markets, distorts the economic and increases the country's social cost, in all levels including the supranational.

Internationally, the diverse governments and international institutions have had the necessity to adopt agreements to establish determined control mechanisms, to diminish said illicit activity.

At the same time, there are Intergovernmental or Regional organizations with the purpose of developing and promoting policies to fight against money or asset laundering, such as: the Financial Action Task Force of money laundering (FATF-GAFI), the Task Force against Money Laundering in Eastern and South Africa (ESAAMLG) and; the Financial Action Task Force of money laundering in South America (GAFISUD), among others.

II. CREATION OF THE TASK FORCE

During the XVII INCOSAI, October 2001, in Seoul, it was decided (Second General Plenary Session) that the INTOSAI Governing Board had to investigate the role SAIs can perform, concerning international money laundering. The Governing Board should consider the creation of a task force to investigate the issues about this matter.

In the 49th Meeting of the INTOSAI Governing Board, it was approved the application of a survey to enquire for the need of the creation of the task force. In the 50th Meeting of the INTOSAI Governing Board in October 16th and 17th, 2002, the board decided to create the task force. The task force member's are the General Secretariat, the SAIs of the United States of America and of the Russian Federation and one representative of each regional group.

In March 2003, the INTOSAI Governing Board proposed the SAI of Peru to chair the task force. The Task Force has the following members: Comptroller General of Peru (Chair), the General Secretariat, the Chamber of Accounts of the Russian Federation, the General Accounting Office of the United States of America (GAO), the National Audit Office (NAO) of the United Kingdom (EUROSAI), Papua New Guinea (ASOSAI), Egypt (ARABOSAI), Trinidad and Tobago (CAROSAI), Fiji (SPASAI) and Lesotho (AFROSAI).

III. THE ROLE OF SAIS IN ANTI MONEY LAUNDERING

The INTOSAI Governing Board entrusted the General Secretariat to elaborate a questionnaire about the role of the SAIs regarding the international money laundering. Eighty six (86) SAIs sent their answers.

The results of the survey are as follows:

- 64% declared that money laundering is a problem in their countries and 91% pointed that it is a subject that requires international cooperation.
- There are legal regulations about prevention, discovery/uncover and combat against international money laundering. It is penalized.
- A great number indicated that, there is a national strategy followed by crime prosecution institutions and especially for the financial sector.
- Some SAIs have the authorization to control public credit/bank institutions; others, to control private and public credit institutions and some cases that are not authorized to control either public or private credit/bank institutions.
- Most considered the need to extend auditing abroad; since there is limited authorization to investigate and/or perform audits in foreign countries.
- 38% of the SAIs can audit credit institutions to check for money laundering problems; 15% have the legal obligation to do it and 9% have both the authorization and the legal obligation.
- Half of the Supreme Audit Institutions have the authorization to audit their National Banks and approximately 66% have other relationships beyond the auditing.
- Around 3% have experience in effectiveness and efficiency auditing, compliance reviews and best practice/benchmark studies, in fight against international money laundering
- Almost none of them have performed evaluations in credit institutions concerning international money laundering in credit institutions.
- The resources (qualified staff, budget) of the SAIs are not sufficient to dedicate them to fight against the international money laundering.
- About the future, 44% considered that especial efforts must be done to control money laundering. 6% indicated that it should be main assignment, while 66% points out it can be suitable to work in cooperation with the INTOSAI

In summary, most SAIs does not have a specific role in national strategies to fight against international money laundering. Only part of them has the competence of control in this matter. Also, not too many has very little practical experience about money laundering control; moreover, in most cases SAIs do not have the basic resources to control. Finally, most recognize the need for cooperation between INTOSAI and SAIs in finding ways to improve control of money laundering activities.

IV. ORIGINAL WORKING PLAN

The first working plan proposal was discussed in the first meeting of the task force, Moscow, September 25th, 2003. The task force concluded that most SAIs has to deal with:

1. Government, corruption, including in connection with privatization and foreign aid activities.
2. Tax evasion.

Other aspects that are in the realm of other authorities over which SAIs may have oversight:

1. Counter Terrorism and Drug Activities, and
2. Other types of criminal activities, e.g. people trafficking.

Second, the roles of the Supreme Audit Institutions are:

1. Identify and share best practices (e.g. Key principles, legal frameworks, operational approaches and accountability issues)
2. Share SAIs reports and experiences in connection with anti money laundering activities
3. Review, and as appropriate, report on assessment activities by the relevant government entities.

To develop the Working Plan and display it at the INCOSAI meeting, we can get across with these conclusions:

Mission

Promote a proactive role and international cooperation between INTOSAI & their members, in reference to fight against money laundering in a manner consistent with the competencies and authorities of Supreme Audit Institutions -SAIs- and independence requirements of INTOSAI.

Objectives and Activities

OBJECTIVE 1

Promote international cooperation in the fight against money laundering, both between SAIs and with other international organizations.

Activities:

- Identify existing multilateral cooperative organizations.
- Promoting involvement by non participating nations.
- Determine forms and methods of cooperation with these organizations (e.g. information exchange and potential joint actions.)
- Establish INTOSAI relations with international organizations.

OBJECTIVE 2

Identify and share policies and strategies for combating money laundering within the competencies and authorities of SAIs.

Activities:

- Identify existing guidelines developed by other international organizations.

- Identify materials and reports issued by SAIs concerning this issue.
- Elaborate basic guidelines for applications by SAIs in their fight against money laundering.
- Establish a Web site link to the INTOSAI website (and as appropriate to other sites) for sharing anti money laundering practices, procedures, general information and activities of INTOSAI and others organizations.

OBJECTIVE 3

Monitor, and to an appropriate extent report on, domestic and international cooperation designed to promote anti money laundering strategies, including their application, execution and result.

Activities:

- Identify which activities are performed domestically, by which organizations and determine which activities may be appropriate for review and evaluation by SAIs.
- Identify existing international reporting that may be appropriate for review and reporting by the SAI.
- Develop and promulgate guidance for reviewing and evaluating anti money laundering efforts.
- Consider what if any consolidated reporting may be appropriate through INTOSAI.

OBJECTIVE 4

Identify training and development needs and opportunities either by individual SAIs or through IDI

Activities:

- Conduct a survey among SAIs to identify training needs in the topic.
- Work with IDI in developing and appropriate training curriculum.
- Determine potential funding sources for IDI training consistent with INTOSAI independence guidelines.

V. SECOND TASK FORCE MEETING

The task force organized the second meeting in Washington D.C., last April 6th, 2004. The objectives, activities and actions of the Task Force Working Plan were reviewed with the following results:

MISSION

Promote a proactive role and international cooperation between INTOSAI & their members, in reference to fight against money laundering in a manner consistent with the competencies and authorities of Supreme Audit Institutions -SAIs- and independence requirements of INTOSAI.

OBJECTIVES AND ACTIVITIES

Objective 1

Promote international cooperation in the fight against money laundering, both among SAIs with other international organizations

Activities

- Identify existing multilateral cooperative organizations.
- Encourage involvement by non participating nations.
- Determine forms and methods of cooperation with these organizations (e.g. information exchange and potential joint actions).
- Establish INTOSAI relations with international organizations

Objective 2

Identify and share policies and strategies for combating money laundering within competencies and authorities of SAIs.

Activities

- Identify existing guidelines promulgated by other international organizations.
- Identify materials and reports issued by other organizations concerning the topic.
- Establish a website link from the Peruvian SAI website for sharing anti money laundering practices, procedures, general information and activities.

Objective 3

The task force members considered the need to reformulate this objective. The purpose was: a) to avoid duplicities, b) to know who the players are, c) how are they operating, d) the SAIs' roles to play e) the elaboration of guidelines based on the FATF implementations (48 recommendations).

Objective 4

It was proposed to eliminate this objective arguing that didn't have relation with the other objectives. The task force members accorded that this objective depended on what happens with the objective 3.

VI. PROPOSAL: OBJECTIVE 3

Last October 10th, the Task Force Members approved the Objective 3.

Objective 3

Design and promote policies, strategies and actions within the international anti-money laundering legal framework of each SAI. Each SAI should use this initiative to evaluate and control the efficiency, effectiveness, operability and vulnerability/risk of the anti-money laundering system in its own country.

Activities

- Define general guidelines to develop policies and strategies for the SAIs in anti money laundering.
- Identify the activities required for SAIs involvement in fighting money laundering.
- Prepare general procedures for auditing the anti money laundering system.
- Diffusion of the actions (on this topic) made by the SAIs through INTOSAI.
- Promote training programs within the anti money laundering community.
- Promote training and exchange programs by SAIs and the IDI .

VII. NEXT MEETING

Place : Lima, Peru

Date : Last week of February 2005

Proposed Agenda :

- ◆ Website
- ◆ Polices, procedures and techniques
- ◆ Documents to be in website
- ◆ Recommendations: training and research