



## **INTOSAI TASK FORCE**

### **FIGHT AGAINST THE INTERNATIONAL MONEY LAUNDERING-FAIML**

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## I. INTRODUCTION

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As you are aware, the Task Force was established by the INTOSAI Steering Committee at its 50TH Meeting (Vienna, October 2002) at the request of what is set out by XVII INCOSAI (Seoul, October 2001) and the results of the survey circulated by the General Secretariat, emphasizing that SAIs could play an important role in cooperation with INTOSAI to support efforts in combating international money laundering, for what it was previously necessary to assess the nature of the money laundering, and to identify issues related to supervision and control roles of SAIs in the fight against this scourge as one form of governmental corruption.

The group consists of a SAIs representing each regional organization: Peru (OLACEFS), as Chair, Fiji (SPASAI), Lesotho (AFROSAI), Egypt (ARABOSAI), Papua New Guinea (ASOSAI), United Kingdom (EUROSAI), and Trinidad and Tobago (CAROSAI); as well as SAIs from the United States, Russian Federation, as sponsor of the initiative.

The mission of this special group has been aimed at promoting a proactive role and international cooperation to combat money laundering, in a manner consistent with the responsibilities and competences and authorities of Supreme Audit Institutions, and the independence posed by the INTOSAI.

The Fifth Meeting of the Task Force FAIML, was carried out April 24<sup>TH</sup> and 25<sup>TH</sup> in Maseru, Lesotho. This event was called by the Comptrollership General of Peru, and organized by Office of the Auditor General of Lesotho.

The reports product of the coordination with the Egmont Group (international organization for combating money laundering) and GAFISUD (South American Financial Action Group), were submitted in the aforementioned meeting; reviewing and approving, among other things, the International Symposium's conclusions, held last year in Russia.

The participants also discussed SAI Germany's petition to integrate the Task Force, as well as the work schedule and progress in the activities programmed in the Work Plan (XVIII INCOSAI, Budapest, October 2004), in accordance with the agreements adopted in the Fourth Meeting, in Lima, Peru (March 2005).

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## II. WORKING PLAN PROGRESS

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To achieve the Task Force's mission, the Work Plan for the last three years comprised establishing the following objectives:

1. Encourage international cooperation in the fight against money laundering, both among SAIs as well as among other international organizations;
2. Identifying and exchanging policies and strategies to combat money laundering within SAI's competences and authorities;
3. Drafting and promoting policies, strategies and actions to combat international money laundering within the legal framework of each SAI, using this initiative to assess and control efficiency, effectiveness, and operational risk or vulnerability of the anti-money laundering system in their own country.

### Objective 1:

Multilateral cooperation organizations linked to the subject have been identified (information available in the Task Force's Website), as well as determining cooperation means and methods with international organizations, such as the Egmont Group (international organization for combating money laundering), with whom is expected to be signed a cooperation agreement, prior Chair's coordination, and which was approved by the Task Force in its last meeting this year. Similarly, INTOSAI authorized the inclusion of the Task Force as an observer member in the plenary meetings of the aforementioned group, with GAFISUD (Financial Action Group - GAFI branch office for South America).

The group agreed to encourage greater involvement of SAIs in their respective countries, according to their own competences and legal authorities, in tasks involved in anti-money laundering; and to also continue to encourage and establish relations between INTOSAI and other international organizations.

### Objective 2:

To accomplish this objective a Task Force's Website was designed and implemented within the Comptrollership General's Website, with the purpose of exchanging practices, procedures and general information on anti-money laundering activities; to determine guidelines, issued by international organizations on the subject, as well as reports and materials issued on this topic.

Seeking to maintain the aforementioned Website updated, with the intention of converting it into a permanent interaction forum concerning SAIs, confident, that our SAIs may put reports, regulations or other materials relevant to their countries of general interest to the INTOSAI.

**Objective 3:**

Due to limitations, such as inadequate experience or expertise in area of audit of anti-money laundering system; as well as the extension and complexity of the matter, this goal has been partially achieved, mainly through the organization of the International Symposium; compilation of material on anti-money laundering audit practices, investigation on courses and the institutions that offer them; gathering a list of Websites and a suppliers index of these courses in the matter of money laundering prevention.

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### III. INTERNATIONAL SIMPOSIUM CONCLUSIONS

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The International Symposium on “Fight Against International Money Laundering: Development and implementation of national policies and procedures. Roles of SAIs”, held in June 2006, and hosted by the Accounts Chamber of the Russian Federation, allowed for discussion on important issues related to the participation of national institutions in the implementation of anti-money laundering programmes, as well as the role SAIs play in the interaction with these institutions.

Its main conclusions refer to:

- Recognizing corruption and the possible use of State resources in money laundering;
- Most countries have developed regulatory frameworks necessary to increase the welfare in the financial system, which will allow identifying suspicious transactions and developing punitive actions;
- SAI's role in the fight against money laundering is differ, and depend on their audit mandates and responsibilities and it is up to each SAI to choose the most adequate strategies according to their own reality;
- Greater international cooperation is needed to identify and monitor the accounts of public sector employees;
- Support from the World Bank, United Nations and INTERPOL, among other international organisms, is important for the development of legal frameworks and networking of SAIs, to gather information on these illegal activities, in addition to training in the fight against money laundering;
- The private sector can also support training under a focus that SAIs can benefit. More training programmes are required to help develop appropriate measures in various countries;
- SAIs should supervise government agencies involved in combating money laundering through compliance and performance audits.

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## IV. PROPOSAL: CHANGE IN STATUS

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### Modification of the Status and Extension of the Task Force

During the meeting in Lesotho, it was determined that according to the Work Plan approved by the INCOSAI in Budapest in 2004; there were pending tasks, primarily associated to Objective 3:

- The formalization of international cooperation agreements and commitments with the existing Multilateral Organizations in the matter of anti-money laundering, require a maturity phase, because they have a long and slow process, thus this aspect would have to compromise the Task Force's permanent work in order to enter and stay in the international community as Work Group;
- The lack of a definition of a set of general guidelines or principles of good practice that SAIs can follow to guide their participation in anti-money laundering audit, requires that the Task Force counts on members experienced in audit and anti-money laundering to develop this activity.

Nevertheless, the implementation of these activities requires counting on the following factors: time and experts; to organize work sub groups with specialists or expert in the anti-money laundering, which could be taken within a Work Group with greater faculties and integrated with other SAIs with knowledge and experience in the subject, to develop and implement guidelines, policies, strategies and directives.

The proposal to continue the Task Force's work, at least one more year, to conclude the activities of the work plan; should consider the formalization of agreements and commitments with international organizations linked with this fight, demands time, security and continuity to achieve the desired objectives.

Given the ample extent of its objectives, as well as the constant coordination and permanent implementation, the Task force's technical work needs to be strengthened and reinforced, recommending the INTOSAI to carry out the following actions:

- a) To change or modify the current status of the Task Force "Fight Against International Money Laundering" to another situation in the International Organization (Work Group), that given its technical importance, requires to widen its faculties to use diverse tools which enable it to work with the best SAI's profiles to develop and lead audit guidelines;
- b) Extension of the FAIML Task Force's scope, to the issue of fight against corruption, taking into account that, to freely dispose of the proceeds of corruption (whether it is a public official or not) the corrupt need to have the appearance of legitimate, resorting to money and assets laundering, as a common mechanism through which they protect and legalize the property and proceeds of corruption among others. Therefore, money laundering becomes the final stage in the corruption process, by transforming the unlawfully obtained proceeds to lawful, and at the same time, becoming itself into a sophisticated act of corruption.

Consequently, due to its close interconnection, it's consistent that this Task Force study both issues, in a jointly and integral manner, to put forward policies, strategies and actions, enabling SAIs to act against this scourge, as well as, training them with the proper technical tools, to track and recover state assets illicitly diverted. SAIs will detect corruption and seek reversion of affected state's assets, thereby, achieving the efficiency and effectiveness principles which guide governmental control.

Finally, the INTOSAI Committees regulation's, establishes that Task Forces that have been working and continue to work on the basis of a work plan, must become Working Groups. In this new context, we should consider SAI Germany's petition to join the group, given its experience in performing audits to federal administrative agencies and banks in their country; aiming to discover possible money laundering cases; initiative that could be spread to other interested INTOSAI SAIs.