

***Minutes of the 11th Meeting of INTOSAI
Working Group on Fight Against Corruption and Money Laundering
(WGFACTML).
Arusha –Tanzania (25-26 September 2017)***

The 11th Meeting of the INTOSAI Working Group of WGFACTML was held in Arusha-Tanzania 25-26 September 2017.

The meeting was presided over by **Counselor \ Hesham Badawy** the President of the Egyptian SAI (ASA) and the Chairman of the Working Group.

The following is a list of the participants of the meeting:

	Name	Position	Organization
1.	Counselor \Hesham Badawy	President of the ASA of Egypt and Chairman of WG-FACML	Accountability State Authority -Egypt
2.	Mrs. Shahinda Galal	General Manager	Accountability State Authority - Egypt
3.	Mr. Islam El-Afifi	General Manager	Accountability State Authority - Egypt
4.	Mr. Nivaldo Dias		Brazil
5.	Mr. Li Shuting		National Audit Office - China
6.	Mr.Xian Qipeng		National Audit Office - China
7.	Ms.Zhang Limei		National Audit Office - China
8.	Ms. Dr Margarita Vallejo	Director	Contraloria General del Estado - Ecuador
9.	Mr. Zuhair sarkees Toma	Director General	Board of Supreme Audit - Iraq
10	Ms .Abeer A. Abdulmaged	Consultation Legal Assistant	Board of Supreme Audit - Iraq
11	Ms. Leena S.F. Al-Abbaichy	Senior Translator	Board of Supreme Audit - Iraq
12	Ms. Mafani Masoabi		Lesotho
13	Mr. Sammer Ahmad	Director	Pakistan
14	Mr. Zbysław Dobrowolski	Director of the Regional Branch in Zielona Góra	NIK- Poland
15	Mr. prof Juma M.Assad		Tanzania
16	Ms. Fatma Mohamed Saidi		Tanzania
17	Mr. Athuman Mbutuka		Tanzania
18	Mr.Juma Shaaban Juma		Tanzania
19	Mr.Saleh Haji Abass		Tanzania

20	Mr. Edwin M.Rweyemamu		Tanzania
21	Mr. Baker Bageuza		Tanzania
22	Mr. Elibariki .Lyatuu		Tanzania
23	Ms.Rebecca Tugara		Tanzania
24	Mr .Kirondera Nyawaminza		Tanzania
25	Ms .Eva Odunga		Tanzania
26	Ms.Kubela Mwakatundu		Tanzania
27	Mr. Masiye Banda		Zambia
28	Mr.Nsofwa Ngona		Zambia

First Day : September 25, 2017.**1- Item 1 : Welcome Address.**

Prof . Musa Juma Assad , the Controller and Auditor General of Tanzania , opened his speech by welcoming the WG members and he expressed his thanks to the WGFACML Secretariat for trusting his SAI to host the 11th meeting in Arusha – Tanzania .

After that , he asserted that fighting corruption and money laundering is a fundamental issue which affects the world today and it is a good opportunity to share best practices and experiences . Also , he highlighted the issues affecting accountability and economic growth and that the meeting is a good opportunity to come up with constructive inputs on the areas for improvement to minimize to the lowest level the issues of corruption and money laundering.

At the end of his speech , he encouraged the participants to get a tour in Arusha as it is blessed with a number of touristic attractions .

2- Item 2 : Opening Speech.

Counselor /Hesham Badawy the ASA President and Chair of the WG started his speech by extending his deep thanks to *Prof . Mussa Assad* the Controller and Auditor General of Tanzania and his organizing team for hosting the WG 11th meeting .

After that he pointed to the necessity of joining efforts to deter all forms of financial and administrative corruption and money laundering activities resulting from such illicit actions . Within the framework of this global intention, Egypt developed its *National Anti-Corruption Strategy* to reaffirm its commitment towards the international community and to implement the national action plan of development and economic reform.

Also , he highlighted that enhancing supreme audit institutions mandate and role will support the process of fighting money laundering beside its comprehensive mission to deter and stem corruption. After that , he previewed the efforts of Egypt towards fighting corruption and money laundering ; on the *National level* , Egypt has established a specialized independent unit to combat money laundering and perform investigations on suspicious claims and information sent from financial institutions , in addition to coordination between Egypt Central bank and international and regional training organizations to organize training courses on fighting money laundering and specialized training courses to enhance efficiency and effectiveness of staff working in such fields.

On the International level, Egypt joined Egmont Group in 2004 and contributed in establishing MENAFATF that provide technical support to various Arab and African countries in this respect.

Egypt's great concern to the issue of combating corruption was clearly confirmed by article 218 of the Egyptian constitution that stipulates on the necessity of coordination among activities of competent control agencies in combating corruption and enhancing values of integrity and transparency and to develop and follow up the implementation of a national strategy to combat corruption .

That national strategy has many principles and objectives and in order to achieve these objectives , the main executive plan was set where the ASA has a significant role in implementation procedures

At the end Counselor/ *Hesham Badawy* pointed out that Egypt has performed a significant progress in the field of fighting corruption in all its forms , out of deep belief and awareness of the necessity to confront such threats that undermines economic and social stability and contradict with sustainable development goals not only on domestic level but internationally as well .

At the end of his speech, he wishes to have a successful meeting and to achieve the expected outcomes and recommendations that contribute in achieving targeted goals of our SAIs and our WG.

3- **Item 3 : Group Photo .**

After the opening ceremony and welcoming speech , the participants went to take the meeting group photo in the lovely landscape of Arusha .



4- Item 4 : Reviewing Meeting Agenda .

Mr. Islam khaled from the WG General Secretariat previewed the meeting agenda, and 3 items have been added;

- 1- A speech by the representative of the SAI of China in the first day .
- 2- A presentation by the representative of the SAI of Pakistan in the second day .
- 3- A presentation by the representative of the SAI of Brazil in the second day.

5- Item 5 : An Overview of Anti Money laundering efforts**- A Tanzanian Perspective.**

Prof. Mussa Assad (the Controller and Auditor General of Tanzania) gave a general overview of Anti money laundering efforts from the Tanzanian perspective .

At the beginning Prof. Assad previewed the legislations concerned with the matter :

- Section 71(3)&(4) of the **Proceeds of Crime** Act of 1991 criminalizes (guilt of an offense) the act of ML
- Sec 12 (a-d) of the **Anti-Money Laundering** Act of 2006 outlines acts of which one would have commit an Offence of Money Laundering

Then he started to list the institutions responsible for Anti-ML and they are :

- Financial Intelligence Unit (FIU) ,
- Bank of Tanzania (BOT) ,
- Prevention and Combating of Corruption Bureau (PCCB) ,
- Tanzania Police Force (TPF),
- Director of Public Prosecutions (DPP)
- The Controller and Auditor General (CAG)

After that he mentioned every entity in detail, as to the (CAG) Controller and Auditor General :

- It was established under Article 143 of the Constitution of the Tanzania ,
- The Public Audit Act of 2008 enshrined functions of the Office.
- Sec. 27 of the Act, requires the CAG to examine fraudulent matters and report fraud to the law enforcement agencies.
- ML could possibly be picked in the process of cleaning the money by injecting funds

Then he mentioned some recent ML cases in Tanzania during the last years :

- BAE plea bargain settlement [corrupt radar procurement] £30 million;

BAE pays fine to settle Tanzania corruption probe

BAE Systems was ordered to pay a £500,000 fine and £250,000 costs to settle a long-running corruption probe into the sale of a radar and air traffic control system to Tanzania.



An Astute submarine built by BAE sailing into her home base of Faslane on the Clyde. Photo: ROYAL NAVY

- 2016 Stanbic Bank ‘Commission’ Case;

Standard Bank to pay \$32.6m over Tanzania bribery scandal

South African bank agrees to pay sum for former London unit – now known as ICBC Standard Bank – in UK’s first deferred prosecution agreement



- A former Commissioner General of Tanzania Revenue Authority and Senior officials of Stanbic Bank are charged with eight counts of forgery and Laundering more than 6 Million USD.
- In 2014 FBME was named ‘a primary money laundering concern’ by the US Treasury Financial Crimes Enforcement Network
- A District Court in Washington DC was convinced that FBME through its Cyprus Branch has been conducting Money Laundering projects with close links to Russian

At the end of his presentation he highlighted the challenges they faced , the most important are :

- Lack of a strong National Legislation .
- Weak FIU Institutions .
- No integrated databases for key personal data;

- Cash economy – lack of electronic tracking;
- Perhaps eventually seek to keep others’ skeletons in their cupboards’ – firm determination lacking.

6- Item 6 : CNAO of China .

Mr .Li Shuting from the CNAO delivered a speech ; at the outset he affirmed his great pleasure to attend the 11th meeting of the WG and he conveyed the sincere greetings of *Ms. Hu Zejun*, the Auditor General of China to all participants.

Then he started to share with the participants the anti-corruption experience of China SAI . He affirmed that the government auditing acts as the “**Immune System**” in national governance, which prevents, exposes and resists problems.

There are three main stages and they are as following :

- First, prevention. They try to find out in time potential problems in economic operation and key industries, and give early warnings to related departments and government leaders.
- Second, exposure. They put great emphasis on combating economic crimes and illegal actions against public interests. We punish these actions within our authorities or transfer them to judicial departments.
- Third, resistance. They promote the rule of law, improve regulations and close loopholes in audit. In this way, we can shore up the Immunity of our economy and society and safeguard national economic security.

He asserted that the Socialist Auditing System with Chinese characteristics gives them natural advantages in anti-corruption campaign:

- First, as part of the government, audit institutions have obvious advantage in accessing necessary information in anti-corruption. Audit institutions and their leaders can have direct knowledge about the performance and decision-making of related government organs, by attending government meetings and participating in government decision-making (obtaining related document).In this way, the problem of asymmetric information in anti-corruption can be effectively solved.
- Second, full-coverage audit gives audit institutions the advantage of having the big picture in mind. In recent years, top leaders of China request that audit institutions conduct full-coverage audit on public funds, state owned assets and resources as well as economic accountability of government leading officials. With this requirement in mind, audit institutions at various levels have

gradually realized all-round supervision of government power as well as the use and management of public resources. As a result, audit exerts more deterrence in anti-corruption.

- Third, the sound coordination mechanism gives audit institutions the advantage of synergy. The China SAI establishes coordination mechanism with the Commission for Discipline Inspection of the Central Committee of the Communist Party of China and Ministry of Supervision in case investigation, sets up joint-work mechanism with Supreme People's Procuratorate in fight against duty-related crimes and corruption, and creates the consultation mechanism with Ministry of Public Security in case transfer. These regular coordination mechanisms enable us to have more effective assistance from other departments in investigating, checking and treating corruption clues. In this way, the effectiveness and efficiency of audit is enhanced to a large extent.

After that he previewed the role of the SAI in audit prevention, exposure and resistance functions, they mainly conduct the following work:

- First, we conduct real-time audit to nib problems in the bud. In recent years, the anti-corruption fight of China has yielded great achievements. One important experience is to pay attention to minor wrong deeds at early stage, which means giving alert and criticism in time to government officials when they are found to have minor discipline problems. With the change from post-stage audit to real-time audit, we can expose problems in time of fund distribution and management, project construction and operation as well as policy execution to urge rectification by related government bodies.
- Second, we conduct economic accountability audit to strengthen supervision on power exercise and responsibility fulfillment of government leading officials. There are three focuses in economic accountability audit. First of all, we focus on the implementation of Party and State policies by leading officials to reveal nonfeasance, malfeasance, rent seeking and duty negligence. Secondly, we focus on their decision making of major economic issues to expose violations of law and corruption cases such as abuse of power, taking bribes, financial fraud, loss and waste, encroaching state-owned assets, malfeasance and the like. Last, we focus on the use of major public funds for people's livelihood in poverty reduction, disaster relief, agriculture, health, education, environment protection and social security.
- Third, we continue to strengthen digital data analysis and actively explore an innovative audit mode based on "Big Data". we have collected a large amount

of digital data from various fields such as taxation, customs, banks, industrial and commercial administration, social security and the like, and thus a new audit mode was established featuring centralized analysis, doubtful points spotting, verification, systematic research. This new audit mode can improve efficacy of audit supervision, and increases the capability and efficiency in exposing major violations of laws and disciplines as well as potential risks in macro economic and social operation.

At the end of his speech, he stated that The National Audit Office of China wishes to share more practices and experience with the participants and learn more from them through active international exchanges and cooperation.

7- Item 7 : Stolen Assets Recovery (Egypt) .

Mr. Islam Khaled from the WG General Secretariat gave a brief on the guideline of “*Stolen Assets Recovery*” chaired by the GAO of USA .

At the beginning, he expressed his sorrow that the GAO representative could not attend the meeting.

He mentioned that that the subgroup responsible for that guideline held a meeting 2 months ago , the meeting was attended by the representatives of Poland and Tanzania .

After that, he previewed the main frame of the guideline, which is as follows:

■ **Introduction**

- 1) Definition of asset recovery
- 2) Importance of asset recovery
- 3) Overview of key asset recovery stakeholders –definitions and roles
- 4) Key tools for asset recovery

■ **Asset Recovery Steps and Key Considerations for SAIs** **Definition of asset recovery**

1. IDENTIFYING, SEIZING AND FREEZING ASSETS

- 1.1 Steps involved in identifying, seizing and freezing assets
- 1.2 Stakeholders and Coordination with foreign counterparts
- 1.3 Challenges of freezing and seizing assets
- 1.4 Areas of Consideration for SAI Audits

2. FORFEITURE AND CONFISCATION OF ASSETS

- 2.1 Steps involved in forfeiture and confiscation
- 2.2 Types of forfeiture and confiscation
- 2.3 Stakeholders and coordination with foreign counterparts

2.4 Challenges of forfeiture and confiscation

2.5 Areas of Consideration for SAI Audits

3. REPATRIATION OF ASSETS

3.1 Steps involved in repatriation

3.2 Stakeholders and coordination with foreign counterparts

3.3 Challenges in repatriating of assets

3.4 Areas of Consideration for SAI Audits

► Appendices

- Appendix I: Key Legal Tools for Asset Recovery
- Appendix II: Examples of Audit Plans or Key Questions Related to Identifying, Seizing and Freezing Assets
- Appendix III: Examples of Audit Plans or Key Questions Related to Asset Forfeiture and Confiscation
- Appendix IV: Examples of Audit Plans or Key Questions Related to Asset Repatriation

As to the time frame of the guideline, the subgroup has agreed upon the following timeline:

Stage 1 – Project Proposal -- Completion by summer 2017

Stage 2 – Exposure Draft – Completion by October 2018

Stage 3 – Endorsement Draft – Completion by September 2019

Stage 4 – Final Pronouncement – Completion by December 2019

8- Item 8 : An Overview of Asset Forfeiture/Confiscation- Tanzania .

Ms. Fatma Mohamed Saidi from the SAI of Tanzania previewed a detailed overview of *Asset Forfeiture/Confiscation* which is considered an important chapter in the “*Stolen Assets Recovery* “ guideline.

At the outset , she defined the term as the measures taken in freezing, seizing and depriving of the proceeds derived from crimes by the authorities.

Then she stated the types of Forfeiture and they are as follows :

1- Conviction Based/Criminal :

An action against the person and requires a criminal trial and conviction and is often part of the sentencing process.

2- Non Conviction Based/Civil:

Confiscation is against the asset itself . It is a separate action from any criminal proceeding and requires proof that the property is tainted.

3- Value Based Confiscation

Confiscation that enables a court to impose a pecuniary liability such as a fine on any benefit derived from any asset(s) of an individual involved in criminal conduct

After that he highlighted the importance of international cooperation in the field as International Cooperation is essential for the successful recovery of assets that have been transferred to or hidden in foreign jurisdictions. It is required for the gathering of evidence, the eventual confiscation of the proceeds etc. She also mentioned that this topic is fully covered in the *Manual on Mutual Legal Assistance and Extradition* published by the *United Nations Office on Drugs and Crime* (UNODC) to assist implementation of the Organized Crime Convention.

After that the representative previewed the main challenges of forfeiture and they are as follows :

1- General and Institutional Barriers

- Lack of a Comprehensive Asset Recovery Policy
- Lack of Adherence to and Enforcement of Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) Measures
- Deficient Resources

2- Legal Barriers and Requirements that Delay Assistance

- Differences in Legal Systems and Practices
- Immunity Laws that Prevent Prosecution and Mutual Legal Assistance (MLA)
- Failure to Observe UN Conventions against Corruption and Organized Crime

3- Operational Barriers and Communication Issues

- Lack of Information on Mutual Legal Assistance (MLA) Requirements
- Indistinct Channels, No Feedback etc.

At the end ,she mentioned the main areas SAIs should take into consideration which are :

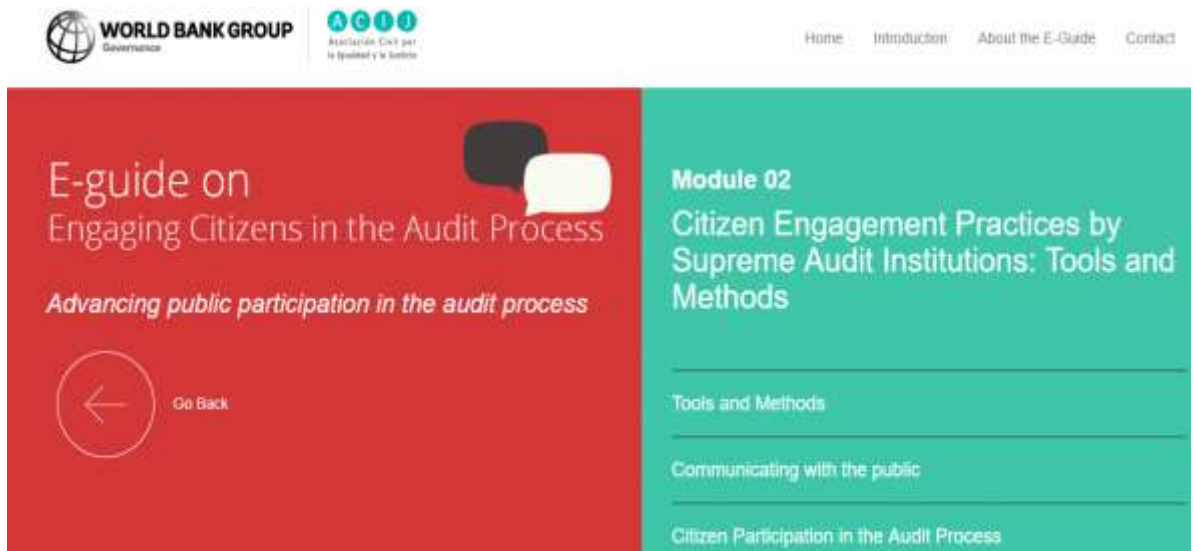
- Review of policies and practices associated with asset forfeiture within their jurisdiction, focusing on specific areas of concern or challenges
- Review agency performance/advance best practices
- Identifying threats (fraud, waste, abuse)
- Conduct Performance Reviews and audits of implementation of laws and regulations related to Asset Recovery

- Review other roles depending on SAI mandate and legislation taking into account present limitations etc.,

9- **Item 9 : A PROPOSAL FOR A GUIDE ON SOCIAL CONTROL OF PUBLIC RESOURCES (Ecuador) :**

Ms. Dr Margarita Vallejo from the SAI of Ecuador *previewed a proposal on a Guide on Social Control of Public Resources*. At the beginning she gave a brief background on the project ; during the 10th Meeting of the WGFACML (2016), Miss Valentina Zárate, representative of the Office of the Comptroller General of Ecuador, explained the concept of “*Social Control*”. In that sense, the guide proposed will be on “*Social Control of Public Funds*”, constituting a guidance about how to involve citizens effectively in the control of public resources.

She indicated that some related guides were drafted by international organizations like:

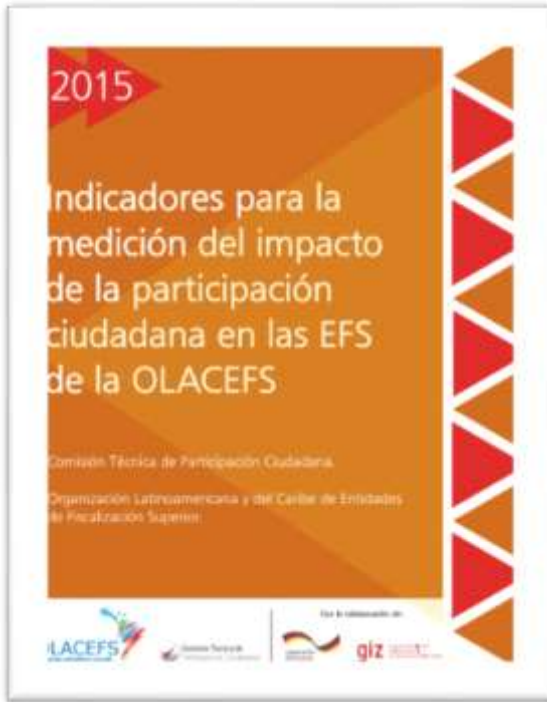


And



Then she highlighted that The Technical Commission of Citizen Participation of the Latin-American and Caribbean Organization of Supreme Audit Institutions (OLACEFS) has developed two documents regarding good practices on citizen participation.

Those documents provided information of the experience of Supreme Audit Institutions in Latin American implementing social control mechanisms, as well as the creation of indicators to measure their impact.



Then she previewed the great experience the SAI of Ecuador has in that field, as they have developed several mechanisms to engage with Civil Society Organizations, as well as the public. Likewise, it is important to mention that the SAI is a member of the Technical Commission of Citizen Participation of OLACEFS. Therefore, the programs being promoted are:

- 1- Public Hearings
- 2- Training program in ethics and citizenship for a responsible public management
- 3- Citizenship contribution to the Annual Institutional Accountability Report
- 4- Citizens complaints
- 5- Citizenship contribution to the Annual Control Plan by uploading proposals to the Website.

She mentioned the purposes of the guide , the most important of which are :

- 1) To raise social control as a complement to state control and as a way of preventing corruption.

- 2) To recognize both the legal limitations and the opportunities to exercise social control within the SAIs.
- 3) To identify standardize practices and mechanisms to exercise social control that area already being promoted by the SAIs.

At the end of her presentation , she proposed a structure for the guide which is as follows :

- 1) Definitions on social control, citizenship and prevention of corruption through social control.
- 2) Principles to exercise social control
- 3) Methodology of social control
- 4) Minimum requirements to exercise social control:

10- Item 10: Audit of Corruption Prevention in Public Procurement Guideline - Poland .

Prof. Peter Dobrowolski from the Polish SAI (the Co-Chair of the subgroup responsible for that guideline) gave a brief description for that guideline which was decided during the 8th and 10th meeting held in Washington and Bonn .

The members of this subgroup are :

- **Austria**
- **Chile**
- **Czech Republic**
- **Iraq**
- **Malaysia**
- **Namibia**
- **Oman**
- **Turkey**
- **Yemen**
- **Germany and Poland (Chair)**

The kick off meeting of this subgroup was held in Prague in May 2017 ,during that meeting important decisions were taken like :

- Schedule for the preparation of the guideline.
- Detailed structure of the guideline
- Contents of each chapter
- Allocation of the chapters to the member- SAIs

As to the main structure of the guideline , it was agreed upon the following :

- 1- Introduction (SAI of Austria).

- 2- Public Procurement (SAI of Czech Republic).
- 3- Corruption in Public Procurement (SAI of Poland)
- 4- Corruption Prevention in the stages of the procurement process (risks – red flags-prevention
 - 4.1 Pre-tendering phase (SAI of Germany)
 - 4.2 Tendering phase (SAI of Oman)
 - 4.3 Post-award phase (SAIs of Iraq and Namibia)
- 5- Specific instruments and good practises (SAI of Malaysia)

As to the guideline time framework , the subgroup has initially agreed upon the following :

- Request for approval of the exposure draft from FIPP (September 2018).
- Publication of exposure draft (November 2018 – January 2019).
- Evaluation of comments and remarks (February 2019)
- Request for final approval of endorsement version from FIPP (June 2019)
- Approval for the document at the INCOSAI-meeting in 2019 in Moscow

11- Item 11 : SAI of Iraq efforts in fighting money laundering and financing terrorism.

At the outset , *Mr. Zuhair Sarkees Toma* the representative of the Iraqi SAI thanked the SAI of Tanzania for hosting the meeting . After that , he stated that money laundering needs cooperation between international and regional efforts to fight it. In fact , the SAI of Iraq held several meetings with WB team specialized in evaluation and US treasury .

After that a national team for Iraq was established to participate in the 16th meeting of MENA FATF . That team set down a great priority, which is enhancing Iraq commitment with the 40 recommendations issued by the organization . The first report stated that Iraq is not committed to FATF recommendations, thus the team recommends how to handle the matter . One of the main requirements of commitment , is the existence of a comprehensive law for fighting money laundering and financing terrorism to overcome the shortage of the current law for fighting money laundering . The third report of evaluation stated that Iraq is partially committed.

The concerned team mad a draft law for fighting money laundering and financing terrorism , that draft was sent to the concerned authorities , also the draft law was translated to be sent to the FATF Group to give their opinion before issuing the final draft that should be sent to the parliament and other legislative authorities .

The SAI of Iraq in cooperation with Banks Studies Center and the Iraqi Central Bank , held several symposiums and training courses in the theme of fighting money laundering and financing terrorism, beside risks evaluation.

Law no.39 of year 2015 concerning fighting money laundering and financing terrorism was issued . The national team in its 25th meeting recommended following up statues and regulations that facilitate its implementation. A small committee was formed from the team members; its first mission was setting down the priorities to implement the law.

In addition the Iraqi FIU held a symposium to introduce the law to the concerned authorities, and it recommended to hold training courses to judges and investigators as they have no experience in such kind of cases .

At the end of his speech , he thanked all the attendants for hearing .

12- Item 12: New Working plan .

Mr. Islam khaled from the WG General Secretariat previewed a presentation on the WG plan activities .

At the beginning he highlighted the importance of this session as it is the core of the WG activities . He stated that the 2 guidelines have been approved in UAE: **GOV 9160 and ISSAI 5700** ,the UN – INTOSAI joint project (Platform) with Korea in its capacity as the chair of the INTOSAI platform and the training program with IDI.

On the other side there are ongoing activities ; Stolen Assets Recovery Guideline , Public Procurement Guideline , Fight against money laundering guideline headed by Poland in addition to the WG new working papers.

After that Mr. Islam affirmed that the new working plan should depend mainly on the INTOSAI strategic plan 2017-2022 , and he stated that the INTOSAI strategic plan included the term corruption 11 times in the whole document which emphasize the importance of the WG and its activities.

The WG General Secretariat representative affirmed that these discussions is a kind of brain storming as many active members are not attending the meeting .

Then he stated that *Counselor / Heham Badawy* (the Chair) and *Mr. Yasser Agour* from the WG General Secretariat attended the United Nation and IDI meeting held in USA 20-21 July 2017. That meeting focused on “ **Auditing Preparedness for the implementation of the sustainable development Goals** “ SDGs.

During that meeting , high ranking representatives of SAIs and important stakeholders exchanged experiences on themes related to the role of SAIs in reviewing the implementation of SDGS .

Then he suggested as a starting point to study those presentations and he confirmed that they are available on the INTOSAI site.

All the members agreed on this suggestion and they confirmed that is the topic of the hour.

After that a fruitful debate took place between all the members concerning the new themes that can be dealt within the following WG Plan , the discussions concluded to the topic of “*forensic audit* “ and *Dr. Zbysław Dobrowolski* from Poland confirmed that this theme will be a revolutionary one and he was supported greatly by *Mr. Sammer Ahmad* from Pakistan and *Mr. Nivaldo Dias* from Brazil .

At the end of discussions , *Mr. Islam Khaled* asked *Mr. Sammer Ahmad* from Pakistan if he can give the members a presentation on the importance of forensic audit and the difference between traditional audit and forensic audit , and *Mr. Sammer* agreed to the request , and he confirmed that he will give the presentation on the following day of the meeting.

13- **Item 13: Adjournment:**

Counselor \ Hesham Badawy the Chair of the WG declared the first day of the meeting closed.

Second Day : September 26 , 2017.

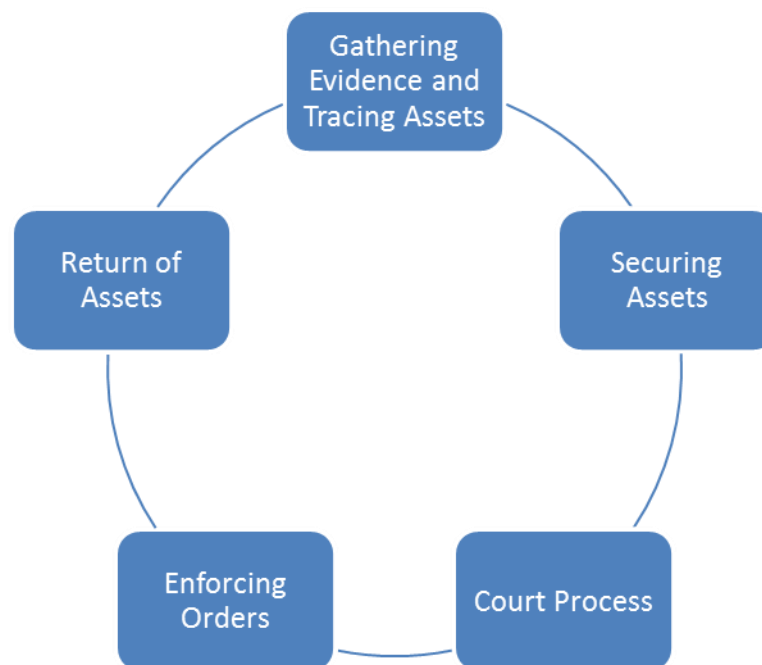
14- Item 14 : Welcome Speech :

At the beginning of his speech , *Counselor /Hesham Badawy* the ASA President and Chair of the WG opened the sessions of the second day by welcoming the participants , wishing them a fruitful and successful day .

15- Item 15: Identifying , Seizing and Freezing Assets – Poland .

Prof. Z. Dobrowolski from the polish SAI gave a short presentation on identifying , seizing and freezing assets .

After that he stated that the process for stolen assets recovery include various stages , and they are as follows:



Then he highlighted the main issues to be considered concerning the matter , the most important of which are :

- 1- Challenges of Identifying, Freezing and Seizing Assets .
- 2- The role of SAI in STR.
- 3- The role of SAI in fighting against irregularities.
- 4- Areas of Considerations.

At the end of his presentation , he suggested a framework for Stolen Asset Recovery Failure Risk Management , which is as follows :

- 1- Commit to effective STAR by creating organizational culture and organizational structure conducive to reduce STAR failure risk.

- 2- Plan regular STAR failure risk assessment to determine a STAR failure risk profile.
- 3- 3. Design and implement a strategy and specific control activities to mitigate assessed STAR failure risks.
- 4- Evaluate outcomes using a risk-based approach and adapt activities to improve STAR failure risk management .

16- Item 16 : Fighting Against Money Laundering guide .

Prof. Z. Dobrowolski from the SAI of Poland declared the main points of the guideline concerning fighting against money laundering .

First of all , the SAIs engaged in that guideline are :

- 1- Germany
- 2- Iraq
- 3- Poland (lead)
- 4- Tanzania
- 5- Zambia .

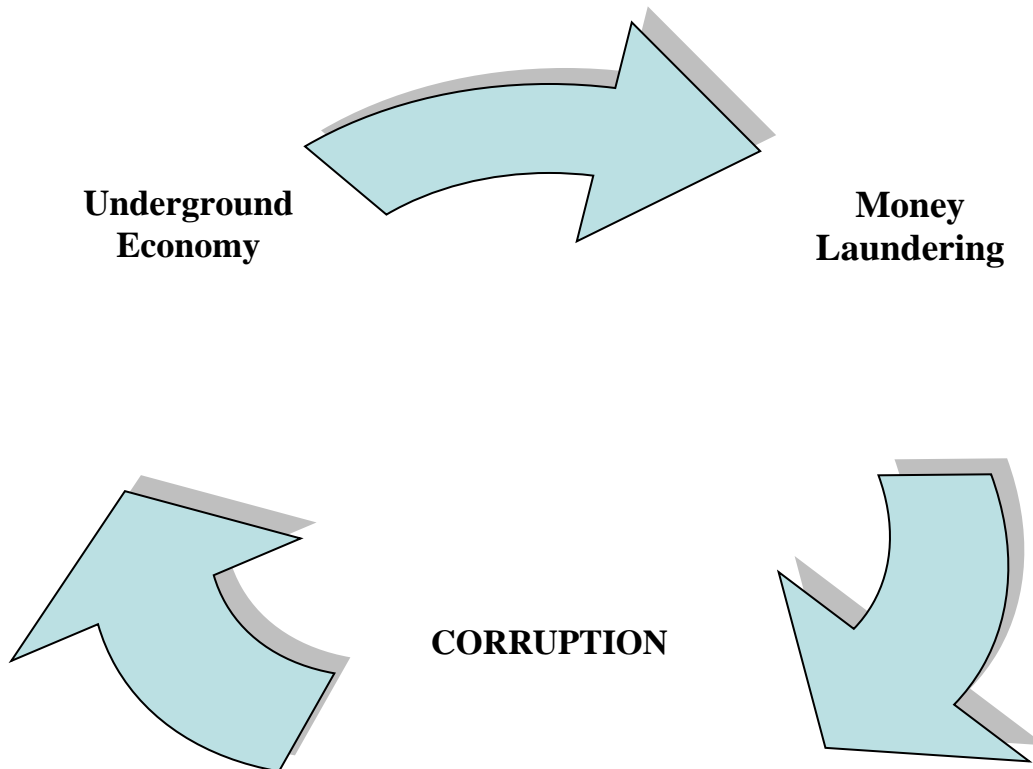
Then he highlighted that the INTOSAI vision :

“Promote good governance by enabling SAIs to help their respective governments improve performance, enhance transparency, ensure accountability, maintain credibility, **fight corruption**, promote public trust, and foster the efficient and effective receipt and use of public resources for the benefit of their citizens.”

stressed on fighting corruption , that confirm the importance of this guideline.

After that, he illustrated the triangle of Interdependence, and he defines it as follows :

“The underground economy refers to illegal economic activity. Transactions in the underground economy are illegal either because the good or service being traded is itself illegal or because an otherwise licit transaction does not comply with government reporting requirements. The first category includes drugs and prostitution in most jurisdictions. The second includes untaxed labor and sales, as well as smuggling goods to avoid duties. The underground economy is also referred to as the shadow economy, black market (not gray market) and informal economy”



Then he previewed the positive consequences of fighting corruption and they have also a cycle , which is :

- 1- Law
- 2- Trust
- 3- Strong Economy.

Also , he pointed at the Anti-Money Laundering System, that depend on FIUs which include many entities :

- 1- Obligated Institutions.
- 2- External FIU.
- 3- The Prosecution Office.
- 4- Cooperating Institutions.

At the end of his presentation, he declared that a proposal for the project was prepared to distribute the work on the member SAIs .

Initially , the following SAIs will take the following tasks :

- 1- The SAI of Poland (Introduction, Objective, Definitions, Background) .
- 2- The SAI of Tanzania (Overview of key anti-money laundering stakeholders)
- 3- The SAI of Zambia (Examples of Audit Risk Analysis and Researchable Questions)

Mr. Nivaldo Dias from the SAI of Brazil stated that the SAI of Brazil wishes to join the subgroup of that guideline.

Prof. Z. Dobrowolski from the polish SAI stated that he wants to make a survey and distribute it on all the WG members to collect some information and examples.

17- Item 17 : TOPICS ASSIGNED TO ZAMBIA ON THE DEVELOPMENT OF THE GUIDELEINE ON THE FIGHT AGAINST MONEY LAUNDERING

The representative of SAI of Zambia previewed the role of their SAI in the guideline of Fighting Against Money Laundering .

He mentioned that the topic assigned to them is; *Audit Risk Analysis and Researchable Questions* that include the following main points:

- 1- Risk Analysis
- 2- Audit Risk Management
- 3- The scope of audit of FIU activities

Then he highlighted the main points to be taken into consideration and they are :

- What matters should be reviewed in order to evaluate FIU organization.
- What matters should be considered in order to evaluate how FIU gathers and uses information of financial transactions.
- What matters should be considered in order to evaluate the FIU audits of obligated institutions.
- What matters should be considered in order to evaluate how well FIU cooperates with cooperating units.
- What matters should be reviewed in order to evaluate how well the FIU realizes training activities.
- What matters should be reviewed in order to evaluate how well FIU cooperates with its international partners.
- What matters should be considered in order to evaluate how well cooperating units combat money laundering.

At the end of his presentation , he confirmed that this guideline will be a very important product and fruitful for all the INTOSAI community.

18- Item 18 : Fraud Auditing and Forensic Accounting .

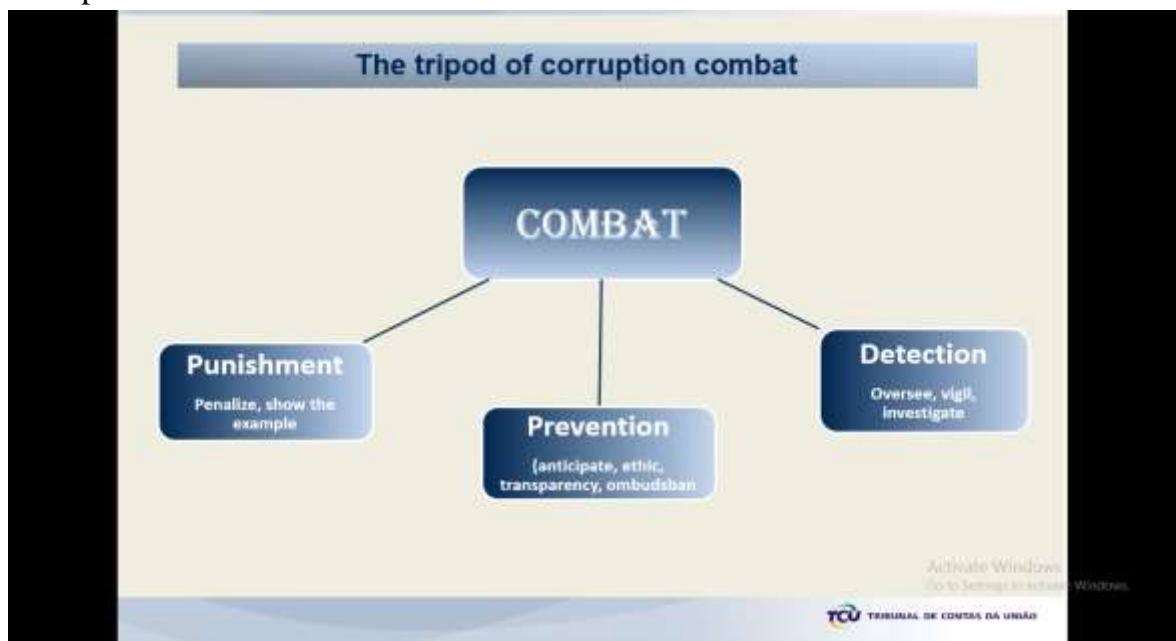
Mr. Nivaldo Dias from the Federal Court of Accounts – Brazil gave a presentaion on fighting corruption and money laundering in Brazil .

“The Operation Car Wash”

He confirmed that this case was a big scandal :



He declared that 9 ministers and 4 substitute-ministers were accused in that case , and he illustrated the role of the Brazilian SAI in that case ,then he previewed the tripod of corruption combat :



After previewing the case and how it ends , he previewed the subject of **Public Procurement** which is one of the best experiences of TCU and how that use IT and data to help them in auditing public procurement ;

“According to Brazilian law, the estimated cost of ALL public works must be detailed in a budget transparently motivated, service by service, underpinned, in turn, by unit costs estimates.”

Then he described in detail the SAO (Budget Analysis System) , this is a software designed to, in possession of those budgets, “pre-analyse” and compare the mains venture’s services and items with the same inputs on official data sets.

In this way, the TCU can identify a previous problematic **OVERPRICED** budget, making a better base list to choose those objects that would be audited.



He also highlighted the experiences of TCU in the fields of Money laundering and forensic audit and international cooperation with professional organizations.

19- Item 19 : Fraud Auditing and Forensic Accounting .

Mr. Sammer Ahmad from the SAI of Pakistan makes a presentation as agreed on the first day of the meeting.

At the beginning he confirmed that forensic auditing is an old subject and not an innovative one as many professional think.

“According to some, forensic accounting is one of the oldest professions and dates back to the Egyptians. The “eyes and ears” of the king was a

person who basically served as a forensic accountant for Pharaoh, watchful over inventories of grain, gold, and other assets.”

After that, he previewed the cycle of fraud stating, “The fraud cycle essentially begins with the plans of the fraudster leading up to the committing of the fraud act. Once committed, the fraudster converts the asset to cash, if necessary, and conceals the fraud.”

Then he enumerate the six basic steps in the fraud investigation , and they are as follows :

1. Acquire all available details and documents relating to the allegation.
2. Assess the allegation against the available documentation.
3. Assess the corporate environment relative to the person in question.
4. Ask whether a theory of fraud can be developed at this stage. Is there motive and opportunity?
5. Determine whether the available evidence makes sense. Does it meet the test of business reality?
6. Communicate with appropriate parties on the details and status of the fraud.

Then we came to main aim of the presentation , which is the difference between financial auditing , forensic auditing and fraud auditing .

- 1- **Financial Auditing** typically refers to the process of evaluating compliance of financial information with regulatory standards, usually for public companies, by an external, independent entity.
- 2- **Fraud Auditors** are generally accountants or auditors who, by virtue of their attitudes, attributes, skills, knowledge, and experience, are experts at detecting and documenting frauds in books of records of accounting and financial transactions and events.
- 3- **Forensic Accountants** may appear on the crime scene a little later than fraud auditors, but their major contribution is in translating complex financial transactions and numerical data into terms that ordinary laypersons can understand.

Then , he pointed the necessity of forensic accountants and who needs it ;

- Corporate investigations
- Litigation support
- Criminal matters
- Insurance claims
- Government/Regulation/Compliance

Then *Mr. Sammer* gave in more details the difference between forensic accountant and fraud auditor concerning the required knowledge, skills, and abilities;

1- Forensic Accountant: Required Knowledge, Skills, and Abilities

- a) Ability to identify frauds with minimal initial information.
- b) Interviewing.
- c) Mind-set. One of the critical success factors of forensic accountants, and one of the hardest to define or measure, is mind-set.
- d) Knowledge of evidence.
- e) Presentation of findings.
- f) Knowledge of investigative techniques.
- g) Investigative skills.
- h) Investigative mentality.
- i) Identification of financial issues.
- j) Interpretation of financial information.

2- Fraud Auditor: Required Knowledge, Skills, and Abilities

- a) Establish accounting, audit, and internal control (when, where, and how fraud is most likely to occur in books of account and in financial statements).
- b) Conduct a review of internal controls.
- c) Assess the strengths and weaknesses of those controls.
- d) Design scenarios of potential fraud losses based on identified weaknesses in internal controls
- e) Know how to identify questionable and exceptional transactions (too high, too low, too often, too rare, too much, too little, odd times, odd places, odd people).
- f) Identify questionable and exceptional account balances and variations.

At the end of his speech , he indicated the principles of fraud audits and they are as follows :

1. Fraud auditing is different from financial auditing. It is more a mind-set than a methodology.
2. Fraud auditors have different approaches from financial auditors. Fraud auditors mostly focus on exceptions, oddities, accounting irregularities, and patterns of conduct. Financial auditors mostly focus on the audit trail and material misstatements.
3. Fraud auditing is learned primarily from experience, not from audit textbooks or last year's work papers. Learning to be a fraud auditor means learning to think like a

thief: “Where are the weakest links in this chain of internal controls?” “How can I steal on my job and get away with it?”

4. From an audit perspective, fraud is intentionally misrepresenting financial facts of a material nature. From a fraud-audit perspective, fraud is an intentional misrepresentation of material financial facts.
5. Frauds are committed for economic, egocentric, ideological, emotional, and psychotic reasons. Of the five, the economic motive is the most common.
6. Fraud tends to encompass a theory structured around motive, opportunity, and rationalization (the “fraud triangle”).
7. Fraud in computerized accounting environment can be committed at any state of processing—input, throughput, or output. Input frauds (entering false and fraudulent data) are the most common.
8. The most common fraudulent schemes by lower-level employees involve disbursements (payables, payroll, and benefit and expense claims).
9. Accounting-type frauds are caused more often by absence of controls than by loose controls.

20- Item 20 : CORRUPTION-MONEY LAUNDERING FACTS OF VULNERABILITY AND SOLUTIONS.

Mr. Sammer Ahmad from the SAI of Pakistan makes a presentation about corruption and money laundering and best solutions to that great issue.

At the beginning he gave a definition to the term corruption :

“In 2006, Asian Development Bank (ADB), World Bank and International Monetary Fund (IMF) jointly settled on the definition of corruption as “The offering, giving and receiving, soliciting, directly or indirectly, of anything of value to influence improperly the actions of another party.”

Another definition was :

“However, United Nations Convention against Corruption (UNCAC) is more precise in defining corruption including all of the following activities: “the active and passive bribery of domestic and foreign public officials as well as officials from international organizations; the embezzlement or diversion of public property by an official; trading in influence or illicit enrichment by public officials; and bribery and embezzlement in the private sector .”

Then he moved to money laundering ,he defined it as :

“ Money laundering states the process of concealing the illegal origins of money derived from crime. This term became prevalent after Watergate investigations in 1970s. Money laundering occurs after a predicate offence has brought money into the hands of offenders.”

A study in Britain, with some of the world’s toughest policies in place, indicated that :

“Laundering a sum of money would cost at most 5-15 percent of the principal amount.”

Then he started to illustrate the relationship between corruption and money laundering, he stated that; initially countries could not successfully deal with both corruption and money laundering collectively.

Financial intelligence units (FIUs) see corruption as outside their area of responsibility, and anticorruption bodies regard money laundering in the same way.

The great problem is:

“According to many officials to international organizations responsible for providing technical assistance in these areas say it is common for AML and anticorruption bodies from the same country to have never heard of each other, let alone cooperated operationally.”

Mr. Sammer also stated that Interviews with a number of officials from five countries in Africa, Asia, and the Caribbean indicate that money laundering and corruption are not domestic priorities. Instead, the fact that so many developing countries are passing laws and regulations and establishing institutions to combat money laundering is a matter of impressing the international community, particularly aid donors and the Bretton Woods institutions.

Then , he declared that corruption and money laundering are alike in that few of those committing these crimes are convicted, and only a very small proportion of the money involved is seized. Many countries in the Asia-Pacific are yet to record a single conviction for money laundering, but it is unlikely this is because there is no money laundering going on. Similarly, the fact that countries such as the United Kingdom and Australia have yet to record a single conviction for the bribery of foreign officials is probably not because no such bribery has occurred. To what extent could the increased use of intelligence, laws, and institutions of the anti-money laundering (AML) regime enhance efforts to counter corruption? To what extent is the fight against money

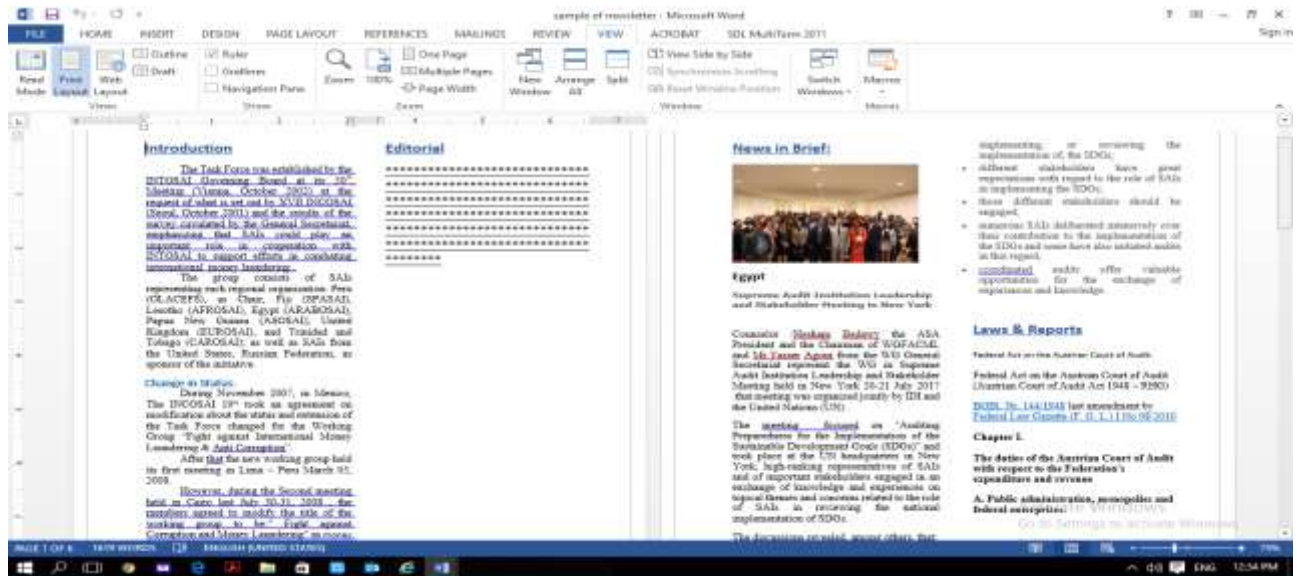
laundering being held back by corruption? If there are problems in these areas, what can be done to ameliorate them?

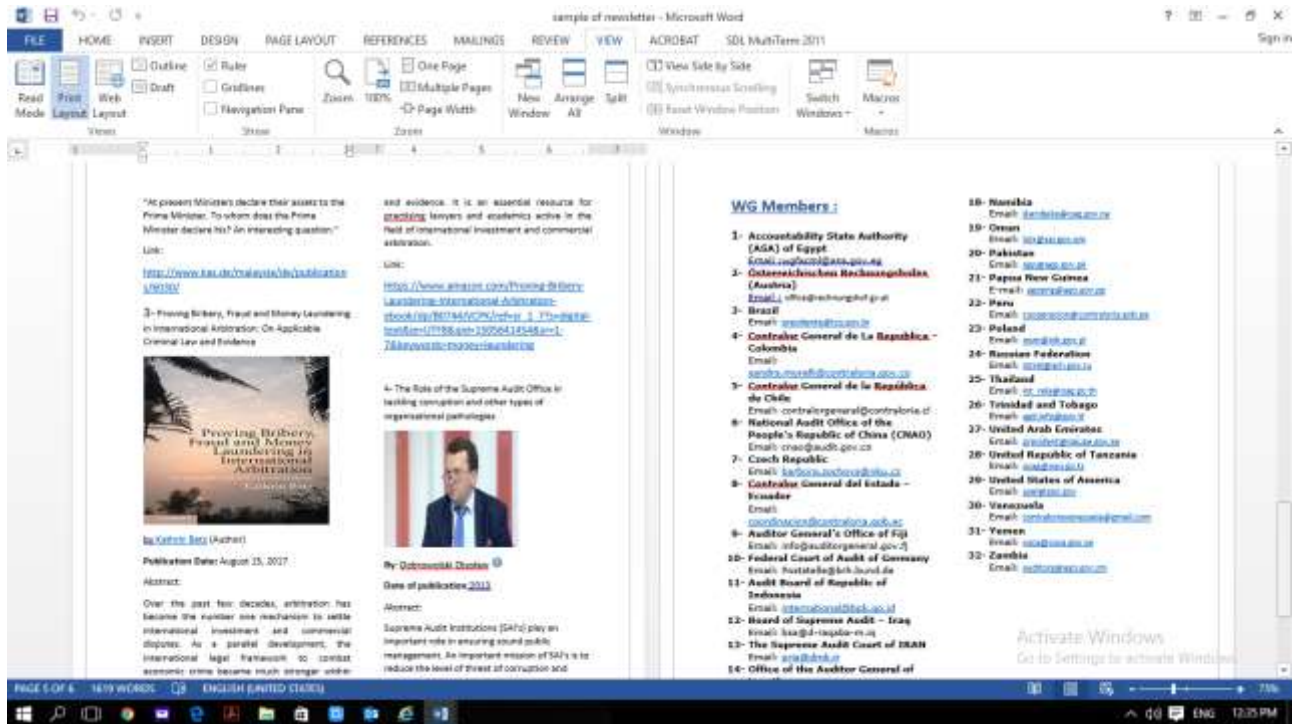
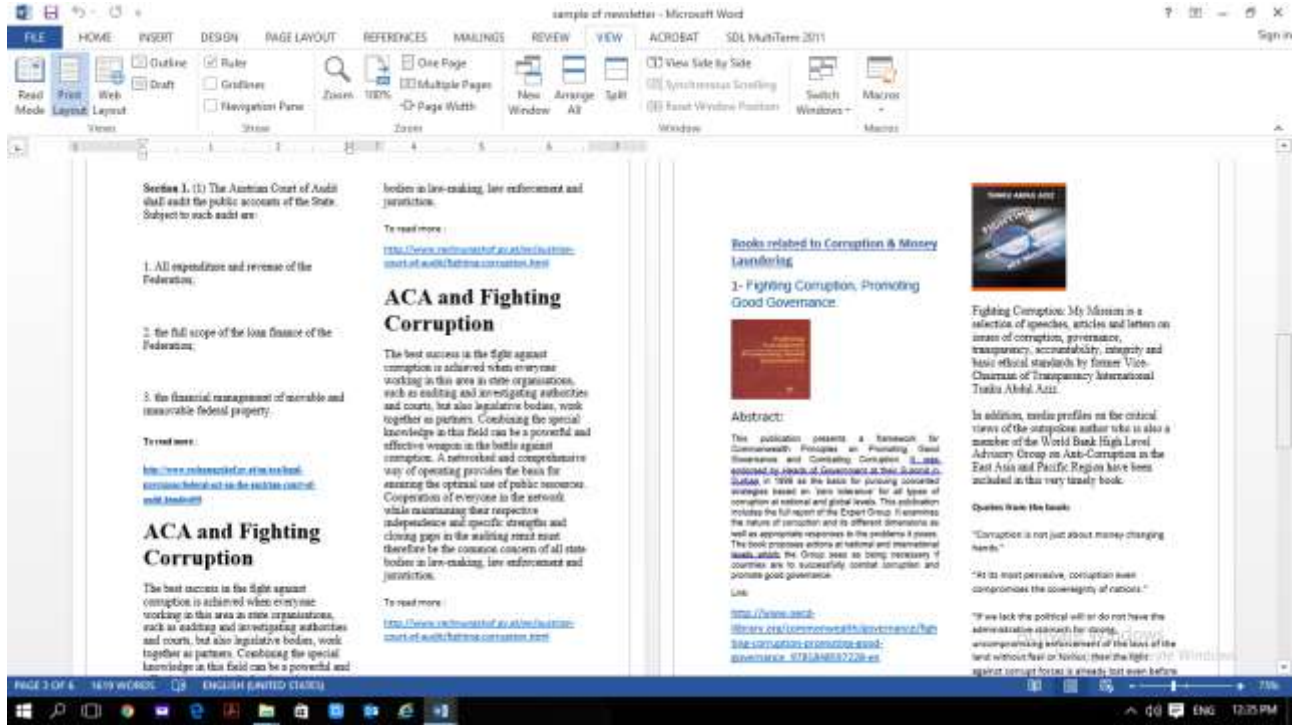
At the end of his presentation , he suggested a solution for the problem which is ;

1. Asset Registries and Illicit Enrichment.
2. General Corruption Prévention Principles.
3. Financial Intelligence Unit Independence and Capacity.
4. The Judicial System.

21- Item 21 : sample of the WG newsletter .

Mr. Islam Khaled from the WG general secretariat previewed a sample for the WG newsletter to be discussed and have comments on it :





22- Item 22: Closing Remarks .

At the end, *Counselor \ Hesham Badawy* the Chairman expressed his appreciation and thanks to all attended delegations for their significant efforts, discussions and participations that enriched the work of our Working Group .

At the end of his word , he extended his thanks to *Mr. Prof Juma M.Assad* , the Head of Supreme Audit Institution of Tanzania for his kind hospitality and the excellent preparation for the meeting.

The Chairman of the Working Group declared the Meeting Closed.