

Report on The WG First Questionnaire Results

During November 2007, in Mexico, The INCOSAI 19th took an agreement on modification about the status and extension of the Task Force changed for the Working Group “Fight against International Money Laundering & Anti Corruption”. Our working group is affiliate to the third goal of INTOSAI strategic plan that tries to promote a proactive role and international cooperation between INTOSAI and their members, in reference to fight against money laundering and corruption in a manner consistent with the competencies and authorities of Supreme Audit Institutions -SAIs- and independence requirements of INTOSAI.

Our working group plan (2008-2011) objectives are as follows:

First Objective:

To promote cooperation and support between INTOSAI and Supreme Audit Institutions in preventing and detecting corruption and money laundering; to facilitate information exchange, to develop typologies and guidelines for use by SAIs.

Second Objective:

To promote cooperation between INTOSAI and the international organizations involved in the fight against corruption and money laundering.

Third Objective:

To identify country regulations, policies, strategies and programs for use by SAIs detecting and preventing corruption and money laundering.

Fourth Objective:

To identify relevant training programs on anti money laundering and fight against corruption and work with IDI when specialized training is required.

According to the third objective of the working group plan (2008-2011), the first questionnaire of the WG has been developed aiming at collecting information that can be shared among INTOSAI members on fighting corruption and money laundering in their countries and acknowledging the types of audits they conduct.

The stages of this questionnaire preparation is summarized as the following:

- 1- The Central Auditing Organization of Egypt (CAO) was entrusted to develop the WG first questionnaire during the proceedings of the first meeting held in Lima – Peru March 2008.
- 2- The (CAO) developed the first draft of the questionnaire and it was previewed during the proceedings of the second meeting held in Cairo – Egypt July 2008.
- 3- The CAO as the chair of the working group sent the first questionnaire to all the INTOSAI Regional working groups , committees and sub-committees chairs to comment and give opinions.
- 4- The questionnaire was approved in its final form during the proceedings of the WG third meeting held in Jakarta July 2009 , and it was agreed to send the questionnaire to all INTOSAI member SAIs .

Definition of Corruption:

"The Abuse of Power for Private Gain"

Definition of money laundering :

"The use of money from illegal activities by concealing the Identity of the individuals who obtained the money or the means by which it was obtained and converting it into assets that appear to have come from a legitimate source "

The WG first questionnaire is divided into three (3) sections:

First Section:

Legal structure and memberships of entities concerned with fighting corruption and money laundering.

Second Section:

SAIs activities against Corruption and Money Laundering.

Third Section:

Training Requirements .

The SAIs that responded to our questionnaire were 54 SAI from 189 SAI with a percentage of 28.6%.

The WG Secretariat comments on the first questionnaire are as follows:

- 1- The WG Secretariat wished in a more active role of INTOSAI member SAIs in filling in the questionnaire due to its importance in exchanging information and knowledge between the SAIs in the field of fighting corruption and money laundering. The total responses that reached the WG Secretariat until February 2010 counted 46 SAI from 189 SAIs with a percentage 24%.
- 2- Due to the limited responding , the WG Secretariat resent the questionnaire to regional working group chairs in March 2010 to fill in and encourage their member SAIs to fill in and send it back to the WG Secretariat , but the expected response didn't take place as only 2 regional working group chairs responded from 7 beside 6 SAIs only.

Thus , the total responses that reached the WG Secretariat became 54 out of 189 SAIs with a percentage 28.6% .

The WG Secretariat suggests the following:

- 1- The Chair of the Working Group shall submit a recommendation to the INTOSAI 60th Governing Board and INCOSAI 20th to be held in November 2010 Johannesburg – South Africa to encourage SAIs for more participation in the WG activities that aims at delivering technical support to INTOSAI SAIs and raising their effectiveness and efficiency.

- 2- Although the SAIs participation percentage was low , the responses that reached the WG Secretariat represented successfully the INTOSAI community or more accurately the INTOSAI 7 working groups and most of the responses were from active SAIs , thus the WG Secretariat believed that it shall be suitable to analyze and preview the questionnaire results in this report initially until more responses reach the WG Secretariat so that we can update this report to reflect more dependable results , also we must analyze and preview the questionnaire results as many SAIs spent time and efforts filling in this questionnaire.
- 3- As we believe that exchanging information and knowledge shall benefit all INTOSAI community , the WG Secretariat collected the laws and regulations that were attached to the questionnaire in an electronic form that was published on the WG website . A group of other countries laws and regulations related to fighting money laundering were also added to the site under the tab " *Laws of Countries*".
- 4- Annex no.1 includes an analytical list of the responses that reached the WG Secretariat from INTOSAI SAIs.

The following are the most important results of analyzing the responses:

First : Legal structure and memberships of entities concerned with fighting corruption and money laundering.

1- Concerning the availability of laws , regulations or guidelines related to money laundering :

The responses that we received from the SAIs showed that 50 SAI out of 54 (92.6%) has laws and regulations in their countries that may detect and prevent corruption and money laundering . those laws and regulations included the following main points:

- Law goals and objectives .
- Law scope and how to be applicable.
- Main concepts and definitions of used terms.

The responses also included the strategic plans developed by some countries aiming at detecting and fighting corruption in both public and private sector beside increasing social awareness with the importance of adherence to morals and ethics.

Analyzing the responses on the level of Regional Working Groups we can deduct the following:

Regional working group	Rate %
AFROSAI	1.8
ARABOSAI	18.5
ASOSAI	7.4
EUROSAI	40.7
CAROSAI	3.7
OLACEFS	13
PASAI	3.7
USA & Canada	3.7

2- Forty Recommendations issued by the Financial Action Task Force (FATF):

Definition of FATF:

The FATF is an inter-governmental body which sets standards, and develops and promotes policies to combat money laundering . The original FATF Forty Recommendations were drawn up in 1990 as an initiative to combat the misuse of financial systems by persons laundering drug money , in fact these recommendations represent the international standards for fighting money laundering.

In 2004 the FATF also issued a methodology for Anti-Money Laundering/Combating Terrorist Financing Methodology that was updated in 2007 . This document is a basic tool that may help those who are responsible for evaluation works upon developing their detailed reports on fighting money laundering systems and compliance with international standards mentioned in the forty recommendations.

This document included the following:

- 1. An effective AML system requires an adequate legal and institutional framework, which should include:**
 - a- Laws that criminalize money laundering .
 - b- Laws, regulations or in certain circumstances other enforceable means that impose the required obligations on financial institutions and designated non-financial businesses and professions;
 - c- An appropriate institutional or administrative framework, and laws that provide competent authorities with the necessary duties, powers and sanctions;

2. An effective AML system also requires that certain structural elements, not covered by the FATF assessment criteria , the most important of which are:

- a- The respect of principles such as transparency and good governance;
- b- The availability of a proper culture of AML compliance shared and reinforced by government, financial institutions, designated non-financial businesses and professions; industry trade groups, and self-regulatory organizations (SROs);
- c- The existence of appropriate measures to prevent and combat corruption.
- d- The existence of a reasonably efficient court system that ensures that judicial decisions are properly enforced;
- e- The existence of high ethical and professional requirements for police officers, prosecutors, judges, etc.

As to the countries compliance with the 40 recommendations of the FATF , the responses of the questionnaire showed the following :

The SAIs that have confirmed their countries compliance with FATF's 40 recommendations counted to 48 SAI (88.9%) , the matter that shows the great concern the countries give to FATF International Standards.

Analyzing the responses on the level of regional working groups we can deduct the following:

Regional working group	Rate %
AFROSAI	1.8
ARABOSAI	16.7
ASOSAI	5.6
EUROSAI	42.6
CAROSAI	3.7
OLACEFS	13
PASAI	1.8
USA & Canada	3.7

3. Financial Intelligence Units and its Responsibilities :

The SAIs that confirmed the existence of financial intelligence units in their countries counted to 50 SAIs (92.6%).

The answer of this question was linked to the responsibilities entrusted to these units .

Analyzing the responses on the level of regional working groups we can deduct the following:

Regional Working Group	Rate %
AFROSAI	1.8
ARABOSAI	16.7
ASOSAI	7.4
EUROSAI	42.6
CAROSAI	3.7
OLACEFS	13
PASAI	3.7
USA & Canada	3.7

Hereinafter some examples of those responsibilities:

- 1- Kuwait Central Bank established the *Kuwait Financial Intelligence Unit* and entrust it with the following responsibilities:
 - a- Receive any announcement on any money laundering case from the office of attorney general then start collecting any information related to this announcement.
 - b- Analyze any information or data related to the announcements and inform the attorney general with their opinions.
 - c- Develop a data base for those announcements.
 - d- Participation in developing training programs and increasing awareness of fighting money laundering in cooperation with concerned entities.
 - e- Coordination with the attorney general in respect of exchanging information on both internal and international levels.
- 2- In Estonia , *The Financial Intelligence Unit* is an independent unit , completely independent from the central criminal police and it is entrusted with fighting money laundering and terrorism financing.
- 3- *Egyptian Money Laundering Combating Unit* :

The Money Laundering combating unit was established according to law no. 80 of 2002 . This unit is an independent unit that is affiliated to the Central Bank of Egypt , this unit is chaired by a man of justice with a degree of deputy chair of court of cassation or its equivalent , he is chosen by the ministry of justice , it has a board that includes a chairman and four members assigned according to law, as to the remaining members of the unit they are appointed according to presidential decrees.

The unit receives notices from financial institutions on process that may include money laundering , then the unit investigates that notices and report the results to the Attorney General .

4. Countries membership in entities concerned with fighting corruption and money laundering:

The SAIs that confirmed their membership in entities concerned with fighting corruption and money laundering counted to 45 SAIs (83.3%).

On the level of INTOSAI regional working groups , the ARABOSAI , ASOSAI , CAROSAI and OLACEFS confirmed their countries membership in the concerned entities .

The EUROSAI responses stated that 21 SAIs from 23 SAIs (who responded) have a membership in a concerned entity.

Analyzing the responses on the level of regional working groups we can deduct the following:

Regional Working Group	Rate %
AFROSAI	1.8
ARABOSAI	14.8
ASOSAI	5.6
EUROSAI	38.9
CAROSAI	3.7
OLACEFS	13
PASAI	1.8
USA & Canada	3.7

5. Country Assessment through the FATF or IMF or any entity concerned with fighting terrorism financing:

The mechanism developed by the FATF in 2009 to analyze and evaluate countries stance to determine high risk countries and to evaluate the soundness money laundering and terrorism financing fighting systems . this assessment should be done as follows:

- Any system for fighting money laundering and terrorism financing shall be assessed every 5 years whether from the FATF , an international financial institution (IMF or the world bank) or any regional entity concerned with this matter.
- Any assessment entity shall use a unified methodology through assessing the country compliance with FATF 40 recommendations , FATF 9 recommendations to fight terrorism financing.
- According to this methodology , the country compliance with every recommendation can be determined , for each Recommendation there are five possible levels of compliance: compliant, largely compliant, partially compliant, non-compliant and non applicable.

The responses that reached the WG Secretariat showed that the total number of countries that undergo international assessment are 42 country (77.8 %).

Analyzing the responses on the level of regional working groups we can deduct the following:

Regional working group	Rate %
AFROSAI	1.8
ARABOSAI	13
ASOSAI	5.6
EUROSAI	37.1
CAROSAI	3.7
OLACEFS	11.1
PASAI	1.8
USA & Canada	3.7

6. Government Entities in charge of Fighting Corruption and Money Laundering:

In fact the responses we received showed similar rates for both the entities fighting corruption or money laundering , 51 SAIs (94.4%) mentioned that their countries have concerned entities and institutions.

Concerning other governmental entities that are involved in fighting corruption and money laundering , 39 SAIs (72.2%) confirmed that there are other entities involved in fighting corruption while 35 SAIs (64.8%) confirmed that there are other entities involved in fighting money laundering.

In this respect , the WG Secretariat believes that it is suitable to collect those entitles in an electronic file , this file shall be attached to this report to give the opportunity to acknowledge the organizational structures of various countries in relation to fighting corruption and money laundering.

Analyzing the responses on the level of regional working groups we can deduct the following:

Concerning entities fighting Corruption :

Regional Working Group	Rate %
AFROSAI	1.8
ARABOSAI	9.3
ASOSAI	5.6
EUROSAI	40.7
CAROSAI	1.8
OLACEFS	9.3
PASAI	1.8
USA	1.8

Concerning entities fighting Money Laundering :

Regional Working Group	Rate %
AFROSAI	0
ARABOSAI	13
ASOSAI	5.6
EUROSAI	33.8
CAROSAI	0
OLACEFS	9.3

PASAI	1.8
USA	1.8

7. UN Convention Against Corruption

United Nations Convention against Corruption signed in 2003 and entered into force in 2005 aimed at fighting corruption with all its aspects . In fact corruption has a wide range of corrosive effects on societies , negative impacts on sustainable development and law sovereignty . the convention also aimed at finding a complete and comprehensive methodology to prevent and fight corruption effectively beside providing technical support that may lead to support abilities , build capacities and enhance countries abilities in preventing and fighting corruption.

Reviewing the responses that reached the WG Secretariat concerning the adoption of UN convention against corruption , we shall notice that 48 SAIs stated that their countries adopt UN convention with the rate (88.9%) , this percentage was distributed on INTOSAI regional working groups as follows:

Regional Working Group	Rate %
AFROSAI	1.8
ARABOSAI	18.5
ASOSAI	7.4
EUROSAI	38.9
CAROSAI	1.8
OLACEFS	14.8
PASAI	1.8
USA & Canada	3.7

8. Concerning the existence of laws regarding financial conflicts of interest for public officials and/or an ethics code for public officials :

The total responses that reached the WG Secretariat for those 2 questions (questions no.10 and no.11) , were 49 SAIs (90.7%) and 46 SAIs (85.2%) respectively .

Analyzing the responses on the level of regional working groups we can deduct the following:

Concerning the existence of laws regarding financial conflicts of interest for public officials:

Regional Working Group	Rate %
AFROSAI	1.8
ARABOSAI	14.8
ASOSAI	5.6
EUROSAI	42.6
CAROSAI	3.7
OLACEFS	14.8
PASAI	3.7
USA & Canada	3.7

Concerning the existence of laws of ethics code for public officials :

Regional Working Group	Rate %
AFROSAI	1.8
ARABOSAI	14.8
ASOSAI	5.6
EUROSAI	40.7
CAROSAI	3.7
OLACEFS	9.3
PASAI	5.6
USA & Canada	3.7

Section 2:

Concerning the roles and responsibilities of SAIs in fighting money laundering and the SAIs entrusted authorities to conduct audits related to corruption and money laundering in general , the responses that reached the WG Secretariat showed the following:

Through deducting the responses of the SAIs we observed that the majority enjoy this authority . the responses that confirmed the existence of the authority to audit corruption counted 41 SAIs out of 54 with a rate (75.9%) while 30 SAIs have the authority of auditing money laundering with a rate (55.5%) .

On the working group levels the percentages are as follows:

Regional Working group	Corruption	Money laundering
	Rate %	Rate %
AFROSAI	1.8	1.8
ARABOSAI	18.5	14.8
ASOSAI	3.7	1.8
EUROSAI	27.8	22.2
CAROSAI	0	0
OLACEFS	14.8	7.4
PASAI	5.6	3.7
USA & Canada	3.7	3.7

The SAIs that have the authority to audit the following areas (mentioned in the questionnaire) are as follows:

Area under audit	No. of SAIs
Procurement/contracting	50
Tax administration	45
Public Entities giving licensing	44
Government financial institutions	47
Other	25

1. Concerning the Authority entrusted to SAIs to Audit Public Financial Institutions:

The responses that reached the WG Secretariat confirmed having that authority counted to 38 SAIs with a rate (70.3%).

On the Working Group Levels the percentages are as follows:

Regional working group	Rate %
AFROSAI	1.8
ARABOSAI	18.5
ASOSAI	7.4
EUROSAI	25.9
CAROSAI	0
OLACEFS	11.1
PASAI	5.6
USA & Canada	0

2. Concerning the entities that are subject to SAIs audit , they are as follows:

Area under audit	No. of SAIs
Banks	32
Insurance Companies	20
Money Market Institutions	13
Other entities	12

3. Concerning SAIs responsibilities for auditing government bodies that work in fighting corruption and money laundering:

The responses that reached the WG Secretariat confirmed having the authority to audit governmental bodies to fight corruption counted to 44 SAIs with a rate (81.5%) and to fight money laundering counted to 40 SAIs with a rate (74.1%)

On the Working Group Levels the percentages are as follows:

Regional Working group	Corruption	Money laundering
	Rate %	Rate %
AFROSAI	1.8	1.8
ARABOSAI	16.7	13
ASOSAI	7.4	7.4
EUROSAI	35.2	33.3
CAROSAI	0	0
OLACEFS	11.1	11.1
PASAI	5.6	3.7
USA & Canada	3.7	3.7

However, the responses affirmed that most SAIs don't have the authority to impose sanctions by itself against corruption and money laundering cases (question no. 7) , in fact 42 SAIs with a rate (77.8%) confirmed that matter.

On the Working Group Levels the percentages are as follows:

Regional Working group	No. of responses (yes)	No. of responses (No)	Rate % Of countries replied (No)
AFROSAI	0	0	0
ARABOSAI	1	8	14.8
ASOSAI	0	4	7.4
EUROSAI	2	19	35.2
CAROSAI	0	2	3.7
OLACEFS	3	4	7.4
PASAI	0	3	5.6
USA & Canada	0	2	3.7

Third : SAIs training requirements in the field of fighting corruption and money laundering:

The working group concern with specialized training in the field of fighting corruption and money laundering came out from the belief that it supports auditors efficiency and effectiveness upon auditing and developing reports .

The most important results that the WG questionnaire reached concerning the third section related to training requirements are as follows:

1. **Concerning the existence of specialized staff who perform audits related to corruption or money laundering :**

The total SAIs that confirmed the existence of such specialized staff to perform audits related to corruption and money laundering counted to 18 SAIs out of 54 SAIs with a rate (33.3%) while the SAIs that denied the existence of such specialized staff counted to 33 SAIs with a rate (61.1%).

On the Working Group Levels the percentages were as follows:

Regional Working group	No. of responses (yes)	Rate %	No. of responses(No)	Rate %
AFROSAI	0	0	1	1.8
ARABOSAI	3	5.6	7	13
ASOSAI	1	1.8	3	5.6
EUROSAI	7	13	15	27.8
CAROSAI	0	0	2	3.7
OLACEFS	5	9.3	2	3.7
PASAI	0	0	3	5.6
USA & Canada	2	3.7	0	0

2. **Concerning the availability of specialized training against corruption or money laundering auditing :**

The total responses that confirmed the existence of such specialized training against corruption and money laundering counted to 18 SAIs with a rate (33.3%) , while the SAIs the denied the existence of such specialized training were 34 SAIs with a rate (63%).

On the Working Group Levels the percentages were as follows :

Regional Working group	No. of responses (yes)	Rate %	No. of responses(No)	Rate %
AFROSAI	2	3.7	0	0
ARABOSAI	3	5.6	5	9.3
ASOSAI	1	1.8	3	5.6
EUROSAI	7	13	16	29.6
CAROSAI	0	0	2	3.7
OLACEFS	4	7.4	4	7.4
PASAI	0	0	3	5.6
USA	0	0	1	1.8
Canada	1	1.8	0	0

3. Concerning the possibility of these training courses to other INTOSAI member SAIs :

The responses that reached the WG Secretariat concerning the availability of these specialized training courses to other INTOSAI SAIs auditors were as follows:

The total number of responses that denied the availability of these training courses to others were 23 SAIs with a rate (42.6 %) of the total responses , while 14 SAIs didn't reply on this question with a rate (25.9%)

17 SAIs with a rate (31.5%) confirmed the availability of these training courses to others .

That rate is distributed on the regional working groups as follows:

Regional Working group	Rate %
AFROSAI	1.8
ARABOSAI	5.6
ASOSAI	1.8
EUROSAI	14.8
CAROSAI	0
OLACEFS	5.6
PASAI	1.8
USA & Canada	0

4. Concerning the usage of other specialized training entities to train auditors against corruption and money laundering audits :

19 SAIs confirmed that they use other specialized training entities to train their auditors against corruption and money laundering with a rate (35.2%) of total responses , while 34 SAIs stated that they don't use any other specialized training entity to train their auditors with a rate (63 %) of total responses.

The percentage of the SAIs (33 SAIs) denying using other specialized training entities to train their auditors are distributed on the regional working groups as follows:

Regional Working group	Rate %
AFROSAI	3.7
ARABOSAI	11.1
ASOSAI	3.7
EUROSAI	27.8
CAROSAI	1.8
OLACEFS	7.4
PASAI	5.6
USA	0
Canada	1.8

While the SAI of USA confirmed using other specialized training entities to train their auditors with a rate (1.8 %)

5. Concerning the staff need for specialized training from external training entity :

The total number of responses that confirmed the staff need for specialized training from external training entity , were 31 SAIs with a rate (57.4%) of the total responses , while 18 SAIs stated that they don't need to training their auditors externally with a rate (33.3%)

The percentage of the SAIs that confirmed the staff need for specialized training from external training entity are distributed on the regional working groups as follows:

Regional Working group	Rate %
AFROSAI	3.7
ARABOSAI	14.8
ASOSAI	3.7
EUROSAI	18.5
CAROSAI	3.7
OLACEFS	9.3
PASAI	3.7
USA	0
Canada	0

The responses of the SAIs stated various areas of training , the most required subjects were as follows:

- Fighting corruption methodologies.
- Corruption prevention and detection.
- Integrity
- Money Laundering.
- Risks Management.
- Fraud & Burglary .