

INTERNAL AUDITING ON AML/CFT ISSUES

Private Sector Presentation

on

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Presented by:

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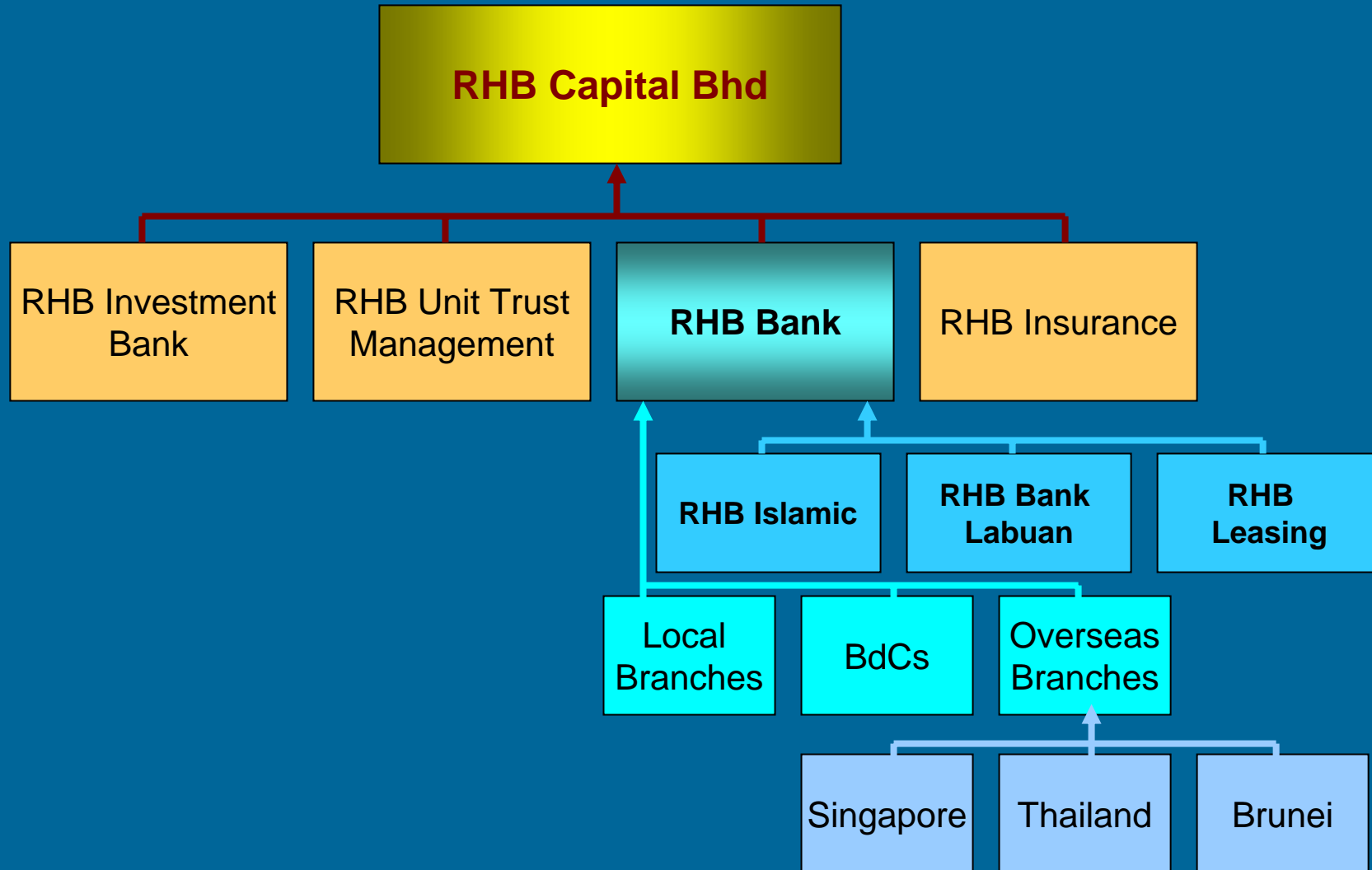
For:

**SEACEN-WB Regional Advanced
Workshop for Banking Supervisors
on AML/CFT, KL**

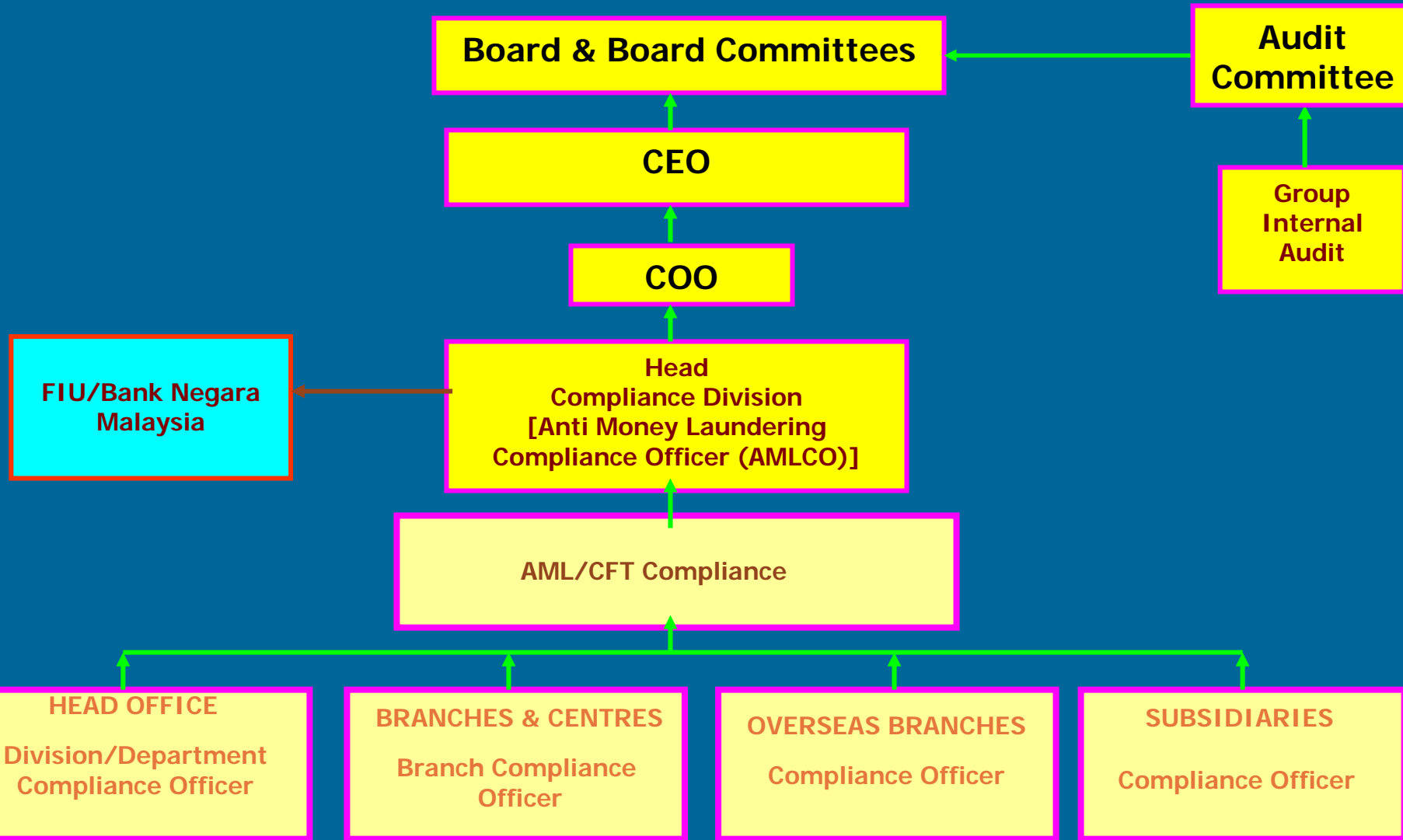
Agenda:

- Introduction
- RHB Bank Structure
- AML/CFT Reporting Structure
- AML/CFT Framework
- AML/CFT Compliance Flow for Liabilities Products
- AML/CFT Compliance Flow for Asset Products
- Internal Audit – Scope in General
- Auditing Methods on AML/CFT Issues
- Conclusion

RHB Bank Structure



AML/CFT Reporting Structure

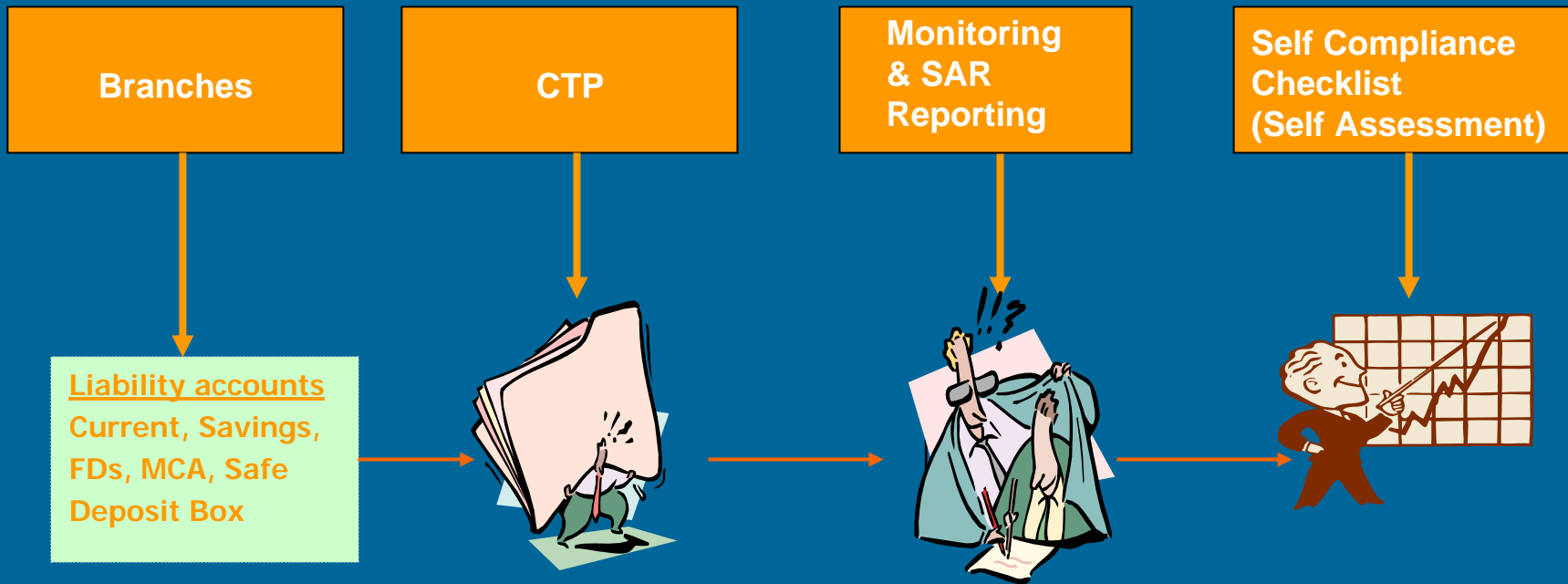


AML/CFT Framework

- RHB Bank, Overseas Branches & Subsidiaries



AML/CFT – Compliance Flow for Liabilities Products

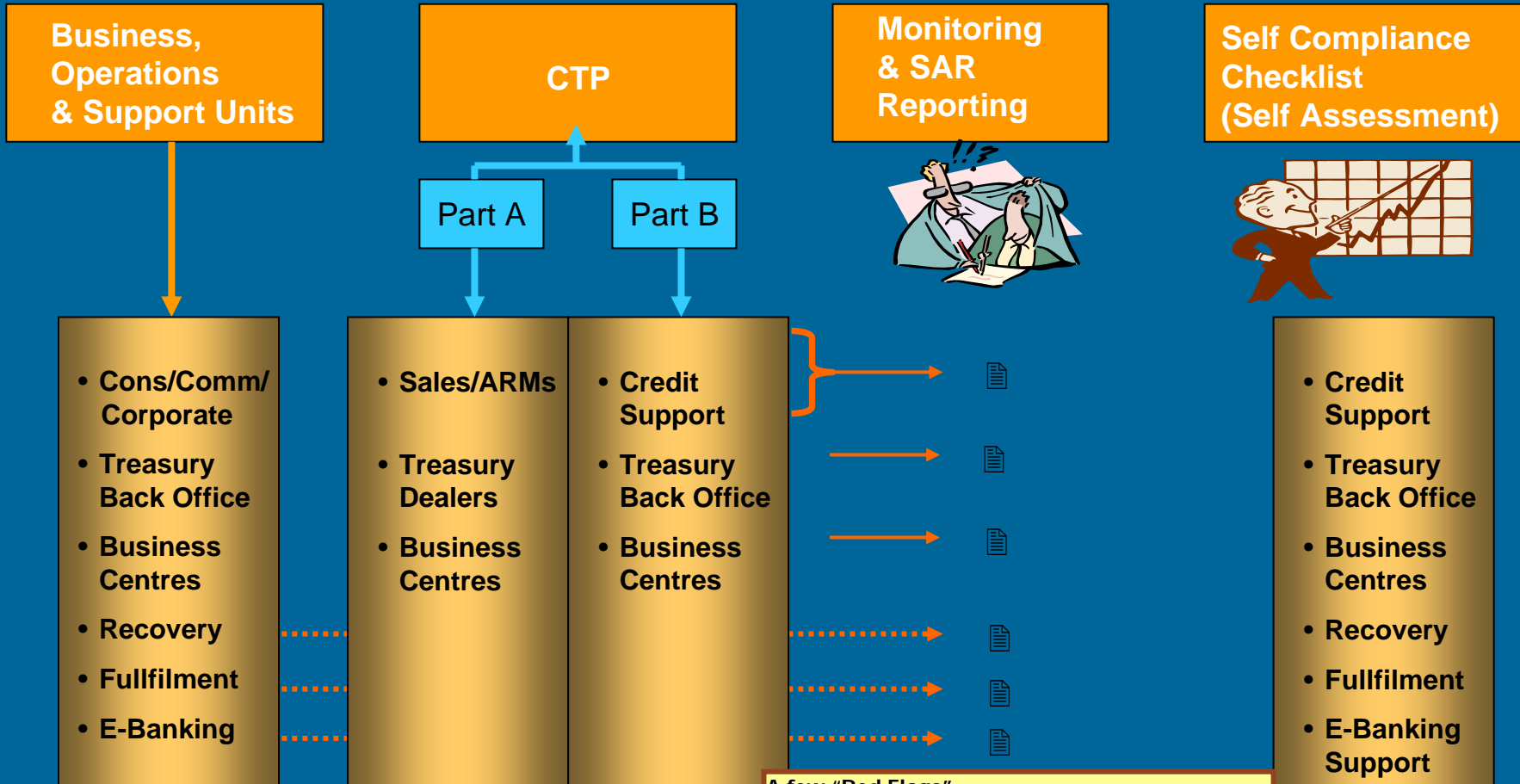


Note:

CTP – Customer Transaction Profile

SAR – Suspicious Activity Report

AML/CFT – Compliance Flow for Asset Products



A few "Red Flags"

- Customer suddenly pays a large problem loan with no reasonable explanation
- Unexpected redemption / repetitive payment of housing / personal loan (more than the installment / early settlement)
- Accounts where deposits/withdrawals are primarily in cash rather than cheques

Internal Audit

- Scope in General

- Evaluate adequacy and effectiveness of the internal controls
- Evaluate compliance with all laws, statutory guidelines and regulatory requirements
- Establish whether accounting records, regulatory & management reports and business transactions are complete, reliable and accurate
- Determine the level of compliance with the organisation's policies and procedures



Internal Auditing on AML/CFT Issues

Audit on AML/CFT risk focuses on the following:-

- Board & Management oversight
- Policy, procedures & internal controls
 - Customer identification and Customer Due Diligence
 - Ongoing monitoring of accounts and transactions
 - Record-keeping and reporting of suspicious transactions
 - Compliance with new requirements
- Human Resource & staff training
- Management Information System
- Continuous testing

Board & Management Oversight

- Continuous update is made on latest development of AML/CFT
- Statistics on Suspicious Transaction Report (STR) are submitted
- Modus operandi is described
- Issues/weakness on the AML/CFT Framework is highlighted
- Product risk assessment is conducted and updated
- Audit findings are reported to the board of directors and/or a designated committee
- Audit deficiencies and corrective actions are taken



Policy, Procedures & Internal Controls

Assess customer identification and Customer Due Diligence has been carried out through random testing:-

- New relationships are established after proper identification and KYC
- Evaluate the risk assessment (country/geography, business, product and transaction) is performed
- KYC forms completed at the point of account opening and duly signed by Officer-In-Charge & Supervisor
- Customers/transactions checked for AML/CFT Blacklisting and Greylist
- Customers are properly risk scored
- Records are kept as per bank's policy



Policy, Procedures & Internal Controls

Test the effectiveness of internal controls on the ongoing monitoring of accounts and transactions

- Procedures are adhered to based on random testing
- Errors or omissions are checked to identify whether intentional or unintentional
- Segregation of duties is practiced (playing the designated role)
- Monitoring of daily reports, reviewing transactions for suspicion and justifications recorded
- Proper escalation and reporting is practiced

Policy, Procedures & Internal Controls

Record-keeping and reporting of suspicious transactions:-

- An assessment of the overall process for identifying and reporting suspicious activity including a review of SARs to determine their accuracy and timeliness
- Evaluate the process in which the information is captured, recorded and protected
- Determine control procedures over the record keeping and reporting are adequate
- Timely responses to enforcement agencies request

Continuous Testing

- Existence of Self Assessment (SA)
- Frequency of SA
- Validation of the Self Compliance Checklist (self assessment) have been properly completed and the responses given represents true picture

Continuous Testing

Random review of risk assessment for changes in risk profiles is conducted for the following:-

- New products and services (e-banking, trade, investment accounts etc)
- Adequacy and effectiveness of new internal controls
- Evaluate processes are in place to comply with latest requirements

Human Resource & Training

- Review HR screening process addresses AML/CFT risk
- Review of staff training attendance registers at the branches / business units for attendances by the mandatory category
- Ensure half yearly refresher training is conducted based on the bank's Quick Reference Guide
- Review policies and procedures on managing staff violating and collaborating with launderers

Management Information System

- Evaluate adequacy of reports to monitor transactions
- Set threshold is reasonable to represent bank's transactions
- Adequacy of audit trails and archival system
- Review bank's effort in meeting new requirements e.g. automation

Conclusion

- Internal Audit's review should assist in ensuring the bank's efforts on AML/CFT meets the AML/ATF Act
- Internal Audit must act to provide independent view to Board and Senior Management on the adequacy and applicability of AML/CFT Framework
- Internal Audit should be able to identify weaknesses in implementation and recommend corrective measures

In RHB Bank, compliance with AML/CFT is everyone's KPI in their Balance Score Card .

Thus, everyone must ensure effective AML/CFT implementation.

**THANK
YOU**

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