



ANTI MONEY LAUNDERING REVIEW REPORT 31 DECEMBER 2021

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1. BACKGROUND

The Authority is identified as a supervisory authority under Schedule II of the Financial Intelligence (FI) Act, 2019. The Authority's responsibilities are specified under section 44 of the Financial Intelligence Act (FI Act), 2019. These include, among others, regulating and supervising a specified party or accountable institutions for compliance with the FI Act, 2019, including through on-site examinations. The Authority, is therefore responsible for regulating all the Certified Audit Firms registered with BAOA as per the Financial Reporting Act, 2010.

Anti-Money Laundering (AML) Reviews are performed in accordance with the FI Act, 2019. All deviations from the FI Act 2019 were noted as findings and all AML findings are considered to be High Risk. Audit Firms are required to address all the exceptions identified during the reviews within a month following the AML reviews. Failure to address exceptions within this period results in penalties in accordance with the provisions of the FI Act, 2019.

This report discusses hereunder the results of the AML reviews undertaken by the Authority in 2021 and highlights areas that were identified as not compliant to the FI Act, 2019. The Authority believes that this report will serve as a valuable tool for all Audit Firms in strengthening their AML functions and in complying with the requirements of the FI Act, 2019.

The AML reviews follow the same review process as Audit Practice Reviews. The Technical Department makes conclusions and recommendations to the Audit Practice Review Committee, which in turn reviews these and makes its recommendations and conclusions to the Board. The Board then makes the final conclusions and recommendations on the AML reviews. This can either be a sanction or a follow up after a month following the review.

2. ANTI-MONEY LAUNDERING REVIEWS UNDERTAKEN IN 2021

2.1 Overview

All first time AML reviews continue to show significant non-compliance with the FI Act, 2019. The re-reviews, however, have shown a significant improvement on remedying the deficiencies that were previously noted as most of the findings had been addressed at the time of re-reviews.

As indicated in the table below, in 2020, a total of 23 findings were noted across the four firms reviewed. Upon re-reviews of these firms, all findings had been addressed with the exception of an improvement area on one finding. In 2021, 19 findings were noted across the four firms that were reviewed. The re-reviews on the four firms would be performed in 2022.

YEAR	Number of Firms Reviewed	Number of Findings	
		First Review	Follow Up Review
2021	4	19	1
2020	4	23	TBP

Key:

TBP - A follow up review on the four firms is yet **To Be Performed**

2.1 Summary of Findings Noted

A number of significant deficiencies as summarised below were noted:

- a) *Independent audit functions* responsible for the AML monitoring were not established. As a result, there were no monitoring reviews performed to examine and evaluate the effectiveness of policies, procedures and controls as required by FI Act, 2019 section 12(d).
- b) *Compliance Officers* were not formally appointed, in the form of an appointment letter detailing out their roles and responsibilities as required by the FI Act, 2019 section 12(1a).
- c) *Retention period* for AML records were not in line with FI Act, 2019 section 28 as most firms had 5 to 7 years as their AML records retention period instead of 20 years.
- d) *Enhanced Due Diligence* was not performed on PIPs including high-risk clients as required by FI Act 2019, Sections 17 & 18.
- e) *No policies and procedures on screening of Prominent Influential Persons (PIP)* as it was not clear in the engagement files as to how the Firm identified whether the Entity/customer was a prominent influential person or not.
- f) *Terminology used was not in line with FI Act, 2019:* Firm's AML manuals and templates made reference to Politically Exposed Persons (PEPs) instead of Prominent Influential Persons (PIPs) as per the FI Act, 2019.
- g) *Risk Assessments* performed by Firms were considered to be insufficient as they did not cover all the customer risk categories that the firms had and did not define the minimum risk categories as required by FI Act, 2019.
- h) *Training on AML/CFTP* was not conducted for some employees as required by FI Act 2019, Section 13 (4)(c) or the training conducted did not cover all the relevant areas as per the Act.

- i) *Training programs:* Some Firms did not maintain any on-going AML training program with regard to the specified party's obligations under this Act as required by FI Act 2019, Section 12 (1).
- j) *AML policies and procedures* developed by Firms were considered to be either inadequate or too generic and not specific to FI Act, 2019 requirements.

3. CONCLUSION

The Authority continually engages with Firms through publishing reports on significant deficiencies noted annually in the Authority's website. Firms are, therefore, all encouraged to follow through these reports and make appropriate improvements to ensure compliance. Close out meetings are also held with the Firms' leadership and Compliance Officers where all the deficiencies noted and the specific FI, Act, 2019 requirements informing the deficiency are discussed. All AML reviews are risk based, the Authority would, therefore, continue to monitor compliance with the requirements of the FI, Act, 2019.

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