



I AM DUE AN AML INDEPENDENT REVIEW - 10 QUICK TIPS



Under Australia's AML/CTF laws, reporting entities must engage in an independent review of Part A of its AML/CTF Program (**Program**) at regular intervals.

An 'independent review' is precisely that: an impartial assessment of a large portion of your Program to make sure:

- you are addressing your money laundering and terrorism financing risks;
- complying with your legal obligations; and
- that your Program is 'working'.

Higher-risk entities should conduct reviews more frequently (e.g. annually) while lower-risk entities might conduct them every 2-3 years. From next year, it will need to be at a minimum, once every three years¹. If you are not sure whether you are a higher risk entity (or in a high-risk industry), consider the details included by AUSTRAC in its National Risk Assessments for [money laundering](#) and [terrorism financing](#).

¹ [Summary of AML/CTF obligations for tranche 2 entities | AUSTRAC](#)

Independent?

When you are looking at engaging someone to conduct this impartial assessment, it is important **they are independent of the build of your Program** (you don't want someone marking their own homework!).

It is important that your reviewer understands your business and your ML/TF risks. They should also be appropriately qualified.

Tip 1: When looking at possible reviewers, ask them if they have conducted Independent Reviews in respect of other companies in your industry. This will be a good guide that they will have a read on the challenges / risks you might be facing. Also query their professional certifications, technical knowledge of AML systems, and understanding of emerging ML/TF typologies.

The reviewer can be someone within your organisation, or someone external to it.

Tip 2: If you select someone 'internal' to conduct your review, ensure that the individual has had no involvement in any part of developing the Program, including assessing your money laundering/terrorism financing risk and developing controls. Would you know if they had? Can you comfortably stand behind their independence?

If the reviewer is external, have they conducted the review before? If so, how many times?

Tip 3: Whilst an external party may still meet the 'independence' test, if they have conducted your review over successive cycles, consider whether they are able to still bring fresh eyes. If you are not sure, look to engage a new reviewer.

There are many independent reviewers that will be capable of conducting your Independent Review, and who will have the requisite skills, knowledge and expertise to do so. When engaging with independent reviewers, you should ask them to confirm their independence in writing.

Tip 4: Engage with others in your industry - who has done it well?

AUSTRAC has put out helpful guidance about questions you can ask when engaging an AML/CTF consultant and/or independent review firm - [Engaging AML/CTF advisers | AUSTRAC](#). Advisors will expect you to put these questions to them, and you should!

What to expect from an Independent Reviewer

AUSTRAC provides very useful guidance on the methodology that should be applied by an independent reviewer when conducting their review. Ultimately, it will turn on your organisation's

Context: your size, scale and complexity.

AUSTRAC has highlighted the following areas that the Independent Review might consider:

- whether Part A of your AML/CTF program is current and properly assesses that your policies and procedures are adequate to manage your money laundering/terrorism financing risks;
- the assumptions on which the ML/TF risk assessment was based;
- any changes to your money laundering/terrorism financing risk profile;
- any changes to your AML/CTF practices and policies;
- how well your employees understand and comply with your program;
- how well the business responded to previous recommendations;
- post implementation reviews of how effective changes to Part A of your program were;
- what caused any deficiencies or violations found – and your plans to rectify them;
- whether your AML/CTF employee training program is adequate and effective;
- how you responded to previous recommendations;
- whether your compliance officer has enough seniority and authority;
- how well your transaction monitoring systems are working in identifying suspicious matters;
- whether functions you outsourced are complying with Part A of your program; and
- how well your branches and subsidiaries (including those overseas) have implemented Part A of your program².

You might also consider having your Independent Reviewer look at Part B of your Program, particularly given its focus on customer due diligence.

Tip 5: Adopting an Independent Review Procedure can be very useful. This procedure document can set out how you select your reviewer, how you get comfort as to the reviewer's independence and the scope of the Independent Review. This procedure can also then be helpful in managing your internal teams, and the expectations upon them, throughout the review process.

² [Independent reviews | AUSTRAC](#)

What you should expect from your independent reviewer is that they will likely seek to do four things:



Step 1, the **Documentation Review Step** will include the inspection of:

- your Group Structure (and which entities are ‘reporting entities’ for the purposes of Australia’s AML laws);
- your Program;
- your Risk Assessment;
- your AML/CTF policies and procedures (including documents on how you file your Annual Compliance Report; how you conduct ongoing customer due diligence / enhanced customer due diligence and transaction monitoring; how you escalate, investigate and report suspicious matters; how you meet your other reporting obligations to AUSTRAC; how you address AUSTRAC feedback; how and to whom you provide training and its details; details on record management and more);
- details on reporting lines, Board visibility and your accountability framework; and
- if you have a group, information sharing practices and resource allocation.

Tip 6: In advance of your Independent Reviewer commencing their work, ensure that you compile all of your current documents into a review folder ready for their consideration. If you are not sure exactly what they require, ask the reviewer to provide you with a document list in advance. Doing this preparatory work will save you a considerable amount of time later.

Step 2, the **Interview Step** will likely include the AMLCO and senior representatives from:

- your Board / Senior Management;
- your Operations team(s);
- your People Team(s);
- your IT Team(s); and
- your Risk and Compliance Team(s).

This step may involve walkthroughs of relevant processes to understand (and evidence) the operationalisation of the AML/CTF Program.

Tip 7: Identify and engage with these executives / senior leaders early to take them through the scope and purpose of the Independent Review and the nature of these interviews.

Step 3, the **Sample Testing Step** will involve your Independent Reviewer performing testing of relevant AML/CTF activities. This will include testing of employee files, procedure compliance and transactions.

Sample sizes will be selected based on consideration of the ML/TF risks and the outcome of system and process walkthroughs performed.

You should anticipate that the Independent Reviewer will want to sample test:

- ML/TF risk awareness training registers;
- employee records to ensure that the EDD Program is followed;
- records indicating appropriate governance (Board minutes / resolutions, Committee minutes / resolutions);
- enrolment details, and engagement, with AUSTRAC;
- TMP alerts, ECDD and investigation cases; and
- AUSTRAC reporting.

Tip 8: Ensure that you understand how the Independent Reviewer will seek to conduct this sample testing, and make sure that you have the samples and the staff available to facilitate this assessment expeditiously.

The final step, Step 4, involves **Visiting your branches, venues or where your Program is implemented with your customers**. This may, or may not, form part of Step 3.

Tip 9: Ensure that you make available your front line staff to the Independent Reviewer if requested, and that appropriate management is available when they visit.

What output should I expect from the Independent Reviewer?

The Independent Reviewer will issue you with a Report, in writing. This Report will include **findings** and **recommendations**. It should also show what was tested, how the tests were done, the sample sizes used in the tests, as well as any limitations of the review and the confidence levels of their findings.

Once this Report is received, it should be provided to the Board and Senior Management.

Tip 10: Speak with your Independent Reviewer about the format and detail in their Report. If you want the Independent Reviewer to deliver their findings and recommendations directly to your Board / Senior Management, ask them to do so.

What should I do once I've received my Report?

It is likely that your Report will have various findings and recommendations. Once it has been provided to your Board and Senior Management (as applicable), we recommend:

- creating a table of findings and recommendations, with a column outlining management's response and a column on estimated time to completion;
- where required, prepare action plans attributing owners to address the recommendations; and
- track progress, report at an agreed and regular cadence to your Board, and once finalised, report to your Board and Senior Management that you have done so.

The Report, its findings and its action items should not be looked at in isolation - consider how these results fit within your broader risk, compliance and assurance frameworks, the interplay with your internal audit activities and how the findings feed into the risk assessment cycle for your business.

CONCLUSION

Independent Reviews are a crucial component of Australia's AML/CTF regime, providing assurance that reporting entities maintain effective controls against money laundering and terrorism financing risks. The effectiveness of these reviews depends on their thoroughness, independence, and your commitment to implementing recommendations.

By implementing a robust independent review framework, you can demonstrate your commitment to combating money laundering and terrorism financing, contributing to the integrity of Australia's financial system and the global fight against financial crime.

LCA is available to conduct Independent Reviews (where we are independent!) If you need help, please contact us.



20B Armstrong Street Middle
Park, Victoria 3206

0421 671 571

contact@laneconsultingandadvisory.com

<https://laneconsultingadvisory.com>



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