Independent audit

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PSN02 requires an independent audit function to assess the adequacy and effectiveness of the AML/CFT programme regularly.[1] The PSA separately requires licensees to appoint an auditor and, for major payment institutions, to submit an annual auditor's report that covers compliance with the AML/CFT notices as well as the financial statements and the safeguarding of customer assets.[2] Small firms without an internal-audit department satisfy the first requirement through an external reviewer engaged for the purpose, which MAS accepts provided the reviewer is independent of the compliance function and reports to the board.

The audit should test the controls themselves and should go beyond confirming that policies exist. MAS has repeatedly found that firms' audits confirmed the existence of documents without testing the substance. The untested questions were whether onboarding files were complete, whether alerts were cleared with reasons, whether screening was performed on every list update and whether travel-rule messages were actually sent. The standard is an audit programme that samples transactions end-to-end, from onboarding through screening, monitoring, travel rule and record-keeping, and reports exceptions with root causes. The firm should track

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remediation of audit findings in a register that the board reviews. An unremediated audit finding that an inspector then discovers is the most damaging outcome possible.

Notes

1. MAS Notice PSN02, para. 16, requirement for an independent audit function adequately resourced and independent to regularly assess the effectiveness of AML/CFT policies, procedures and controls. ↩
2. Payment Services Act 2019, s. 37 (appointment of auditors and auditor's report), read with the Payment Services Regulations 2019 on the content of the annual audit report, including the auditor's assessment of compliance with the AML/CFT notice. ↩

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