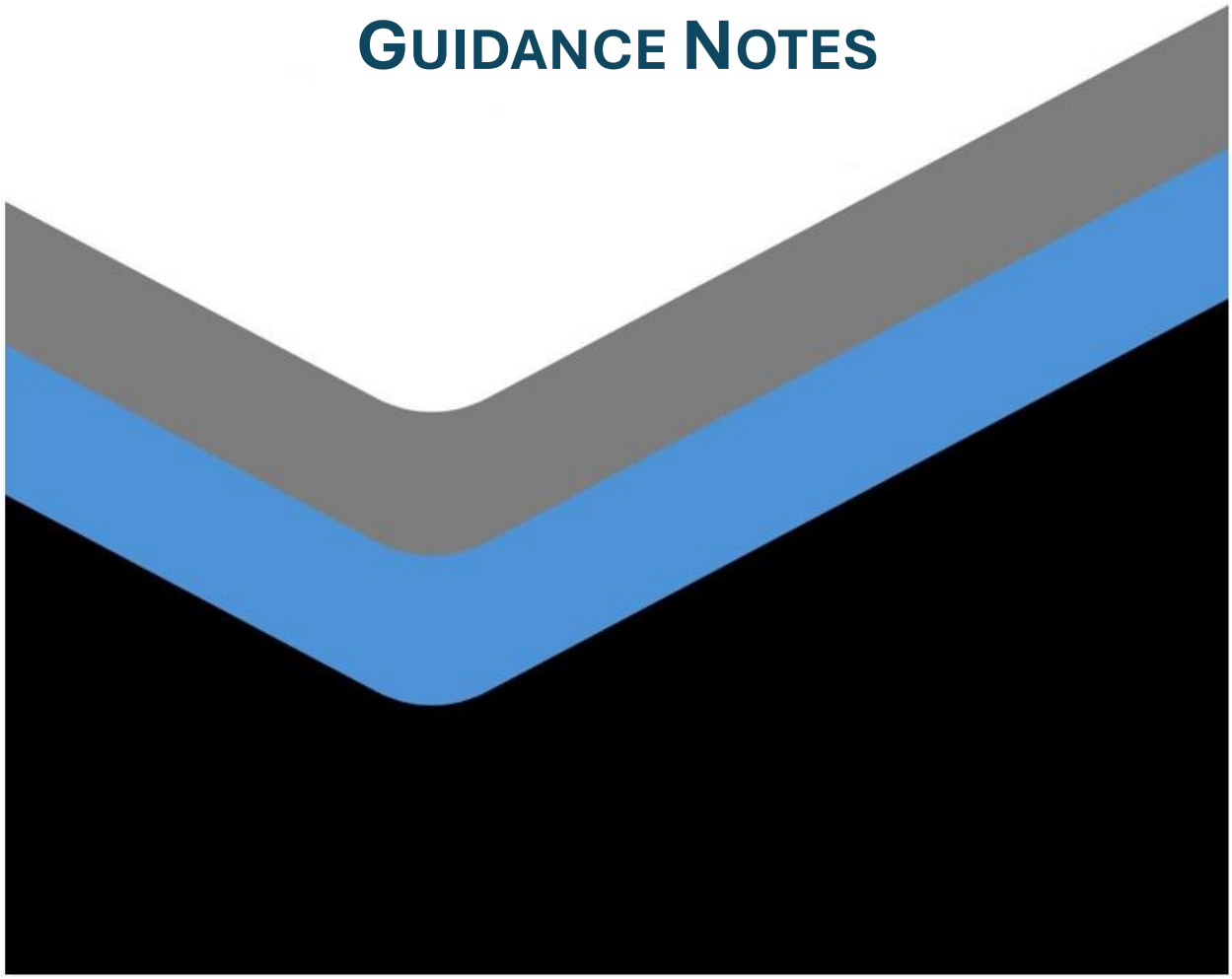
AML/CFT/CPF Independent Audit

Guidance Notes



AML/CFT/CPF INDEPENDENT AUDIT

GUIDANCE NOTES

31 DECEMBER 2025

ISSUED BY:
THE GROUP OF SUPERVISORS

DISCLAIMER

These AML/CFT/CPF Independent Audit Guidance Notes are not intended to be a substitute for legal advice in particular circumstances of individual cases.

VERSION HISTORY	
DECEMBER 2025	ORIGINAL VERSION

Contents

ACRONYMS

Acronym	Full Form
AML	Anti-Money Laundering
CFT	Countering the Financing of Terrorism
CPF	Countering Proliferation Financing
FATF	Financial Action Task Force
FI	Financial Institution
ML	Money Laundering
MLCO	Money Laundering Compliance Officer
MLTPA	Money Laundering and Terrorism (Prevention) Act
PF	Proliferation Financing
TF	Terrorist Financing

INTRODUCTION

Objective

1. This Guidance Note (guidance) is designed to assist reporting entities to:

   i. Understand the Anti-Money Laundering/Countering the Financing of Terrorism/Countering Proliferation Financing (AML/CFT/CPF) Audit ("audit") requirements of the Money Laundering and Terrorism (Prevention) Act (MLTPA).
   ii. Provide a framework for the role and responsibilities of internal and external auditors conducting an independent audit to evaluate the effectiveness of a reporting entity's AML/CFT/CPF risk management function and internal controls.

Scope

2. This guidance applies to reporting entities and their internal and external auditors tasked with conducting and documenting an independent and objective evaluation of the robustness of the reporting entities' AML/CFT/CPF framework, and the reliability, integrity and completeness of the design and effectiveness of the AML/CFT/CPF risk management function and AML/CFT/CPF internal controls framework.

Obligation

3. Reporting entities are required by section 18(1)(c) of the MLTPA, to establish and maintain an adequately resourced and independent audit function to be conducted by a qualified independent third party or if conducted internally, by persons independent of any compliance function in the reporting entity. Where applicable, reporting entities are required by section 19A(c) of the MLTPA, to implement group-wide policies and procedures including provision for audit of customer transactions and account information from branches and subsidiaries when necessary for AML/CFT/CPF purposes.

4. This aligns with Financial Action Task Force (FATF) Recommendation 18, which emphasizes the importance of having effective internal controls and independent audits to ensure compliance with AML/CFT obligations.

5. Reporting entities are thereby obliged to evaluate their AML/CFT/CPF program and to ascertain whether the established policies and procedures, systems and controls are effective and adapted to the business of the reporting entities and the ML/TF/PF risks identified.

DISCLAIMER

6. This guidance is issued by GOS to assist reporting entities to understand their audit obligations. This guidance is not intended to be a substitute for legal advice in particular circumstances of individual cases.

AML/CFT/CPF INDEPENDENT AUDIT

7. Each supervised entity is unique and as such, a "one-size fit all" approach cannot be adopted when conducting an AML/CFT/CPF independent audit. The audit is a special assessment of whether the provisions of the applicable laws, rules and regulations, various orders and instructions issued by competent authorities[1] are being complied with. It is an evaluation of the existing risk assessment and AML/CFT/CPF framework of the reporting entity through file testing, transaction testing and the testing of live application of policies and procedures.

8. In essence, the independent audit of the risk assessment and AML/CFT/CPF program is also geared towards assessing the adequacy and effectiveness of its implementation. It is an opportunity for a reporting entity to obtain another view of how well the AML/CFT/CPF program is designed and functions. The audit function operates independently from the routine operations of the reporting entity, including ongoing AML/CFT/CPF activities, and provides an unbiased opinion on the entity's AML/CFT/CPF efforts.

9. Additionally, AML audits will evaluate and improve an entity's internal control, policies, and procedures to ensure compliance with AML/CFT/CPF requirements to identify and mitigate risk.

10. An AML independent audit generally includes:

    i. Review of the reporting entity's AML/CFT/CPF compliance program manual;
    ii. Review of the reporting entity's institutional risk or enterprise-wide risk assessment;
    iii. Testing of the reporting entity's AML/CFT/CPF Policy and Procedures; and
    iv. Review of past audit reports to assess the efficacy of recommended implemented changes.

11. The following should **not** form a part of the AML/CFT/CPF audit:

[1] Section 2 – "Competent Authority" (e) - an authority that has AML/CFT/CPF supervisory or monitoring responsibilities aimed at ensuring compliance by reporting entities with AML/CFT/CPF requirements.

i. Review of financial statements or a prudential assessment; and
ii. Review of details of suspicious transaction reports submitted to the Financial Intelligence Unit[2].

12. After the review and testing phase is completed, the auditor must prepare an audit report detailing an overview of the reporting entity's AML program, the findings of the review of the reporting entity's policies and procedures, assessment of the effectiveness of internal controls, and recommendations for improvement. The audit report should be based on the reporting entity's unique business situation. Consequently, the content of the independent audit report should not be copied by an auditor from another entity's audit report.

13. While the MLTPA does not explicitly state the frequency at which AML/CFT/CPF audits must be conducted, the requirement is framed as an ongoing obligation under a risk-based approach. Consequently, the audit must be conducted at a frequency consistent with the supervised entity's nature, size, complexity, and risk profile.[3]

14. As a best practice, high-risk reporting entities should conduct an AML/CFT/CPF audit every 12 – 18 months and lower-risk reporting entities should conduct an AML/CFT/CPF audit every -2 - 3 years. The AML/CFT/CPF audit should be conducted more frequently based on any identified weaknesses in AML/CFT/CPF policies, procedures, internal controls, where the reporting entity's assessment of risks have significantly evolved or as required by Supervisory Authorities.

INDEPENDENT AML/CFT/CPF AUDIT FUNCTION

Who Should Carry Out the Independent Audit?

15. An independent AML/CFT/CPF audit may be conducted either by an internal auditor who is not involved in the day-to-day AML/CFT operations or an external audit professional or firm.

[2] Section 17 (11) of the MLTPA states that any person (directors, officers, employees, owners, or other representatives as authorized by law) of a supervised entity "shall not disclose to another person, other than court, supervisory authority or other person authorized by law, any information or other matter in relation to the report.

[3] FATF Recommendations (2012), ¶ 2: "By adopting a risk-based approach… measures … are proportionate to the risks identified… FATF Recommendations 2012.pdf.coredownload.inline.pdf

Internal Audit

16. The internal audit function generally consists of an in-house department staffed with people who possess the requisite knowledge, skillset and qualifications to competently test the accuracy, efficiency and adequacy of the entity's AML/CFT/CPF controls and systems. This internal audit function is required to be separate from all other departments and ought not be involved in the entity's AML/CFT/CPF risk assessment or establishing, implementing, or maintaining the entity's AML/CFT/CPF compliance program.

17. Internal auditors report to the board of directors or the risk and audit committee, thereby maintaining independence from the entity's management structure, enabling free and objective reporting. The internal auditor will be responsible for the execution of AML independent audits; providing subject matter expertise and oversight for AML independent audits, regulatory compliance audits and other audit activities as assigned. The position requires an extensive knowledge of AML laws and regulations and a background in controls or audit best practices.

External Audit

18. In cases where an external audit professional or firm has been appointed to conduct an AML/CFT/CPF audit, the reporting entity must demonstrate that the external auditor is adequately independent from the reporting entity and that there is no conflict of interest. The reporting entity must conduct due diligence on the person or firm to ascertain that the selected auditor has the necessary skills, experience, and qualifications to competently review the supervised entity's AML/CFT/CPF policies, procedures and controls. Such expertise and proficiency may be evidenced by continuing training, and professional education or certification focused on AML/CFT/CPF.

19. The criteria considered by the reporting entity when assessing the independence and relevant experience of the external auditor to perform the audit should be properly documented and be made available to the respective Supervisory Authority upon request.

Qualifications of an AML/CFT/CPF Independent Auditor

20. The role of an independent AML/CFT/CPF Auditor (Auditor) demands specialized qualifications, expertise, and competencies to ensure the audit process is thorough, accurate, and aligned with applicable regulatory standards.

21. Auditors should hold relevant professional education or certification and demonstrate experience in AML/CFT/CPF, supported by a strong understanding of national legal frameworks and FATF requirements. Additionally, auditors must have sector-specific experience in conducting independent AML/CFT/CPF audits and be well-versed in best practices applicable to the supervised industry.

22. The qualifications, experience, and professional standing required to effectively perform independent testing of a supervised entity's AML/CFT/CPF compliance program include the following:

Qualifications

23. At minimum, the Auditor:

    i. Must have a minimum of a bachelor's degree in accounting, finance, business administration, management or other relevant fields from a recognized tertiary level institution.
    ii. Must have AML/CFT/CPF certification[4] from a recognized local or international educational institution or organization.
    iii. Must possess a sound knowledge in the AML/CFT/CPF laws and regulations in Belize, FATF Recommendations and other AML/CFT/CPF international standards and best practices.

Experience

24. At minimum, the Auditor:
    i. Must have audit experience or knowledge of audit processes and relevant knowledge of AML/CFT/CPF best practices within the supervised sector(s) being audited.
    ii. Must have experience or knowledge in any one of the following areas: internal audit, quality assurance, risk management, compliance, external audit, or internal controls.

Reputation

25. The Auditor:

[4] AML/CFT/CPF certification for the purpose of this guidance means successful completion of a course in AML/CFT/CPF that includes testing to obtain the certification and requires continuous professional development to maintain the certification.

i. Must possess the highest level of integrity and competence, which should be verified through references and background checks.
ii. Must not have been convicted of a criminal offense primarily for offenses relating to ML, TF, PF, fraud, dishonesty or other financial crimes.
iii. Must not have been the subject of any adverse findings or settlement in civil proceedings related to financial misconduct or integrity concerns.
iv. Must not at the time of conducting an audit be the subject of any disciplinary action relating to dishonesty, lack of integrity, negligence, fraud, incompetence, or mismanagement by a regulator, trade or professional body.
v. Must not have been the subject of any adverse findings or settlement in civil proceedings related to financial misconduct or integrity concerns.
vi. Must not have been dismissed or asked to resign from employment or from a position of a similar nature because of issues relating to dishonesty, lack of integrity negligence, fraud, incompetence, or mismanagement.

Fit and Proper Criteria for an Independent AML Auditor

26. To be considered fit and proper, an auditor must possess financial soundness, competence, and capability in line with established criteria. The auditor must be independent, demonstrating freedom from any obligation or interest in the client, management, or owners that may impair objectivity. Financially, the auditor must be sound and responsible, with no personal financial circumstances that could compromise professional or ethical judgment. Importantly, the auditor must not be involved in the development of the entity's risk assessment or the creation, implementation, or maintenance of its AML/CFT/CPF compliance program, as such involvement may present a conflict of interest.

27. In terms of competence and reputation, the independent auditor must clearly understand their role and responsibilities, exhibit diligence, sound judgment, and professional competence, all of which should be supported by references and background checks. A reputable auditor must uphold the highest standards of integrity, honesty, confidentiality, and fairness, and must be able to demonstrate a strong capacity to carry out their responsibilities effectively and impartially.

Independence of an AML/CFT/CPF Auditor

28. The following criteria are to be met by the Auditor:

i. The auditor must not be involved in the development of the reporting entity's risk assessment or the creation, implementation or maintenance of the AML/CFT program.
ii. The auditor must not have financial interest in the reporting entity's business and likewise the reporting entity must not have financial interest in the auditor's business.
iii. The auditor must not have any relationship with any shareholder, director, senior management and or employees eg. family members, friends and ex-colleagues etc.
iv. Provide a fair and unbiased assessment.
v. Be able to objectively test effectiveness, identify deficiencies, and recommend appropriate measures for improvement of the reporting entity's AML/CFT/CPF system.

Responsibilities of an AML/CFT/CPF Auditor

29. The auditor is responsible for the following tasks:

i. Develop the Audit Plan that correlates with the Risk Assessment of the organization.
ii. Carry out the planning and execution of the AML audits within the context of the organization.
iii. Review the reporting entity's AML/CFT/CPF compliance program which should include but not be limited to the following areas:
    - Review of Corporate Governance Policies
    - Review of Customer Due Diligence Procedure
    - Sample testing of transactions and the adequacy of transaction monitoring systems considering the reporting entity's ML/TF/PF risk exposure
    - Review of suspicious transaction monitoring and reporting process
    - Evaluation of adequacy of AML training program
    - Review of record-keeping systems
    - Review of pre-employment screening process
    - Evaluation of automated monitoring systems and management information systems.

iv. Follow-up and perform validation of remediation activities to ensure control issues are effectively resolved.

v. Staying abreast of laws, rules and regulations impacting financial institutions and reporting entities to ensure the regulatory risks are properly identified and mitigated within the business lines and ensuring that the changes are incorporated into the independent assessment process.
vi. Report audit findings and make recommendations for correcting unsatisfactory conditions and improving operations to the Board of Directors.
vii. Maintain an effective working relationship with the reporting entity.
viii. Perform special reviews or projects based on audit findings, if necessary.

30. To perform this job successfully, an individual must be able to perform/participate in audits in the organizational and functional areas of the reporting entity.

Responsibilities of the Reporting Entity

31. As part of maintaining compliance with AML/CFT/CPF obligations, reporting entities have specific responsibilities in preparing for and supporting the independent audit process:

1) Ensure Audit Integrity and Originality

i. Avoid actions that may obstruct or delay the auditor's work, as this may lead to unnecessary delays and additional costs.

ii. Ensure that the audit reflects your unique business model and risk exposure. The audit report must not be a copy or adaptation of another entity's report.

2) Prepare for the Audit

i. Cooperate fully with the auditor by providing requested information that enables a clear understanding of your operations and risk environment.

ii. The supervised entity should appoint a person of contact for the auditor to liaise with during the audit period.

iii. Designate an area within the office for the auditor to review documents.

iv. Engage in early discussions to define the scope of the audit and agree on key deliverables and timelines.

3) Define the Audit Engagement

i. Enter into a written **engagement letter** with the auditor confirming:

- What information is required, when it will be provided, how it will be shared, and who is responsible for providing it.
- The audit timeline: when the review will begin, expected completion date, and who will conduct the review.
- Reporting milestones: who will draft the report, when the draft will be shared (e.g., within 10 working days of review completion), your review/comment period (e.g., 10 working days), and when the final report will be issued.

ii. Both you and your auditor must sign the engagement letter. This may be requested by your supervisory authority as part of oversight or quality assurance.

4) Acknowledge Your Compliance Responsibility

i. Provide a written acknowledgment of your responsibility for compliance with AML/CFT/CPF obligations.

ii. Ensure and confirm that all relevant information and access have been provided to the auditor and that any known non-compliance has been disclosed.

5) Facilitate Access and Disclosure

i. Be prepared to provide:

- Documents related to your AML/CFT/CPF risk assessment and compliance programme.
- Access to relevant staff and senior management.
- Access to customer files, identification records, transactions, and system outputs.
- Disclosure of all known compliance deficiencies or weaknesses.
- Results of your own internal reviews and monitoring efforts.

6) Maintain Confidentiality of Suspicious Transaction Reports

i. Under no circumstances should information contained in Suspicious Transaction Reports be shared with the auditor, in accordance with legal confidentiality provisions.

ANNEX

AML/CFT/CPF Independent Audit Report

The results of the independent audit should be reported directly to the board of directors or in the absence of a board to senior management and the supervised entity's governing body for timely action and should include the following:

i. A summary on the depth of testing conducted;
ii. Findings of all agreed areas in the scope;
iii. Recommendations to senior management and governing body; and
iv. Management's responses and action plan for addressing deficiencies identified.

A copy of the audit report must be retained electronically for review by the supervisory authority.

Although legislation does not prescribe a fixed format for AML/CFT/CPF audit reports, it is expected that a high level of professionalism will be maintained. The following suggested elements represent best practices and provide a useful guide for reporting entities and auditors when structuring their audit reports:

1. Report Title
    a. The report should be clearly titled "Independent AML/CFT/CPF Audit" and must include the full legal name of the reporting entity audited. Where multiple entities are covered, each should be identified.

2. Audit Coverage Period
    a. Specify the timeframe the audit pertains to (e.g., "Audit Period: July 2023 – June 2024").

3. Auditor Information
    a. Include the auditor's full name, reporting entity address, and any relevant contact details.

4. Entity Profile
    a. Summarize the nature of the reporting entity and explain the reasons it falls under AML/CFT/CPF obligations. Describe the reporting entity's products, services, operational model, and governance structure to reflect the auditor's understanding of the reporting entity.

5. AML/CFT Programme Background
    a. State when the AML/CFT programme was first formalized and implemented. Mention any revisions or updates made since its inception.

6. Auditor's Qualifications and Experience
    a. Provide a brief summary of the auditor's credentials and professional background, confirming their competence to conduct the audit.

7. Independence Statement
    a. Confirm that the auditor has maintained independence throughout the engagement. Disclose any other services the auditor may have provided to the reporting entity, if applicable.

8. Scope and Nature of Audit
    a. Outline the scope of the audit, what aspects were included or excluded, and whether a limited or reasonable assurance audit was conducted. Clearly explain the methodology used, including sample sizes where applicable.

9. Assessment Criteria
    a. Indicate the standards, legal provisions, or guidelines against which the reporting entity was evaluated, ensuring that the audit addresses core regulatory expectations.

10. Management Responsibilities
    a. Clarify the responsibilities of the reporting entity's management in maintaining an effective AML/CFT/CPF compliance framework.

11. Auditor Responsibilities
    a. Define the duties of the auditor in conducting an objective and independent evaluation of the reporting entity's AML/CFT/CPF program.

12. Audit Methodology and Work Performed
    a. Detail the approach taken by the auditor, including:
        i. The legal and regulatory benchmarks used for evaluation.
        ii. How the auditor assessed the risk assessment and compliance program.
        iii. Key findings, areas of strength, and gaps or deficiencies identified.

The report should categorize each area as either compliant or non-compliant, avoiding ambiguous labels like “partially compliant” unless the issue is minor and isolated.

1. Reference Materials
    a. List any laws, standards, guidelines, or codes of practice referenced during the audit, which may assist the entity with post-audit remediation.

2. Executive Summary
    a. Summarize the key findings, outline the methodology used for rating risks, and estimate how long it may take to address deficiencies.

3. Audit Opinion or Conclusion
    a. State whether the entity is broadly compliant with AML/CFT/CPF obligations. Include identified breaches, if any, and outline required remedial actions, prioritizing the most critical items for corrective response.

Note: Auditors should base their opinion only on the information available or disclosed during the audit. Absolute compliance cannot be confirmed.

4. Auditor’s Signature and Completion Date
    a. Include the auditor’s signature and the date of report issuance, which formally indicates audit completion.

5. Detailed Findings Appendix
    a. Attach a table or summary presenting the specific areas reviewed, observations made, and recommended corrective measures. This serves as a reference point for tracking remediation and planning future audits.

6. Management Response Section
    a. The entity may at its discretion include written responses within the report, addressing material findings, outlining corrective actions, and proposing timelines for resolution.