



## Implementation of Internal Control Systems to Combat Money Laundering and Financing of Terrorism – An Applied Exploratory Study to the Angolan Financial Sector

Carlos Pinho<sup>1</sup>

### ABSTRACT

The Angolan financial system is observing several regulatory changes that are being adopted by local banks at a considerable speed in the last years. Considering the pressured context in which such changes are being internalized, this study is intended to ascertain the level of implementation and the way that control systems are being adopted by the Angolan financial institutions, in order to prevent and combat money laundering and financing of terrorism. A survey was submitted to the banking institutions that operate in the Angolan financial sector with the purpose of understanding to what extent prevention controls and mechanisms for money laundering and financing of terrorism have been implemented, and identify the main difficulties that banking institutions are facing on the adoption of such controls and mechanisms. Using a descriptive analysis, the results show that the banking institutions consider to have implemented control systems that are capable of mitigating the risk of money laundering and financing of terrorism. The results also show that, although there are formal and concrete policies in place, the Angolan banking institutions possess deficient control tools in terms of information systems and data management and lack adequate staff training which potentially threatens the effectiveness of the controls that have been implemented.

**Keywords:** Auditing, banks, internal control, risk management.

**JEL Codes:** E58, G21, G32, M42.

**Available Online:** 5<sup>th</sup> August, 2015.

This is an open access article under [Creative Commons Attribution 4.0 License](https://creativecommons.org/licenses/by/4.0/), 2015.

### 1.0 INTRODUCTION

The complex and rapid changes that have taken place in the international arena mean that businesses and organizations should invest largely on management tools and methodologies that promote their competitiveness. Particularly, the economic situation in Angola is a result of significant structural and

---

<sup>1</sup> Professor, UAb, Integrated member of CAPP Investigation Center (University of Lisbon), CPA and Member of the Regulatory Board of Auditing in Portugal. Email: carlos.pinho@uab.pt

contextual changes from which derive complex problems such as the change of attitude of managers and processes, and the implementation of tools that allow for an anticipated and desirable transition into a market economy that is properly regulated.

These issues are particularly relevant in the Angolan financial sector in the exact same proportion to the fundamental role that it has played in the economic growth experienced by the country and in the light of the very significant volume of international transactions that it secures. According to [Joaquim \(2015\)](#), an appropriate economic control mechanism provides greater security to investors and to other traders by ensuring that the resources owned by the financial institutions are properly utilised.

The current economic situation in Angola, which has moved beyond exclusive dependency on oil, is still based on the strong influence of the informal market that is characterised by high flows and mobility of monetary funds derived from the informal sector into the financial system. In fact, the Angolan banking system is characterised by the continuous mobility of capital and financial flows generated by both the formal and informal sectors of the economy, which constitutes an imminent risk factor as the source of the funds and financial flows, in some cases, are derived from criminal activities. Such reality has led the banks to review their control systems in order to test and assess potentially risky transactions.

In the face of these challenges, several policies and procedures have been introduced by the regulators for monitoring and controlling capital and assets that are introduced in the Angolan financial system. As a consequence, Angolan financial institutions have quickly been establishing several internal controls methodologies and procedures, in accordance with the guidelines issued by the national supervision body, the National Bank of Angola (BNA) and other international agencies, such as the Financial Action Task Force (FATF). These preventive measures include the adoption and implementation of adequate tools and control processes.

As such regulatory changes are being adopted in a very quick and pressured context, the relevance of this study is to evaluate the level of implementation of such methodologies and how they are being effectively used. Also the objective of this study is to obtain evidence about the challenges or limitations that banking institutions face when implementing such internal control methodologies in order to ascertain what aspects should be improved in order to maximize the organizational effectiveness of those methods. Therefore, the study carried out was focused on 5 main issues: (i) level of implementation of preventive policies; (ii) formalisation of such policies; (iii) methodology based on risk adoption; (iv) dissemination of preventive policies, and (v) level of computerisation of the prevention tools.

In order to obtain evidence about these research questions, a descriptive analysis based on a questionnaire composed by 18 questions was carried out. The questionnaire was posted to all the Angolan banking institutions, of which 75% responded.

## 2.0 INTERNAL CONTROL

In order to conduct their business activities, regardless of size, all companies must implement more or less extensive, complex or formal control systems that enable them to achieve the organizations' objectives. Such systems should be improved according to size and complexity of their activities. [Neves \(2010\)](#), states that compliance with the organization's objectives includes the adoption of control mechanisms that are capable of ensuring that their actions are directed to compliance with the plans.

[Hickmann \(2010\)](#) and [Atkinson et al. \(2000\)](#) emphasise this idea by stressing that this control is aimed at business maintenance, i.e., its continuity. For this to happen, it is necessary to implement monitoring and control procedures that minimize exposure to unfavourable events that affect their performance. Similarly, the use of control as a performance mechanism is mentioned by [Arens et al. \(2000\)](#), who considers control as an essential process for reaching the company's objectives.

Based on this reasoning, [Gertz et al. \(2013\)](#) and [Morais and Martins \(2013\)](#), argue that control is one of

the four management principles that consists of procedures that have been adopted and exercised by the relevant bodies of a given institution, in order to improve risk management and enhance the potential for reaching the objectives recommended by the organization.

More specifically, internal control comprises of a plan for organized and coordinated methodologies and procedures which have been adopted by an organization to ensure the safeguarding of assets, the adequacy and reliability of financial report data, the operational efficiency and the adherence, at the various levels of the organization, to the policies set out by the management body. In terms of internal control, the Committee of Sponsoring Organizations of the Treadway Commission (COSO) defines internal control as a process carried out by the management body to provide a degree of reasonable confidence to achieving the following objectives:

- Effectiveness and efficiency of resources;
- Information reliability;
- Compliance with the established legislation and regulations.

Whereas the [Institute of Internal Auditors \(2009\)](#) states that internal control objectives are intended to secure the:

- (i) Trust and integrity of financial and transactional information;
- (ii) Efficiency of transactions in order to achieve established objectives;
- (iii) Safeguarding of assets;
- (iv) Compliance with legislation, regulations and contracts;

[Attie \(2006\)](#) adds that internal control comprises of all means that have been planned by an organization in order to address, restrict, govern and attribute their various activities for the enforcement of their organizational objectives. Whereas according to [Boynton et al. \(2002\)](#) in agreement with the other authors, emphasizes that internal control is a process operated by the management body and decentralized to other people, that has been designed to provide reasonable assurance for the achievement of objectives. In this respect, [Ratcliffe and Landes \(2009\)](#) add that internal control is, first and foremost, a process and a mean to specific objectives and not an end in itself. First and foremost, it is the employees of an organization who embody these controls and not just manuals of policies and regulations in use.

According to [Joaquim \(2015\)](#), internal control and risk management systems play a key role in financial institutions in terms of business continuity and, likewise, contribute to the reliability and soundness of the financial system. According to COSO, the concept of internal control is based on a hierarchical philosophy of objectives-risks-controls, namely:

- Achievement of objectives
- Minimization of related risks
- Adoption of control policies.

Several authors emphasize the importance of creating the overall objectives of internal control and its importance to the applicability of procedures and practices which jointly enable the achievement of a certain objective, such as specified by [Hickmann \(2010\)](#); [Morais and Martins \(2013\)](#); [Pinheiro \(2010\)](#) and [Attie \(2006\)](#). These authors add that internal control is comprised of the organization's plan and all methods and measures adopted by an entity.

The COSO framework is based on five components of internal control that are considered to be a means for entities to achieve pre-established objectives by interrelating to them, according to [Morais and Martins \(2013\)](#). The components for each objectives category are:

#### 1. Control Environment:

According to [Vieira \(2009\)](#), the control environment establishes the tone for the organization by influencing control awareness among its personnel. It represents the foundation of the other components by disciplining and structuring them.

2. Risk Assessment:

According to [Costa \(2014\)](#), a risk assessment has to do with the process of identifying and addressing risks to business and their respective effects. For financial reporting purposes, the process of determining risks to the entity includes the way in which management identifies relevant risks when preparing financial reports that reflect a true and adequate picture that is in agreement with the reporting framework applicable to the entity.

3. Control Activities:

According to [Boynton et al. \(2002\)](#), these are policies and procedures that help to ensure that the governing body's guidelines are actually being followed by promoting the adoption of targeted measures against the risk of the entity's objectives not being met;

4. Information and Communication:

[Costa \(2014\)](#) emphasizes that the International Standard on Auditing 315 (ISA 315<sup>2</sup>) points out that an information system consists of infrastructure (physical hardware components), software, personnel, procedures and data, as well as the way in which they are managed and disseminated;

5. Monitoring Activities:

[Vieira \(2009\)](#) defines it as the systemic monitoring of internal controls with the purpose of reducing, as much as possible, discrepancies relating to the results;

According to COSO, each of the five components has a direct relationship with the three key objectives of an internal control system and are linked together, creating synergies and forming an integrated system, and dynamically responding to any changes to the organization's environment.

At this stage it is important to stress that there is growing concern for the financial institutions to update and adapt their control systems in line with the international procedures. In 2006, the National Bank of Angola (BNA) produced a regulation package for monitoring the activities of the financial institutions in which it mentions the internal control components proposed by COSO. In this context, notice no. n<sup>o</sup> 02/139 de 19 de Abril<sup>3</sup> has been published in order to regulate the obligation to creating internal control systems in the financial institutions, following the principles set out by COSO.

The institutions of the Angolan financial system should, in this context, have control systems in place that meet the minimum requirements set out by COSO, which must include, particularly, the definition of the organization's structure, and the appropriate methods and procedures for the achievement of the defined objectives, as highlighted by [Joaquim \(2015\)](#).

### 3.0 MONEY LAUNDERING AND THE FINANCING OF TERRORISM

In general, money laundering is defined with basis on the established definition by most countries, as well as by the United Nations Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances (the Vienna Convention – 1988), and by the United Nations Convention against Transnational Organised Crime (Palermo Convention – 2000) which, according to [Schott \(2004\)](#), it means the conversion or transfer of property, knowing that such property is derived from any drug trafficking offence or offences or from an act of participation in such offence or offences for the purposes of concealing or disguising the illicit origin of the property or of assisting any person who is involved in commission of such an offence or offences to evade the legal consequences of his actions.

---

<sup>2</sup> ISA 315 (Revised), Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment

<sup>3</sup> Published on the Diário da República (The republic's gazette), 1st series, no. 73 of 19 April 2013 –a Notice that regulates the Obligation to Establish Internal Control System in the Financial Institutions. No. 1/98 has revoked the instruction.

Schott (2004) adds that the purpose of money laundering is to ensure the concealment or disguise of the true nature, source, location, disposition, movement or rights with respect to, or ownership of property, knowing that such property is derived from a criminal offence or offences, or from an act of participation in such an offence or offences. Also in this context, FATF<sup>4</sup> defines money laundering as the usage and processing of criminal proceeds to disguise their illegal origin in order to legitimise gains resulting from criminal activities. In short, it is a process to conceal properties, capital or proceeds in order to ultimately give them a legitimate appearance.

The criminalisation of terrorist actions has come into greater prominence after the attacks of 9 11 attacks of 2001. According to Schott (2004) the Organization of the United Nations (UN) previously had various international measures to counter terrorism, as well as the mechanisms utilised to finance them. In 1999, UN established the international convention for the suppression of the financing of terrorism, in that, the convention stipulated that any person by any means, directly or indirectly, unlawfully and wilfully, provides or collects funds with the intention that they should be used, or in the knowledge that they are to be used, in full or in part, in order to carry out an act which constitutes an offence within the scope of and as defined in one of the treaties, or any other act intended to cause death or serious bodily injury to a civilian, or to any other person not taking an active part in the hostilities in a situation of armed conflict, when the purpose of such act, by its nature or context, is to intimidate a population, or to compel a government or an international organization to do or to abstain from doing any act Schott (2004).

In terms of the Angolan internal legislation, pursuant to Law no. 34/1119<sup>5</sup>, financing of terrorism is understood as all concerted actions that seek to prejudice a national integrity and independence, prevent, alter or subvert the operations of the State institutions, force the public authority to commit, to refrain from committing or tolerate the practice of an act, or intimidate certain people, groups of people or the general population through crime against life, physical integrity or freedom of people, acts against the safety of transportation, communication, intentional acts of common danger, through fire, explosion, release of radioactive substances or toxic or asphyxiating gases that destroy or preclude the use or diverge from their normal purposes, public service facilities or facilities that involve the use of nuclear power, firearms, biological or chemical weapons explosive substances or devices, incendiary means of any kind, parcels or letter bombs.

Hotca et al. (2006) underlines that the techniques utilised to launder money are essentially the same as the ones utilised to conceal the origins and purposes of the financing of terrorism. The funds utilised to support terrorism may have originated from legitimate sources, or criminal activities, or both. Therefore, according to Favarel-Garrigues et al. (2011) and Hotca et al. (2006), combating the financing of terrorism, first and foremost, includes the creation of effective anti-money laundering systems, which ensures that institutions are not used, directly or indirectly, to finance or support terrorism. According to Fabre (2005) and Argawal et al. (2006) available studies show that money laundering amounts to US\$ 2.5 trillion – which means about 5–6% of the World GDP.

The effects of these activities are evident across the various activity sectors. On the one hand, in terms of financial institutions, because they operate in the most targeted sector by criminal organizations to carry out money laundering transactions and these institutions have significant capital mobility and undertake complex transactions. It is for this reason that agents utilise the financial sector to conceal illicit funds with the funds that are daily handled by the financial institutions. Equally, it is also affected the capital market which encompasses, among other things, venture capital investment enterprises, investment advice companies, companies that trade goods or services linked to investments in tangible goods. The insurance industry is also influenced by this type of transactions given that the contracting of capital redemption transactions and pension funds can be made by any persons or company.

<sup>4</sup> 18 International Body that defines the normative standards for anti-money laundering initiatives. Available at: <http://www.fatf-gafi.org/>

<sup>5</sup> Published on the *Diário da República* (the republic's gazette), 1st series, no. 238 of 12 December 2011. - Law on Prevention and Combating Money Laundering and the Financing of Terrorism.

Furthermore, it is common for money laundering to interact with the real estate sector given that in some countries this business activity is not regulated in relation to matters associated with actions to combat money laundering and the financing of terrorism. Through purchase and sale transactions of properties, and false property speculation, this sector is a viable option for traders as they may act with great degree of freedom, without being monitored and detected. Equally very relevant to this matter is the gaming and lottery industry as criminals are able to manipulate prizes involving volume of bets of significant amounts. In extreme situations agents acknowledge losing part of their resources because the objective is simply to turn illicit funds into lawful funds. Finally the tax havens, in that some countries have liberal and secretive legislations on the application and mobility of funds, making them the prime targets of money launderers, as well as of the financiers of terrorism.

In this context, it becomes clear that it is imperative to create or adopt effective systems to combat money laundering and financing of terrorism as to promote low levels of crime and corruption, greater stability to financial institutions and markets, positive impacts on economic development, better risk management practices by the financial institutions and greater market integrity in the broadest sense, thus promoting an image of credibility for the country internationally.

#### 4.0 THE ANGOLAN FINANCIAL SECTOR

Actually, a total of 23 credit institutions conduct banking activities in Angola – 3 (three) are state-owned banks, 12 (twelve) are privately owned banks, 7 (seven) are subsidiaries of privately owned banks and 1 (one) a jointly owned bank, representing a total of over 1000 agencies.

Banco de Poupança e Crédito (BPC), Banco de Comércio e Indústria (BCI) and Banco de Desenvolvimento de Angola, BDA are state-owned banks and the remainders are privately-owned.

Despite being an explicit objective of the financial sector, which resulted in a duplication of the number of branches between 2009 and 2012, and its decentralization, the current level of banking activities still stands at 23%, according to a recent study<sup>6</sup>. Despite the increased branch network and its decentralization, it is important to highlight that the level of bank concentration is still significant, according to the same study, in that only five banks control over 75% of the total assets, credit and deposits. The "Big Five" as they are known, consist of the following banks: BAI, BPC, BESA, BIC and BFA.

It is also important to highlight that, despite of the strong economic growth and subsequently the increased income *per capita* in recent years, provision of credits is still around 20% of the GDP and represents between 55% and 60% of the total amount of deposits.

The factors contributing to the rapid growth of the Angolan banking system, according to the study, may be based on the following four pillars:

- a. The new exchange-rate regime to the oil companies, whose estimated financial flows are around 20 to 30 billion US dollars;
- b. The consolidation of the banking sector;
- c. This growth is due to the expansion of the network beyond Luanda which accounts for approximately 55% of the total number of branches.
- d. The initiative to the process of promoting banking services and financial inclusion as a strategic priority by the executive team.

Whereas Angola has approved the Resolution no. 19/9926 of 30 July<sup>7</sup>, Resolution no. 21/1027 of 22 June<sup>8</sup>

---

<sup>6</sup> KPMG Angola (2013), Analysis of the Angolan Banking Sector

<sup>7</sup> Published on the Diário da República (the republic's gazette), 1st series, no. 31 of 30 September 1999 – United Nations Convention against illicit traffic in narcotic drugs and psychotropic substances.

<sup>8</sup> Published on the Diário da República (the republic's gazette), 1st series, no. 115 of 22 June 2010 – United Nations Convention against Organized Crime.

and Resolution no. 38/1028, of 17 December <sup>9</sup> which ratify the United Nations conventions against illicit trafficking of narcotic drugs and psychotropic substances, organized crime and the suppression of the financing of terrorism, respectively, the Law no. 34/201129 <sup>10</sup> on combating money laundering and the financing of terrorism has been approved and published for ensuring territorial security and the security of the Angolan financial system. The Law on enforcement, prevention and combat of money laundering and the financing of terrorism has been set up to strengthen territorial security, protect the financial system and maintain it in compliance with the international standards, with the introduction of preventive and sanctioning measures.

**Table 1: Banking Sector in Angola**

Rank	Bank	Total Assets	Credit Granted	Deposits	Revenue Net	No. of branches
1	BAI	10784	1973	8507	180	112
2	BESA	10514	7100	2891	74	41
3	BFA	7944	1427	6972	220	167
4	BPC	7864	4219	6063	141	265
5	BIC	6931	2356	5487	168	184
6	BPA	2342	1216	852	50	26
7	BMA	1832	680	1174	51	85
8	BCGTA	1582	548	1176	59	26
9	BS	1397	365	252	25	97
10	BNI	1214	651	905	34	50
11	BCI	866	398	619	2	n/a
12	SBA	647	99	543	-10	15
13	BRK	646	257	534	7	32
14	BCA	383	44	310	10	23
15	FINIBANC	299	104	202	11	12
16	BANC	146	36	96	3	16
17	VTB AFRICA	118	41	67	15	n/a
18	VALOR	73	22	65	-12	3
19	BCH	33	4	18	0	3
20	BAI MF	n/a	n/a	n/a	n/a	n/a
21	BDA	n/a	n/a	n/a	n/a	n/a
22	KWANZA	n/a	n/a	n/a	n/a	n/a
23	BPD	n/a	n/a	n/a	n/a	n/a

Source: Banco Nacional de Angola, 2013  
(Monetary Values in USD Millions)

These preventive measures contained essentially on the mentioned act require that the financial institutions, members of its governing bodies, as well as staff working or not on the board, leadership, management, agents or any others who provide services on a permanent, temporary or occasional basis, are bound to comply with any special obligations relating to the cooperation with preventative measures, as well as with criminal investigation and duty of confidentiality.

## 5.0 DATA AND METHODOLOGY

With the objective of assessing the financial sector's perception of how developed and adequate the control systems implemented in the Angolan financial sector are, an exploratory study was developed. The research carried out was directed to those responsible for the internal control of the banking institutions, namely the Compliance Officer (CO) whose role is to address issues relating to the mitigation of the risk of money laundering in the Angolan financial institutions. The choice of this target has resulted from the fact that CO's are directly linked to the monitoring and control of the practical measures to

<sup>9</sup> Published on the Diário da República (the republic's gazette), 1st series, no. 239 of 17 December 2010 – United Nations Convention on Suppression of the Financing of Terrorism.

<sup>10</sup> Published on the Diário da República (the republic's gazette), 1st series, no. 238 of 12 December 2010 – Law on Combating Money Laundering and the Financing of Terrorism.

combating and preventing money laundering and financing of terrorism.

The method used for collecting data was based on a questionnaire supported by scripted closed questions. The answers received represented 75% of the population, *i.e.* 18 banks. Based on the answers received a descriptive study of the data was made in order to ascertain how developed the systems control mechanisms are for the prevention, identification and monitoring of the transactions likely to involve money laundering and financing of terrorism.

## 6.0 RESULTS AND DISCUSSION

In order to be able to answer to the issues that frame the matter, a questionnaire with 18 questions has been prepared, which are organized according with the following key topics:

- I. Level of implementation of preventive policies;
- II. Formalisation of the preventive policies;
- III. Risk based approach methodology adoption;
- IV. The way the institution disseminates preventive policies;
- V. Level of computerisation of prevention tools.

In relation to Point I, the questionnaire covered topics relating to the extent of refusal to conduct transactions, the existence of measures and criteria for the identification of suspicious activities or traders, the level of communication with and dissemination of suspicious transactions to the departments involved in financial activities, the filing systems and the response capacity to the information requests.

In terms of refusal to conduct transactions, the descriptive results indicate different levels of refusal to conduct transactions, therefore revealing the existence of different levels of rigours among the various institutions that responded to the questionnaire (as shown in table 2).

**Table 2:**

	Question 1 Refuse Transactions		Question 2 Refuse Relationship	
	Number	%	Number	%
Never	0	0,0%	0	0,0%
Some Times	9	50,0%	3	16,7%
Often	3	16,7%	6	33,3%
Always	6	33,3%	9	50,0%
<b>Total</b>	<b>18</b>	<b>100,0%</b>	<b>18</b>	<b>100,0%</b>

In terms of compliance with identification obligations, the results clearly demonstrate that the Angolan banking institutions do comply with identification obligations of traders where a business relationship is established, and that they have adopted procedures for simplified and enhanced due diligence by collating sufficient identifying elements whenever they establish business relationships or conduct occasional transactions, which encourages them to obtain a declaration from the actual beneficiaries of the suspicious transactions (as shown in table 3).

**Table 3:**

	Question 3 Identification Obligations		Question 4 Due Diligence Procedures	
	Number	%	Number	%
Never	0	0,0%	0	0,0%
Some Times	0	0,0%	0	0,0%
Often	0	0,0%	0	0,0%
Always	18	100,0%	18	100,0%

<b>Total</b>	<b>18</b>	<b>100,0%</b>	<b>18</b>	<b>100,0%</b>
--------------	-----------	---------------	-----------	---------------

In terms of monitoring and compliance with communication obligations, the institutions review any conduct or operations that characterise or are likely to be connected with money laundering and the financing of terrorism, and shall endeavour to report any suspicious transactions to the financial intelligence unit (as shown in table 4).

**Table 4:**

	<b>Question 5 Examination of Suspicious Activities</b>		<b>Question 6 Communication of Suspicious Activities</b>	
	Number	%	Number	%
Never	0	0,0%	9	50,0%
Some Times	0	0,0%	0	0,0%
Often	6	33,3%	3	16,7%
Always	12	66,7%	6	33,3%
<b>Total</b>	<b>18</b>	<b>100,0%</b>	<b>18</b>	<b>100,0%</b>

In terms of documentation, filing and information requests, the study reveals that all the institutions believe to always maintain copies of or references to documents collected by the same when complying with identification and diligence obligation during a 10 years period, and that they fully believe to be prepared to respond to information requests made (as shown in table 5).

**Table 5:**

	<b>Question 7 Copies of References</b>		<b>Question 8 Information Request Preparation</b>	
	Number	%	Number	%
Never	0	0,0%	0	0,0%
Some Times	0	0,0%	0	0,0%
Often	0	0,0%	0	0,0%
Always	18	100,0%	18	100,0%
<b>Total</b>	<b>18</b>	<b>100,0%</b>	<b>18</b>	<b>100,0%</b>

In relation to Point II about the degree of formalisation, the questionnaire covered topics relating to the implementation of policies for the prevention of money laundering and the financing of terrorism which have been incorporated into the internal control system, and their degree of formalisation. The results suggest that all institutions have defined and implemented policies for the prevention of money laundering and financing of terrorism, taking into account the identification, management and mitigation of risks. But equally, the results point to the formalisation of policies and procedures by the financial institutions that have been incorporated into the documentation in which the processes and procedures relating to the prevention of money laundering and financing of terrorism are anticipated (as shown in table 6).

**Table 6:**

	<b>Question 9 Policies Defined Under Risk Management</b>		<b>Question 10 Preventive Internal Control Systems</b>		<b>Question 11 Set out in Writing (Formal Documents)</b>	
	Number	%	Number	%	Number	%
Yes	18	100%	18	100%	18	100%
No	0	0%	0	0%	0	0%
Not Applicable	0	0%	0	0%	0	0%
<b>Total</b>	<b>18</b>	<b>100,0%</b>	<b>18</b>	<b>100,0%</b>	<b>18</b>	<b>100,0%</b>

In relation to Point III, the questionnaire covered topics relating to the adoption of preventive methodologies which are supported by a risk approach methodology. The results suggest that, to a large extent, the internal preventive procedures, which in their entirety monitor the transactions, by promoting the continuous monitoring of the internal control systems' quality and perform regular tests to evaluate their adequacy and effectiveness (as follows in table 7).

**Table 7:**

	Question 12 Implementation of Preventive Procedures		Question 13 Transaction Monitoring		Question 14 Internal Control System Monetarization	
	Number	%	Number	%	Number	%
Yes	15	83,3%	18	100,0%	18	100,0%
No	0	0,0%	0	0,0%	0	0,0%
Not Applicable	3	16,7%	0	0,0%	0	0,0%
<b>Total</b>	<b>18</b>	<b>100,0%</b>	<b>18</b>	<b>100,0%</b>	<b>18</b>	<b>100,0%</b>

Point IV deals with the issue associated with dissemination and providing continued training related to implemented policies regarding the prevention of money laundering and financing of terrorism. The results suggest that a significant part of the banking institutions (50%) have not implemented continued training policies for the prevention of money laundering and financing of terrorism, and 94% of the institutions that answered the questionnaire do not provide training at a decentralised level at their various departments (as shown in table 8 below).

**Table 8:**

	Question 15 Training Policies		Question 16 Decentralized Training	
	Number	%	Number	%
Yes	3	16,7%	1	5,6%
No	9	50,0%	17	94,4%
Not Applicable	6	33,3%	0	0,0%
<b>Total</b>	<b>18</b>	<b>100,0%</b>	<b>18</b>	<b>100,0%</b>

Finally, with regard to Point V, two questions have been posted about the existence of centralised databases and the adequacy of the information systems, as well as the sufficiency of the financial and material means available to technicians to carry out their activities on preventative measures. The results reveal that 83% of the surveyed institutions do not have any centralised databases containing information about their clients and transactions, neither a computer system that enables them to monitor and search suspicious transactions, conducts and activities and that a significant percentage (33%) state not to have sufficient technical, financial and material means to adequately prevent money laundering and the financing of terrorism (according to data described in table 9, below).

**Table 9:**

	Question 17 Centralized Databases		Question 18 Technical Financial Material Means Adequacy	
	Number	%	Number	%
Yes	3	16,7%	12	66,7%
No	15	83,3%	6	33,3%
Not Applicable	0	0,0%	0	0,0%
<b>Total</b>	<b>18</b>	<b>100,0%</b>	<b>18</b>	<b>100,0%</b>

## 7.0 CONCLUSIONS

The results of the analysis carried out show that bank institutions in Angola have made significant efforts

to comply with the legislation that has been developed to deal with the issues of money laundering and the financing of terrorism in terms of implementation, formalization and operationalization of preventive policies. Additionally, such methodologies are significantly centred on a risk based approach to detect suspicious transactions.

The same conclusions cannot eliminate the purpose of disseminating the institution's preventive policies as a significant number of the financial institutions which have responded to the questionnaire do not have in place any continuous training policies for preventing money laundering and financing of terrorism, and neither promote such training measures in a decentralised manner at various levels the institution's organic units. Similarly, in terms of the computerisation of the control tools it highlights the lack of a significant scale of centralized databases that contain information about their clients and transactions, and a computer system that enables them to monitor and search suspicious transactions, conducts and activities. Finally, it further emphasizes the significant awareness, by a number of the banking institutions, of the lack of resources for such control mechanisms to really operate in a preventative and effective manner.

This work highlights the fact that the control systems are, first and foremost, composed by people that work on them as referred to by Ratcliffe and Landes (2009). It is not enough to create and formalise mechanisms, but first and foremost, to develop and create the various levels of organizing them, providing people with the adequate means to operate them. The outcome of these findings highlight, as a policy recommendation, that banking institutions in Angola must look more thoroughly into personnel training and decentralisation of that training to widen the awareness of staff on different levels and functions of suspect activities or conducts. Also, it becomes clear according to the results of this study that there is still a lack of means in terms of information systems effectiveness and data management that must be solved in order to guarantee an adequate implementation of regulatory demands about prevention of money laundering and terrorism financing.

## REFERENCES

- Agarwal, J., Aman, L, (2006), "*Money Laundering: new forms of crime victimization (current trends and modus operandis)*", *Indian Society of Victimology*. Department of Criminology, University of Madras, Chepauk, Chennai.
- Arens, A., Loebbecke, J., Elder, R., Beasley, M. (2000), *Auditing, an integrated approach* (8<sup>th</sup> Ed.). Prentice Hall.
- Atkinson, A. (2000). *Contabilidade Gerencial* (2<sup>nd</sup> Ed). São Paulo: Atlas.
- Attie, W. (2006). *Auditoria, conceitos e aplicações* (3<sup>rd</sup> Ed.). São Paulo: Editora Atlas.
- Boynton, W., Johnson, R., Kell, W. (2002). *Auditoria*; São Paulo: Editora Atlas.
- Costa, C. (2014), *Auditoria Financeira* (10<sup>a</sup> Ed.). Reis dos Livros.
- Favarel-Garrigues, G., Godefroy, T., Lascoumes, P. (2011). *Reluctant partners? Banks in the fight against money laundering and terrorism financing in France*; *Security Dialogue*, 2011 Apr, Vol. 42(2), pp.179-196.
- Fabre, G., (2005). "*Prospering on crime: Money laundering and financial crisis*". Centre for East and South-East Asian Studies, Lund University, Sweden.
- Gertz, M., Guldentops, E., Strous, L. (2013). *Integrity, internal control and security in information systems*. Springer Science.
- Hickmann, T. (2010), *Auditoria interna e controlo interno nas instituições financeiras*. Monograph for Conclusion of the Accounting Sciences Studies. Federal University of Rio Grande do Sul) Porto Alegre.
- Hotca, M., Nedelcu, C., Ilescu, M. (2006). *Money laundry*. *Lex et Scientia*, Vol 13, Iss 1, Pp 115-123, Directory of Open Access Journals (DOAJ).
- Institute of Internal Auditors (2009). *International Professional Practices Framework*. Research Foundation IIA.

- Joaquim, A. (2015). *Análise sobre a influência do controlo interno no combate ao branqueamento de capitais e financiamento do terrorismo*. Universidade Aberta - master's thesis in Management / MBA. Lisbon.
- Morais, G., Martins, I. (2013). *Auditoria Interna – Função e Processo* (4<sup>th</sup> Ed.). Áreas Editora. Lisbon.
- Neves, R. (2010). *Características do controlo interno com base na estrutura COSO. A Case Study Monograph* Cataguases, Faculdade Sudamérica.
- Pinheiro, J. (2010), *Auditoria interna: manual prático para auditores internos* (2<sup>nd</sup> Ed.): Editora Rei dos Livros. Lisbon.
- Retcliffe, T., Landes, C. (2009). *Understanding internal control and internal control services*. American Institute of Certified Public Accountants. New York.
- Schott, P. (2004). *Guia de Referência Anti Branqueamento de Capitais e Financiamento ao Terrorismo* (2<sup>nd</sup> Ed.). World Bank, São Paulo.
- Vieira, R. (2009). *A Importância do controlo interno numa visão moderna de gestão pública*. Masters Dissertation. Universidade do Estado do Rio de Janeiro.

## LEGISLATION

- ISA 315 (Revised). Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment, IFAC, 2009
- Notice no. 22/2012 of the National Bank of Angola that Regulates the Requirements and the Creation of a Preventive System to fight Money Laundering and the Financing of Terrorism in Banks and Financial institutions.
- Notice no. 2/2013 of 22 May of the National Bank of Angola on the Implementation of an Adequate Internal Control System. Published on the Diário da República (the republic's gazette), 1st series, no. 73, of 19 December 2011.
- Decree-Law no. 12/10 of July 09, establishes measures of Preventive and Repressive Nature to Combat the Money Laundering of Proceeds of Illicit Origin and the Financing of Terrorism.
- Decree-Law no. 34/11 of 12 December on Combating the Money Laundering of Illicit Proceeds and the Financing of Terrorism. The Republic of Angola.
- Presidential Decree no. 212/13 of 15 December. On the Organization and Operations of the Financial Intelligence Unit, FIU.
- The United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances.
- The United Nations Convention Against Organised Crime.
- The United Nations Convention on the Suppression of the Financing of Terrorism.

## Appendix - Questionnaire

### Part I – Level of implementation and operationalization of preventive policies.

(i) In terms of refusal to conduct transactions

**Question 1:** How often the institutions will refuse to carry out transactions as they start a business relationship or undertake occasional transactions, in terms of impediment to identification and diligence?

**Question 2:** Refraining from undertaking transactions and/or business relationship.

(ii) In terms of compliance with identification obligations

**Question 3:** Do the institutions comply with identification obligation where a business relationship has been established?

**Question 4:** Do the institutions adopt simplified and enhanced due diligence procedures, always collate sufficient relevant details where business relationships/occasional transactions are established and always request a declaration from the actual beneficiaries?

(iii) In terms of monitoring and compliance with communication obligations.

**Question 5:** Do the institutions carefully examine any conducts, activities or transactions that characterise or are likely to being related to money laundering and the financing of terrorism?

**Question 6:** Do the institutions communicate suspicious transactions to the financial intelligence unit?

(iv) In terms of documentation, filing and information requests

**Question 7:** Do the institutions maintain copies of or references to documents collated related to the identification and due diligences during a 10 year period?

**Question 8:** Are the institutions prepared to respond to the information requests made?

### Part II - Formalisation of preventative policies

**Question 9:** Have the institutions defined and implemented policies for the prevention of money laundering and the financing of terrorism, taking into account the identification, management and mitigation of risks?

**Question 10:** Have the institutions defined and implemented internal control systems, process, policies and procedures for the prevention of money laundering and the financing of terrorism?

**Question 11:** Have the institutions set out in writing the policies, process and procedures for the prevention of money laundering and the financing of terrorism?

### Part III - Adoption a methodology based on a risk approach

**Question 12:** Do the institutions have regulations or internal procedures designed to prevent the occurrence of money laundering and the financing of terrorism?

**Question 13:** Do the institutions carry out any monitoring of transactions with the view to detect potential transactions relating to money laundering and the financing of terrorism?

**Question 14:** Do the institutions continually monitor the quality of the internal control system and conduct regular tests for adequacy and effectiveness?

### Part IV – The way in which the institution disseminates preventive policies

**Question 15:** Do the institutions have continuing training policies for the prevention of money laundering and the financing of terrorism?

**Question 16:** Do the institutions provide training at a decentralised level in the various departments?

### Part V - Level of computerisation of the preventative tools

**Question 17:** Do the institutions have any centralized databases containing information about their clients and transactions, and any computer system that allows them to monitor and search for suspicious transactions, conducts and activities?

**Question 18:** Do the institutions have technical, financial and material means for the adequate prevention of money laundering and the financing of terrorism?