



# 2024-29 Audit of Financial Sanctions in Anti-Money Laundering Division (AMLD)

Enforcement and Anti-Money Laundering Directorate

Report Ratings

| Control Environment  | Management Risk Awareness |
|----------------------|---------------------------|
| Improvement Required | Established               |

Findings Raised

| High | Medium | Low |
|------|--------|-----|
| 0    | 2      | 2   |

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## 1. Introduction

Financial sanctions are restrictions put in place by the United Nations (UN) and/or the European Union (EU) to achieve a specific foreign policy aim. Financial sanctions are imposed on individuals, companies and governments (designated persons) in an effort to curtail their activities and to exert pressure and influence on them. The obligation to freeze the funds and economic resources of designated persons also applies in respect of the assets of any entity or body that is owned and/or controlled by a designated person.

The Central Bank of Ireland's (the 'Bank') mandate in relation to financial sanctions is administrative in nature. The main role of the Bank is to: communicate new sanctions measures to financial service providers and the public as they are implemented; maintain a record of all frozen assets reported; assess applications for derogations; and, deal with sanctions related queries from external stakeholders. Furthermore, where the Bank forms a reasonable suspicion that there has been a criminal breach of legislation, the Bank informs An Garda Síochána (AGS) as well as the European Commission of any suspected breaches of the Sanctions Regime.

The Bank is one of three national competent authorities (NCAs) in Ireland for financial sanctions. The Bank is responsible for the administration of financial sanctions that are put in place by the UN and/or EU. The other two NCAs are the Department of Enterprise, Trade and Employment (DETE) and the Department of Foreign Affairs (DFA). DETE is responsible for the implementation of trade sanctions. DFA is responsible for sanctions co-ordination in Ireland, it is one of the national sanctions policy leads and acts as an interface in Brussels for discussions on proposed new sanctions measures.

A Cross Departmental International Sanctions Committee (CDISC) was established to monitor, review, and coordinate the implementation, administration and exchange of information on sanctions regimes in Ireland. The Bank, NCA's, government departments and other relevant agencies, such as AGS and the Revenue Commissioners, participate in CDISC to discuss emerging issues in this field and to work closely to ensure that Ireland is adopting a coherent and effective approach to the implementation of sanctions.

During the period from February 2022 to 30 April 2024, the Bank received 173 applications for derogations to financial sanctions. Derogations can be sought by (a) entities owned by a designated person whose funds have been frozen; (b) a third party such as a law firm, on behalf of a designated person; or (c) a person with associations with a designated persons whose business is now impacted by the designated person's listing. The majority of derogations relate to aircraft leasing and financial service providers. 78 of these 173 applications were authorised, 55 were withdrawn, 18 were rejected, 10 were reissued, one was refused and 11 remain under assessment. Additionally, during the same period, the Bank managed 1,279 queries in relation to financial sanctions. Queries were submitted from a variety of sources such as the media, financial service providers and accountancy and law firms. This year to date, the Bank has recorded 16 potential financial sanctions breaches on the 2024 breach log. As at 20 March 2024, the Bank reported €1.89 billion of frozen funds to the European Commission. A consolidated list of EU financial sanctions is available on the EU website. A consolidated list of UN financial sanctions is available on the UN website.

## 2. Objective and Scope

The main objective of the audit was to assess the design and operating effectiveness of the governance and processes in place to manage the obligations of the Bank in relation to financial sanctions. The audit period under review was from January 2022 to 30 April 2024. The scope was to perform an assessment of:

- The availability of procedures and guidance to support the team in the sanctions process, including clarity around roles and responsibilities;
- The operating effectiveness of the sanctions process;
- The availability of suitable tools/ mechanisms to manage sanctions;
- The Financial Sanction (FS) Team's engagement and communication with key stakeholders; and
- The suitability and sufficiency of the resourcing for the team managing sanctions.

### 3. Executive Summary

We would like to take this opportunity to acknowledge the engagement and collaboration provided by the FS Team to ensure the smooth progress and completion of this audit. Throughout the course of this review, we conducted meetings with the FS Team, completed walkthroughs of the financial sanctions process, reviewed detailed documentation to gain an understanding of the processes in scope and performed substantive testing using data analytic (DA) techniques.

In early 2022, the workload of the FS Team increased significantly due to the implementation of financial sanctions against Russian designated persons as a result of the conflict in Ukraine. The FS Team grew from less than one full time employee to 11 full time employees in the three month period of Q1 2022. The FS Team had to react to this fast paced environment and adjust their ways of working to manage this increased workload. We note that the FS Team were adaptable in their approach and there is a commendable level of knowledge and skills across the Team. We also positively note the following:

- The FS Team actively engage with both internal and external stakeholders. From an internal perspective, they engage with Legal Division (LEG) and supervisory divisions for support with financial sanctions legal matters and with supervisory teams relating to specific financial service providers. From an external perspective, the FS Team meet with CDISC on a monthly basis and have weekly meetings with government departments, such as DFA, the Department of Justice and DETE, as well as ad-hoc engagements as necessary.
- As part of the substantive testing of derogation applications, we note that there is a clear legal basis for the decisions made by the FS Team. This legal basis was articulated in both internal and external communications. Additionally, there is a well-designed decision framework implemented to ensure that an appropriate governance structure is in place for decision making relating to derogation applications.

Notwithstanding the above, as part of the review, we identified two medium rated findings, as follows:

- The first medium finding [REDACTED] The mandate of the Bank is administrative in nature. The Bank has no established legislative mandate in relation to the investigation or enforcement of financial sanctions. IAD identified conflicting commentary on the Bank's website (IAD also noted similar media coverage around the role of the Bank) where it refers to an enforcement role for the Bank. Consumers and financial service providers may have an inaccurate perception of the actual mandate of the Bank as a result of this commentary. The Bank is a member of CDISC and articulates the opinions of the Bank at this forum as well as with various government departments. [REDACTED]

- The second medium finding relates to weaknesses identified with the excel tracking tools used to manage financial sanctions activities. The FS Team have not investigated the possible use of application based tools, such as Azure. The weaknesses with the current trackers include: they do not track statutory deadlines for derogation applications; the mailbox tracker contains duplicate entries; the trackers contain unnecessary columns that do not add value; and there is no quality assurance of the data maintained on the trackers. Additionally, key data points are not consistently completed. We also identified non-compliance with the Bank's End User Computing (EUC) Policy.

Given the nature of the findings highlighted, we are assigning an **Improvement Required** opinion to the control environment. The first finding was self-identified by the Division. We noted that AMLD has ensured that the Bank's senior leadership team are updated on the current status [REDACTED]

[REDACTED] We noted that AMLD maintain a comprehensive risk register, detailing risks and controls. Additionally, risks and expected controls identified during the audit planning aligned to the risks recorded in the AMLD risk register. Given the Division's awareness of the risks associated with the processes, we have assigned an **Established** management risk awareness rating to this report.

4. Audit Results Overview



Management registered seven risks associated with this process in their risk register. IAD identified a further two risks during planning. IAD note that these risks related to resourcing and contingency planning and training. IAD acknowledge that there were action plans attached to risks in the register that aligned with the nature of these risks. To assess the adequacy of the controls in place, we conducted 55 tests. Whilst 25 tests passed and a further 22 partially passed, eight tests failed. IAD identified three Medium and one Low rated findings during the review. Management self-identified one of these findings. Furthermore, IAD note three process efficiencies.

| AREA | DESCRIPTION   | IAD ASSESSMENT   | CONCLUSION  |
|------|---|--|---|
| 1    | An assessment of availability of procedures and guidance to support the team in the sanctions process, [REDACTED] | IAD assessed the procedures in place to ascertain if they were up to date, sufficiently detailed, reflected the actual process and that legislative requirements were included. IAD assessed the roles and responsibilities and governance framework in place over the financial sanctions process, and evaluated the alignment of AMLD’s financial sanctions strategy with the Bank’s mandate. Finally, IAD assessed the availability of checklists and the oversight of personal data received throughout the financial sanctions process. | IAD are satisfied that there was appropriate governance around decision making, specifically relating to derogation applications. A decision framework was designed and implemented consistently. [REDACTED] IAD identified inaccuracies on the Bank’s website relating to the role of the Bank in the financial sanctions process. While the FS team had documented procedures in place, they were out of date, not approved and included inaccurate information. See Findings <a href="#">1</a> , <a href="#">3</a> and <a href="#">4</a> .   |
| 2    | Performance of substantive testing to ensure that the sanctions process is operating effectively and efficiently. | IAD assessed a representative sample of derogation applications. IAD evaluated the information recorded on the derogation tracker, the assessment performed by the FS Team, the engagement with stakeholders, the governance of the decision making process and communication with derogation applicants.  | IAD are satisfied that there was an established legal basis for the decisions taken by the FS Team in relation to the sampled derogation applications. The FS Team communicated with stakeholders as required. However, the tool used by the FS Team to track and monitor derogation applications was not designed or operating effectively. Additionally, the FS Team did not apply appropriate safeguards to protect the data recorded in the tool, as per the Bank’s EUC Policy. See Findings <a href="#">2</a> and <a href="#">4</a> . IAD identified a process efficiency in relation to the classification of mailbox queries. See <a href="#">Appendix 2</a> . |

|   |   |  |   |
|---|---|--|---|
| 3 | An assessment of the availability of suitable tools/mechanisms to manage sanctions.                 | IAD evaluated the appropriateness and sufficiency of the tools available to track and monitor financial sanctions queries, derogation applications and frozen funds as well as prepare MI reporting. IAD evaluated compliance with the Bank's EUC Policy and considered data protection implications.  | IAD are satisfied that MI was prepared and distributed in an accurate and timely manner and at appropriate frequencies. However, IAD identified weaknesses in the design and operation of the tools used by the FS Team. These weaknesses included the incomplete data and lack of quality review of the trackers. Additionally, IAD noted that an ineffective change management process resulted in difficulties in reconciling underlying frozen fund data reported to the European Commission. See Findings <a href="#">2</a> and <a href="#">3</a> .  |
| 4 | An assessment of the FS Team engagement and communication with key stakeholders.                    | IAD assessed the frequency and nature of communications with external stakeholders, including CDISC, government departments, the European Commission as well as engagement relating to the queries received via the sanctions mailbox. IAD also assessed the approach to engagement with internal stakeholders such as LEG and supervisory divisions. Finally, IAD evaluated the accuracy and accessibility of the Bank's webpage relating to financial sanctions. | IAD are satisfied that the FS Team established appropriate and effective relationships with external and internal stakeholders. However, IAD identified a gap in the process of keeping records, including the tracking of agreed actions and decisions arising from engagements. Additionally, IAD identified inaccuracies on the Bank's website in relation to the established mandate of the Bank. See Finding <a href="#">1</a> and <a href="#">4</a> . IAD identified a process efficiency in relation to the completion of a divisional skills gap analysis. See <a href="#">Appendix 2</a> .   |
| 5 | An assessment of the suitability and sufficiency of the resourcing for the team managing sanctions. | IAD reviewed the appropriateness of the roles and responsibilities of the FS Team. IAD verified the team have the necessary knowledge, training and skills. IAD verified that appropriate contingency plans are in place and that training materials are available for new members of the FS Team.   | IAD are satisfied that the roles and responsibilities in the FS Team were clearly established. Current resourcing of the FS Team is reflective of the current financial sanctions environment. However, there are unknown implications on future resourcing needs given the political uncertainty. While no formally documented contingency plans are in place, additional experienced resources from AMLD's policy team could be re-prioritised if there is an escalation in the financial sanctions regime. IAD noted that the FS Team is experienced and knowledgeable. IAD identified a process efficiency in relation to the introduction of a repository of potential responses/communications for common queries. See <a href="#">Appendix 2</a> . |

Process efficiencies identified during the audit are listed in [Appendix 2](#)

## 5. Summary of Findings

| DETAILS  | ROOT CAUSE   | IMPACT   | RATING       | OWNER      | DUE DATE     | PAGE              |
|--|--|--|--------------|------------|--------------|-------------------|
| <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED] The Bank only has an administrative role, however, there are conflicting details on the Bank's website referring to an enforcement role for the Bank, to which the Bank has no mandate.</p>  | <p>[REDACTED]</p> <p>[REDACTED]</p>  | Should issues materialise relating to a failure to investigate or enforce financial sanctions, members of the public may have a reasonable belief that the Bank has a role in investigating and enforcing financial sanctions. This may damage the reputation of the Bank. | 2E<br>Medium | [REDACTED] | 31 July 2025 | <a href="#">8</a> |
| <p><b>Enhancements required to the tracking mechanisms</b></p> <p>The FS Team use excel trackers to manage their financial sanctions activities. In relation to these trackers: key data points are not consistently completed; they do not track statutory deadlines; contain duplicate entries; and are not in compliance with the Bank's EUC Policy. The trackers are not subject to periodic quality review.</p> | The maintenance and continuous improvement of trackers was not a priority due to increased workload. | Increased risk of failing to manage financial sanctions activities effectively and efficiently, leading to inaccurate MI and failing to safeguard information assets.  | 2C<br>Medium | [REDACTED] | 31 July 2025 | <a href="#">9</a> |

Low rated findings identified in this audit are listed in [Appendix 1](#)



| 6. Detailed Findings  |  |  |
|---|--|--|
| 1. Lack of clarity for consumers regarding the mandate of the Bank (Self-identified)  |  | 2E - Medium  |
| <p>The Bank is one of three NCAs in Ireland with responsibilities in relation to the financial sanctions regime. CDISC was established, at a national level, to support the effective management of the financial sanctions regime. The Bank as well as the two other NCAs, government departments and other relevant agencies participate in CDISC. The Bank meets the members of CDISC on a monthly basis to discuss emerging issues in the sanctions regime and works closely to ensure that Ireland is adopting a coherent and effective approach to the implementation of sanctions.</p> <p>IAD assessed the assignment of roles and responsibilities in the financial sanctions process to ensure that they are well established and that there was clarity, both internally and externally, in relation to them. IAD also assessed AMLD’s engagement with CDISC and communication of the outcome of this engagement to senior management. Finally, IAD assessed the information available to the public relating to the role of the Bank in the financial sanctions regime, to ensure that it is aligned with the Bank’s mandate in this area. IAD identified the following:</p> <p>[REDACTED]</p> <p>[REDACTED] The Bank is responsible for the administration of financial sanctions in Ireland. The Bank’s designation as a NCA for financial sanctions derives exclusively from the individual EU Council Regulations relating to each sanctions regime (the “EU Regulations”), and the implementing statutory instruments. [REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED].</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p><b>Inaccurate Information</b></p> <p>IAD noted that there were conflicting narratives available to the public through various Bank published resources. While the Bank’s annual report correctly acknowledges the purely administrative role of the Bank in the financial sanctions regime, there are locations on the Bank’s website, including the “Financial Sanctions FAQ”, which incorrectly refer to both an administrative role and an enforcement role. IAD identified media coverage that included narratives that the Bank was responsible for the enforcement of financial sanctions. The media may have obtained this information from the Bank’s website. Members of the public may have a reasonable belief or expectation that the Bank has a role in investigating and enforcing financial sanctions. If issues materialise relating to a failure to investigate or enforce financial sanctions, the reputation of the Bank may be negatively impacted.</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> |  | <p><b>Action Plan 1.1:</b></p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED].</p> <p><b>Evidence required for assurance:</b></p> <p>AMLD will provide evidence of its engagement with CDISC, such as minutes of meetings.</p> <p><b>Action Plan 1.2:</b></p> <p>AMLD will review the Bank’s website for inaccuracies relating to the role of the Bank in the financial sanctions regime and will make amendments where necessary.</p> <p><b>Evidence required for assurance:</b></p> <p>AMLD will provide evidence of completion of the review it conducted of financial sanctions specific webpages contained on the Bank’s website.</p> <p><b>Action Plan Owner:</b> [REDACTED]</p> <p><b>Action Plan Due Date:</b> 31 July 2025</p> |
| <b>Finding Owner:</b> [REDACTED]  |  | <b>Finding Due Date:</b> 31 July 2025  |



## 2. Enhancements required to the tracking mechanisms

**2C - Medium**

The Bank has prioritised the effective use of data across the organisation. The Bank's Future State Priorities focus on initiatives to support the Bank in moving towards application based tools to manage data, such as Azure, rather than relying on excel. The FS Team developed excel based tracking tools to support core activities performed and use these tools to monitor the progress of activities. IAD assessed the suitability of the tracking tools used by the FS Team, to ensure that they were fit for purpose and are used to generate accurate MI. This included performing DA to assess 100% of the population of derogation applications and mailbox queries. IAD are satisfied that MI was prepared and distributed in an accurate and timely manner and at appropriate frequencies.

IAD found that the FS Team inconsistently completed cells recording **key data points**. The missing details (blank cells) included:

- The status of the derogation application (five from population of 173 - 3%) and mailbox query (269 from population of 1,279 - 21%). Without an up to date status on the progress of derogation applications and mailbox queries, the FS Team may be unable to progress their activities in a timely and effective manner.
- The impact level of the derogation application (91 from population of 173 – 53%) and the assessor and decision maker for derogation applications (five from population of 173 – 3%). The FS Team designed a decision making framework for derogation applications based upon the potential impact of the application. In the absence of the recording of the impact level, IAD could not verify that an appropriate staff member was assigned to the assessment of derogation applications.
- Whether a notification to an NCA is required (110 from population of 173 – 64%); and, the completion of file closure steps such as a clean-up of outlook (143 from population of 173 – 83%). The FS Team's failure to record these data points resulted in a lack of an appropriate audit trail of their activities.

IAD identified the following inefficiencies and errors with the trackers used by the FS Team:

- Statutory deadlines:** IAD noted that the FS Team processes derogation applications that are subject to a statutory deadline. However, the tracking tool does not track statutory deadlines. The FS Team rely on individual team members to monitor compliance with statutory deadlines.
- Duplicate entries:** IAD identified duplicate entries on the mailbox tracker (two from a sample of 15 – 13%). This resulted from the FS Team recording a follow up email to a query as a new entry on the mailbox tracker rather than attributing the follow up email to the original query. This duplicate entry impacts upon the overall accuracy of MI prepared relating to the total volume of queries.
- End User Computing:** AMLD recorded the derogation application tracker and the frozen asset tracker as low criticality on the divisional End User Computing (EUC) Register. AMLD has not recorded the mailbox query tracker on the divisional EUC Register. In accordance with the EUC Policy, IAD consider the various trackers used by the FS Team to be of high criticality because the output of the data is used for external reporting as well as reporting to senior management. The Bank's EUC Policy requires that safeguards are put in place to protect critical EUC tools such as password protection and the locking down of formula driven cells. IAD noted that these safeguards are not in place on the EUC tools used by the FS Team. IAD acknowledge that the FS Team restricted access to the various trackers to the immediate FS Team members.
- Maintenance of trackers:** IAD noted that one member of the FS Team is responsible for updating and maintaining the trackers. The FS Team do not undertake any periodic quality review of the trackers. IAD acknowledge that the trackers were operationalised at an extremely busy time for the FS Team, when there was a significant increase in the workload of the FS Team due to the application of Russian sanctions.

Finding Owner: [REDACTED]

Finding Due Date: 31 July 2025

### Action Plan 2.1:

AMLD will undertake an assessment of potential alternative tools that could be utilised by the FS Team to better support ongoing financial sanctions processes.

### Evidence required for assurance:

AMLD will provide IAD with evidence of the assessment undertaken, such as communications with Technology Delivery & Operations Division, the Continuous Improvement Forum or other supervisory divisions.

### Action Plan 2.2:

If an alternative tool is not identified, the FS Team will undertake a comprehensive review of the existing excel trackers and remove unnecessary columns, enhance data points and provide training to staff on how to complete and maintain the tracker. AMLD will perform bi-yearly quality assurance (QA) on all trackers.

### Evidence required for assurance:

AMLD will provide IAD with copies of the updated excel trackers. AMLD will also provide evidence that training or guidance was provided to the team in relation to the updating and maintenance of the trackers. Finally, AMLD will provide evidence of the completion of the bi-annual QA exercise, such as an approved QA checklist or email communication.

### Action Plan 2.3:

AMLD will reassess the criticality of the tracking tools used by the FS Team to manage the financial sanctions process and update the EUC Register accordingly. AMLD will ensure that the controls put in place over these tracking tools align with those required as per the Bank's EUC Policy.

### Evidence required for assurance:

AMLD will provide IAD with the updated copy of the divisional EUC Register as well as copies of the updated excel trackers.

Action Plan Owner: [REDACTED]

Action Plan Due Date: 31 July 2025

# Appendices

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| Appendix 1: Low Finding 3 – Deficiencies in FS reporting  |  | 2B - Low   |
|---|--|--|
| <p>The FS Team have statutory reporting responsibilities for frozen funds to the EU Commission. Where the FS Team form a reasonable suspicion that a criminal offence has been committed they will report this to AGS. The FS Team use excel trackers to maintain the underlying data included in these reports. IAD identified the following:</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <ul style="list-style-type: none"><li>•<b>Frozen Asset Reporting:</b> The FS Team receive frozen asset reports from financial service providers via the sanctions mailbox. The FS Team report the value of frozen assets to the European Commission via an online tool, the Sanctions Information Exchange Repository (SIER). IAD noted:<ul style="list-style-type: none"><li>○ IAD requested evidence of the underlying data that supported the frozen fund report, submitted via SIER, during November 2023. The FS Team were unable to provide IAD with this data. The FS Team do not retain a copy of the data that supports the figures submitted at a point in time. The FS Team instead maintain a rolling excel tracker that they update for changes to existing frozen fund balances, exchange rate variances and new frozen funds on an on-going basis. In this regard, IAD were unable to verify that the data submitted to the European Commission was accurate.</li></ul></li></ul> <p>[REDACTED]</p> <p>[REDACTED]</p> |  | <p><b>Action Plan 3.1:</b></p> <p>[REDACTED]</p> <p><b>Action Plan 3.2:</b></p> <p>AMLD will ensure that they maintain records of the underlying data for each frozen fund report submitted to the European Commission. AMLD will update relevant procedures to reflect this updated practice.</p> <p><b>Evidence required for assurance:</b></p> <p>AMLD will provide IAD with the underlying data for a sample of frozen asset reports submitted to the European Commission. AMLD will also provide a copy of the frozen asset tracker. Finally, AMLD will provide a copy of the updated procedure.</p> <p><b>Action Plan Owner:</b> [REDACTED]</p> <p><b>Action Plan Due Date:</b> 31 July 2025</p> |

Finding Owner:

Finding Due Date: 31 July 2025

## Appendix 1: Low Finding 4 – Enhancements and adherence to procedures are required

2B - Low

The FS Team have documented procedures in place to support each of the key activities performed by the team (including related Data Protection requirements). The procedures are intended to serve as a practical guide for members of the FS Team to assist in fulfilling the role of the Bank as one of the three NCA's for the implementation of financial sanctions in Ireland.

IAD carried out an assessment of the suitability and comprehensiveness of the procedures in place, ensuring that the procedures reflected what occurs in practice. IAD verified that the control environment relating to the responsibilities of the FS Team, as detailed in the procedures, was adhered to by the FS Team.

IAD identified the following:

•**Data Protection:**

- To safeguard information shared by the FS Team, and in accordance with documented procedures, the FS Team are required to appropriately classify all outgoing email correspondence responding to queries. IAD found that four email communications, from a representative sample of nine, were incorrectly classified as “unrestricted”. These emails should have been classified as “restricted”.
- The FS Team are required to save all documentation in relation to derogation applications and mailbox queries to a specific Compass folder, once all activities are completed. The FS Team should then delete all relevant correspondence from the sanctions mailbox. This ensures that an appropriate retention period can be assigned. IAD found that the FS Team are not completing this step, as required by the procedure documents. This resulted in the same data being stored in multiple locations unnecessarily.
- The FS Team are required to use Kiteworks to share derogation authorisation letters with applicants. IAD found that the FS Team did not use Kiteworks for any of the six sampled authorisations. IAD note that, following a process update, the use of Kiteworks was only applicable to two of these authorisations. For each of these authorised derogations, the FS Team shared the authorisation letter via email. IAD noted that the attached authorisation letter was not password protected.

•**Review and update of procedures:** While procedures are in place to support the activities of the FS Team, the FS Team did not finalise or approve these procedures. Additionally, the procedures included guidance that was no longer applicable, or accurate, and that did not always reflect the activities of the FS Team in practice. For example, for Deposit Prohibition Reporting, the procedures (and the Bank's website) require the Bank to submit a report relating to deposit prohibitions to the European Commission on an annual basis. However, there is no statutory requirement for this reporting to the European Commission.

•**Use of checklists:** The derogation application assessment procedure includes reference to the completion of an initial triage checklist and a file close checklist. The FS Team confirmed that these checklists are not completed by the team. The use of comprehensive checklists would reduce the risk of key steps being overlooked and would enhance the audit trail of the key tasks completed.

•**Records of meetings with stakeholders:** The FS Team engage with both internal and external stakeholders in relation to financial sanctions activities. This includes monthly meetings with CDISC, weekly meetings with government departments and quarterly meetings with relevant supervisory teams. IAD noted that the FS Team do not maintain minutes of these meetings, or action or decision logs. Producing records for these engagements would support the FS Team in providing updates to senior management and assist the FS Team in ensuring that agreed actions are completed in a timely manner.

There is significant political uncertainty around the potential future impact of further financial sanctions. An increase in financial sanctions would likely result in the FS Team needing to increase the number of staff in order to effectively manage the financial sanctions process. In this regard, it is essential that the FS Team ensure that clear and accurate guidance is available for any new team members and that existing process controls are firmly embedded across the team.

Finding Owner:

Finding Due Date:

31 July 2025

**Action Plan 4.1:** The FS Team will undertake a comprehensive review and update of their suite of procedures and guidance currently in place. Additionally, AMLD management will remind the FS Team of the requirements of the documented procedures.

**Evidence required for assurance:**

AMLD will provide copies of the documented procedures approved by management and circulated to staff.

**Action Plan 4.2:** AMLD will undertake a data protection assessment and design and implement controls to support the appropriate handling of data.

**Evidence required for assurance:**

AMLD will provide evidence of the assessment undertaken and a record of the agreed actions that will be taken to address the issues identified.

**Action Plan 4.3:** AMLD will maintain an action and decision log for stakeholder engagement meetings. AMLD will update the relevant procedure document to include guidance around the preparation of these records.

**Evidence required for assurance:**

AMLD will provide copies of the action and decisions logs as well as the updated procedure document.

**Action Plan 4.4:** AMLD will utilise a tracker for key steps in the derogation assessment. The tracker will include a record of review by team members. The procedures will be amended accordingly.

**Evidence required for assurance:**

AMLD will provide a copy of the amended tracker (to include key steps in the derogations assessment process). AMLD will also provide the updated procedure document.

**Action Plan Owner:**

**Action Plan Due Date:**

31 July 2025

## Appendix 2: Efficiencies Identified

During fieldwork, IAD noted the following process efficiencies. IAD recommended that management consider implementing these.

| PROCESS NAME  | DETAILS   | IMPACT  |
|---|---|---|
| Responding to sanctions queries and other common communications | <b>Repository/ Playbook of responses</b><br>The FS Team respond to queries received via the sanctions mailbox as well as corresponding with individuals in relation to the assessment of derogation applications. The FS Team are experienced and can access their own individual previous responses where applicable. However, it would be beneficial to develop a centralised repository or playbook that all team members can access. The repository/ playbook could contain suggested responses or standardised approaches to communications.   | A repository or playbook may support the FS Team in preparing responses and communications and create efficiencies from the point of view that previously agreed narratives could be utilised.  |
| Divisional Skills Assessment                                    | <b>Skills Gap Analysis</b><br>The FS Team is skilled and knowledgeable. Additionally, should there be an increase in the volume of financial sanctions, there are experienced team members from within other teams in AMLD that could be reassigned to assist with the increased workload. AMLD should consider a move to a centralised skills assessment process. This would provide a broad and comprehensive understanding of the capabilities and competencies of the team and allow for a more strategic approach to training needs.   | A structured process to assess training needs may enhance the FS Team's efficiency by identifying skills gaps and allowing management take a holistic view of the skills within the Division to manage the complex workload that the team face.                     |
| Management of the sanctions mailbox                             | <b>Classification of mailbox queries</b><br>IAD noted that the FS Team designed a decision making framework for derogation applications based upon the potential impact of the application. This framework is included in the derogation assessment procedure. The FS Team have not taken a similar risk based approach for managing the large volume of queries that they receive through the sanctions mailbox. The design and implementation of a risk based approach to managing queries would ensure that an appropriate member of staff is assigned to assess and respond to queries based on the nature and potential impact of the query. | The classification of sanctions mailbox queries would ensure that an appropriate member of staff is assigned to assess and respond to queries using a risk based approach. This approach would ensure that more complex queries are subject to additional scrutiny. |

Appendix 3: Distribution List

|     |  |  |
|-----|--|--|
| To: |  |  |
| CC: |  |  |

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Appendix 4: CBI Risk, Incident and Audit Grading Materiality Matrix

|             | Low   | Medium  | High                 |   |  |
|-------------|---|---|----------------------|---|--|
| Impact      | Reputational  | Business  | Gross Financial      |   |  |
| Very Severe | Long-term impact on credibility (>3years). Series of verified and very negative employee, public, market, international media, and stakeholder attention. | Complete failure to deliver divisional business objectives , statutory tasks or processes.                            | > €10 million        | 4 |  |
| High        | Medium term impact on credibility (1-3 years). Series of verified and negative employee, public, market, national media, and stakeholder attention.       | Prolonged delays or partial failure to deliver statutory tasks , processes, advisory function or strategic objective. | €1 - 10 million      | 3 |  |
| Medium      | Short term impact on credibility (3 months-1year). Verified and negative employee, public, market, national media, and stakeholder attention.             | Disruption/quality deterioration /delay to internal tasks of business processed.                                      | €10,000 - €1 million | 2 |  |
| Low         | Minor impact on credibility, internally or with stakeholders (up to 3 months). Limited coverage in media.   | Minor disruption/quality deterioration/delay to internal tasks or business processes.                                 | < €10,000            | 1 |  |

| Rare | Unlikely | Possible | Very Likely | Almost Certain |
|------|----------|----------|-------------|----------------|
| 5%   | 25%      | 50%      | 75%         | 95%            |
| A    | B        | C        | D           | E              |
|      |          |          |             |                |
|      |          |          |             |                |
|      |          |          |             |                |
|      |          |          |             |                |

## Appendix 5: Control environment and management risk awareness ratings

## Control Environment

|                              |   |
|------------------------------|---|
| <b>Effective</b>             | Internal Controls of the audited scope are effective. Limited or no remedial action is required.  |
| <b>Adequately Controlled</b> | Internal Controls of the audited scope are functioning to an adequate level. Weakness identified during the review expose the Bank to an overall low to medium level of residual risk. Remedial action to address these issues is required. |
| <b>Improvement Required</b>  | Internal Controls of the audited scope require improvement. The deficiencies identified during the review expose the Bank to medium to high level of residual risk. Timely remedial action to address these issues is required.             |
| <b>Ineffective</b>           | Internal Controls of the audited scope are inadequate and ineffective. The level of deficiencies identified exposes the Bank to a high level of residual risk. Significant and urgent remedial action to address these issues is required.  |

## Management Risk Awareness

|                    |  |
|--------------------|--|
| <b>Leading</b>     | Management exhibits a forward-thinking approach to risk management, continuously innovating and setting standards in risk awareness and mitigation strategies in the Bank. Predictive risk analysis and continuous control monitoring is in place. There is a culture of risk awareness and sharing of best practices within the Division.   |
| <b>Advanced</b>    | Management demonstrates a proactive and strategic approach to risk management. The risk register is dynamic and updated frequently. Management conduct horizon scanning to identify threats to the processes in scope for this review. Controls are tested regularly and updated based on test outcomes and evolving risk landscapes.  |
| <b>Established</b> | Management maintain a comprehensive risk register, detailing risks and controls. Risks are systematically scored using a consistent methodology, enabling prioritisation. Control reviews are conducted regularly, ensuring that mitigation strategies are effective and current. Some control testing is in place. Risks and expected controls identified during audit planning align to risks recorded in the risk register. |
| <b>Developing</b>  | Management recognise the importance of risk management and is in the process of establishing foundational elements. A basic risk register exists but may not be comprehensive or fully up-to-date. Risks are identified and scored, albeit with inconsistent criteria. Control reviews are infrequent, and mitigation strategies may not cover all identified risks.   |
| <b>Basic</b>       | Management demonstrates a minimal awareness of risks, with an inadequate risk register in place. Controls, if any, are ad-hoc and not systematically reviewed. Risks are not formally scored or prioritised, leading to potential oversight and unaddressed vulnerabilities.   |

## Appendix 6: Management Response

████████████████████ would like to say a very big thank you to internal Audit for both the Audit Report itself and the audit team's interaction with AMLD across the audit. On the report itself, this was an important audit for AMLD as the area of Financial Sanctions have changed very significantly in recent years so it was important that there was an independent review of the processes in place following this upheaval to ensure that AMLD, on behalf of the Bank, was appropriately and effectively delivering on its mandate. The audit team were very thorough in their approach to the assessment and consequently have highlighted areas that could be improved and AMLD accepts these findings and will ensure that it puts in place a remediation plan to address the identified weaknesses. Additionally, the report highlighted that despite the significant changes that AMLD has continued to deliver on the mandate and that in the main the processes in place are fit for purpose. This independent view that the changes that have been introduced by AMLD to meet the evolution of financial sanctions is very important for AMLD and the Bank and gives us confidence to move forward.

I fully commend the interaction from the audit team and the wider IAD team on this audit. At all times individuals were professional, courteous, constructively challenging and prepared to listen to AMLD. As a result I think that the audit was a collaborative effort where IAD received all the information they required and at the same time ensured that AMLD staff views were listened to and where appropriate reflected in the report. This positive interaction I believe has resulted in a very fair and accurate audit and which AMLD fully accepts the findings and therefore has ownership of ensuring the weaknesses identified are remediated.

I would like to thank IAD for undertaking this audit, identifying areas for improvement and being open to listening to AMLD where it has a different viewpoint to IAD and where relevant reflecting this viewpoint.