



# CIIA UK Financial Services Code & Audit, Risk & Compliance Hot Topics 2014

Mutual One Limited is a subsidiary of Baker Tilly Business Services Limited.  
Mutual One Limited (No 3497117) is registered in England and Wales, registered office 255 Farringdon Street, London EC4A 4AB.  
The term "partner" is a title for senior employees, none of whom provide any services on their own behalf.

# Today's Agenda



CIIA – Effective Internal Audit in the Financial Services Sector



Key Hot Topics in Audit, Compliance & Risk

# CIIA – Effective Internal Audit in the Financial Services Sector

- July 2013 - the Committee on Internal Audit Guidance for Financial Services published via the Chartered Institute of Internal Auditors (“CIIA”), its recommendations for internal auditing in the Sector. The FCA is responsible for protecting and enhancing confidence in the UK’s financial system.
- The guidance emphasises that a more influential internal audit function can play a more significant role in supporting Non-Executive Directors and Executive Management of Financial Services firms to better manage risks.

## Positioning and Impact

- This is a key paper and is openly supported by the Regulator. At Mutual One's recent meeting with the PRA, it was emphasised that a key expectation is for Audit Committees take action in complying with the ClIA's recommendations.
- It is important that Audit Committees document their own assessments of how they meet the guidance, including their rationale where the guidance is not fully adopted. This will provide a 'defendable position' should this be questioned at a future time by an external party such as the PRA or FCA.

# CIIA Recommendations

The Committee made 31 recommendations in total covering:

- The Role and Mandate of Internal Audit
- Scope and Priorities of Internal Audit
- Reporting Results
- Interaction with Risk Management, Compliance and Finance
- Independence and Authority of Internal Audit
- Resources
- Quality Assessment
- Relationships with Regulators
- Wider Considerations (Next Steps for the CIIA)

# Gap Analysis

- There are a number of recommendations which are solely influenced by Audit Committees. It is recognised that these recommendations are mainly aimed at internally sourced internal audit functions. Committees should, however, consider whether they apply, and how they apply in the context of an outsourced internal audit service.
- Mutual One undertook its own gap analysis of the requirements within the paper and its own processes. It is highly recommended that Audit Committees go through this process for themselves to identify any areas where change is required.

# In Summary

- The recommendations 'raise the bar'
- Will impact smaller Financial Services Firms
- Under the spotlight of the Regulator – expectation of compliance
- Increased requirements lead to increased costs
- Benchmark – Internal Audit Functions can be measured against
- Gap analysis - immediate priority

# Key Hot Topics in Internal Audit, Compliance & Risk Management

## Internal Audit

- Board effectiveness
- FCA / PRA themed reviews and visits – complaints, capital
- Cultural audits and annual opinion to Audit Committees
- PRA's opinion regarding 2<sup>nd</sup> and 3<sup>rd</sup> lines of defence

## Compliance

- Conduct risk
- Integrated assurance – dovetailing of 2<sup>nd</sup> and 3<sup>rd</sup> lines of defence to maximise assurance
- Board and Senior Management – setting the 'tone at the top'

## Risk Management

- Solvency II – timetable and key policy issues
- Financial Crime – Standard Bank fined £7.6m as weaknesses in systems and controls resulted in unacceptable risk of the bank being used to launder the proceeds of crime