

AUDIT HORIZONS



Audit of Compliance

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Compliance Roles and Objectives

Cost of Doing Business?

Drug Company Settlements 2006-2015

Company*	Total Penalties 2006-2015	Number of Settlements 2006-2015**
GlaxoSmithKline	\$7.628 billion	26
Pfizer	\$3.458 billion	28
Johnson & Johnson	\$2.822 billion	18
Merck	\$1.890 billion	26
Abbott	\$1.822 billion	15
Eli Lilly	\$1.706 billion	14
Teva	\$1.471 billion	13
Novartis	\$1.230 billion	18
Amgen	\$901 million	12
AstraZeneca	\$669 million	10
Purdue	\$646 million	5
Allergan	\$601 million	2
Daiichi Sankyo	\$586 million	6
Bristol-Myers Squibb	\$583 million	10
Mylan	\$566 million	20
Others	\$3.812 billion	151
Total	\$30.391 billion	374

Source: Public Citizen

* Parent company at time of settlement.

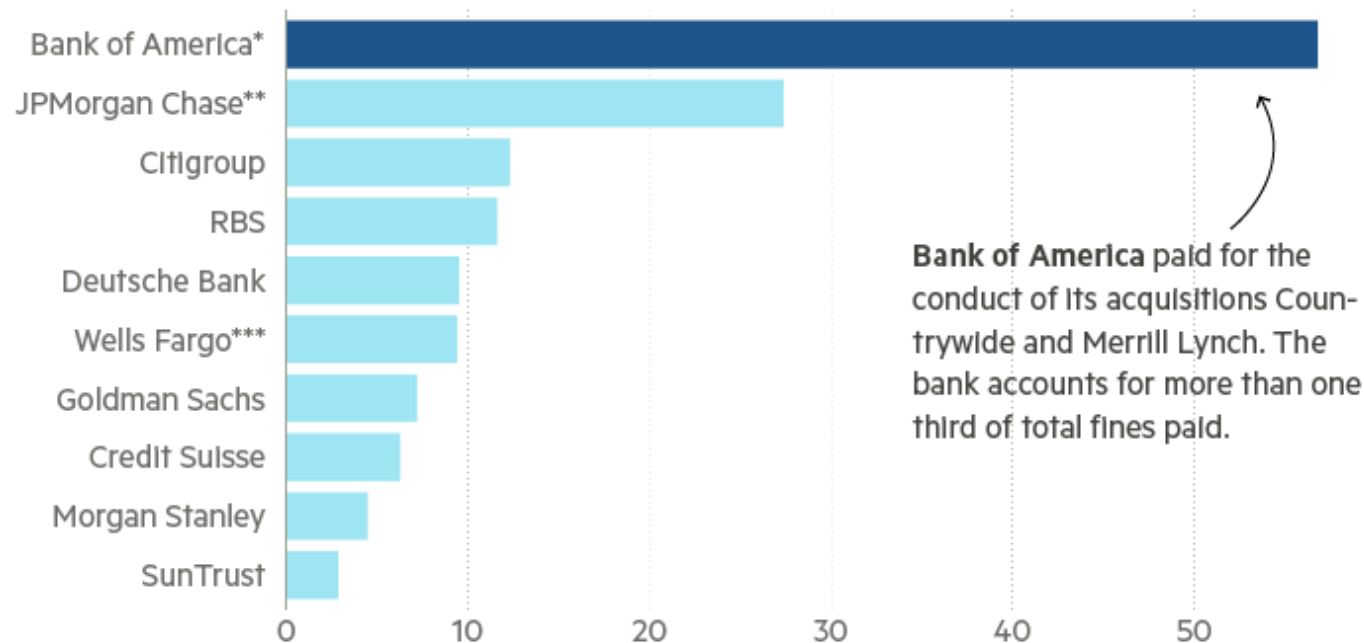
** Includes civil settlements and criminal penalties paid to federal and state agencies.

Calvin Alagot/Fair Warning

Compliance Roles and Objectives

The sins of others

Total fines paid (\$bn), 2008-2017



* Fines include conduct related to Bank of America, Countrywide and Merrill Lynch

** Fines include conduct related to JPMorgan, Bear Stearns and Washington Mutual

*** Fines include conduct related to Wells Fargo and Wachovia

Compliance Roles and Objectives

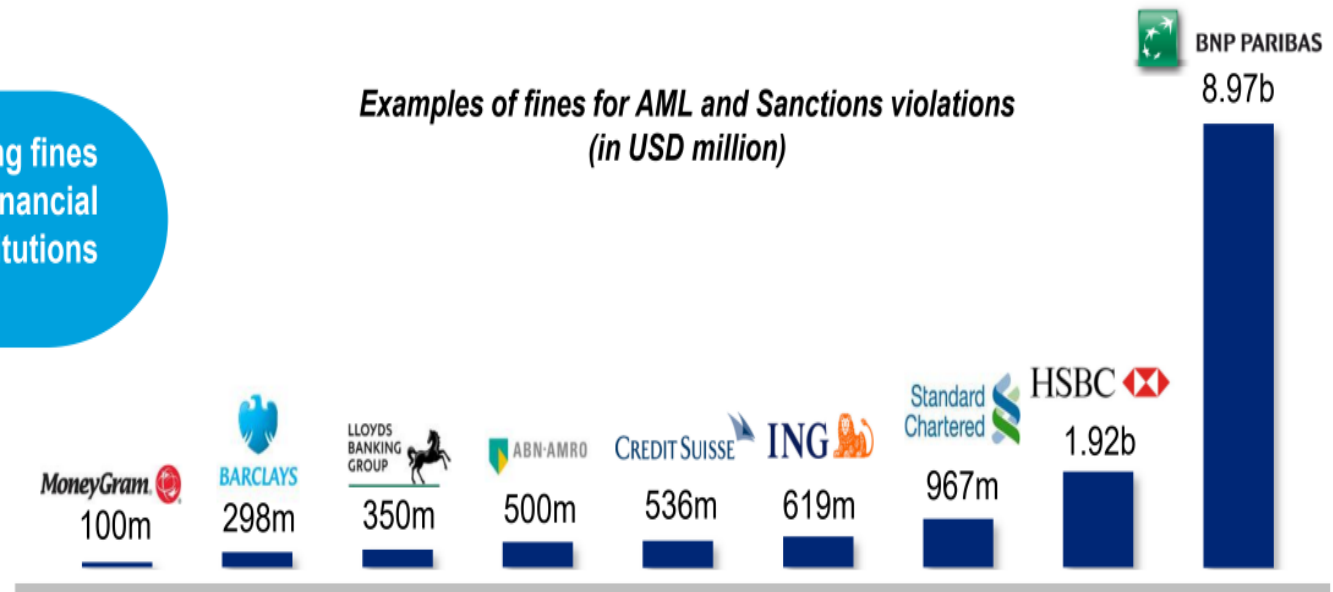


Compliance Roles and Objectives



Record-breaking fines
imposed on financial
institutions

*Examples of fines for AML and Sanctions violations
(in USD million)*



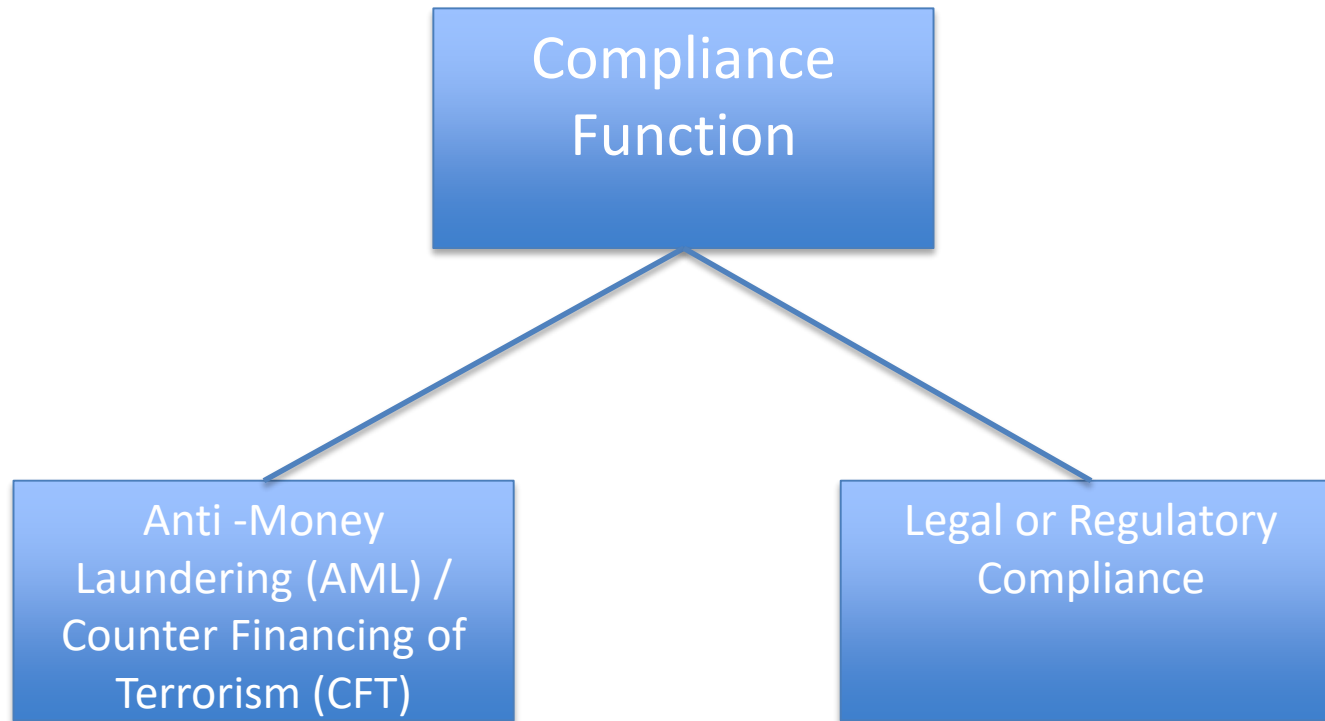


Compliance Roles and Objectives

- Compliance refers to conformity with both external and internal laws and regulations.
- The compliance function should have a preventive, advisory and supervisory role.



Compliance Roles and Objectives





Compliance Roles and Objectives

There are several common archetypes for compliance organizations.

Organi-
zation
chart

A.
Legal-led organization:
Compliance as part
of legal



B.
Risk-led organization:
Compliance as part
of risk



C.
**Stand-alone
compliance function**





Internal Audit VS Compliance

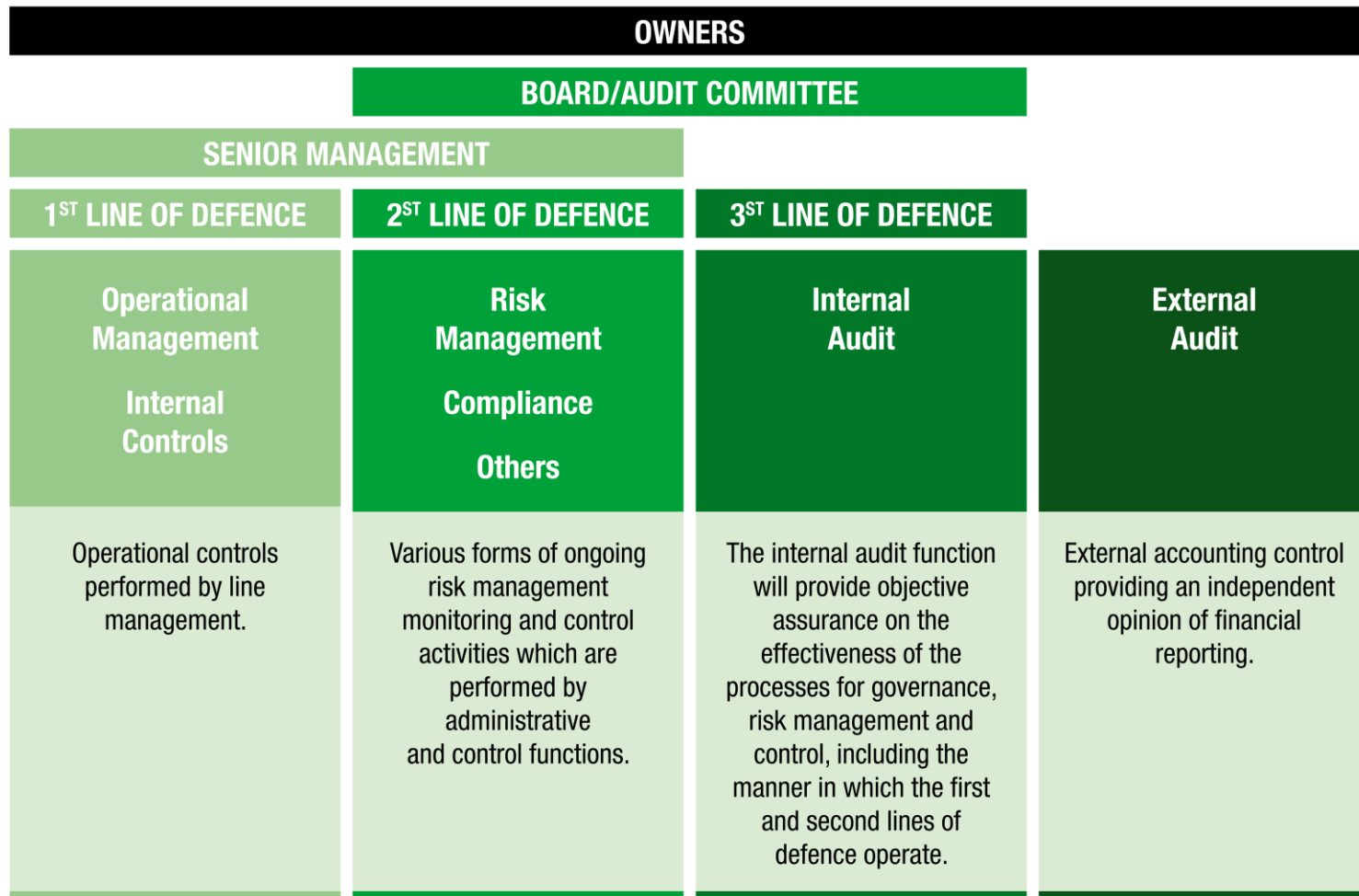
Internal Audit vs Compliance

Ever feel like this ?





Internal Audit vs Compliance





Internal Audit vs Compliance

Compliance Officer and Internal Auditor Responsibilities

Main Similarities:

- Perform risk assessment procedures to evaluate the effectiveness and efficiency of operations.
- Communicate findings and provide recommendations to management / board to guarantee the compliance with the internal controls, policies, applicable laws and regulations.
- Perform on-going monitoring and follow-up to ensure remedial actions have been taken.
- Access to entire organization

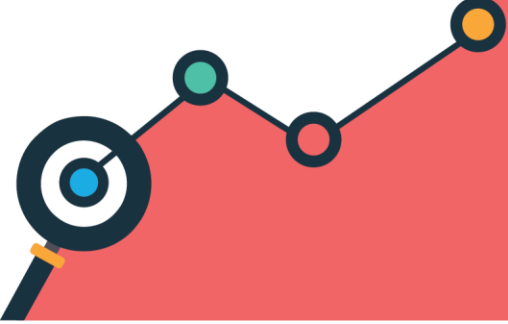


Internal Audit vs Compliance

Compliance Officer and Internal Auditor Responsibilities

Main Differences:

Compliance Officer	Internal Auditor
Focused on Compliance with Laws and regulations	Reviews the reliability and integrity of financial reporting and internal controls
Obtains and or establishes policies and procedures	Ensures the safeguarding of assets
May reports directly to management	Reports directly with the Audit committee or Board
Limited independence	Must be independent from the operation
Liaison with external regulators	Audit the compliance program



Auditing Compliance



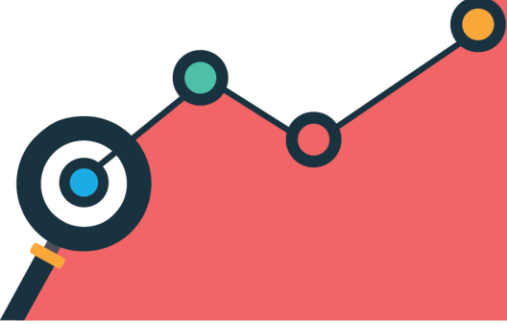
Auditing Compliance

- How Audit Committees are looking for auditing compliance function?
- How the CAE should approach the Audit Committee request?



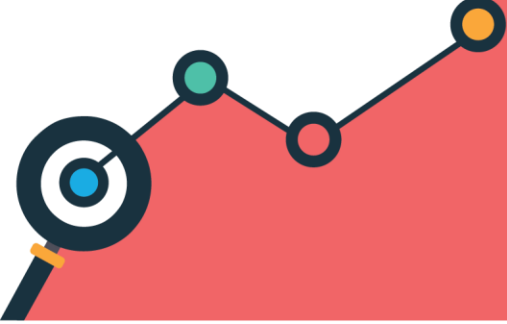
Auditing Compliance

Auditing Legal Compliance Framework



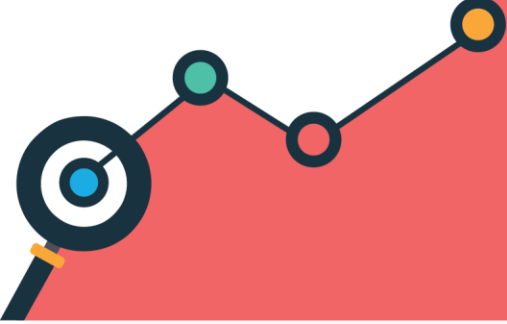
Auditing Compliance

Baseline Control	Maturity Level of Internal Audit Function		
IA Maturity	Foundation	Positioning for Success	Mature Practice
→	Potential Internal Audit Activities		
Auditing your entity's compliance framework			<ul style="list-style-type: none">- Compliance framework (overall)- Central regulatory coordination
		<ul style="list-style-type: none">- Compliance committee meetings- Compliance governance	
	<ul style="list-style-type: none">- Compliance activities (micro-level 'bits and pieces')		



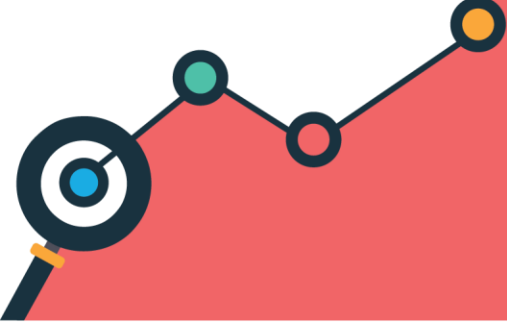
Auditing Compliance

Features	Key Elements of Corporation	Related Internal Audit Activities
Maturity Level - Foundation		
Compliance Activities	A high-level policy and procedures register (aligned where necessary to the compliance register) listed all of the corporation's significant policies and procedures, approval dates, related legislation/regulations, accountabilities, and review dates	Individual audits in the approved internal audit plan considered whether established controls over compliance risks were operating in practice in line with established policies and procedures



Auditing Compliance

Features	Key Elements of Corporation	Related Internal Audit Activities
Maturity Level – Positioning for Success		
Internal audit capability	CAE developed a Strategic Competency Plan (using the IPPF Practice Guide)	Internal audit staff were suitably trained and developed to fulfil the full ambit of their responsibilities under their charter and in the risk-based internal audit plan
Governance	Board or executive committees that covered different elements of compliance.	Facilitate the CAE or a senior delegate to periodically attend key board or executive compliance committee meetings as an observer, and report on significant insights to the audit committee. (Each of the compliance committee charters should contain suitable wording to preserve audit independence)



Auditing Compliance

Features	Key Elements of Corporation	Related Internal Audit Activities
Maturity Level – Mature		
Compliance Framework	The Entity has a compliance framework consistent with international standards and internal policies and procedures	Conduct a periodic high-level internal audit to assess the compliance framework at a macro level, including: a. benchmarking against the international or local compliance standards b. assessing the soundness of compliance policy and its alignment to the entity's strategies and business/ statutory objectives, c. determining how well the core elements are embedded into business processes and operating in practice, d. evaluating the availability of appropriate resources to develop, maintain and improve the compliance program, e. assessing the effectiveness of compliance reporting to the board, audit committee and senior management, and f. forming an opinion on the overall culture of compliance



Auditing Compliance

Features	Key Elements of Corporation	Related Internal Audit Activities
Maturity Level – Mature		
Regulatory Reviews	Regulators have the right to independently assure themselves that the entity is compliant with legislation and regulations related to their jurisdiction. They have the right to periodically conduct documentary and/or onsite reviews of the corporation's policies, procedures, operations, activities, systems, premises and related information. In some situations, the outcomes of the regulatory review might be reported to the parliament and/or the public.	Provide a central regulatory coordination point for the regulator's review team for any high risk or high profile regulatory reviews. Then monitor the implementation of significant regulatory recommendations in the internal audit activity's process for monitoring and reporting on the implementation of recommendations.



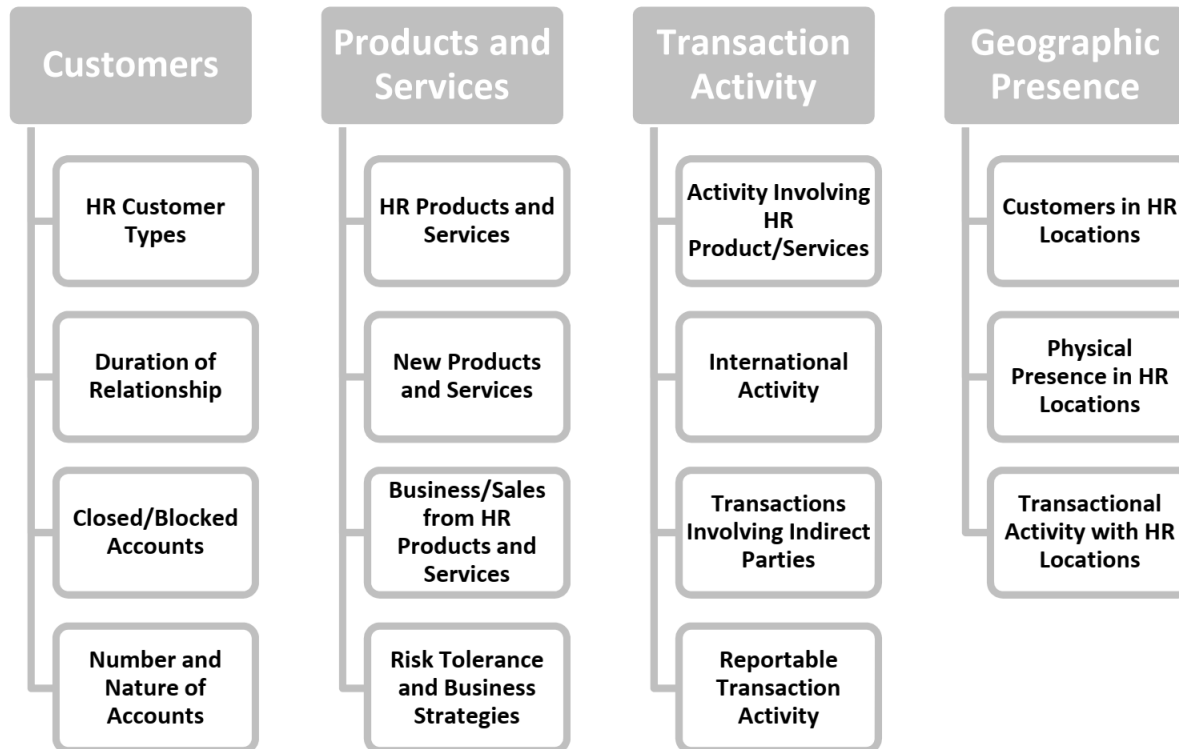
Auditing AML/CFT Function



Auditing Compliance

How to build your Audit Risk Assessment tool to Combat Money Laundering and Terrorist Financing

INHERENT RISK CONSIDERATIONS

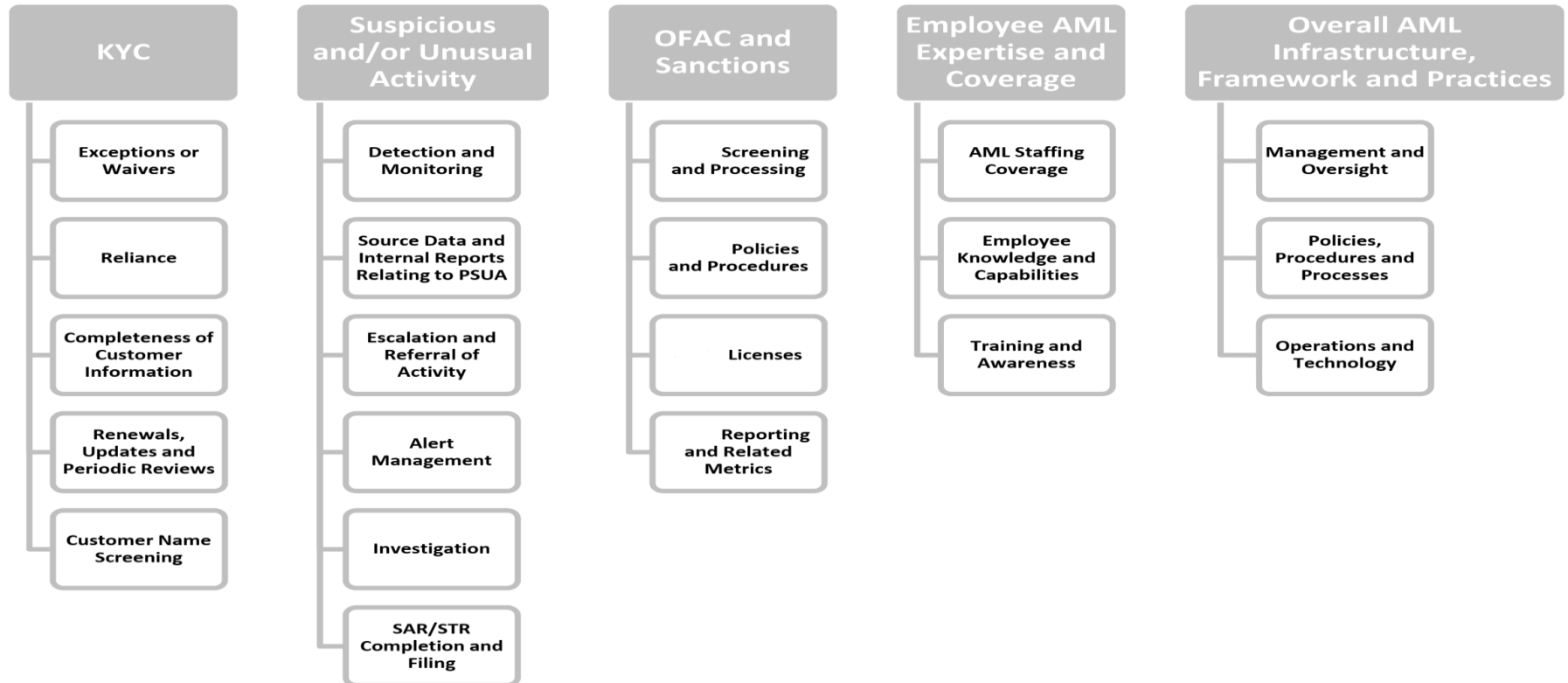




Auditing Compliance

How to build your Audit Risk Assessment tool to Combat Money Laundering and Terrorist Financing

CONTROL ENVIRONMENT CONSIDERATIONS



Auditing Compliance

Interpretating and Using the Results

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AUDIT HORIZONS

Q & A

