

A close-up, black and white photograph of several abacus beads on a string, with some beads in sharp focus and others blurred in the background.

Internal Audit Support: Conduct, Compliance & Ethical Behaviour

Abstract

Avantage Reply supported the Internal Audit function of a major UK banking group by seconding one of our Partners to act as interim Head of Audit for Conduct & Compliance. The remit for this role included managing delivery of BAU Audit activity, developing the team and new implementing an operating model.

During the 12-month secondment the credibility and effectiveness of the function was improved substantially, with a large body of Audit work delivered on time and to a high standard. There were a number of innovations made including development of a credible approach towards auditing culture.

There were a number of significant findings that were addressed as a result of this work and the Audit Committee took comfort in the robust risk assurance delivered by the team.

THE CLIENT

Our client is one of the UK's biggest banking groups, with a leading commercial position in activities including Commercial Banking, Retail Banking, Wealth Management and Insurance. The Bank had been subject to a number of regulatory interventions as a result of historical conduct issues and was seeking to become a safer and more ethically minded organisation.

THE CHALLENGE

Over recent years, the costs that our client had incurred from Conduct Risk and Compliance related issues had surpassed even the Bank's credit related losses from its loan portfolio. The client had recognised that its control environment around Conduct, Compliance & Ethical behaviour needed to become significantly more robust and, as part of this evolution, had established a Conduct & Compliance team as part of its Internal Audit function. This team was responsible for delivering specialised Conduct & Compliance audits, supporting Conduct & Compliance aspects of more general audits and for audit oversight of the Bank's second line Conduct & Compliance functions.

Like a number of firms, our client was struggling to build a team with the right mix of Conduct & Compliance subject matter expertise and Internal Audit rigour to develop the function and deliver its remit to the expected level. The team in place consisted largely of staff seconded from other parts of the Audit function and the business and had neither the capacity nor the capability to deliver the programme of Audit work required.

APPROACH AND SOLUTION

We seconded one of our Partners to act as interim Head of Audit for Conduct & Compliance. The remit of this role was to manage delivery of a programme of BAU Audit work whilst also developing the Conduct & Compliance team and operating model. This involved:

- Defining the Audit Plan in alignment with the risks faced by the Bank;
- Managing delivery and quality assurance of the Audit Plan;
- Managing the Audit function's business stakeholders, in particular in relation to high priority Audit findings;

- Designing and implementing an operating model to enable effective engagement with stakeholders in the wider Audit function; the second line of defence functions and the business;
- Providing specialist Conduct and Compliance oversight to a wide range of Audits and providing quality assurance and challenge to other team members;
- Recruiting new staff into the function with the required range of skills;
- Developing the existing team through formal training and informal coaching;
- Enhancing management information through design and implementation of a number of new reporting tools and templates; and
- Developing and testing a credible approach to auditing culture and ethical behaviours in the firm.

Additionally, we were able to supplement the client's internal team with specialist resources as required, using our team of expert risk and regulatory consultants to address specific issues requiring in-depth subject matter expertise.

RESULTS AND BENEFITS

During 12 months engagement the Audit function and its approach matured significantly thus raising its credibility with the business and the Audit Committee. As a result, the function was able to deliver a substantial programme of Audit work, identifying and addressing a number of material issues and providing assurance over the effectiveness of the Bank's control environment.

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