



25 Gresham Street, London

BENCHMARKING OR ANNUAL COMPLIANCE GENERAL AUDIT EXAMPLES

How Well Do You Manage Your Firm?

Our Full Benchmarking Compliance Audit Will Identify Areas Where You're Are Doing Well, Not So Well & Areas That Need Improvement.

The screenshots provided below skip through the report, (often up to 100 pages) and identify detailed areas where we have the skill and experience to identify issues that the FCA will identify in any visit.

We conduct this when taking on a new client and it provides evidence for the regulator as well as the firm's governing body that the right things are in place.

Fig 1

of the recommendations across all parts of the report. This is intended to assist The Firm in planning the order in which the recommendations are implemented.

1.3 GOVERNANCE AND RISK STRATEGY

Our overall assessment on The Firm's governance arrangements is that:

1. We have been impressed by The Firm acting in a pro-active way. For years, they have had the support from Simply Biz, a compliance consultant that they need such as risk profile, regulatory price. More recently they have had a Compliance Consultant that was released to identify weaknesses and improvements in governance, oversight and company as well as wanting to implement proposed Senior Managers and Certification currently in force.
2. Whilst we are impressed with the firm's approach that it remains to be seen whether the arrangements will be successful. The management took the view that "the minutes and minutes" then the point is to ensure that the firm is in a position to meet the requirements of the FCA.
3. Full commitment to implement and embed the planned future governance arrangements required from all members of senior management.
4. The FCA has made it clear that it views any observations on Governance as being a barometer for helping to assess the corporate culture at any firm. Despite the majority of staff being directors of the business, each with their own business agenda, to achieve a benchmarked contemporary level of a type that is a large uplift of the existing model, will require strong leadership, vision and both the expertise and the practical understanding of what it takes to deliver a change and embedding programme on Governance.
5. The main body of this report contains detailed findings and observations. We set out a large number of recommendations to be implemented. The impact and materiality of the vast majority of the

We provide a general overview in the report concerning these areas

Fig 2

1.4 GENERAL COMPLIANCE

Our overall assessment of the Compliance arrangements at The Firm is that:

1. Whilst systems, controls and compliance processes operate within The Firm, there are a number of factors which
2. We have identified several areas of non-compliance. Reference to the relevant regulatory requirements shows that
3. Another factor is the lack of consistent understanding of compliance risks. In our view, the 'low risk' is not
4. Additionally, the Firm's LinkedIn Posts (outsourcing Promotions) could lead to imprisonment
5. The Compliance function felt that The Firm's compliant procedures are outdated and there appears to be no understanding of the 'New' complaints rules that came into effect on 30th June 2016 and there would appear to not be any policy in this regard.
6. There is no maintained Contact Log for communication with any of the regulators. Obviously the FCA would be the main contact, however no confirmation of Information Commissioner (ICO) registration or contact with the Advertising Standards Authority (ASA) regarding any possible advertising query has been recorded.
7. Our findings and recommendations set out in detail a large number of recommendations to address the themes identified at points (1) and (6) above. Our recommendations individually and collectively should

We identify compliance weaknesses and any errors, anomalies and inconsistencies

Fig 3

Client Segmentation: The Firm has very little actual detail documented regarding client segmentation, the customer journey, sales process, customer records storage and archiving, Treating Customers Fairly or Data Security/Access, with only an outdated procedural document for customer complaints.

There is currently no facility to manage an in-house option of DB Pension Transfer enquiries, currently laying off the business to another adviser. The firm has to therefore decide its strategy in this area;

- i. Does it want
- ii. Are they com with indepen
- iii. If they were t with their oth
- iv. If it will with

Files appear to be general "data gathering" and the recording of "soft facts" on acceptable standards on s

We do not pull any punches and articulate issues that we have experiences from dealing with the regulator and having been appointed as a skilled person (for S166 Reports)

1.7 Conclusion

As The Firm assesses its relement the changes required to obtain a compliant culture, we would encourage everyone involved to consider the connections between the three primary subjects of this report: Governance, the Compliance function and the effective operation of controls in the business.

There is no "Quick Fix" to remedy the failings over the years and The Firm has to agree what level of standards they are happy to adhere to. In order to fix the failing or failed elements and inter-connectedness is not simply the delivery of a few training sessions on complaints, Financial Promotions or anti-money laundering training:

Fig 4

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Fig 5

1.8.2 General Compliance

Finding number	Title	Material Risk to Objectives	Priority	Page
3.5.1	Definition of compliance		High	36
3.5.2	Compliance		High	38
3.5.3	Compliance		Medium	40
3.5.4	Financial P		High	41
3.5.5	Recording		Low	55
3.5.6	Compliance reporting line	No	Low	56
3.5.7	Global compliance standards	No	Low	57
3.5.8	Structure of the Compliance function	Yes	High	58
3.5.9	Compliance resources	Yes	High	60
3.5.10	Compliance people framework	No	High	61
3.5.11	Process for dealing with external regulatory developments, and internal business developments	No	Medium	62

We identify, categorise, prioritise and refer to issues that may arise

Fig 6

execution of matters approved in principle by the Board previously.

Board output

The minutes of the Board concentrate on commercial, corporate social responsibility and financial matters.

The Board meetings do not focus particularly on a matter of decision than discussion.

While The Firm Board minutes note outstanding items from previous meetings, they do not include a "matters arising" section to cover them. Minutes contain an "Any Other Business" (AOB) section. There are no timescales attached to the action items. The Board papers. As a result, the audit trail for actions is not clear.

We make observations on outputs and management practices

We have made the following observations:

- **Observation 1.3:** The Firm Board Meetings require a formal agenda.
- **Observation 1.4:** The Firm's Board minutes require more detail and coherent structure.
- **Observation 1.5:** It was not easy to track previously identified actions through The Firm's Board papers.

Board effectiveness

During the review period, there was no independent Board effectiveness review carried out.

- **Observation 1.6:** No externally facilitated Board effectiveness reviews have taken place.

Fig 7

2.2.1 Activity

We reviewed a number of documents and diagrams concerning The Board of Directors with identification of gaps, errors, anomalies and inconsistencies in mind, including;

- Composition
- Board Meetings (last 12 months)
- Apportionment Responsibilities
- Systems & Controls
- Processes and Systems
- Internal Documentation

2.2.2 Documentation review

We obtained and requested and reviewed the following:

- Minutes of key governance documents (some unavailable);
- Terms of reference for the key committees;
- Annual reports – AGM (partially unavailable);
- Organisation and Senior management structure;
- Policies
 - Anti-Bribery & Corruption Policy
 - Anti-Money Laundering Policy
 - Conflicts of Interest Policy
- Complaint Handling Procedures
- Business Risks Awareness Assessment
- TCF Gap analysis form dated 1/10/2015.
- Disaster Recovery Plan Jan 2016 to Dec 2016

We review a range of documentation (selected by us and you) for review

Fig 8

2.3.3.1 Risk function

The Firm has an annual "Business Risk Awareness Assessment" which on review contains no source of data or evidence of stress testing. Subjective assessment of potential perceived risks on a macro-economic scale are used to "pass" the assessment. This requires the Board to be responsible for the Group's risk appetite and identify areas of risk.

Board responsibility

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- **Observation** - The Firm has no evidence of any evidence of stress testing or identification or
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Risk Appetite

At a high-level, The Firm has attempted to maintain a set of principles which define staff members actions to mitigate or eliminate how much risk the firm is prepared to bear to achieve its objectives. The Firm should be looking to engage across several areas, such as:

- Financial reserves/stability measures
- Protection against Fraud (Internal & External)
- Anti-Bribery & Corruption
- Anti-money laundering and compliance procedures

We do this across many areas

Fig 9

2.4 Findings and recommendations

2.4.1 Implementation of the future governance arrangements

Observation

The Firm's needs to enhance its future governance arrangements document to be seen to run the business properly and in accordance with best practice. To ensure an enhanced governance framework is effective and robust, the change process will need to be appropriately planned, implemented and monitored.

Risk

Imperfect or delayed implementation of the enhanced governance framework may result in the Firm not being able to comply with the FCA's requirements.

There is a risk that The Firm's compliance framework will be unable to support the enhanced governance framework. Senior Managers & Certification Regime is designed to ensure that the Firm's compliance framework is robust and effective, including specific tasks and duties for each of the Senior Managers. If failure to comply with the regulators requirements (e.g. Senior Managers & Certification Regime business review etc.) or worse, a S166 Skillset

Recommendation

1. The Firm should set out a clear implementation plan which includes the following:
 - Creation of Board Committee terms of reference;
 - Review the number and frequency of Board meetings;
 - Consider accurate and effective Board management information needs of value;
 - Design appropriate MI to include review of appropriate information trends between Compliance, T&C and the Board to support effective decision making;
 - Review of agenda, board pack preparation and minutes of the Board;
 - Review of delegated authorities;
 - Review and documentation of remuneration policies;

**And provide full descriptions, identify risks and make recommendations....
... then help you implement them**

Fig 10

Board to support effective decision making;

- Review of agenda, board pack preparation and minutes of the Board;
- Review of
- Review of
- Document
- Document

2. Responsibility

3. When implementation is appropriate compliance a

References: Application of the common platform requirements (SYSC 4 to 10) - SYSC Part 2, <https://www.handbook.fca.org.uk/handbook/SYSC/1/Annex1.html#DES112>

SYSC 4.1.1R General Requirements <https://www.handbook.fca.org.uk/handbook/SYSC/4/?view=chapter>

SYSC 4.1.4R Mechanisms and procedures for a firm <https://www.handbook.fca.org.uk/handbook/SYSC/4/?view=chapter>

SYSC 4.4.3R Maintaining a clear and appropriate apportionment <https://www.handbook.fca.org.uk/handbook/SYSC/4/?view=chapter>

As everything we do is evidenced based, we provide links to relevant handbook sections.

Fig 11

2.4.2 Director training

Observation
During our review, it was apparent that the executive directors do not receive training on their responsibilities on an ongoing basis.

Risk
There is a risk that The Firm's directors are unable to demonstrate that their responsibilities are clearly understood leaves them potentially vulnerable. Senior Managers & Certified Persons (SM&CPs) are responsible for the Firm's business now, including specific tasks and

Recommendation

1. The Company Secretary should ensure that the training is appropriate to their responsibilities and includes:
 - The structure and
 - Responsibilities
 - The directors' responsibilities as set out in the Approved Persons' Handbook for members in dis
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3. The Firm should appo
4. The Managing Director, in consultation with the Company Secretary, should keep training needs of the directors under review on a collective and an individual basis.

References: https://www.fca.org.uk/publication/policy/ps10_15.pdf

Material risk: No
Priority: Medium

And we do this for EVERY finding

Fig 12

2.4.6 High Level Controls Report	
Observation	The Firm has not created an effective <u>High Level</u> Controls Report (HLCR) which would be a useful guide to the Group's governance and control arrangements.
Risk	The FCA holds the view that a firm should have a single, identifiable source should assess the effectiveness of its internal controls.
Recommendation	<p>1. The Firm should create a High Level Controls Report (HLCR) including:</p> <ul style="list-style-type: none"> The organisational structure; The roles and responsibilities of the Board and senior management; Strategic planning and objectives; Internal control arrangements; Policies; Manuals and Procedures. <p>2. The report should be of sufficient detail to allow the Board to maintain a clear and appropriate apportionment of responsibilities, so that it remains up to date and reflects the current state of the firm's internal controls.</p> <p>References: Application of SYSC 4.1.1R General Requirements for the Firm's Internal Control Framework, SYSC 4.1.4R Mechanisms for Monitoring and Reviewing the Firm's Internal Control Framework, SYSC 4.4.3R Maintaining a clear and appropriate apportionment of responsibilities, SYSC 4.4.6G (5) Does the firm have a single, identifiable source for its internal controls?</p> <p>https://www.handbook.fca.org.uk/handbook/SYSC/4/?view=chapter</p>

Without exception

Fig 13

3. The Company Secretary should consider, in cooperation with those who need to produce reports for the Board, how best to provide a guide to reports that highlights the key issues.	
References: Application of SYSC 4.1.1R General Requirements for the Firm's Internal Control Framework, SYSC 4.1.4R Mechanisms for Monitoring and Reviewing the Firm's Internal Control Framework, SYSC 4.4.3R Maintaining a clear and appropriate apportionment of responsibilities, SYSC 4.4.6G (5) Does the firm have a single, identifiable source for its internal controls?	
See also SYSC 4.4.6G (5) Does the firm have a single, identifiable source for its internal controls?	
Material risk: No	
Priority: High	
Management comments and target dates	
1. Firm's Response	
2. Firm's Response	
3. Firm's Response	

We also provide places for the firm's responses, so these documents can be kept as a benchmark.

More importantly, under SMCR you are required to keep an audit trail of everything the firm is made aware of.