

Professional Standard - Compliance Healthcheck Reports

This Professional Standard applies to all member firms and representatives of member firms. Member firms and their staff are reminded of the Code of Ethics and Professional Conduct when dealing with the matters set out below. This standard has been developed to ensure that, where a consultancy firm issues a compliance healthcheck report in respect of regulated firm, any limitations in either the scope or depth of the report (either due to specific client instructions, commercial pressures or other reasons) are clearly identified in the letter of engagement and are either referred to in the healthcheck report itself or are repeated within the report.

This Professional Standard has an initial effective date of 1 February 2007 and was last reviewed in June 2019.

Introduction

- 1.1 Regulated firms have in certain cases relied on compliance healthcheck reports without recognising the impact of scope limitations. Healthcheck reports themselves do not always set out any applicable scope limitations and this has allowed users of the reports to over-interpret the findings of these reports.
- 1.2 This standard therefore sets out best practice for identifying any scope limitations in the matters dealt with in the report, for stating any limitations in the depth of the report (i.e. any restrictions on the resources used in preparing the report) and lists out at high level those areas that the Association would expect a full compliance healthcheck report to cover. Where the compliance healthcheck report covers additional areas to those listed here (e.g. remedial actions and follow up from previous reports) then this should be identified in the letter of engagement and the report itself should either refer to the scope as set out in the letter of engagement or the scope should be repeated in full within the report itself.
- 1.3 This professional standard does not prescribe the level of detail to be included in the description of the scope of the report. The list of items included here is necessarily high level and generic and firms are encouraged to provide more detail within their own client specific reports.

Limitations on the Scope of a Compliance Healthcheck Report

- 2.1 Regulated firms may engage a consultancy firm to provide a full compliance healthcheck report, a partial one or one focussed on a particular area. A compliance consultancy firm may limit the scope of its compliance healthcheck report to those areas in which it has the necessary skills and experience. In either case the letter of engagement should identify the scope of the compliance healthcheck report by either stating those areas to be covered or by stating those areas which will not be dealt with in the compliance healthcheck report.
- 2.2 All compliance healthcheck reports issued by a consultancy firm should make it clear to the reader whether it is a focussed, partial or full healthcheck report. The impact of any scope limitations on the findings of the report should also be stated. Focussed healthcheck reports should identify in

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the report the boundaries of the matters dealt with in the report. Partial healthcheck reports should either identify those areas that are being reported on or identify those areas which are not covered in the report.

Limitations on the Depth of a Compliance Healthcheck Report

- 3.1 In a commercial environment it is unlikely that unlimited resources, in terms of consultant hours, will be made available in the preparation of a compliance healthcheck report. A regulated firm may request a high-level compliance healthcheck report where it is effectively agreed that the report should take no more than one consultant man day, or the firm may commission a detailed compliance healthcheck report taking many consultant man days.
- 3.2 Where the level of consultant resource agreed between the regulated firm and the compliance consultancy firm for the production of the healthcheck report has an impact on the level of examination within each area of the report then this should be referred to in the summary of the healthcheck report. The amount of compliance consultant resource used in preparing the report should be identified in broad terms where this will enable the reader to make an informed judgement when interpreting the findings of the report.
- 3.3 If appropriate, the healthcheck report should identify those areas of detail not examined during the preparation of the report. In addition, where the healthcheck report identifies the key controls established by the regulated firm the report should also identify to what extent these key controls have been tested (either by the client's own monitoring program or as part of the healthcheck report exercise) to ensure they have been implemented effectively.

Compliance Healthcheck Report Scope Areas

- 4.1 The Appendix to this standard sets out the high-level scope areas that the APCC would expect as a minimum for a full scope compliance healthcheck report to cover. The Appendix does not detail the work to be carried out within each area as that is a matter for the professional judgement of each compliance consultancy firm.

Other Matters relating to Compliance Healthcheck Reports Scope Areas

- 5.1 The healthcheck report is a summary of the findings of the compliance consultancy firm, working papers to support these findings should therefore be prepared and kept to support these findings. There should be a clear audit trail back from the healthcheck report back to the working papers and vice versa.

The working papers should make it clear who carried out the work, whether the client offices were visited and if so, which offices and when, the nature of the evidence used in preparing the working papers and whether the evidence was provided on site at the time of the client visit (if there was one) or whether the evidence was provided off site. Either copies of the evidence used in compiling the report should be kept or sufficient information should be recorded to identify the evidence used in compiling the report.

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High Level Scope Areas

The areas listed below are those which the APCC believes that at a minimum a full scope compliance healthcheck report should cover.

	Institutional Business	IFA	General Insurance Broker	Mortgage Broker
GOVERNANCE AND STRATEGY				
Management structure	Yes	Yes	Yes	Yes
Allocation of responsibilities	Yes	Yes	Yes	Yes
Risk management procedures	Yes	Yes	Yes	Yes
Documentation status (operating and compliance manuals, et al.)	Yes	Yes	Yes	Yes
GENERAL COMPLIANCE				

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	Institutional Business	IFA	General Insurance Broker	Mortgage Broker
Compliance procedures within the firm	Yes	Yes	Yes	Yes
Conflicts of interest	Yes	Yes	Yes	Yes
Regulatory reporting	Yes	Yes	Yes	Yes
Anti-money laundering	Yes	Yes	Yes	No
CUSTOMERS				
Treating customers fairly	Yes	Yes	Yes	Yes
Customer records	Yes	Yes	Yes	Yes
Product providers	Normally N/A	Yes	Yes	Yes
Products and services sold/advised on	Yes	Yes	Yes	Yes
Sales/service procedures and records	Yes	Yes	Yes	Yes

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	Institutional Business	IFA	General Insurance Broker	Mortgage Broker
Marketing and financial promotions	Yes	Yes	Yes	Yes
Complaints handling and records	Yes	Yes	Yes	Yes
Claims handling and administration	No	No	Yes, if applicable	No
CAPITAL RESOURCES AND FINANCIAL MANAGEMENT				
Capital adequacy	Yes	Yes	Yes	Yes
Professional indemnity insurance	Normally N/A	Yes	Yes	Yes
Client money	Yes, if applicable	Yes, if applicable	Yes, if applicable	Yes, if applicable
PERSONNEL MATTERS				
Remuneration policies	Yes	Yes	Yes	Yes

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	Institutional Business	IFA	General Insurance Broker	Mortgage Broker
Training and competence	Yes	Yes	Yes	Yes