Current Developments in Compliance Management System (CMS) Structures and Auditing

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Principles of the Implementation and Certification of Compliance Management Systems

- Protection of corporate management and supervisory boards from civil and criminal liability in cases of non-compliance by employees
- Alignment of Compliance Management Systems with national and international standards, such as IDW EPS 980 (Audit of Compliance Management Systems) or the OCEG (US)
- Focusing on the prevention of offences against civil and criminal laws, such as the German Art. 130 OwiG or the US Sentencing Guidelines
- Focusing on the prevention of personal civil and criminal liability
- Sustainable implementation of all elements of the systems, i.e. prevent, detect and response as well as „Tone from the Top“ and regular auditing

Requirements on the Design of a Compliance Management Systems

- As of today, there are no mandatory requirements regarding the design of Compliance Management Systems.
- A draft of the German IDW Standard on Auditing „Principles of Compliance Management System Audits“ (IDW EPS 980) was published in March 2010. A standard comparable in other countries does exist.
- The standard summarizes the fundamental elements of a Compliance Management System and recommends to consider generally accepted CMS-frameworks. The draft refers to the following (quasi-) standards
  - *Foundation Guidelines „Red Book“ of the Open Compliance and Ethics Group (OCEG)*
  - *US Federal Sentencing Guidelines Manual, Chapter 8, – Sentencing of Organizations, Part B – Remedying Harm from Criminal Conduct, and Effective Compliance and Ethics Program*
  - *Australian Standard (AS) 3806-2006 – Compliance Programs*
  - …
- Over the past years international companies have developed „Leading Practices“ that also need to be considered in auditing Compliance Management Systems.

Leading Practice for Compliance Management Systems

Compliance Culture, Compliance Goals, Compliance Organization

Prevent	**Detect**	**Respond**
Rules and Regulations	Risk Analysis	Investigation
Trainings	Whistleblower System	Sanctions
Coaching and Consulting	„Integrity Barometer“	Remediation
Incentive System	Compliance Detection Audits	

Communication

Audits of the System

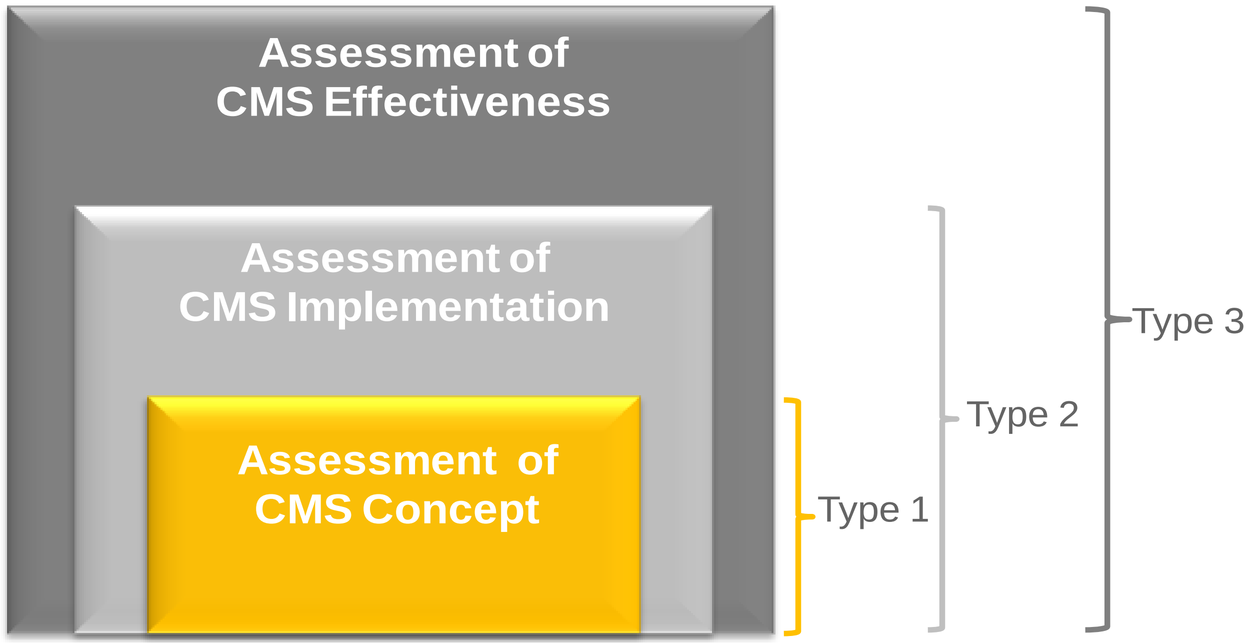
Elements of a Compliance Management System*

Compliance goals & Risks	▶ Compliance goals which are derived from business goals on company level ▶ Regular performed risk analysis to identify compliance risks; countermeasures and controls
CoC, Policies & Guidelines	▶ Code of Conduct ▶ Policies, guidelines and procedures on compliance issues
Compliance Responsibility & Organization	▶ Responsibility for compliance issues lays with one member of the management board ▶ Compliance Committee, Compliance Officer and local managers responsible for compliance management with appropriate resources and competencies ▶ Whistleblowing system (e.g. Ombudsman, Hotline) ▶ Fraud response plan ▶ Compliance issues are reflected within HR processes ▶ Compliance Management components are integrated in the corporate risk management / Internal Control System ▶ Controls within business processes to ensure proper conduct and to avoid misconduct (e.g. Due Diligence for Business Partner, authorization concept and regulations)
Communication & Training	▶ „Tone from the Top" and „zero tolerance" culture ▶ Internal communication of corporate Code Of Conduct and guidelines ▶ Implementation of a compliance reporting system ▶ Trainings for management and employees in defined risk areas ▶ External communication of the corporate Code Of Conduct
Controls & Monitoring	▶ Audit of the implementation and efficiency of compliance controls within business processes ▶ Audit of the implementation and efficiency of CMS ▶ Execution of results from CMS audit and investigation processes

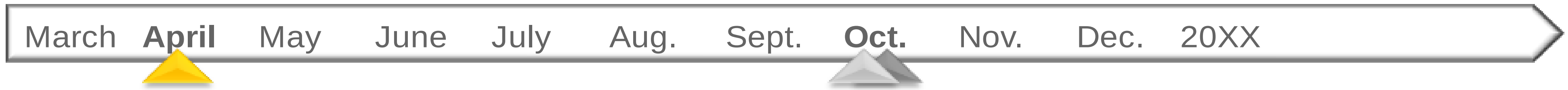
Documentation to support the (a) controls and (b) monitoring processes as well as (c) provide evidences

** Esp. Follows USSG, Australien Standards, ZfW Standards, OECG*

Approach on Auditing Compliance Management Systems



- ►The assessments are based on the IDW CMS-Auditing-Standard and the USSG.
- ►The IDW Standard requires compliance processes to be implemented and running before the audit types 2 and 3 can be performed. Thus we have designed a 2 step approach.
- ►Due to the similarity of the documentation, audit type 2 and 3 will be performed simultaneously.



Step 1:
Concept Audit (Type 1),
Certificate for CMS Concept

Step 2:
Implementation & Effectiveness Audit (Type 2 & 3),
Certificate for CMS Implementation & Effectiveness

Questions?