

HCCA Compliance Institute 2018

708: Intersection of Internal Audit & Compliance

April 17, 2018

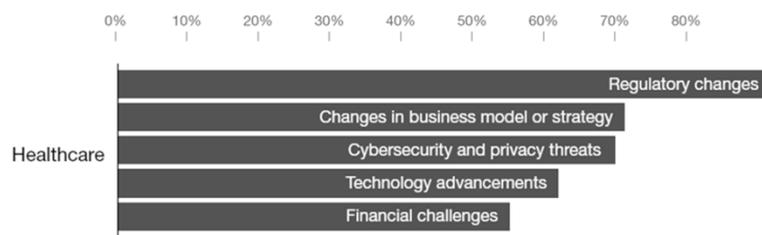


Agenda

- Objectives
- Where are we today?
- Corporate Integrity: The intersection of Compliance, Internal Audit and Privacy
- Questions

Where are we today?

Regulatory change ranks as the top “disruption” impacting today’s healthcare organizations



Source: 2017 State of the Internal Audit Profession Study, PwC

Top business issues facing the industry

Promoting patient-focused care while maintaining financial stability has put stress on health care organizations that are already navigating an evolving regulatory landscape.



Non-compliance with evolving regulations may lead to low quality ratings, which can affect enrollment and reimbursement.



Risks related to Electronic Health Record systems implementation continue after the go-live date and may have regulatory compliance as well as revenue stream impacts.

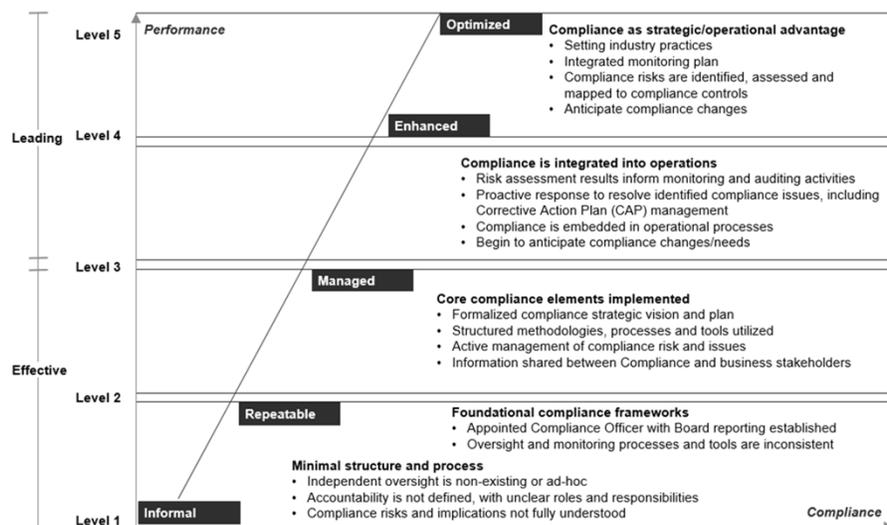


Boards and management are focused on protecting sensitive data and systems while regulators, business customers, and patients/caretakers demand transparency on how patient records are being safeguarded.

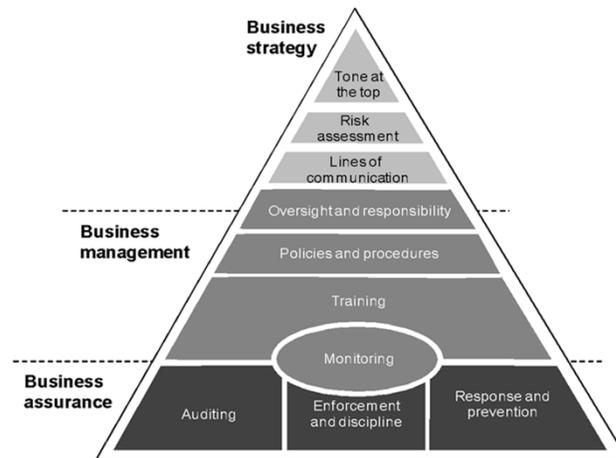


*As the industry faces greater oversight and scrutiny, it becomes critical for organizations to reevaluate the **compliance, internal audit and privacy** programs against stakeholder expectations and to remain alert and adaptable.*

Where is your Compliance program today?



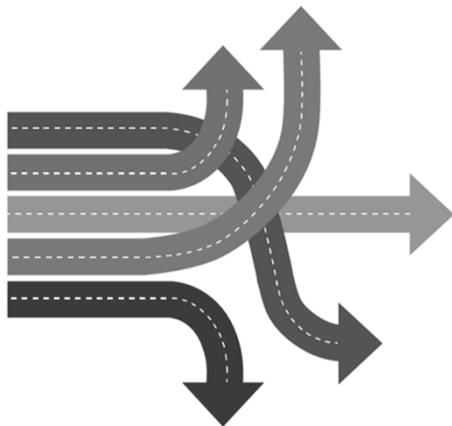
Where is your Compliance program today?



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Where is your Internal Audit program today?



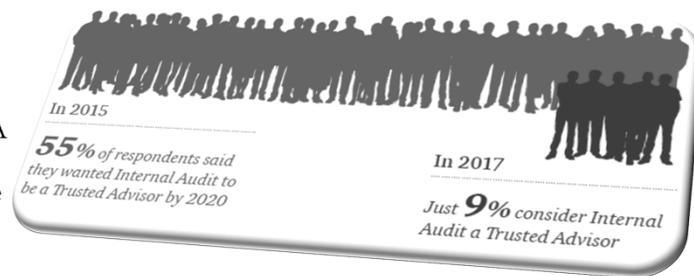
- IA functions are struggling to drive a consistent focus on delivering value-add services as **trusted advisors**
- IA functions risk assessments are not **responsive** to disruption-related risks
- IA function service offerings are not **aligned** with stakeholder's expectations and failing to forge strong relationships with business leaders
- IA functions are not performing as they should or are not **agile** as the risk exposure is growing – greater risk requires greater skills and risk coverage

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Where is your Internal Audit program today?

- The IA function is falling behind stakeholder expectations to act as a **trusted advisor** in addressing risks
- The disconnect is primarily due to IA not having the **agility** to changing priorities and disruption risks from the perspective of the business
- Business leaders are closely monitoring the return from the costs associated with IA functions and expecting higher returns



Source: 2017 State of the Internal Audit Profession Study, PwC

How can you adopt an agile framework?

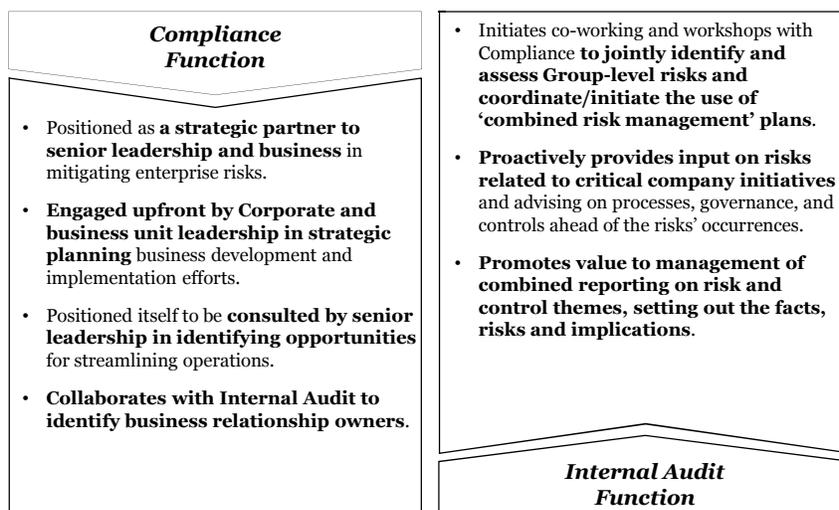
Prepared + Adaptive = Agile

- Prepared:
 - Build eventuality of disruption into the planning, risk assessment, **compliance, internal audit** and **privacy** functions
 - Meaningful collaboration as a **trusted advisor** with other lines of defense
 - Invest in and elevate business and technical IQ
- Adaptive:
 - Create more flexible processes and reporting mechanism to enhance perceived value with business leaders
 - Drive the use of data analytics and technology
 - Implement flexible talent models that are **responsive** to the needs to the business and the IA functions

The 5 pillars of an integrated Compliance and Internal Audit function



Pillar 1: Business partner



Pillar 2: Risk assessment

Compliance Function

- Develops and **implement formal coordination points** amongst the various Compliance units, if applicable, and Internal Audit to **increase efficiencies and provide a strategic view of organizational risk**.
- **Coordinates compliance risk assessment processes with Internal Audit risk** assessment where possible (i.e., review and triage identified risks to determine whether in Compliance or Internal Audit scope).
- Works together across ERM, other second lines of defense, and Internal Audit to **build a common risk framework**.

- **Discusses keys areas of focus of the risk assessment with compliance** prior to identifying stakeholders to interview.
- **Includes the compliance function as part of the annual risk assessment process** by inviting them to compliance related risk assessment meetings (i.e., interviews, working group sessions).
- Shares outcomes of risk assessment with compliance, in order to **obtain feedback on assessments of risk and outcomes**.
- Discusses annual audit plan to **reduce the risk of duplication of efforts**.

Internal Audit Function

Pillar 3: Continuous monitoring

Compliance Function

- Coordinates with Internal Audit during annual work plan development to **identify overlap and areas that are more appropriate for continuous compliance monitoring**.
- Collaborates with Internal Audit and relevant business areas to **develop key performance indicators (KPIs) and metrics that can facilitate monitoring** and reporting of deficiencies identified during audits.
- Includes Internal Audit in Compliance Committee meetings to **gain insights regarding compliance monitoring KPI/metric reporting**, which will allow Internal Audit to identify any areas in need of a "deeper dive" audit/review.

- **Regularly meets with Compliance** to achieve the following:
 - **Identify new areas of risk;**
 - **Discuss issues/concerns identified** by compliance and internal audit functions;
 - **Discuss upcoming reviews to ensure efficiencies.**
- **Formalizes a process of information sharing** with Compliance when related deficiencies are identified during audits, which will allow Compliance to not only **assist with root cause analysis and CAP development**, but also **develop continuous monitoring** around that deficiency.

Internal Audit Function

Pillar 4: Audits and reviews

Compliance Function

- Identifies additional opportunities to **perform integrated assessments/ audits** with Internal Audit and leverage the knowledge of staff members in other departments in order to increase efficiency during the planning process to develop a more **holistic view of risk and increase efficiency**.
- Collaborates during development of Compliance and Internal Audit's annual audit/review work plans to **identify coordinated projects and minimize business area abrasion**.
- Develops and implements a **complimentary communication process** (e.g., at the outset of each audit/review) to inform stakeholders of Compliance and Internal Audit coordination.

- Makes sure that Compliance is part of the planning process to **assist with identifying risks and potential resting procedures**.
- While executing fieldwork, utilize compliance as a resource for **operational compliance information**, if applicable.
- Look for opportunities to perform integrated audits with Compliance to **develop a more holistic view of risk and increase efficiency of time spent** by business units on audits.
- If observations are noted during reviews that are compliance-related, **coordinates with Compliance on root cause analysis, and corrective action plan development and implementation**.

Internal Audit Function

Corporate Integrity: The intersection of Compliance and Internal Audit

Pillar 5: Executive and Board Reporting

Compliance Function

- Aligns more closely with Internal Audit to **drive a common definition of risk** and improve the organization's overall risk management effectiveness, and allow presentation of common risk language to leadership.
- Includes Internal Audit in operational Corporate Compliance Committee meetings to **facilitate information sharing, and a coordinated approach to presenting and discussing compliance risks.**
- Formalizes a process for **pre-Audit Committee coordination meetings with Internal Audit** to assign roles and responsibilities regarding compliance-related reporting, and minimize any potential overlap in presentations.

- Navigator for the Audit Committee – **improves the Committee's understanding of sources and coverage of risk management.**
- **Conducts routine coordination and communication between the three lines of defense.** For example, Legal, Internal Audit, Compliance, ERM and representatives from the business should meet on a regular basis **to discuss emerging risks, mitigation effectiveness and coordination of audit/monitoring activities and define a common risk language.**

Internal Audit Function

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Value of an Integrated Corporate Integrity Function



Before

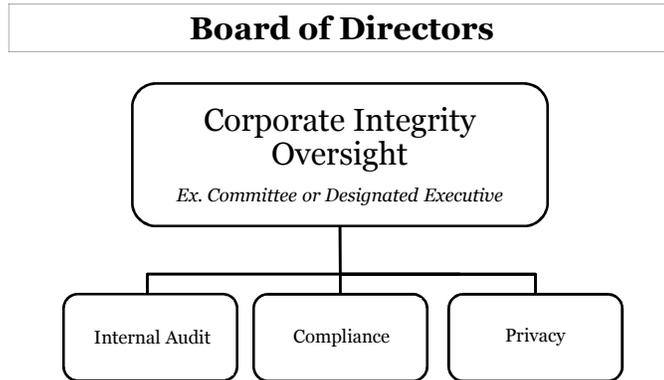


After

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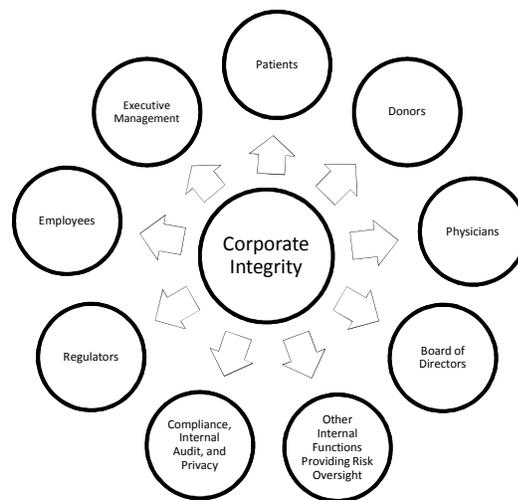
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Corporate Integrity Structure: Straw-man Proposal



Who are the stakeholders?

- An **agile** Corporate Integrity functions that deliberately collaborates and **aligns** objectives between Compliance, Internal Audit, and Privacy serves a variety of internal and external stakeholders.
- Take the time to think more strategically about where you are operating today and what your ideal state is.



The Future of Corporate Integrity

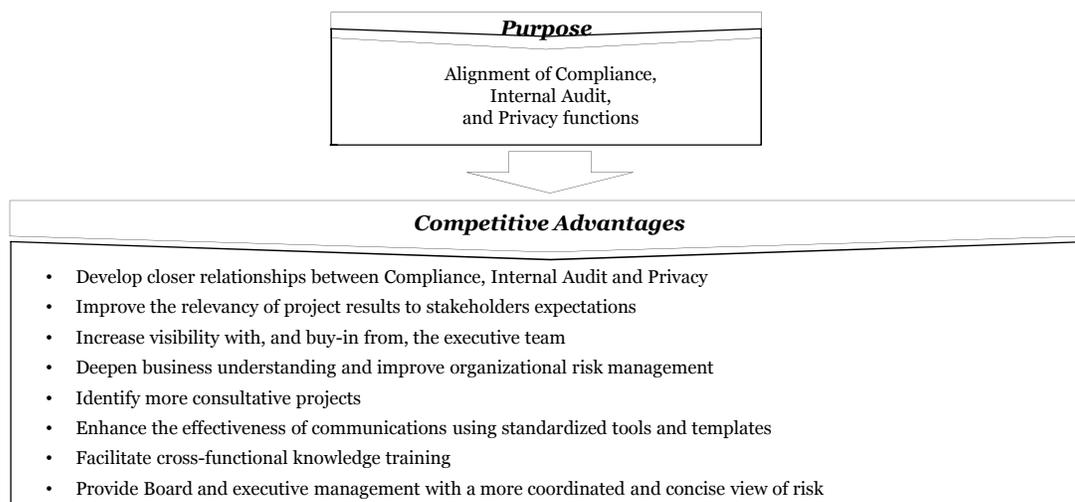
Whether a governance model is centralized, decentralized or hybrid, it needs to be **agile** and **align** with the business organization's strategy, forecast and manage regulatory and reputational risk and adapt to change. Organizations are challenged to develop and roll-out corporate governance models and practices in complex, highly matrixed environments. An effective Corporate Integrity approach should include assessing and enhancing the following:

- The design and implementation of corporate governance practices;
- The structure, composition and resources necessary for the effective operation of a corporate integrity department;
- The design, structure and operation of effective compliance training and communication programs;
- The design, structure and operations of effective internal audit systems;
- The design, structure and operations of effective privacy policies and procedures;
- The development, promotion and cultivation of a culture of compliance.

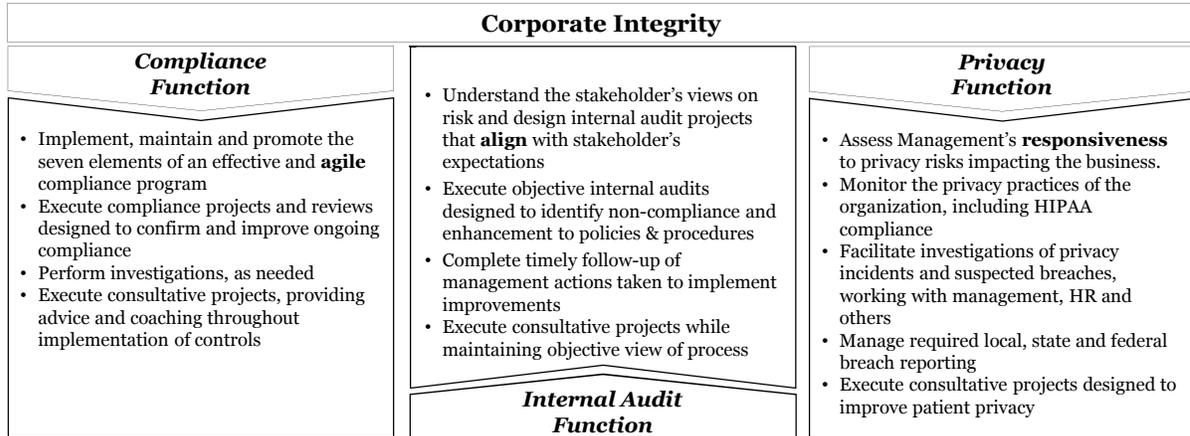
An integrated approach to risk management includes a coordinated assessment of compliance, internal audit and privacy functions.



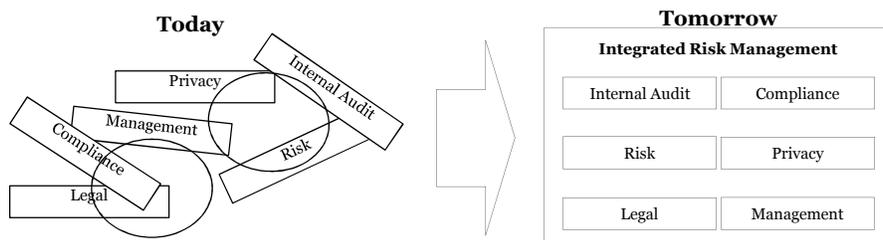
Objectives of a Corporate Integrity Transformation



Corporate Integrity Program Structure



Path to Integrated Corporate Integrity & Risk Management



- No single view of risk management, compliance, internal audit and privacy across organization
- Differing perspectives on risk (audit vs. business, inherent vs. residual, Business Unit vs. Group)
- Potential for duplication, inefficiencies and gaps in risk management
- Limited Board/AC level visibility of the linkage between sources of risk management

- More than developing an **agile** environment and gaining **efficiencies** in risk-based internal auditing
- Collaboration between risk management functions and **aligning** expectations from stakeholders
- Alignment** of common view of risk to organization
- Consistent **communications** to the Board on how key risks are being covered by risk management functions

Thank you

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