



**2020 NATIONAL
CONFERENCE**
Virtual Event | 2-3 December 2020



IMPROVING COMMUNICATION and COLLABORATION AMONG RISK & CONTROL FUNCTION

03 December 2020

..... Enhancing Communication & Collaboration: Learning From the Pandemic

AGENDA



**Risk and Control
Function in
Three Line Of
Defense**



**Collaboration &
Communication
Among Line**

1.a Risk & Control Function In 3 Lines Of Defense



**1st Line
Of Defense**

Risk Owner / Managers

Process owner are responsible to implement and own the controls



**2nd Line
Of Defense**

Risk Control & Compliance

These functions to ensure the first line of defense is properly designed, in place, and operating as intended



**3rd Line
Of Defense**

Risk Assurance

Internal audit provides the assurance on the effectiveness of governance, risk management, and internal controls. External audit provides reasonable assurance on the financial reporting of the company

1.b Role of Internal Control, Risk Management / Compliance and Audit

The common goal is to ensure that critical risks have been identified and controlled effectively so as not to interfere with the establishment of the company's objectives

Risk Management Role

- Develop risk management framework
- Implement risk management framework
- Advise management on integration of risk management into business operations
- Advise on the allocation of accountability for risks, controls and tasks
- Advise management on the interpretation of risk management information
- Provide appropriate risk management status / report
- Act as an advisor on risk management matters



Internal Audit Role

- Audit the adequacy and effectiveness of the risk management framework
- Audit implementation of the risk management framework
- Audit management's commitment to risk management and the take up of their roles
- Audit whether accountable managers fulfil those roles and are capable
- Provide independent assurance of the risk management information submitted to management
- Act as an independent reviewer to provide assurance on management's capability and performance in risk management
- provide assurance in order to assist the organization in achieving its objectives.

Internal control Role

- Risk and control in day to day operation provide management assurance
- Internal control on a regular frequency takes management representation and perform control testing



Improving Communication & Collaboration among the Lines

2.a Collaboration of Internal Control, Risk and Internal Audit Functions

The reason among Internal Control, Risk Management & Internal Audit function should collaborate :

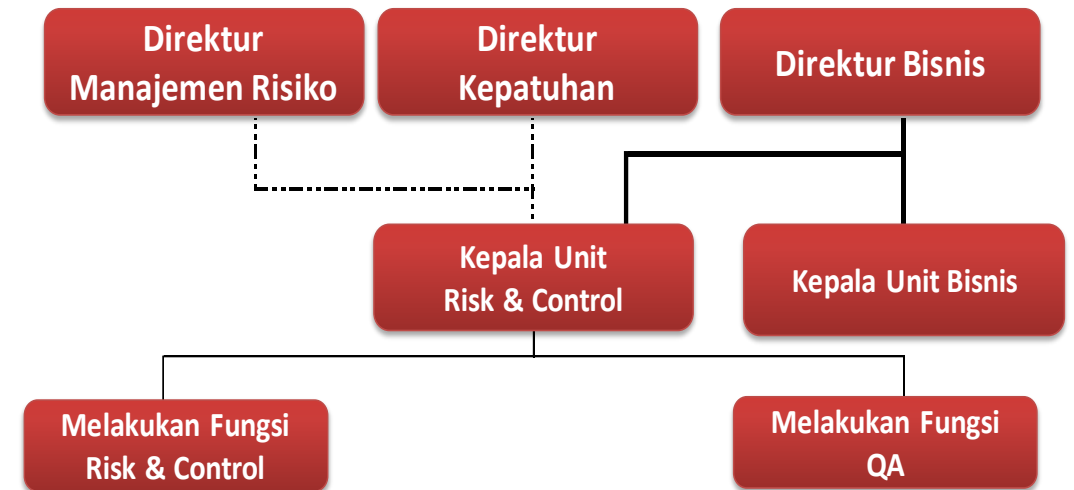
- Ensuring that the main risks can be controlled effectively
- To increase efficiently and effectiveness of activity that related to managing risk in term of financial, human, and time resources.
- Mutually improving the competence, role, and responsibility of each function.
- Effectively understand strategic risks in the company and then focus addressing it
- Consistent communication regarding important risk facing by the bank, especially at the Board level



2.b Improving Collaborating & Communication among the Lines

1. Establish special unit (Risk Control Unit / RCU) in first line of defense

- RCU report and responsible direct to respective director and has *dotted line* report to Compliance Director and Risk Director
- RCU will be lead by senior management and will have staffs subject to size and complexity of the unit itself
- RCU is dedicated unit to supervise and monitoring the implementation of compliance function and risk management in respective unit



2.b Improving Collaborating & Communication among the Lines

2. Provide Framework to Monitor Risk & Compliance in business unit

- a. Policy & Procedure
 - a. Operational Risk Framework
 - b. Compliance Risk Framework

- b. Tools
 - RCSA (risk control self assessment)
 - KRI (key risk indicator)
 - LED (Loss event default)
 - etc

- c. Application to conduct self testing : SHARP & ReCOM



2.b Improving Collaborating & Communication among the Lines

3. Set up system to monitor Operational Risk and Compliance Risk in each Business Unit and Support Unit

- Develop Risk Control Self Assessment (RCSA) to monitor risk and compliance issue in first line
- RCSA consist of risk issues (compliance issues) which related to business unit.
- Risk Issues in RCSA will be discuss and decide among first line (business unit) and second line (Risk and Compliance unit)
- Through RCSA, Risk Control Unit (RCU) will conduct control testing regularly to identified if there are risks arises in the unit
- RCSA testing result will be reported to Risk unit and Compliance unit



2.b Improving Collaborating & Communication among the Lines

4. Conduct Review In Business Unit by second line (Compliance & Risk review)

- To validate the effectiveness of RCU (first line) to conduct self testing in business unit.
 - Second line will regularly review first line (on desktop or field review)
- On field review, second line will check whether RCU self testing in line with Policy & Procedure (eg : minimum number of sample, testing frequency, distribution of sample, etc) and also conduct compliance testing with different sample that already be sample by RCU



2.b Improving Collaborating & Communication among the Lines

5. Set up Regular Discussion Among First Line and Second Line

- Monthly RCU Forum discussing risk issues and mitigating plan in business unit
- Leadership training for RCU staff
- Facilitating RCU to take compliance certification
- Conduct discussion between Compliance with RCU and Business unit after compliance review

6. Set up KPI related to risk and compliance

- Setting KPI of RCU which is 80% related to risk and compliance
- Setting KPI Risk and Compliance for management and staff in each Directorate



2.b Improving Collaborating & Communication among the Lines

7. Provide Advisory Service for Business Unit to help RCU role

- Before first line launch :
 - New P&P
 - New product & activitySecond line will perform review (compliance and risk)
- During regulatory audit

8. Combine Assurance (Among IA, Compliance and Risk)

- Internal audit before conducting an audit will ask the risk and compliance whether the unit to be reviewed by risk and compliance. This is to avoid the auditee visited many times in the short time period by second or third line.



Thank You