Institute of Internal Auditors, Luxembourg

2019 internal audit planning priorities for Luxembourg investment fund managers

The regulatory environment is in constant evolution, setting new challenges every day for internal control functions including internal audit.

In the context of the recent introduction of CSSF Circular 18/698, internal audit in Investment Fund Managers (IFMs) must play a key role in the success of the organization by anticipating and detecting breaches (including regulatory) that could impair the integrity and reputation of the IFM. We have highlighted below key and common regulatory and business topics we believe should be addressed within the internal audit plan of Luxembourg IFMs with an emphasis on subjects/activities that are required to be reviewed on an annual basis by the internal audit function in light of the applicable regulatory requirements and EU guidelines. This list does not intend to be exhaustive but rather to give a sound basis to internal audit practitioners in the preparation of their 2019 internal audit plan.

Subjects/activities to be assessed on a yearly basis by Internal Audit as per applicable regulatory requirements*

1. AML/CTF (including Tax)
2. Remuneration Policy
3. MiFID (Discretionary Portfolio Management)
4. Market Abuse

Subjects/activities/functions to be assessed at least once in the pluri-annual internal audit plan (risk-based approach)*

1. Oversight of Delegated Activities
2. Finance & Accounting
3. Compliance function
4. Human Resources
5. EMIR
6. New Product/New Business Relationship Approval Process
7. NAV Errors
8. Investment Compliance

1. Late Trading/Market Timing
2. Complaints Handling
3. Money Market Fund (MMF)
4. Discretionary Portfolio Management Activity
5. Depository Bank
6. Domiciliation
7. Asset Valuation
8. Distribution & Marketing

1. Collective Investment Management
2. Corporate Secretary
3. BCP/DRP
4. Physical Security
5. Internal Governance & Organization
6. Fund Administration
7. Registrar & Transfer Agent
8. Risk Management function

1. Fees & Commissions
2. Tax Reporting (CRS & FATCA)
3. Information Technology
4. Data Protection (GDPR)
5. Conflicts of Interest
6. Branch(es) & Representation Offices(s) & Subsidiaries
7. PRIIPS
8. MiFID

Hot topics to be addressed by Internal Audit*

1. Brexit
2. Cyber Security
3. Cloud Computing
4. Transfer Pricing

* To be taken into consideration according to the license of the IFM/UCI and the relevant business strategy.