

Guidelines

for **audit firms** of licence holders in accordance with the Financial Institutions Act (FinIA) and Collective Investment Schemes Act (CISA) for conducting regulatory audits

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Purpose

These guidelines are intended to assist regulatory auditors of licence holders in accordance with FinIA (fund management companies, managers of collective assets) and CISA (SICAVs, SICAFs, limited partnerships for collective investment schemes, custodian banks and representatives of foreign collective investment schemes, and – where applicable – the collective investment schemes managed by them) in processing the following data submission forms to be used in the regulatory audit: risk analysis, standard audit strategy and regulatory audit report. They also contain notes on conducting the audit.

I. General remarks

- The structure of these guidelines and the aforementioned data submission forms is based on FINMA Circular 2013/3 “Auditing”.
- FINMA provides the audit firm with separate data submission forms for each institution to be audited on the electronic survey and application platform (hereinafter “EHP”)¹. The audit firm accordingly enters the risk analysis, the audit strategy and the regulatory reporting directly in the data submission forms sent to it electronically on the EHP. Submission of the forms likewise takes place electronically via the corresponding function on the EHP, whereby the regulatory audit report must be signed before submission (see IV Regulatory reporting).

¹ See www.finma.ch > FINMA > Extranet > EHP survey and application platform;
Login: <https://portal.finma.ch/auth-login/portal?lang=en>

- Should amendments or additions to forms already submitted be necessary, this can be notified to the relevant FINMA contact person. The forms will then receive the status “undergoing correction” and must be resubmitted following the amendments/additions.
- Any explanations and notes contained in the individual data submission forms are taken into account by the audit firm when processing the corresponding forms.
- If the audit year has to be specified in the data submission form, this four-digit date refers to the start of the audit year.
- General information about processing and submitting a data submission form, the status of a survey, authorisation management etc. can be found in the EHP Online Help² on the FINMA website.

II. Risk analysis of licence holders in accordance with FinIA and CISA

- The responsible audit firm submits a risk analysis for the following licence holders according to FinIA and CISA³: fund management companies, managers of collective assets, SICAVs, SICAFs and limited partnerships for collective investment schemes.
- The relevant risks within an audit area or field are described in a concrete manner specifically related to the institution and, if possible, specifying supporting data (“**Risk description**”).
- In the case of audit aspects not applicable to an individual institution, the audit firm forgoes addressing this audit area or field with the corresponding justification. The justification is stated under “**Risk description**” and “n/a” is accordingly selected under “**Extent / scope**”.
- Under “**Extent / scope**” the audit firm provides an assessment of the extent or scope to which the licence holder or group would be affected if the identified risks were to manifest themselves. Under “**Probability of occurrence**” the audit firm provides a subjective assessment for each identified risk.
- The link between the extent / scope and the probability of occurrence of the risk per audit area or field determines the “**inherent risk (gross)**”.
- Under “**control risk**” the audit firm provides an assessment of the adequacy and effectiveness of the internal controls. The requirements according to margin no. 80 et seqq. of FINMA Circular 2013/3 apply.
- In the event of a change of mandate, the new audit firm can base its assessment of the control risks on the audit results of the previous audit firm as long

² See www.finma.ch > FINMA > Extranet > EHP survey and application platform > Online Help

³ Except in years during which a category 5 institution benefits from a reduced audit frequency. See also separate guidelines for licence holders in supervisory category 5 concerning reduced audit frequency.

as these have been critically reviewed and discussed with the previous audit firm.

- The link between the inherent risk (gross) and the control risk ultimately yields the combined risk (net) under “**net risk**”. The net risk is automatically determined in the data submission form in accordance with the classification pursuant to margin no. 85 of FINMA Circular 2013/3.
- The audit firm orders the risks according to the inherent risk (“**ranking of risks (gross, top 5)**”) and net risk (“**ranking of risks (net, top 5)**”) by numbering the five largest risks from 1 to 5 (1 = most serious risk).

III. Audit strategy for licence holders in accordance with FinIA and CISA

- The audit firm conducts an estimate of the audit costs in the audit strategy in accordance with margin no. 119 et seq. of FINMA Circular 2013/3. An aggregated assessment of the estimated audit hours/costs is carried out per function for the basic audit and per individual additional audit for supervised institutions belonging to supervisory category 5. For supervised institutions belonging to supervisory category 4, this estimate is additionally carried out for each individual audit area or field.
- For institutions belonging to supervisory categories 4 and 5, the standard audit strategy in accordance with margin no. 114.1 et seq. of FINMA Circular 2013/3 is generally applied. For institutions belonging to supervisory category 4, the audit strategy can be determined by FINMA in accordance with margin no. 114 of FINMA Circular 2013/3. Should the “**current / planned intervention**” deviate from the standard audit strategy, this must be indicated accordingly and justification for this provided (“**justification of audit strategy by audit firm**”).
- “**Justification of audit strategy by audit firm**” should contain a brief description of what is planned in the audit areas or audit fields with gradual coverage and which audit aspects have been covered there in the previous three years. The audit firm fundamentally ensures compliance with the frequency requirements.
- In the event of a first-time audit after taking over a mandate, the depth and/or frequency of audits are determined – where appropriate and taking account of the foregoing provisions – at the discretion of the audit firm (specification under “**justification of audit strategy by audit firm**”).
- The audit firm can propose additional audits to FINMA if risks exist for a licence holder that are not covered by the predefined audit areas or fields of the basic audit (specification under “**additional audit**”). The decision about whether and how to conduct additional audits lies with FINMA. FINMA can also prescribe additional audits itself where the need arises.

IV. Regulatory reporting of the licence holders in accordance with FinIA and CISA

- In accordance with Article 9 para. 2 FMAO-FINMA, the audit report is drawn up in an official Swiss language. Reporting in English is possible in exceptional cases at the request of the audit firm and following the approval of FINMA. The reporting language can be changed in the header of the data submission form.
- The regulatory audit report must present the results of the audit comprehensively, unambiguously and objectively. The lead auditor and a further auditor with signatory powers confirm this with their signatures (qualified electronic signature) on the report (PDF) that they submit as an attachment to the electronic survey via the FINMA survey platform. If it is not possible to sign the report with a qualified electronic signature, it must be printed out, signed by hand and submitted to FINMA by post in addition to the electronic submission of the survey via the survey platform.
- The audit firm ensures that the audit report and any supplementary reporting to the licence holder (e.g. in the form of a management letter) are consistent. Key findings and recommendations from the supplementary reporting are also set out in the audit report. Reference to supplementary reporting is also made in the audit report in the section entitled **“Further comments”**.

V. Notes on conducting the audit

- The enclosure to these guidelines sets out the legal basis applicable to the basic audit. It does not constitute an exhaustive list of legal provisions.
- Standardised audit points have been developed for some audit fields and areas. They are to be applied to the corresponding audit field or area in the event of an intervention. It is the responsibility of the audit team to adjust the standard audit programme to the specific situation of the institution being audited (size, business model, organisation, processes, risk exposure etc.). If the specified audit procedures are not carried out completely, a meaningful explanation for this must be provided in the working papers. The audit procedures carried out and the conclusions drawn must be documented in a manner that is comprehensible for third parties. This documentation can also take a different form from that in the sample documents for the audit points as long as all details of the sample documents are reproduced.

Enclosure: Legal basis for regulatory auditing / standard audit strategy