

## Compliance Assurance Audit

What are the benefits of a Compliance Assurance Audit for a company?

A case study



**Christian Wind**

Dr. iur. HSG, LL.M., EMBA IMD, Rechtsanwalt-  
Telefon +41 58 258 14 00  
christian.wind@bratschi-law.ch

**B**ased on a case study, it shall be illustrated how by conducting a Compliance Assurance Audit the Board of Directors and Executive Management can proactively, pragmatically and effectively contribute to the protection of the most important asset of a company, its reputation. This also applies to small and medium-sized businesses (SMB).

### 1. Initial situation and mandate

Bratschi Wiederkehr & Buob was mandated to conduct a Compliance Assurance Audit for a Swiss SMB with subsidiaries in Switzerland and abroad.

The mandate was divided into two parts:

- a) Review of the most important documents (e.g. Code of Conduct, anti-corruption guidelines, organizational regulations, etc.), processes and structures;
- b) Interviews with the Chairman of the Board of Directors, the head of the Audit Committee, the Executive Management, other managers, the Compliance Officers and selected employees.

The goal was to find out if the internal directives in the area of compliance are in line with the legal provisions and general "Good Practices" and if they are implemented in a practical and efficient way. Another goal was to find out if the relevant directives are understood and observed and if there is room for improvement in these areas.

What is a Compliance Assurance Audit?

The point of a Compliance Assurance Audit is to provide the company with a view from the outside by a neutral third party, i.e. review and assess the already existing compliance concept and set-up (e.g.

structures, processes, competencies, tools, documents) and its implementation and perception within the company in a holistic way.

The review and the assessment are based on the concept of the Compliance Cube which has been developed by Bratschi Wiederkehr & Buob. According to this concept, six decisive areas (6. corporate culture, 5. embedment, 4. activities, 3. personnel, 2. resources and 1. foundation) are reviewed. Then in form of a gap analysis, the actual state of every area in the company is compared to a benchmark (target state).

### 2. How is a Compliance Audit carried out?

It is advisable to break down the process in several stages:

- Preparation (verbalization of the mandate, determination of a budget, communication and leveling of the expectations on both sides, preliminary discussions concerning data, interviews and reporting)
- Analysis of all the documents and records provided by the company, with possibility to ask further questions
- Intermediary discussion / first findings
- Interviews on-site
- Conclusion (report / final discussion)

### 3. What did the report include?

- One Page Audit Report  
The mandate, the goal of the audit, the most important findings, recommendations and the overall assessment were summarized on one page.
- Audit report  
The audit report contained the general findings

with regard to the compliance concept and relevant documents and supplementary explicit explanations, e.g. regarding the Code of Conduct. The findings and the concrete recommendations constituted the centerpiece of the report.

The audit report was based on the following three working papers, which were also handed over to the company:

- Documents report  
The documents report listed all the reviewed documents of the company and added to each one of them practical comments and recommendations including propositions regarding the wording.
- Chart  
The extensive analysis of the compliance concept and its elements were represented in a systematic chart (target vs. actual state, risk rating, recommendations/measures).
- List of risks  
In addition and based on the findings and statements given in the interviews a separate list of risks was established.

#### **4. What are the benefits of a Compliance Audit for the company?**

Already the invitation to the interview causes a lot of compliance relevant activities (creation of awareness, review of compliance relevant documents before the interview, approach of the Compliance Officer, surveys in some departments, whether there are any compliance issues).

The interviews do not only have the purpose to assess the actual state and the identification of any weak spots and risks. They also serve as a coaching session sensitizing the interviewed people. This helps to improve compliance in their area of responsibility without any further effort in a sustainable way.

The company is given an extensive assessment (gap analysis) as well as many pragmatic recommendations, how compliance can be implemented and run more sustainably on all levels.

Through the list of risks, the company can specifically go after any new risks or risks they may have from

their internal view perceived differently.

The Board of Directors and Executive Management reduce the risk of a potential criminal responsibility of the company.

Finally, the Board of Directors proves and documents, by conducting such an Audit, that it supervises the implementation of the compliance of the company and acts accordingly.

#### **5. What are the lessons learned for a successful Audit?**

- The better the preparation for an Audit and for the interviews, the bigger is the benefit for the company.
- The more open the corporate culture is, the more do people talk about weak points and risks.
- It is indispensable that the Board of Directors and Executive Management provide all their support and that the interviewed persons are appropriately informed about the goal and the purpose of the Compliance Assurance Audit and how the audit is conducted.

What is the current state of compliance in your company?

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#### Bratschi Wiederkehr & Buob in short

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**Zurich** Bahnhofstrasse 70, P.O. Box 1130, CH-8021 Zurich  
Phone +41 58 258 10 00, Fax +41 58 258 10 99  
zuerich@bratschi-law.ch

**Basel** Lange Gasse 15, CH-4001 Basel  
Phone +41 58 258 19 00, Fax +41 58 258 19 99  
basel@bratschi-law.ch

**Berne** Bollwerk 15, P.O. Box 5576, CH-3001 Berne  
Phone +41 58 258 16 00, Fax +41 58 258 16 99  
bern@bratschi-law.ch

**Zug** Industriestrasse 24, CH-6300 Zug  
Phone +41 58 258 18 00, Fax +41 58 258 18 99  
zug@bratschi-law.ch

**St.Gallen** Vadianstrasse 44, P.O. Box 262, CH-9001 St.Gallen  
Phone +41 58 258 14 00, Fax +41 58 258 14 99  
stgallen@bratschi-law.ch

**Lausanne** Avenue de Mon-Repos 14, CH-1005 Lausanne  
Phone +41 58 258 17 00, Fax +41 58 258 17 99  
lausanne@bratschi-law.ch

[www.bratschi-law.ch](http://www.bratschi-law.ch)

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