

Safeguarding Audit

Introduction

A Safeguarding Audit is a mandatory requirement for all E-Money Institutions and any Payments Institution that is required to arrange an audit of its annual accounts under the Companies Act 2006. We would recommend that all Payments Institutions conduct an annual audit of their safeguarding arrangements in line with the latest FCA guidance published in November 2021, as this provides the evidence of their internal controls and compliance.

Being one of the most knowledgeable and respected Payment Services regulatory compliance consultancies, we have the qualifications and experience to undertake this independent audit.

Who is it for?

Authorised Payment Institutions, Electronic Money Institutions and Small Payment Institutions that choose to safeguard.

What are the benefits?

- ◆ Required by the FCA. You must have a suitably qualified and experienced independent firm audit your safeguarding arrangements at least once annually
- ◆ Provides evidence of compliance with the Payment Services Regulations and/or Electronic Money Regulations
- ◆ Ensures you have the correct acknowledgements from your bank/insurer/custodian regarding your safeguarding account or method, and that adequate review processes are in place
- ◆ Allows areas of improvement or remediation requirements to be identified and actioned

How does it work?



PROJECT INITIATION WORKSHOP

Workshop with relevant personnel to understand your firm's business model and safeguarding arrangements and discuss the process with you.



ONLINE QUESTIONNAIRE

Using our specialist online regtech system, CAM, as part of the audit process, to simplify matters for you by making it easier to supply the information required for the audit.

How does it work? (cont)



REVIEW OF POLICIES, PROCEDURES AND RECORDS:

Which includes a review of:

- ◆ Method of safeguarding
- ◆ Bank account acknowledgment
- ◆ Identification of relevant funds
- ◆ Systems & Controls
- ◆ Insurance/guarantee wording
- ◆ Review of stress testing
- ◆ Terms and Conditions
- ◆ Review of wind-down plan
- ◆ Board/senior management engagement & signoff



REVIEW RECONCILIATION PROCESSES

Sample checking of safeguarding reconciliations at your firm for the previous 12 months, to check process has been followed and discrepancies identified and addressed.



INTERVIEWS WITH RELEVANT STAFF

Discussions to verify how the stated process works in practice, and clarify any points or areas of investigation arising from audit.



DRAFT & FINAL REPORT

Providing you with a detailed report to summarise our findings; identify any shortcomings; and provide recommendations for action to address them.

What are the deliverables?

We will provide a draft summary of our findings, giving you an opportunity to provide clarification where appropriate. We will then issue a detailed Safeguarding Audit Report. This will contain: our opinion on whether your firm has met the FCA's expectations throughout the audit period; outline our findings; identify any shortcomings; and provide recommendations for action to address them.

How often do we need a Safeguarding Audit?

A Safeguarding Audit should be conducted at least annually. An audit should also be considered if there is a change in your firm, such as a restructure, or a merger or acquisition. Workshop with relevant personnel to understand your firm's business model and safeguarding arrangements and discuss the process with you.

About Cosegic

Cosegic is one of the UK's leading providers of compliance consultancy and regtech services. Our award-winning services help firms that are subject to regulation by the Financial Conduct Authority or the Prudential Regulation Authority, to become authorised, manage their ongoing compliance and regulatory obligations and empower their staff with focused compliance training.

Need more information?

If you have a question or require clarification of any point in this factsheet or would like to find out more about our services and how we can help you then please get in touch:

Call us on **+44 (0) 20 3457 3181** or email **info@cosegic.com**