HONG KONG MONETARY AUTHORITY
香港金融管理局

Circulars

14 Jul 2009

Supervisory Policy Manual (SPM) IC-2 "Internal Audit Function"

Our Ref: B1/21C

14 July 2009

The Chief Executive
All Authorized Institutions

Dear Sir / Madam,

Supervisory Policy Manual (SPM) IC-2 "Internal Audit Function"

I am writing to inform you that, following consultation with the two industry Associations, the HKMA is issuing the above SPM module as a guidance note today.

This module sets out the HKMA's expectations on the key role, responsibilities and qualities of an AI's internal audit function ("IAF"), and describes the approach that the HKMA will adopt in assessing the effectiveness of the function. In developing the module, the HKMA has taken into account relevant standards promulgated by the Basel Committee on Banking Supervision as well as supervisory experiences and practices.

Rather than proposing radical changes to the traditional role, responsibilities and qualities of the IAF, the module serves to reinforce the importance of this function in providing an ongoing independent evaluation of the adequacy of an AI's internal control systems. An effective IAF assists the board of directors and senior management of an AI in identifying any weaknesses in the AI's internal control systems so that remedial actions can be taken promptly to address them. Such independent evaluation is essential to AIs, particularly in view of the constantly changing operating environment which may present new risks and control challenges.

In applying the high-level guidance set out in the module, AIs are expected to refer, where necessary, to the publications of relevant professional bodies, such as the Institute of Internal Auditors, for further guidance on the latest professional standards and best practices on a more technical level.

On-line access to the module is available under the "Supervisory Policy Manual" icon on the HKMA's public (http://www.info.gov.hk/hkma) and private (http://www.stet.finnet.hk) websites.

Should you have any questions relating to the module, please feel free to contact Ms Rita Yeung at 2878-1388 or Mr Richard Chu at 2878-8276.

Yours faithfully,

Karen Kemp
Executive Director (Banking Policy)

Encl. SPM IC2 - Internal Audit Function (PDF file, 151KB)

c.c. The Chairman, The Hong Kong Association of Banks
The Chairman, The DTC Association
FSTB (Attn: Miss Natalie Li)

Last revision date : 01 August 2011