**Agenda**

- Objectives
- Where are we today?
- Corporate Integrity: The intersection of Compliance, Internal Audit and Privacy
- Questions
Where are we today?

Regulatory change ranks as the top “disruption” impacting today’s healthcare organizations

Source: 2017 State of the Internal Audit Profession Study, PwC
**Top business issues facing the industry**

Promoting patient-focused care while maintaining financial stability has put stress on health care organizations that are already navigating an evolving regulatory landscape.

Non-compliance with evolving regulations may lead to low quality ratings, which can affect enrollment and reimbursement.

Risks related to Electronic Health Record systems implementation continue after the go-live date and may have regulatory compliance as well as revenue stream impacts.

Boards and management are focused on protecting sensitive data and systems while regulators, business customers, and patients/caretakers demand transparency on how patient records are being safeguarded.

*As the industry faces greater oversight and scrutiny, it becomes critical for organizations to reevaluate the compliance, internal audit and privacy programs against stakeholder expectations and to remain alert and adaptable.*

**Where is your Compliance program today?**

- **Level 1: Informal**
  - Minimal structure and process:
    - Independent oversight is non-existing or ad-hoc
    - Accountability is not defined, with unclear roles and responsibilities
    - Compliance risks and implications not fully understood

- **Level 2: Repeatable**
  - Foundational compliance frameworks:
    - Appointed Compliance Officer with Board reporting established
    - Oversight and monitoring processes and tools are inconsistent

- **Level 3: Managed**
  - Core compliance elements implemented:
    - Formalized compliance strategic vision and plan
    - Structured methodologies, processes and tools utilized
    - Active management of compliance risk and issues
    - Information shared between Compliance and business stakeholders

- **Level 4: Leading**
  - Compliance is integrated into operations:
    - Risk assessment results inform monitoring and auditing activities
    - Proactive response to resolve identified compliance issues, including Corrective Action Plan (CAP) management
    - Compliance is embedded in operational processes
    - Begin to anticipate compliance changes/needs

- **Level 5: Optimized**
  - Compliance as strategic/operational advantage:
    - Setting industry practices
    - Integrated monitoring plan
    - Compliance risks are identified, assessed and mapped to compliance controls
    - Anticipate compliance changes
Where is your Compliance program today?

- IA functions are struggling to drive a consistent focus on delivering value-add services as trusted advisors
- IA functions risk assessments are not responsive to disruption-related risks
- IA function service offerings are not aligned with stakeholder's expectations and failing to forge strong relationships with business leaders
- IA functions are not performing as they should or are not agile as the risk exposure is growing – greater risk requires greater skills and risk coverage
Where is your Internal Audit program today?

- The IA function is falling behind stakeholder expectations to act as a trusted advisor in addressing risks.

- The disconnect is primarily due to IA not having the agility to changing priorities and disruption risks from the perspective of the business.

- Business leaders are closely monitoring the return from the costs associated with IA functions and expecting higher returns.

Source: 2017 State of the Internal Audit Profession Study, PwC

How can you adopt an agile framework?

Prepared:  
- Build eventuality of disruption into the planning, risk assessment, compliance, internal audit and privacy functions.
- Meaningful collaboration as a trusted advisor with other lines of defense.
- Invest in and elevate business and technical IQ.

Adaptive:  
- Create more flexible processes and reporting mechanism to enhance perceived value with business leaders.
- Drive the use of data analytics and technology.
- Implement flexible talent models that are responsive to the needs to the business and the IA functions.
The 5 pillars of an integrated Compliance and Internal Audit function

1. Business Partner Compliance Function
   - Positioned as a strategic partner to senior leadership and business in mitigating enterprise risks.
   - Engaged upfront by Corporate and business unit leadership in strategic planning business development and implementation efforts.
   - Positioned itself to be consulted by senior leadership in identifying opportunities for streamlining operations.
   - Collaborates with Internal Audit to identify business relationship owners.

2. Risk Assessment
   - Initiates co-working and workshops with Compliance to jointly identify and assess Group-level risks and coordinate/initiate the use of ‘combined risk management’ plans.
   - Proactively provides input on risks related to critical company initiatives and advising on processes, governance, and controls ahead of the risks’ occurrences.
   - Promotes value to management of combined reporting on risk and control themes, setting out the facts, risks and implications.

3. Continuous Monitoring

4. Audits & Reviews

5. Executive & Board Reporting

Compliance and Internal Audit Coordination

Pillar 1: Business partner

Compliance Function

Internal Audit Function
**Pillar 2: Risk assessment**

**Compliance Function**

- Develops and implement formal coordination points amongst the various Compliance units, if applicable, and Internal Audit to increase efficiencies and provide a strategic view of organizational risk.
- Coordinates compliance risk assessment processes with Internal Audit risk assessment where possible (i.e., review and triage identified risks to determine whether in Compliance or Internal Audit scope).
- Works together across ERM, other second lines of defense, and Internal Audit to build a common risk framework.

**Internal Audit Function**

- Discusses keys areas of focus of the risk assessment with compliance prior to identifying stakeholders to interview.
- Includes the compliance function as part of the annual risk assessment process by inviting them to compliance related risk assessment meetings (i.e., interviews, working group sessions).
- Shares outcomes of risk assessment with compliance, in order to obtain feedback on assessments of risk and outcomes.
- Discusses annual audit plan to reduce the risk of duplication of efforts.

**Pillar 3: Continuous monitoring**

**Compliance Function**

- Coordinates with Internal Audit during annual work plan development to identify overlap and areas that are more appropriate for continuous compliance monitoring.
- Collaborates with Internal Audit and relevant business areas to develop key performance indicators (KPIs) and metrics that can facilitate monitoring and reporting of deficiencies identified during audits.
- Includes Internal Audit in Compliance Committee meetings to gain insights regarding compliance monitoring KPI/metric reporting, which will allow Internal Audit to identify any areas in need of a “deeper dive” audit/review.

**Internal Audit Function**

- Regularly meets with Compliance to achieve the following:
  - Identify new areas of risk;
  - Discuss issues/concerns identified by compliance and internal audit functions;
  - Discuss upcoming reviews to ensure efficiencies.
- Formalizes a process of information sharing with Compliance when related deficiencies are identified during audits, which will allow Compliance to not only assist with root cause analysis and CAP development, but also develop continuous monitoring around that deficiency.
**Pillar 4: Audits and reviews**

**Compliance Function**

- Identifies additional opportunities to perform integrated assessments/audits with Internal Audit and leverage the knowledge of staff members in other departments in order to increase efficiency during the planning process to develop a more holistic view of risk and increase efficiency.
- Collaborates during development of Compliance and Internal Audit’s annual audit/review work plans to identify coordinated projects and minimize business area abrasion.
- Develops and implements a complimentary communication process (e.g., at the outset of each audit/review) to inform stakeholders of Compliance and Internal Audit coordination.

**Internal Audit Function**

- Makes sure that Compliance is part of the planning process to assist with identifying risks and potential resting procedures.
- While executing fieldwork, utilize compliance as a resource for operational compliance information, if applicable.
- Look for opportunities to perform integrated audits with Compliance to develop a more holistic view of risk and increase efficiency of time spent by business units on audits.
- If observations are noted during reviews that are compliance-related, coordinates with Compliance on root cause analysis, and corrective action plan development and implementation.

**Corporate Integrity: The intersection of Compliance and Internal Audit**
Pillar 5: Executive and Board Reporting

Compliance Function

• Aligns more closely with Internal Audit to drive a common definition of risk and improve the organization’s overall risk management effectiveness, and allow presentation of common risk language to leadership.

• Includes Internal Audit in operational Corporate Compliance Committee meetings to facilitate information sharing, and a coordinated approach to presenting and discussing compliance risks.

• Formalizes a process for pre-Audit Committee coordination meetings with Internal Audit to assign roles and responsibilities regarding compliance-related reporting, and minimize any potential overlap in presentations.

Internal Audit Function

• Navigator for the Audit Committee – improves the Committee’s understanding of sources and coverage of risk management.

• Conducts routine coordination and communication between the three lines of defense. For example, Legal, Internal Audit, Compliance, ERM and representatives from the business should meet on a regular basis to discuss emerging risks, mitigation effectiveness and coordination of audit/monitoring activities and define a common risk language.

Value of an Integrated Corporate Integrity Function

Before

After
**Corporate Integrity Structure: Straw-man Proposal**

**Board of Directors**

- Corporate Integrity Oversight
  - Ex. Committee or Designated Executive
- Internal Audit
- Compliance
- Privacy

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**Who are the stakeholders?**

- **An agile** Corporate Integrity functions that deliberately collaborates and **aligns** objectives between Compliance, Internal Audit, and Privacy serves a variety of internal and external stakeholders.

- Take the time to think more strategically about where you are operating today and what your ideal state is.
The Future of Corporate Integrity

Whether a governance model is centralized, decentralized or hybrid, it needs to be **agile and align** with the business organization’s strategy, forecast and manage regulatory and reputational risk and adapt to change. Organizations are challenged to develop and roll-out corporate governance models and practices in complex, highly matrixed environments. An effective Corporate Integrity approach should include assessing and enhancing the following:

- The design and implementation of corporate governance practices;
- The structure, composition and resources necessary for the effective operation of a corporate integrity department;
- The design, structure and operation of effective compliance training and communication programs;
- The design, structure and operations of effective internal audit systems;
- The design, structure and operations of effective privacy policies and procedures;
- The development, promotion and cultivation of a culture of compliance.

An integrated approach to risk management includes a coordinated assessment of compliance, internal audit and privacy functions.

Objectives of a Corporate Integrity Transformation

**Purpose**

- Alignment of Compliance, Internal Audit, and Privacy functions

**Competitive Advantages**

- Develop closer relationships between Compliance, Internal Audit and Privacy
- Improve the relevancy of project results to stakeholders expectations
- Increase visibility with, and buy-in from, the executive team
- Deepen business understanding and improve organizational risk management
- Identify more consultative projects
- Enhance the effectiveness of communications using standardized tools and templates
- Facilitate cross-functional knowledge training
- Provide Board and executive management with a more coordinated and concise view of risk
**Corporate Integrity Program Structure**

<table>
<thead>
<tr>
<th>Compliance Function</th>
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<tbody>
<tr>
<td>• Implement, maintain and promote the seven elements of an effective and agile compliance program</td>
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<tr>
<td>• Execute compliance projects and reviews designed to confirm and improve ongoing compliance</td>
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<tr>
<td>• Perform investigations, as needed</td>
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<tr>
<td>• Execute consultative projects, providing advice and coaching throughout implementation of controls</td>
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<tr>
<th>Privacy Function</th>
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<tr>
<td>• Assess Management’s responsiveness to privacy risks impacting the business.</td>
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<tr>
<td>• Monitor the privacy practices of the organization, including HIPAA compliance</td>
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<tr>
<td>• Facilitate investigations of privacy incidents and suspected breaches, working with management, HR and others</td>
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<tr>
<td>• Manage required local, state and federal breach reporting</td>
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<tr>
<td>• Execute consultative projects designed to improve patient privacy</td>
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**Path to Integrated Corporate Integrity & Risk Management**

**Today**
- No single view of risk management, compliance, internal audit and privacy across organization
- Differing perspectives on risk (audit vs. business, inherent vs. residual, Business Unit vs. Group)
- Potential for duplication, inefficiencies and gaps in risk management
- Limited Board/AC level visibility of the linkage between sources of risk management

**Tomorrow**
- More than developing an agile environment and gaining efficiencies in risk-based internal auditing
- Collaboration between risk management functions and aligning expectations from stakeholders
- Alignment of common view of risk to organization
- Consistent communications to the Board on how key risks are being covered by risk management functions
Thank you