

Circular No. ID 17/06

10 July 2006

To Principal Officers  
All Direct Insurers and Reinsurers

Dear Sir/Madam

## **INTERNAL AUDIT/COMPLIANCE FUNCTION AND HEAD OFFICE OVERSIGHT**

Under MAS' supervisory framework for all classes of institutions regulated by MAS, the assessment of an institution is built upon a strong understanding of the institution, the inherent risks prevailing in its significant activities and the adequacy of the corresponding risk management systems and internal controls. Under the "Guidelines on Risk Management Practices" issued by the Authority in February 2006, internal audit and compliance are identified as important risk management functions.

2 For insurers who have an internal audit and/or compliance function in its Singapore operations, it would be useful for the Authority to be kept abreast of and review the work of these functions. In this regard, please provide the Authority with a copy of your internal audit and/or compliance work plans on an annual basis, starting with the work plans for 2006. Please also notify us of any subsequent changes to the work plans and make available to us any selected reports on areas covered in the work plans upon our request.

3 For some insurers, your Head Office/Parent Company may carry out visits/audits on the Singapore operations from time to time. The Authority would appreciate if you could notify us of such visits/audits by your Head Office/Parent Company. This will allow us the opportunity to arrange a meeting with the relevant personnel to obtain a better understanding of the oversight by the Head Office/Parent Company.

4 Please contact your company's liaison officer should you require any further clarification. Thank you.

Yours faithfully

(Sent thru' MASNET)

LOW KWOK MUN  
EXECUTIVE DIRECTOR  
INSURANCE SUPERVISION DEPARTMENT