

# Improving the quality of your advice process – Management information and systems and controls

## In this factsheet:

Management  
information (MI)

Systems and  
controls

Next steps

Further help

## This factsheet is for you if:

- you provide financial advice to retail clients (known as 'private customers' under the old Conduct of Business rules).

This is the sixth series of factsheets that we are publishing. The factsheets focus on the different areas of the advice process, that we reviewed in the firms visited and mystery shopped during the quality of advice processes II project. We published the detailed findings of the project on our small firms website. In addition to this factsheet, we have published five others, one focusing on: quality of advisers, impartiality of advisers, assessment of customer needs, recommendations (including research) and communication. All of these factsheets highlight examples of good and poor practice.

The examples outlined below are designed to help you consider your own systems and controls and the use of management information (MI) as part of your monitoring. There may be other ways of achieving the same outcomes and complying with our rules and principles and you should consider the relevance of these examples to your business, as you may choose an alternative approach.

## Management information (MI)

[back](#)

MI is information collected during the course of your day-to-day business. It may be about customers, staff, meetings, products etc. MI is not just about numbers; commentary and opinions can also be useful.

MI should be:

- Relevant: consider what information is relevant for your firm and who needs to see it.
- Accurate: to make the right decisions, you need the right information.
- Timely: to make the right decisions, you need the correct information at the right time.
- Acted upon: identify the key triggers that need to be acted upon and what action needs to be taken.
- Recorded: record the action taken when you gather, analyse, circulate (if appropriate for your size of firm) and act upon the information. Think about how you will prove your actions have been successful in making improvements and delivering the right outcomes for your customers.

## Systems and controls

[back](#)

Your firm must ensure that it has established and maintains effective systems and controls appropriate to your business for compliance with the regulatory system. In particular, you should ensure that the quality of advice given to customers is appropriately monitored (e.g. through the review of a sample of customer files) and any areas that fall below standards are addressed. Having appropriate MI should help you in identifying particular areas that need closer monitoring.

### Examples of good practice:

- Firm **A** ensured that the compliance report, produced by its consultant, was discussed by the firm's board of directors and that any remedial actions were prioritised and followed up at subsequent board meetings. The action points were monitored by the office manager and regular reports were made back to the board on how issues were being/had been dealt with. Where there was any specific corrective action to be undertaken by advisers, administrators would log the required remedial action on the firm's back office system and monitor the advisers' progress. The firm's compliance officer would then sign off advisers' completed remedial action and use that information in determining each adviser's level of monitoring going forward.
- Firm **B** produced and used detailed key performance indicators (KPIs) as part of its monitoring, including the spread of products and providers, number of complaints, and the proportion of lapsed, cancelled and replacement business, which helped in focusing on particular areas and/or advisers that needed closer monitoring. The firm also circulated regular bulletins and compliance updates. Specific remedial actions were sent to advisers, who would have monthly meetings with the compliance officer to discuss their progress against the KPIs and agree any specific remedial action and/or training needs.
- Firm **C** operated a tailored monitoring process, in line with its training and competence scheme and used appropriate MI to ensure that its monitoring remained tailored. The junior consultant at the firm was subject to much closer monitoring than the senior consultant. To determine the level of monitoring required, advisers were risk rated based on the types of business written and the results of the regular reviews of their customer files. If an adviser did not write a particular line of business in one year, their authorisation to advise on such business would be withdrawn.

### Examples of poor practice:

- Whilst Firm **D** undertook regular reviews of customer files to assess the quality of advice given, and identified and recorded the issues on its file monitoring review sheets, the firm did not consider what remedial action would be necessary. Findings from the firm's review of customer files were not fed into the firm's MI, therefore the firm could not identify any trends and prevent the issues from recurring going forward. The firm also did not consider widening its review to ensure that the issues were not common across the business.

- Firm **E** produced KPIs but did not analyse them or seek to identify the root causes where a KPI was not being met. The firm could not demonstrate how that information was being used as part of its monitoring and that its monitoring was effective.
- Firm **F** conducted reviews of customer files but these focused more on completeness checks, rather the quality/suitability of the advice given. The firm was unable to ensure that customers had been recommended the most appropriate product and/or providers, and had no means of identifying any learning and development needs for its advisers to ensure they remained competent in the areas of business they advised on.

### Next steps

[back](#)

Next month we will be publishing the last of the series of factsheets, 'Post sale', containing examples of good and poor practice. We encourage you to familiarise yourself with these examples to ensure that your firm has good quality of advice processes in place.

### Further help

[back](#)

- Quality of advice processes II project report:  
<http://www.fsa.gov.uk/smallfirms/resources/factsheets/pdfs/iqap2.pdf>
- Quality of advice processes factsheets:  
[http://www.fsa.gov.uk/smallfirms/your\\_firm\\_type/financial/quality/index.shtml](http://www.fsa.gov.uk/smallfirms/your_firm_type/financial/quality/index.shtml)