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Session 7

Addressing the combined assurance challenge

Presented by

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Agenda



- What is the challenge?
- Understanding combined assurance and its benefits
- Example cases studies
- Where do the standards fit in?
- What does the ARC need to know?

*"Internal audit is around **5%** of assurance **activity** but is closer to **50%** of assurance **reporting** to the Audit and Risk Committee"*

Chief Audit Executive
ASX Listed Mining Company

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The “Risk Storm”

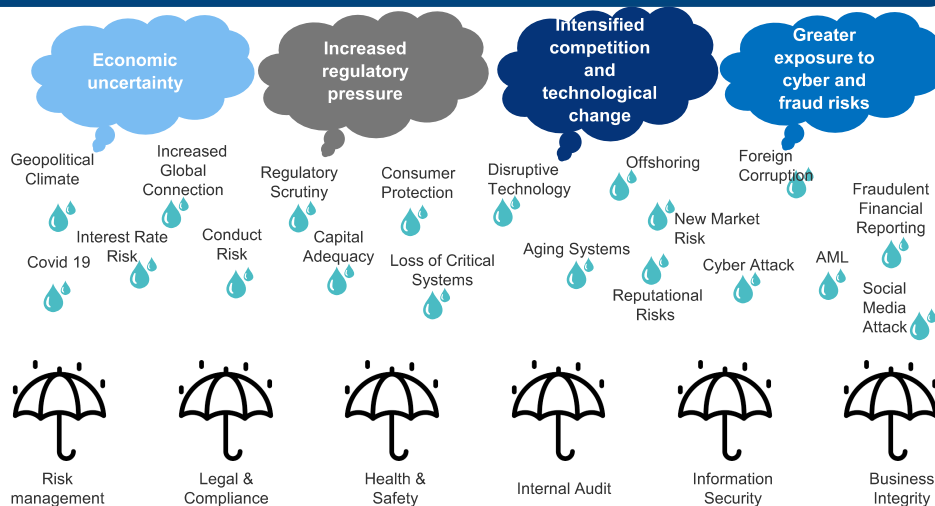


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A Changing
World

Current and
Emerging
Risks

Investment in
Assurance

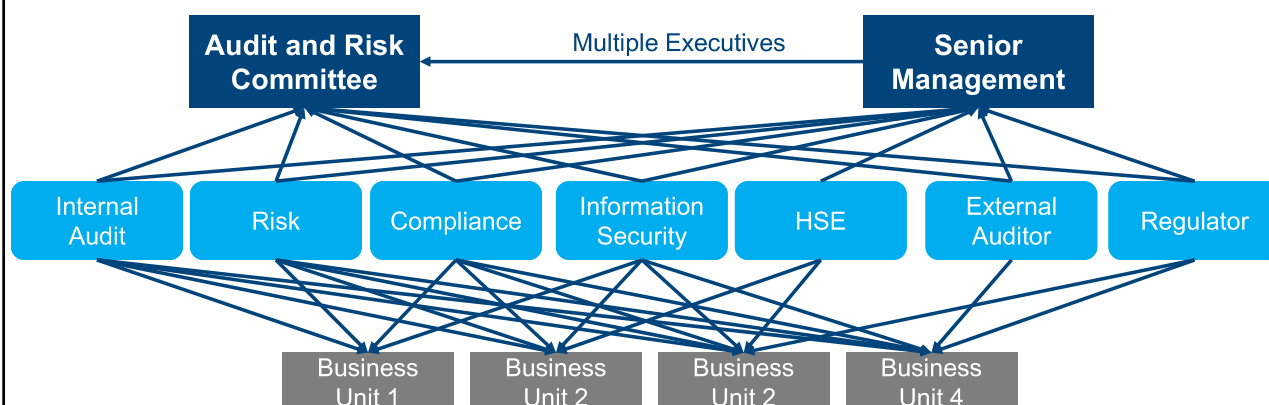


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Multiple and Siloed Assurance

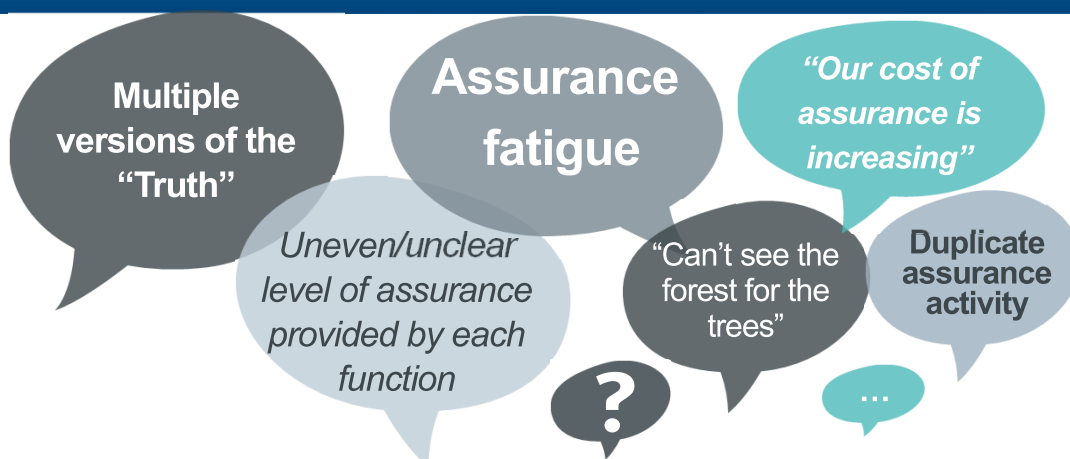


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This is causing pain...



...and the ARC & business want change!

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What is combined assurance?



A combined assurance model* incorporates and optimises all assurance services and functions so that, taken as a whole, these:

- Enable an effective **control environment**;
- Support the integrity of **information used for internal decision-making** by management, the governance body and its committees; and
- Support the integrity of the organisation's **external reports**.

Coordinated planning, execution and reporting of assurance activity

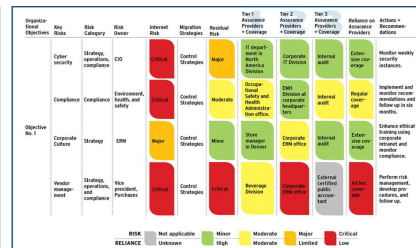
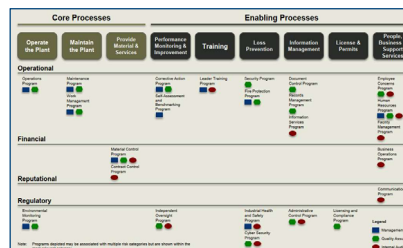
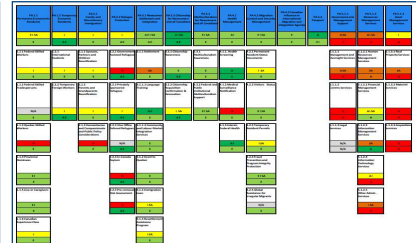
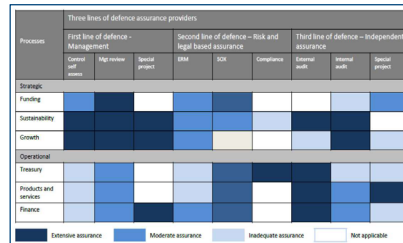
Source: * King IV Report, Institute of Directors South Africa

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Approaching Combined Assurance



- What is an assurance map?
- Uses
- Challenges



Graphic Source: Various documents publicly available on the internet

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Approaching Combined Assurance (cont'd)



Identifying and assessing other assurance providers

- Which assurance providers should we focus on?
- Areas to assess
 - Scope
 - Independence & Objectivity
 - Skills & Experience
 - Methodology
 - Reporting & Follow Up

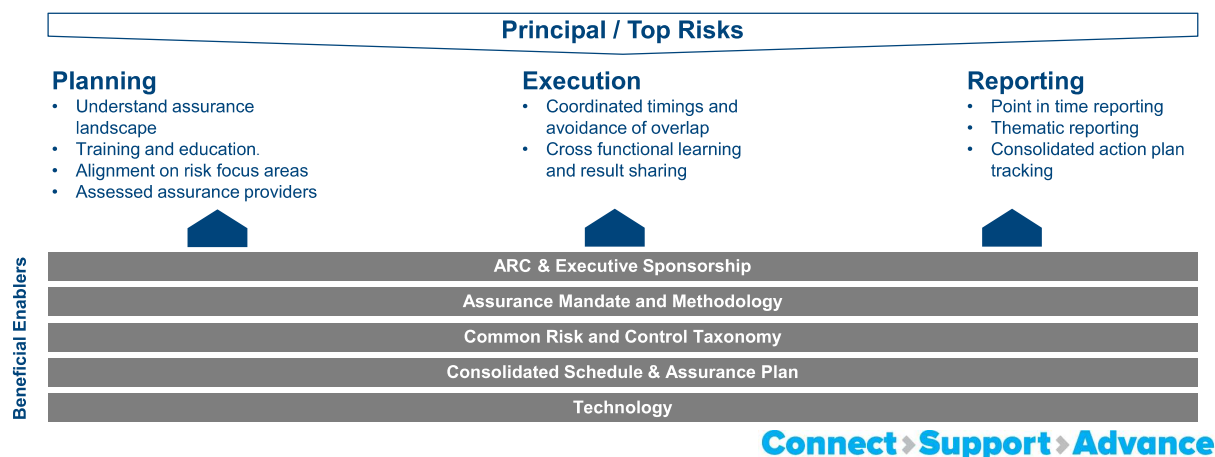
To rely, or not to rely, that is the question...

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Approaching Combined Assurance (cont'd)



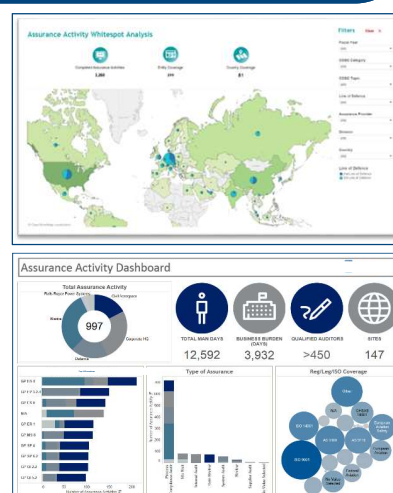
Typical elements of combined assurance:



Larger Company Considerations



- Multiples business units/sites/assets across multiple countries within a matrix organization
- Significant number of assurance providers / assurance activities
- Mature risk and control framework
- Usually lead by Chief Risk Officer
- Integrated assurance office in place
- Common tools & processes
- GRC technology enabled (including visualisation)



Graphic Source: Deloitte Risk Advisory Pty Ltd

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Benefits of Combined Assurance



Common view
of top risk

Improved
coverage of
top risks

More insightful
reporting

Reduce
business
burden

Better
consistency

Better visibility for ARC = Better Oversight of risk & control

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Illustrative Case Studies all led by Chief Audit Executives



1

South African Bank

- Revenue: \$11 Billion
- Employees: 45K
- Countries: 8
- Start of combined assurance journey: 10 years ago

Mature Combined Assurance

2

Dubai Based Retailer

- Revenue: \$10 Billion
- Employees: 35K
- Countries: 16
- Start of combined assurance journey: 1 year ago

Focused Combined Assurance

3

Western Australian University

- Revenue: \$0.5 Billion
- Employees: 2K
- Countries: 1
- Start of combined assurance journey: N/A

Building the case for Combined Assurance

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IIA's International Professional Practices Framework (IPPF)



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- **Relevant IIA Core Principles**

- Aligns with the strategies, objectives, and risks of the organization.
- Communicates effectively.
- Provides risk-based assurance.
- Promotes organizational improvement.

- **Relevant 1 Jan 2017 updates to the IIA Standards:**

- **NEW** Standard 1112 – Chief Audit Executive Roles Beyond Internal Auditing
- Addition to Standard 2000 – Managing the Internal Audit Activity: “..when it considers trends and emerging issues...”
- Updated and renamed Standard 2050 – Coordination and **Reliance**
- Updated Standard 2110 – Governance: Coordinating the activities of, and communicating information among, the board, external and internal auditors, **other assurance providers**, and management.

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What the ARC needs to know – Assurance Planning



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| # | Principal / Top Risk | | Residual risk within appetite? | Who in 2nd / 3rd Line will provide assurance on risk responses or management actions? | Is the ARC happy with Assurance Providers and Extent of Assurance? |
|---|----------------------------|--|--------------------------------|---|--|
| 1 | Cyber Attack | | No | <ul style="list-style-type: none"> • Information Security • Risk Management | ? |
| 2 | HSE Incident | | Yes | <ul style="list-style-type: none"> • HSE • Compliance • Internal Audit | ? |
| 3 | Commodity Price Volatility | | Yes | <ul style="list-style-type: none"> • Internal Audit | ? |
| 4 | Loss of Key Talent | | Yes | <ul style="list-style-type: none"> • Risk Management | ? |

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What the ARC needs to know – Assurance Reporting



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| # | Principal / Top Risk | Assurance Response | Rating / Score | 2 nd / 3 rd Line Assurance Provider | Report reference |
|---|---|--------------------|---------------------|---|------------------|
| 1 | Cyber Attack  | RR2 | On Track | Information Security | - |
| | | Action 1 | On Track | Information Security | - |
| | | Action 2 | Closed | Risk Management | - |
| | | | | Risk Management | - |
| 2 | HSE Incident  | RR1 | Effective | HSE | HSE 02 |
| | | RR2 | Partially Effective | HSE | HSE 02 |
| | | RR3 | Effective | Compliance | C21/01 |
| | | RR4 | Not Effective | Internal Audit | IA221 |

Consideration:

Execute work in a way that allows assurance providers to consolidate their results at a point in time

Consideration:

What are the major issues / themes from these reports as they relate to the principal risk?

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What the ARC needs to know- Questions to Ask Yourself



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- **Are we clear on what are the organisation's top risks?**
 - Do any major assurance providers have a different point of view?
- **Do we know who is auditing each of these top risks?**
 - Is it clear whether internal audit is coordinating with other assurance providers?
 - Are we comfortable with the amount of assurance being provided by the second and third lines?
- **Do we know whether management and assurance providers are aligned on the effectiveness of risk responses relating to these top risks?**
 - Is there a clear line of sight from the organisation's top risks to the internal audit plan?
 - Are the internal auditors comfortable with the quality of work performed by other major assurance providers?
- **Do we have visibility on how the results of all assurance work relating to the organisation's top risks are being tracked?**
- **Are we comfortable signing off on the risk management and control system based on what we've seen? Are we able to form our own view of effectiveness?**

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Parting Thoughts & Takeaways



5 things to remember about combined assurance

1. Gives comfort that an organisation's top risks are receiving adequate assurance coverage
2. Not all assurance or assurance providers are created equal
3. There isn't a single way to roll this out
4. It's a journey: start small and no need to overcomplicate
5. Results of assurance activities need to link back to top risks

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Questions?

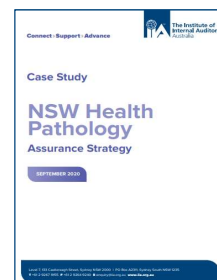
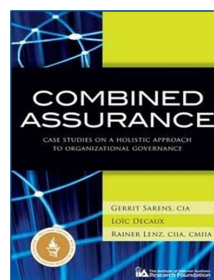
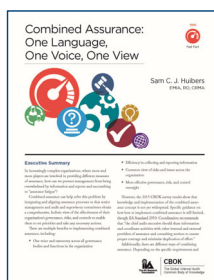
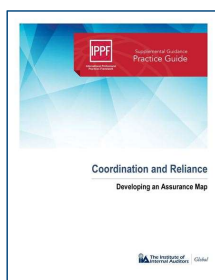
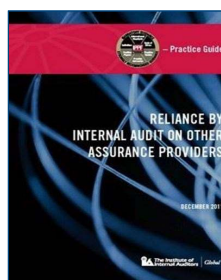


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Further Reading from the IIA



Ctrl + click on image to access to the publication:



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Thank you for attending

