



Integrated Assurance

(and how it helped us win the Ashes!)

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This Morning's Programme

Integrated Assurance

- Unique challenges of the insurance world;
- Benefits and Pitfalls;
- Understanding the sceptics;
- Assurance Maps; and
- Relevant lessons from the recent Ashes series.



Why Integrate Assurance?

- Increasing Board/management expectations from Internal Audit
- Perception of shortage of skills and resources
- Regulatory and risk management requirements for financial services firms are growing and becoming more complex
- We need to maintain/increase level of assurance when costs are under pressure
- **Two helpful steps:**
 - Better and more transparent prioritisation of risks
 - Better use of various assurance providers



Unique challenges of the insurance world





Unique challenges of the insurance world

Interested parties

- Usual suspects (internal audit, compliance, risk)
- External Audit
- Extra dimension of Solvency 2
- Regulators
- Actuarial perspective
- Reinsurance Brokers



What is Integrated Assurance?

- Co-ordinated view of the Assurance Providers to provide confidence that objectives are being achieved, risks and issues are identified and appropriately managed and internal controls are in place and operating effectively.

Integrated? Combined? Coordinated? Aligned?



IIA view of Integrated Assurance

The IIA defines three classes of **assurance providers**, differentiated by the stakeholders they serve, their level of independence from the activities over which they provide assurance, and the robustness of that assurance.

- Those who report **to management** and/or are part of management (management assurance), including individuals who perform control self-assessments, quality auditors, environmental auditors and other management-designated assurance personnel.
- Those who report **to the board**, including internal audit and compliance.
- Those who report **to external stakeholders** (external audit assurance), which is a role traditionally fulfilled by the independent/statutory auditor.



IIA view of Integrated Assurance

- Making available to management tools and techniques used by internal audit to analyse risks and controls;
- Being a champion for introducing ERM into the organisation, leveraging its expertise in risk management and control and its overall knowledge of the organisation;
- Providing advice, facilitating workshops, coaching the organisation on risk and control and promoting the development of a common language, framework and understanding;
- Acting as the central point for coordinating, monitoring and reporting on risks; and
- Supporting managers as they work to identify the best way to mitigate a risk.

- It also stresses the increasing need for assurance maps



Benefits of Integrated Assurance

- Enables assurance to be focused on areas which matter most
- More effective and efficient use of resources (in IA and outside)
- Identify duplication and gaps
- Balance positive and negative assurance
- Improves consistency of risk approach and language
- Clarity on assurance coverage across matrix managed firms

Overlaps are preferable to gaps!



Pitfalls of Integrated Assurance

Assurance Providers

- How can you ensure sufficient independence?
- How do you identify all (enough) assurance sources?
- How to create sufficient awareness below Board/Audit Committee?
- Not all assurance providers are created equal!
- Communication and Language? (e.g. inherent risk and severity)





Pitfalls of Integrated Assurance

Assurance Maps

- Process can become too long and too unwieldy
- Consulting firms will sometimes generate fees out of complexity!
- Different assurance sources may be out of step
- How to challenge reliability
- Think carefully before excluding Management's own view

The image shows a detailed assurance map grid. It consists of numerous columns and rows. The columns are labeled with various risk categories and assurance sources. The rows represent different assurance activities or controls. The cells in the grid are color-coded: green indicates a good or low-risk status, yellow indicates a moderate or medium-risk status, and red indicates a high-risk or significant gap. The grid is divided into several sections, with some sections having sub-headers like 'Internal assurance' and 'External assurance'. The overall layout is dense and complex, illustrating the potential for an unwieldy process.



Assurance Maps

- While many organisations monitor the activities of internal audit, risk and compliance, not all view all their activities in a holistic way.
- An assurance mapping exercise involves mapping assurance coverage against the key risks in an organisation.
- This process allows an organisation to identify and address any gaps in the risk management process
- Gives stakeholders comfort that risks are being managed and reported on and that regulatory and legal obligations are being met.



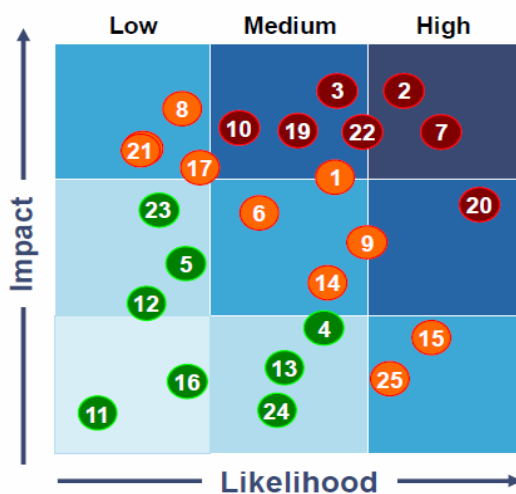
Assurance Maps

- Organisations will benefit from a streamlined approach, which ensures the information is available to management about the risks they face and how the risks are being addressed.
- The mapping is done across the organisation to understand where the overall risk and assurance roles and accountabilities reside.
- The aim is to ensure that there is a comprehensive risk and assurance process with no duplicated effort or potential gaps.

There is an amplification effect to be gained from integrating the assurance activities across the organisation



Assurance Maps



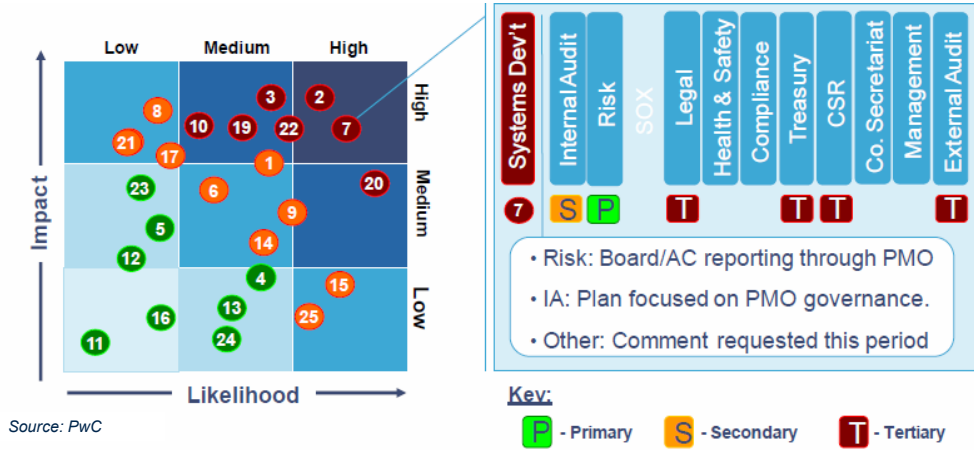
- Joint 'assurance' workshops to develop common perspective
- Single view on key inherent business risks and priorities
- Risk-based approach to defining assurance need
- Basis for co-ordinating assurance activities to provide risk coverage

Source: PwC



Assurance Maps

- Promotes the definition of the assurance need by risk owners (expectation)
- Clarification by assurance providers on the actual assurance provided.

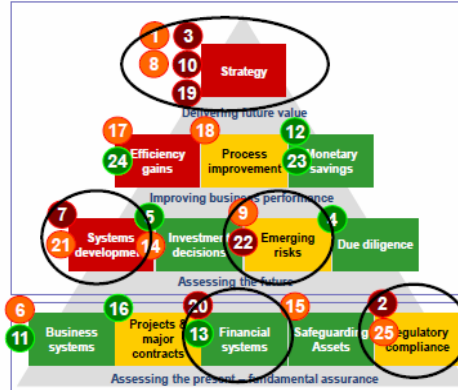


Assurance Gaps

Stakeholder assurance expectation



Actual assurance

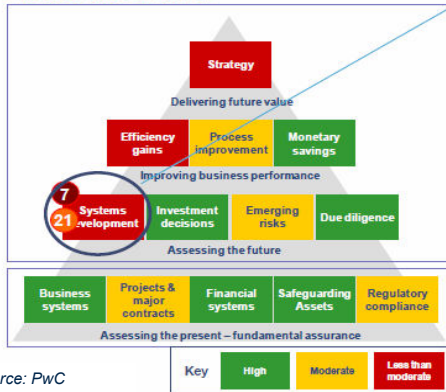


Source: PwC

Assurance Coverage

Assurance coverage is often not straightforward – organisations tend not to have consciously evaluated where assurance exists, how it is provided and its quality.

Actual assurance



Source: PwC

7 **21** Systems development

Internal/Audit	Risk	SOX	Legal	Health & Safety	Compliance	Treasury	CSR	Co. Secretariat	Management	External Audit
✓	✓	✗	✓	✗	✗	✗	✗	✗	✓	✗

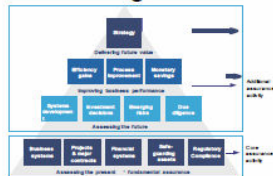
Assurance deficiencies:

- IA coverage focused at post-implementation only
- Quarterly senior management site visits, but did not cover full portfolio of projects
- Out-scoped from external audit
- No project risk reporting to Board/Audit Committee

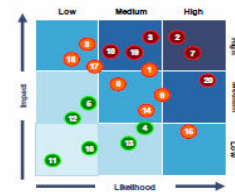
Assurance Coverage

There is tremendous value in understanding and presenting how assurance activities are organised, interact and provide coverage over key business risks

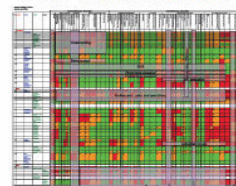
Assurance game board



One view of the truth



BAU audit universe



- Inventory of assurance
- Clarity on assurance coverage, roles and remit
- Transparency on the balance between business led and independent assurance

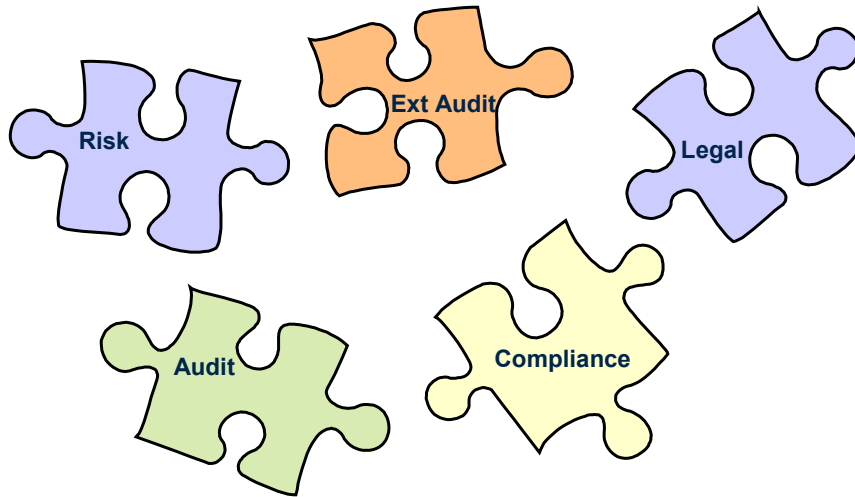
- Single agreed view of risk
- Allows mapping of assurance activity to major inherent risks
- Move to an "Assurance Plan" across assurance providers – showing collaboration

- Preserves the discipline of providing 'core assurance'
- Shows "what is not covered"
- IA approach adapted recognising the roles and focus of other assurance providers

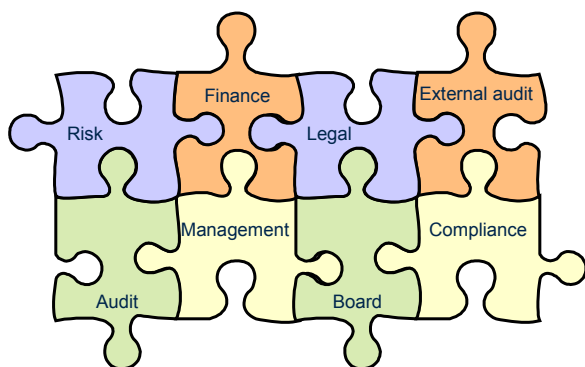
Source: PwC



Traditional Assurance?



Is this realistic?





What else should we be providing Assurance over?

- Project assurance – benefits assessments?
- HR measures – turnover, training, diversity
- CSR
- Information Security
- IT measures – uptime, internet usage, viruses
- Operational losses, errors, near misses
- KPI availability, integrity, relevance

Challenge but don't second guess management



Any Questions?