

Combined Assurance

IAA UAE
March 2022



Outline



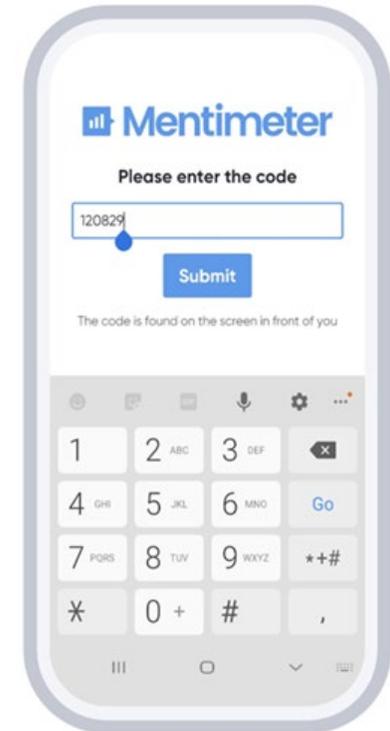
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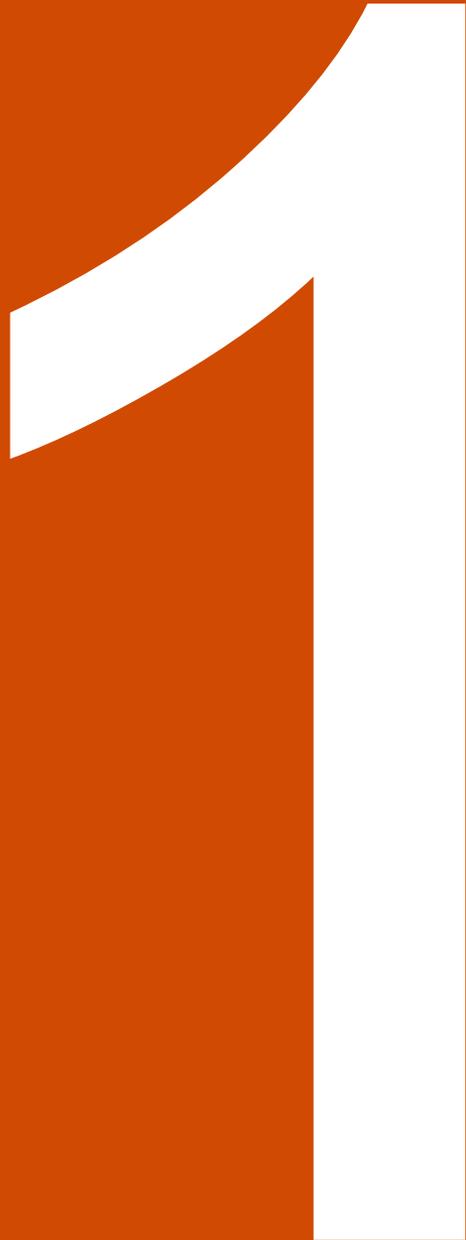
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Three Lines Model & Combined Assurance

The Biggest Risk !!!



Risk Definition

“Possibility that an event will occur and **adversely** affect the achievement of objectives.”

- COSO 2004 Definition

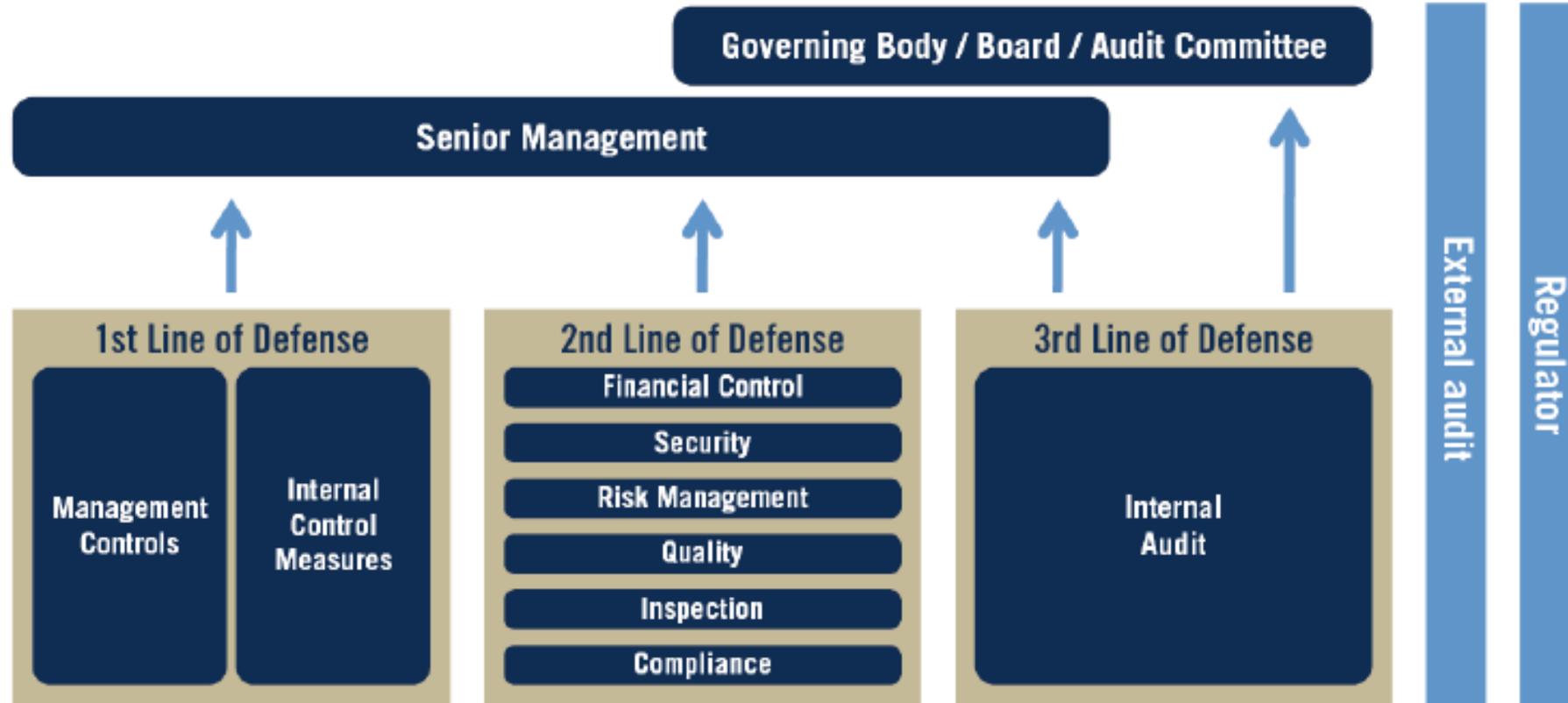
“Possibility that events will occur and affect the achievement of objectives.”

- COSO 2017 Definition

“Effect of uncertainty on objectives and an effect is a positive or negative deviation from what is expected.”

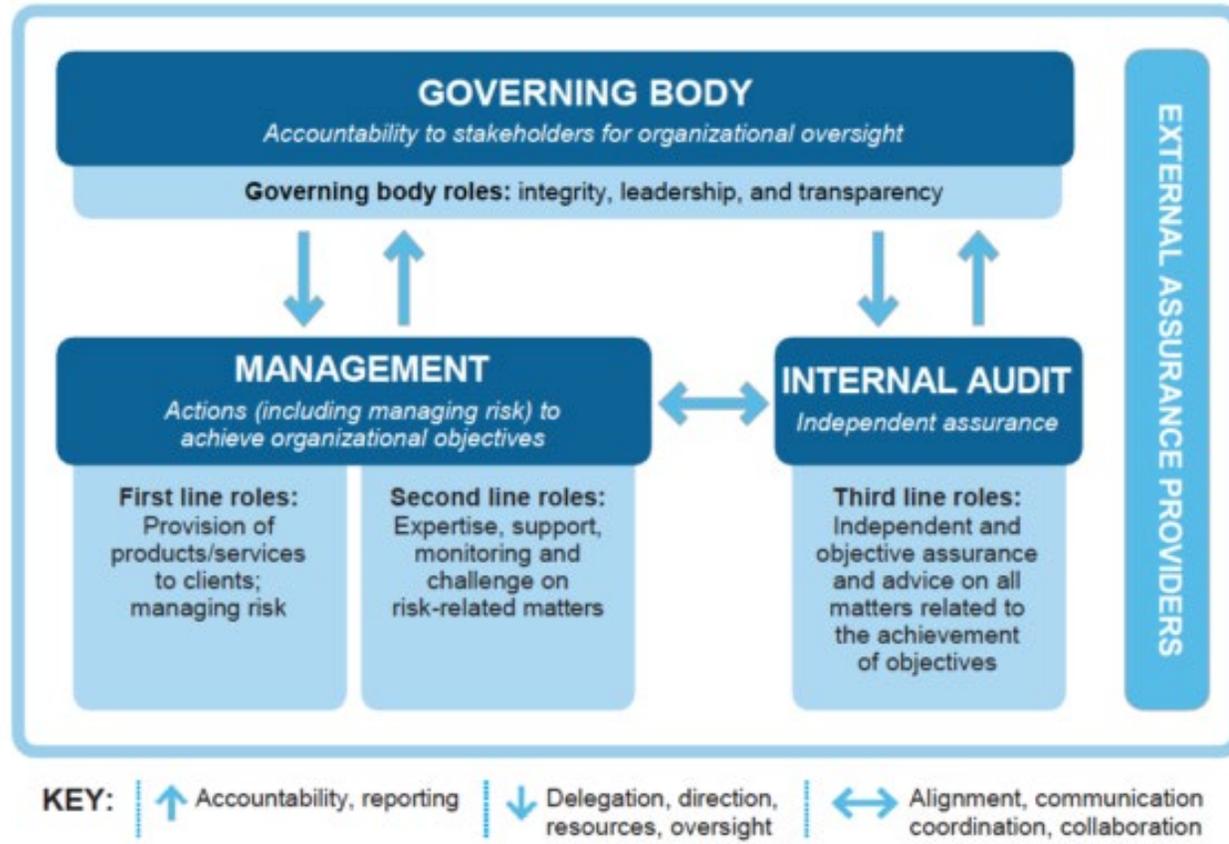
- ISO 31000:2018

The Three Lines of Defense Model



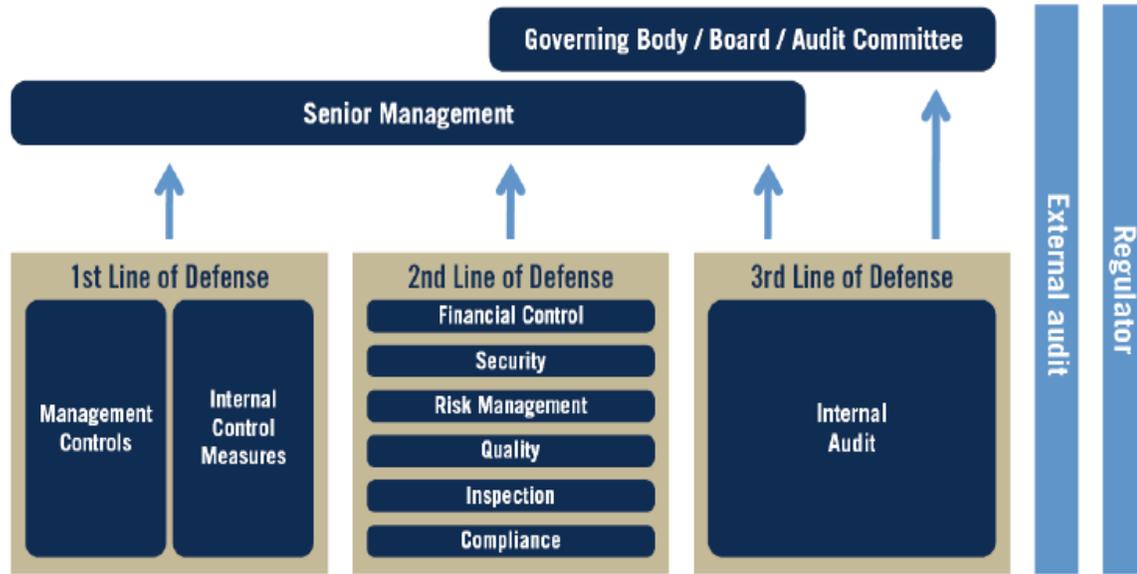
Graphic taken from The IIA Position Paper The Three Lines of Defense in Effective Risk Management and Control published in 2013, adapted from ECIIA/FERMA Guidance on the 8th EU Company Law Directive, article 41

The IIA's Three Lines Model



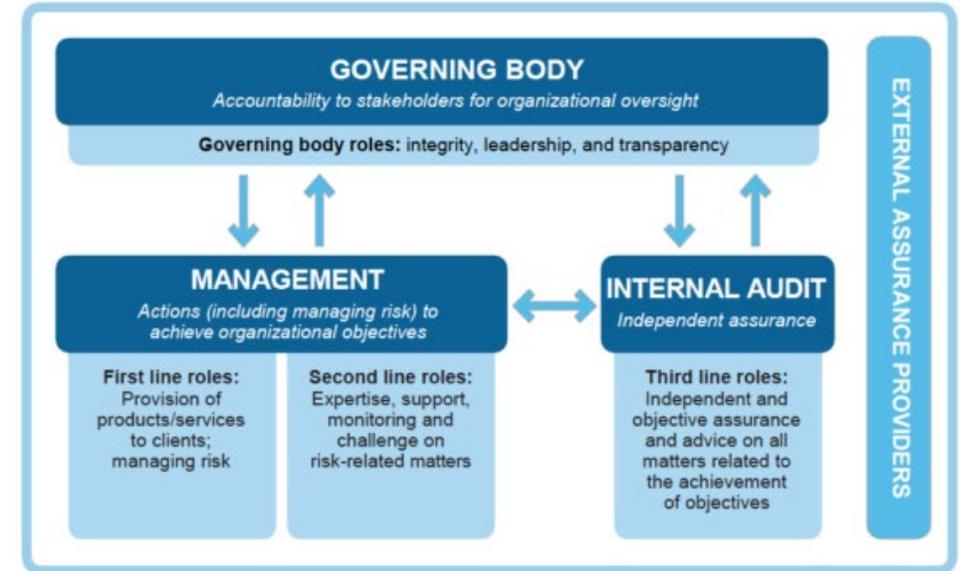
Old Vs. New Model

The Three Lines of Defense Model



Graphic taken from *The IIA Position Paper The Three Lines of Defense in Effective Risk Management and Control* published in 2013, adapted from *ECIIA/FERMA Guidance on the 8th EU Company Law Directive, article 41*

The IIA's Three Lines Model



KEY: ↑ Accountability, reporting | ↓ Delegation, direction, resources, oversight | ↔ Alignment, communication coordination, collaboration

What went wrong?



Risk Management purpose was about preventing failure rather than to encourage success

I The Three Lines Model

Key Statements

There is a need for collaboration and communication across both the first and second line roles of management and internal audit to ensure there is no unnecessary duplication, overlap, or gaps.

The governing body, management, and internal audit have their distinct responsibilities, but all activities need to be aligned with the objectives of the organization. The basis for successful coherence is regular and effective coordination, collaboration, and communication.

I The Three Lines Model (continued)

Key Statements

Organizations may wish, and their regulators may require, leaders of second line roles such as a Chief Risk Officer (CRO) and a Chief Compliance Officer (CCO) to have a direct reporting line to the governing body. This is fully consistent with the Principles of the Three Lines Model.

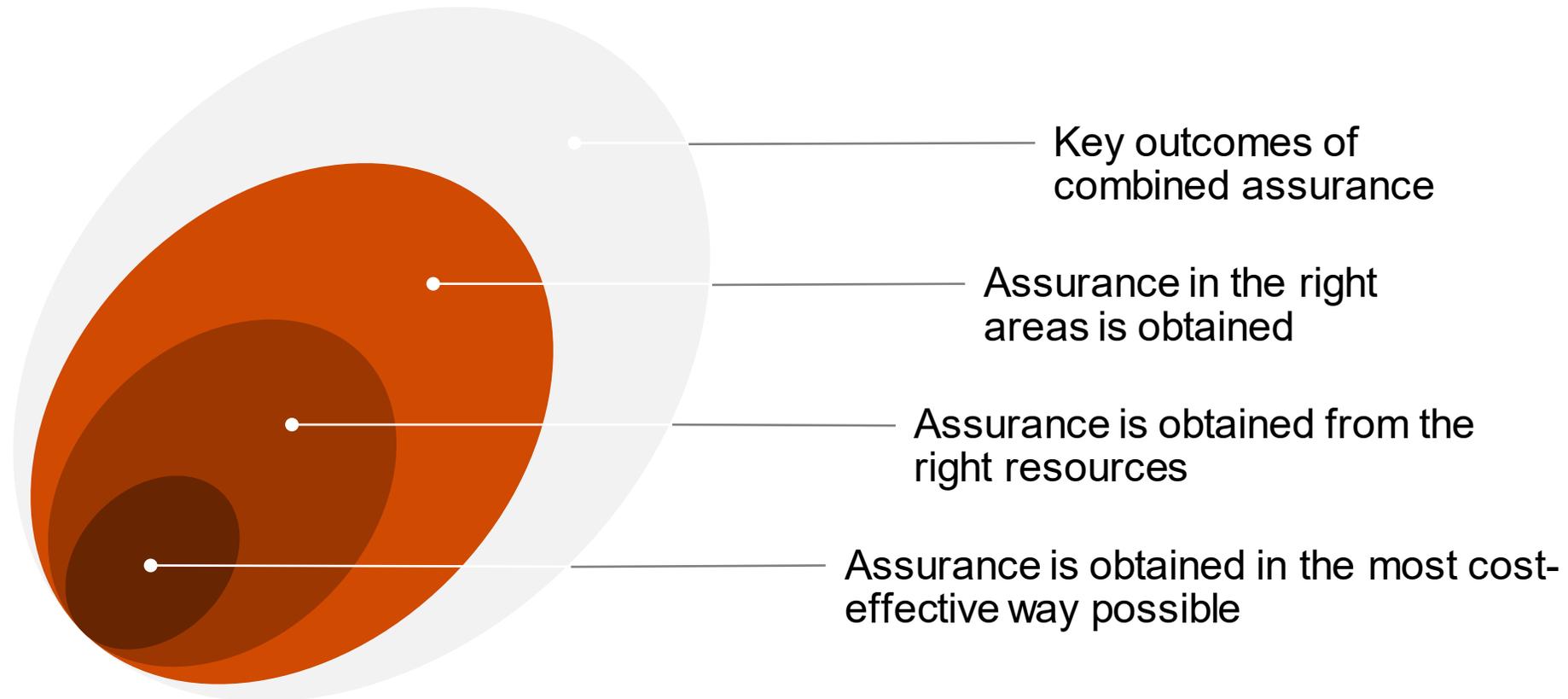
The Three Lines Model allows for as many reporting lines between management and the governing body as required. In some organizations, most notably regulated financial institutions, there is a statutory requirement for such arrangements to ensure sufficient independence. Even in these situations, those in management with first line roles remain responsible for managing risk.

2

What is Combined
Assurance?

What is Combined Assurance?

Combined assurance is about assurance providers (internal and external) working more closely together to ensure the following:



Combined Assurance Benefits

Coordinated and relevant assurance efforts are directed to the risks that matter most.

Commitment to enhance controls is demonstrated.

Dashboards that provide an integrated, insightful view.

Reduction in assurance costs through elimination of duplication and better resource allocation.

Assurance activities produce valuable, integrated data, based on collaboration and not silos.

A reduction in the repetition of reports by different committees, resulting in improved and more efficient reporting.

Resources are not wasted on unnecessary duplication.

A comprehensive and prioritized approach in tracking of remedial actions on identified opportunities/weaknesses.

Clarity on risk and audit.

Enhance achievement of organizational objectives.



3

IIA – Standard 2050
Coordination &
Reliance

I 2050 – Coordination & Reliance

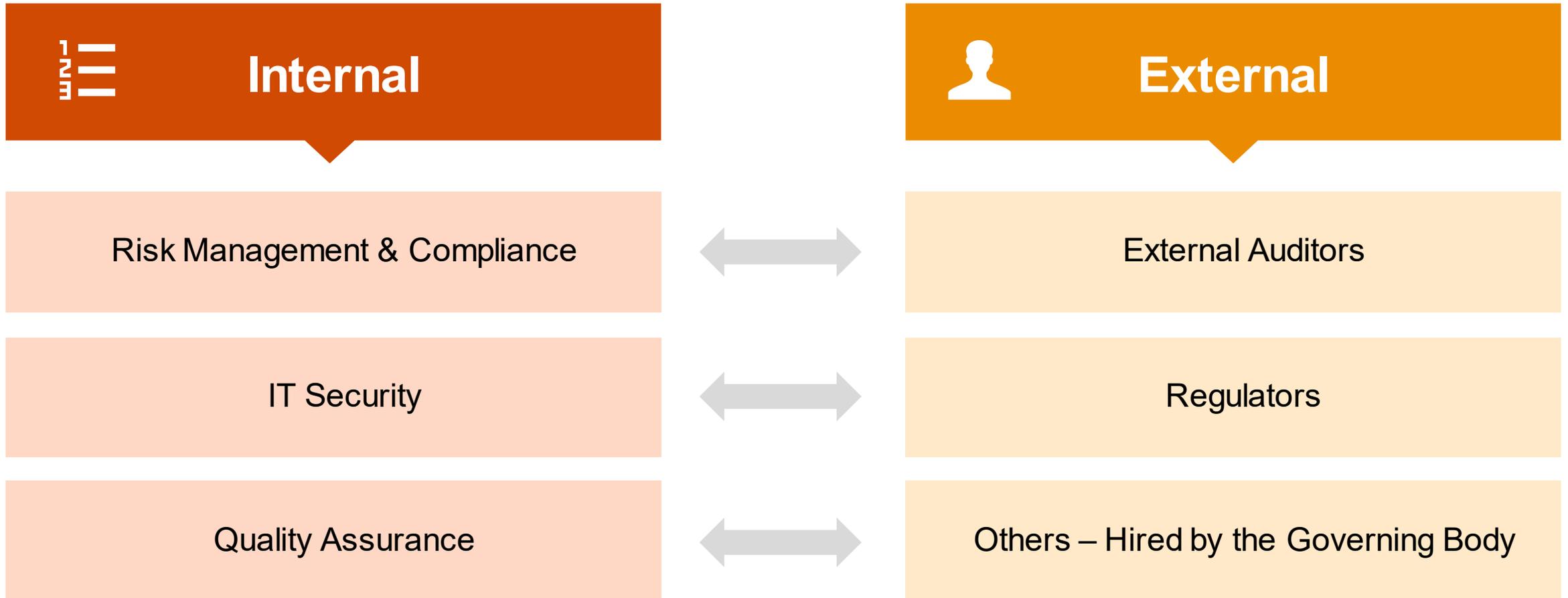
Managing the Internal Audit Activity

The chief audit executive should share information, coordinate activities, and consider relying upon the work of other internal and external assurance and consulting service providers to ensure proper coverage and minimize duplication of efforts.

In coordinating activities, the chief audit executive may rely on the work of other assurance and consulting service providers. A consistent process for the basis of reliance should be established, and the chief audit executive should consider the competency, objectivity, and due professional care of the assurance and consulting service providers. The chief audit executive should also have a clear understanding of the scope, objectives, and results of the work performed by other providers of assurance and consulting services.

Assurance Providers

Internal & External



Coordination of Efforts

Examples as noted by the IIA

Synchronization	Synchronizing the nature, extent, and timing of planned work
Techniques & Methods	Ensuring a common understanding of assurance techniques, methods, and terminology
Sharing of Information	Providing access to one another's work programs, workpapers, and reports.
Relying on work of others	Relying on one another's work to minimize duplication of effort
Periodic Meetings	Meeting intermittently to determine whether it is necessary to adjust the timing of planned work, based on the results of work that has been completed.

4

King IV Report

I King IV Report

Combined Assurance

Principle 15 of the King IV Report recommends that the governing body should establish effective combined assurance processes to achieve:

1. Effective Internal Control Environment
2. Improved integrity of information used for internal decision-making
3. Improved integrity of external reports

King IV Report

Combined Assurance

Key Elements

Principles

The governing body should ensure that assurance services and functions enable an effective control environment and that these support the integrity of information for internal decision-making and of the organization's external reports.

Activities

The Board assumes overall responsibility for arrangements in respect of assurance services and has delegated the responsibility for ensuring effective implementation of the assurance's functions to the Audit and Risk Committee. The combined assurance model covers the significant risks applicable to the Company, and the Audit and Risk Committee is satisfied with the expertise, effectiveness and adequacy of arrangements in place for combined assurance.

Focus Area

The Company operates a combined assurance framework based on the three lines of defense, which aims to optimize the assurance coverage obtained from management, internal assurance providers, and external assurance providers, with respect to the Group's key risks. The Audit and Risk Committee monitors the level of assurance obtained within the Group on an ongoing basis.

5

Implementation of
Combined Assurance
in Our Organization

Implementation of Combined Assurance

Key Considerations

Knowledge

What is an objective ?

Organizations document their objectives across all departments and functions.

What is Risk ?

Organizations define risk and differentiate it from existing weaknesses.

What is a Control ?

Organizations understand how controls assist the achievement of objectives.

Culture

Proactive Identification

Organizations implement a culture that willfully and proactively identifies their risks.

Communication

Communication across the organization as it relates to risk ownership may need enhancement.

Action Plans

Individual departments action plans to address absent / weak controls.

Board Support

Board Awareness

Board of directors understand the benefits of effective coordination across assurance lines.

The Audit Committee

The Audit Committee champions the role in effectively enabling combined assurance.

Assurance Maps

The board of directors ensures that key risks are actively covered in the model.

Implementation

Objectives

The objectives of CA are clearly communicated across the organization.

Assurance Providers

All assurance providers are effectively on board and proactively contributing to the project.

Reporting

Ensure a detailed program is effectively designed to communicate assurance across the organization.

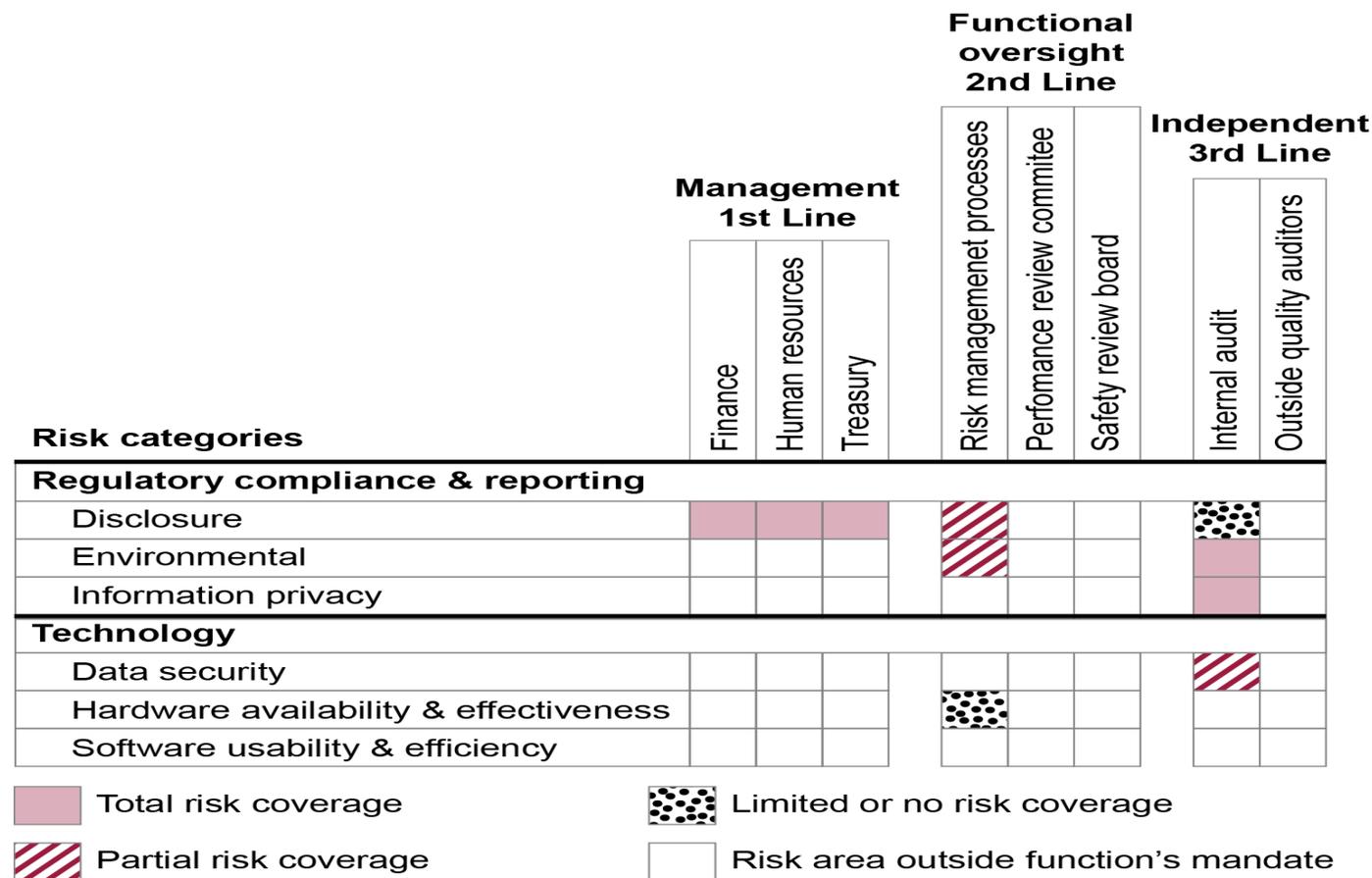
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Assurance Maps

Assurance Maps

Interconnections between risks

- Assists in enabling a better understanding which risks are covered by other assurance providers within the organization.
- Could decrease the level of inherent risks.
- Impacts the development of the Internal Audit Plan
- Assists in the coordination and reliance on the work of others.





Assurance Maps

Combined Assurance Maturity Model

The Different Phases towards Combined Assurance

1 - Initial

Internal audit makes initial efforts for better conformance with standard – 2050 .

In this phase there is basic sharing information relating to risks and controls among assurance service providers.

Assurance providers still maintain separate reporting mechanisms on issues and related ratings.

2 - Managed

Formal teams are developed across assurance lines.

This phase involves sharing lots of information regarding scheduling, risk assessments and assurance reports.

Internal audit starts proactively relying on other assurance provider reports and vice versa.

All assurance units use their own separate reporting mechanism.

3 - Defined

Formal charters are developed for the groups developed across assurance service providers.

There are formal mechanism to ensure effective knowledge sharing.

One report is issued on behalf of all assurance providers.

Common taxonomy of risk definitions and issue significance.

There is a shared methodology with supporting technology.

4 - Optimized

The Board of Directors and Senior Management formally agree on Combined Assurance . Assurance maps are formally developed and shared with the senior management.

Risk reporting is unified across the organization.

There is a central repository of risks, issues, recommendations through supporting technology.

On Risk 2021

Top 11 Entity Wide Risks for 2021 – CAE, C-Suite , Directors Survey

1. Cyber Security

This risk examines whether organizations are sufficiently prepared to manage cyber threats

2. Third Party

This risk examines organizations' abilities to select and monitor third-party relationships.

3. Board Information

This risk examines whether boards feel confident that they are receiving complete, timely, transparent, accurate, and relevant information

4. Sustainability

This risk examines organizations' abilities to establish strategies to address long-term sustainability issues.

5. Disruptive Innovation

This risk examines whether organizations are prepared to adapt to and/or capitalize on disruption.

6. Economic & Political Volatility

This risk examines the challenges and uncertainties organizations face in a dynamic and potentially volatile economic and political environment.

7. Organizational Governance

This risk examines whether organizations' governance assists or hinders achievement of objectives.

8. Data Governance

This risk examines organizations' overall strategic management of data: its collection, use, storage, security, and disposition.

9. Talent Management

This risk examines challenges organizations face in identifying, acquiring, upskilling, and retaining the right talent to achieve their objectives.

10. Culture

This risk examines whether organizations understand, monitor, and manage the tone, incentives, and actions that drive the desired behavior.

11. Business Continuity & Crisis Management

This risk examines organizations' abilities to prepare, react, respond, and recover.

Thank you!

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