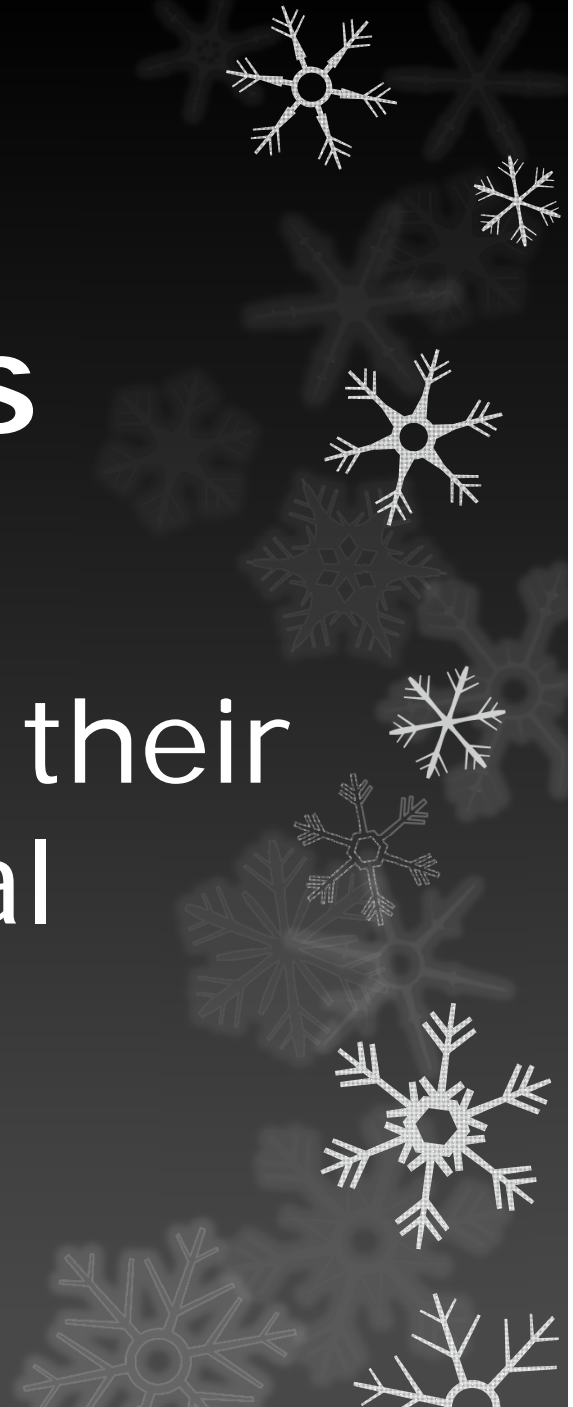


# ASSURANCE FRAMEWORKS

What they are and their  
place in the internal  
control framework



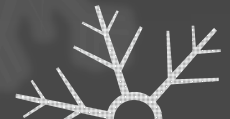
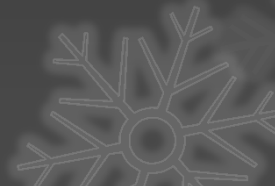
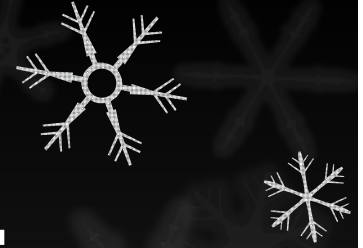
# MANAGING RISKS: THE COMMON FOCUS



- Objectives
- Controls

# WHAT DO BOARDS WANT TO KNOW?

- Progress against objectives
- Management of risks
- Exploitation of opportunities



# KEY PARTS OF WHAT BOARDS WANT TO KNOW

- Financial outturns
- Key performance indicators
- Capital developments
- Regulatory and compliance matters

**A BASIC THING  
BOARDS LOOK FOR  
IS.....**

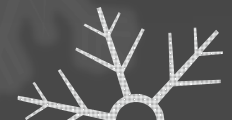
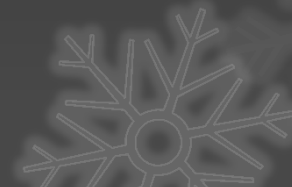
**Assurance**



# WHAT IS ASSURANCE?: (1)

**“An objective examination of evidence for the purpose of providing an independent assessment on governance, risk management, and control processes for the organisation.”**

**HM Treasury (UK): 2012**



## **WHAT IS ASSURANCE?: (2)**



**“.....they have been properly informed about the totality of their risks, both clinical and non clinical. To do this they need to be able to provide evidence that they have systematically identified their objectives and managed the principal risks to achieving them”.**

**NATIONAL HEALTH SERVICE (UK):  
2004**

**WHERE DOES  
ASSURANCE  
COME FROM?**





# THE 'THREE LINES OF DEFENCE'



# 'LINE ONE'

Day to day  
management activities



# 'LINE TWO'

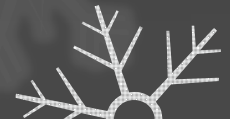
**Policies, procedures  
and management  
review (Compliance  
Sections)**



**'LINE THREE'**

**Independent assurance  
providers:**

**Internal Audit**



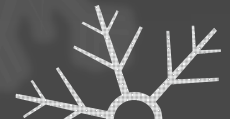
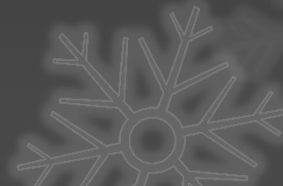
# **“REASONABLE ASSURANCE”**

**How do we know  
we have got it?**



# **“REASONABLE ASSURANCE”**

**How can you plan your  
sources of assurance?**



# CONSIDERATIONS IN PLANNING ASSURANCE



- Risk exposure
- Independence
- Cost

# EVALUATING RISK EXPOSURE



- Risk management framework
- Risk analysis
- Risk registers



# EVALUATING THE NEED FOR INDEPENDENT ASSURANCE

- Risk exposure
- Resources
- Planning

# EVALUATING ASSURANCE COSTS



- How much assurance do we need?
- Where should we get it from?

# WHO BUILDS AN ASSURANCE FRAMEWORK?

It is a Board-level  
responsibility as they are  
the owners of the  
Framework

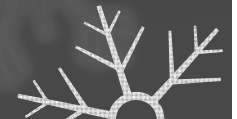
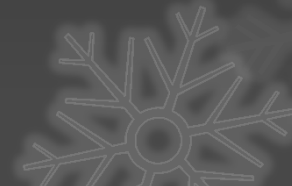


# THE 'ASSURANCE MAP'

- What is the risk?
- What are the controls?
- What are the assurances?



**ASSURANCE: SOME  
EXAMPLES OF  
WHERE YOU  
WOULD WANT IT!**



# STAFF TRAINING



“The Office of the Auditor-General to consider a performance audit of the skills and education of finance officers within each agency, and to provide recommendations where further support, education, or training is required”.

**Fijian Parliamentary Accounts  
Commission (2015)**

# CORRUPTION



“FICAC build a system that prioritises issues raised by the Auditor-General, or the Public Accounts Committee. A thorough investigation of all corruption and gross maladministration issues already publicly raised by the Auditor-General from 2009 should occur, if it has not done so already. Any matters confirmed to be of a corrupt nature MUST be pursued”.

**Fijian Parliamentary Accounts  
Commission (2015)**

# CORRUPTION AGAIN!!



"During his decade as an internal auditor for the Bank of Credit and Commerce International here, Vivian Ambrose knew all too well the bank's unwritten rules.

Some loan documents, for example, were off limits to the bank inspectors, including him. Instead, they were handled personally and confidentially by the inner circle of two dozen executives who kept the bank's secrets.

"It was common knowledge within the bank that there were fraudulent loans," the 51-year-old Sri Lankan immigrant said".

**Bank of Credit and Commerce international (1991)**



# RISK MANAGEMENT



## **Clinical governance and the management of risk**

“The control of infection needs to be an integral part of clinical governance and a high priority across the trust. The trust must improve its arrangements to manage risk. This should include appropriate reporting and proper investigation of serious untoward incidents, analysis of the risks raised by incidents and complaints, and a system that clearly demonstrates that the trust captures and disseminates the learning from incidents and complaints”.

**Healthcare Commission (UK): 2007: Report into deaths caused by hospital-acquired infections at Maidstone and Tunbridge Wells NHS Trust**

# RISK MANAGEMENT AGAIN!!



“Auditors assess the internal controls of a client to determine the extent to which they can rely on a client’s accounting system. Enron had too many internal control weaknesses to be given here. ....serious weaknesses were that the CFO was exempted from a conflicts of interest policy.....”

Enron (2002)

# REGULATORY COMPLIANCE



“The Ministry of Finance establish a monitoring unit in addition to the compliance unit as a matter of urgency to provide much-needed oversight across all agencies, to ensure delivery on expected public sector accounting and auditing principles”.

**Fijian Parliamentary Accounts  
Commission (2015)**

# COMPLYING WITH INSTRUCTIONS

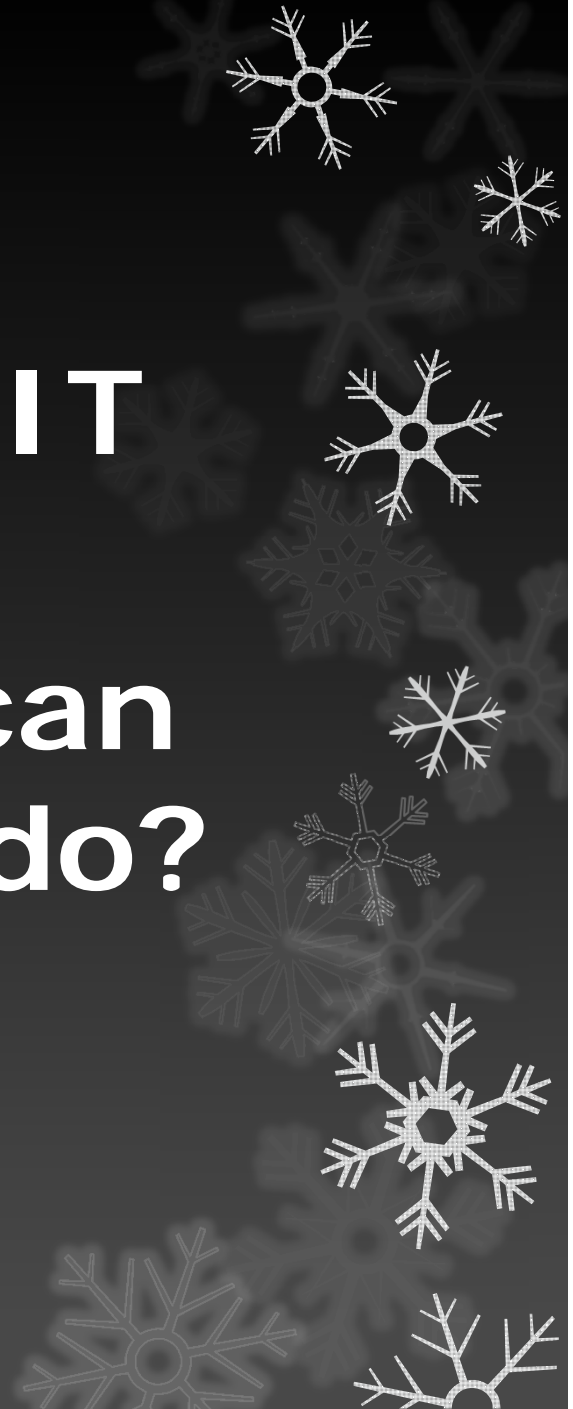


“All agencies should immediately audit all assets held, and provide a full list to the Ministry for Finance. Any assets undeclared by year end 2015 by any agency should be viewed as a serious breach by the senior officials within that agency”.

**Fijian Parliamentary Accounts  
Commission (2015)**

# **THE ROLE OF INTERNAL AUDIT**

**So, just what can  
Internal Audit do?**



# DEFINITION OF INTERNAL AUDIT




"Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations".

# **INDEPENDENT ASSURANCE**

**Providing the 'third  
line of defence'**



# PROVIDING ADVICE ON 'ASSURANCE MAPS'



- The identified controls
- The type of assurances being used
- The quality of the data being relied upon



# THE IDENTIFIED CONTROLS

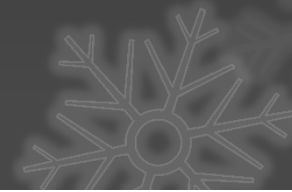
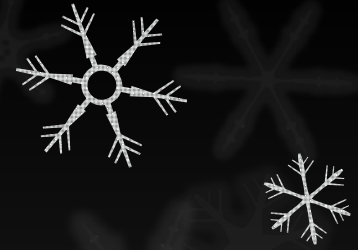


A balance of:

- Preventative
- Detective
- Corrective
- Directive

# **THE TYPES OF ASSURANCE BEING SOUGHT**

**When to use internal  
audit and when to use  
other assurances**



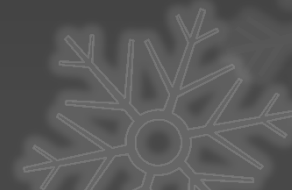
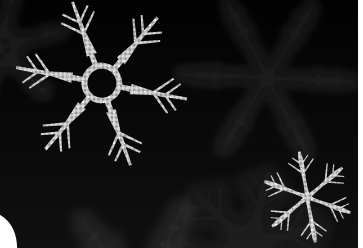
# ASSESSING RISK ACTION PLANS FOR GAPS IN ASSURANCE



- Completeness
- Targeted at highest risks

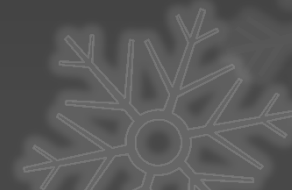
# ASSURANCES AND RISK

Is the level of assurance consistent with the level of risk?



# **ASSESSING THE NECESSITY FOR KINDS OF ASSURANCES**

Independent advice on  
what is going to work  
best; it won't always be  
internal audit.

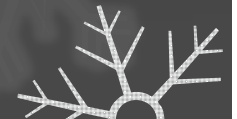
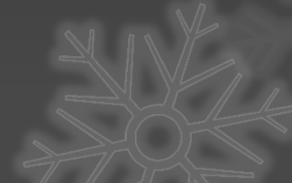


# ASSESSING THE RISK OF ASSURANCE GAPS

- How do we know objectives are being met?
- How do we know risks are effectively managed?

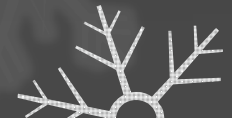
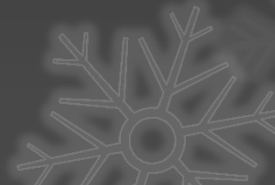
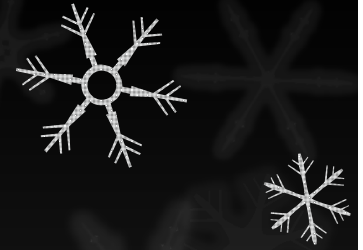
# **ASSESSING THE RELATIONSHIP BETWEEN BOARD REPORTING AND GOVERNANCE**

**Is the level of  
assurance appropriate  
to the level of risk?**



# ADVISING ON OBTAINING THE BENEFITS OF A FRAMEWORK

- Improving understanding of responsibility for managing and reporting on risk
- Allows escalation of issues via recommendations of areas where risk require more assurance





# ADVICE ON CO-ORDINATING ASSURANCES

- Value for money
- Board oversight
- Professional standards



**THANK YOU**

**ANY QUESTIONS?**

