
Integrating the Three Lines of Defense

Topics

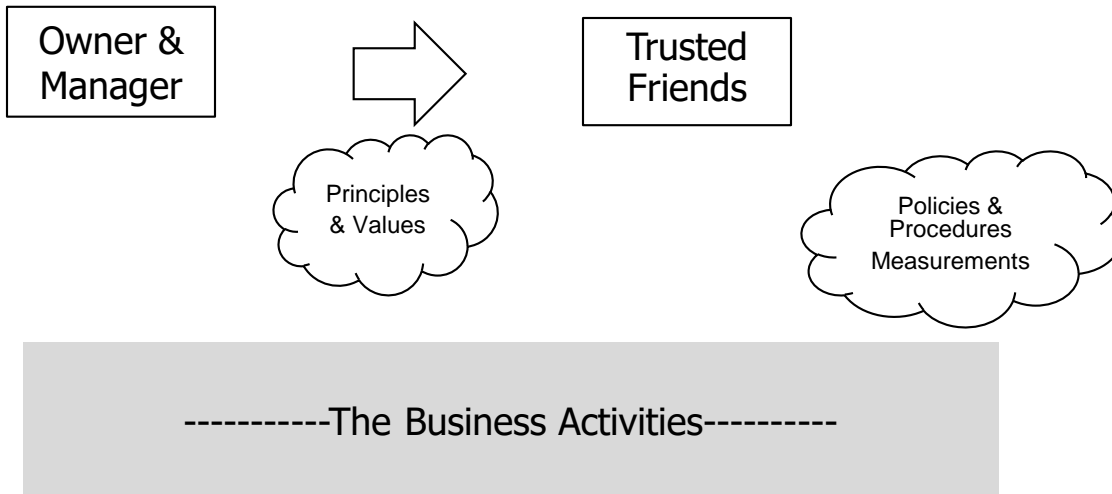
- The Maturing of Internal Audit
- Three Lines of Defense
- Integrated GRC
- Objectives Pull it All Together

The Maturing of Internal Auditing

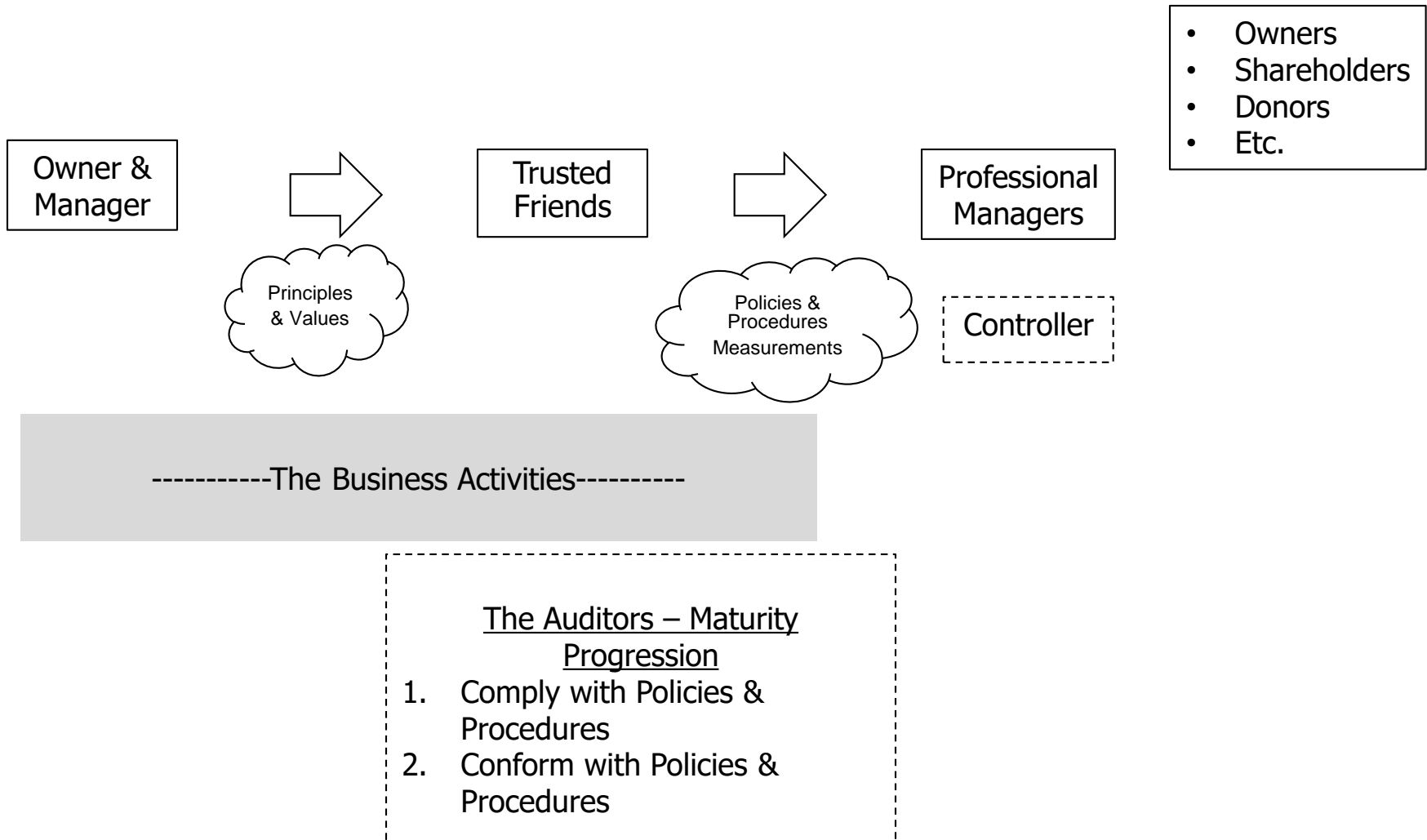
Owner &
Manager

-----The Business Activities-----

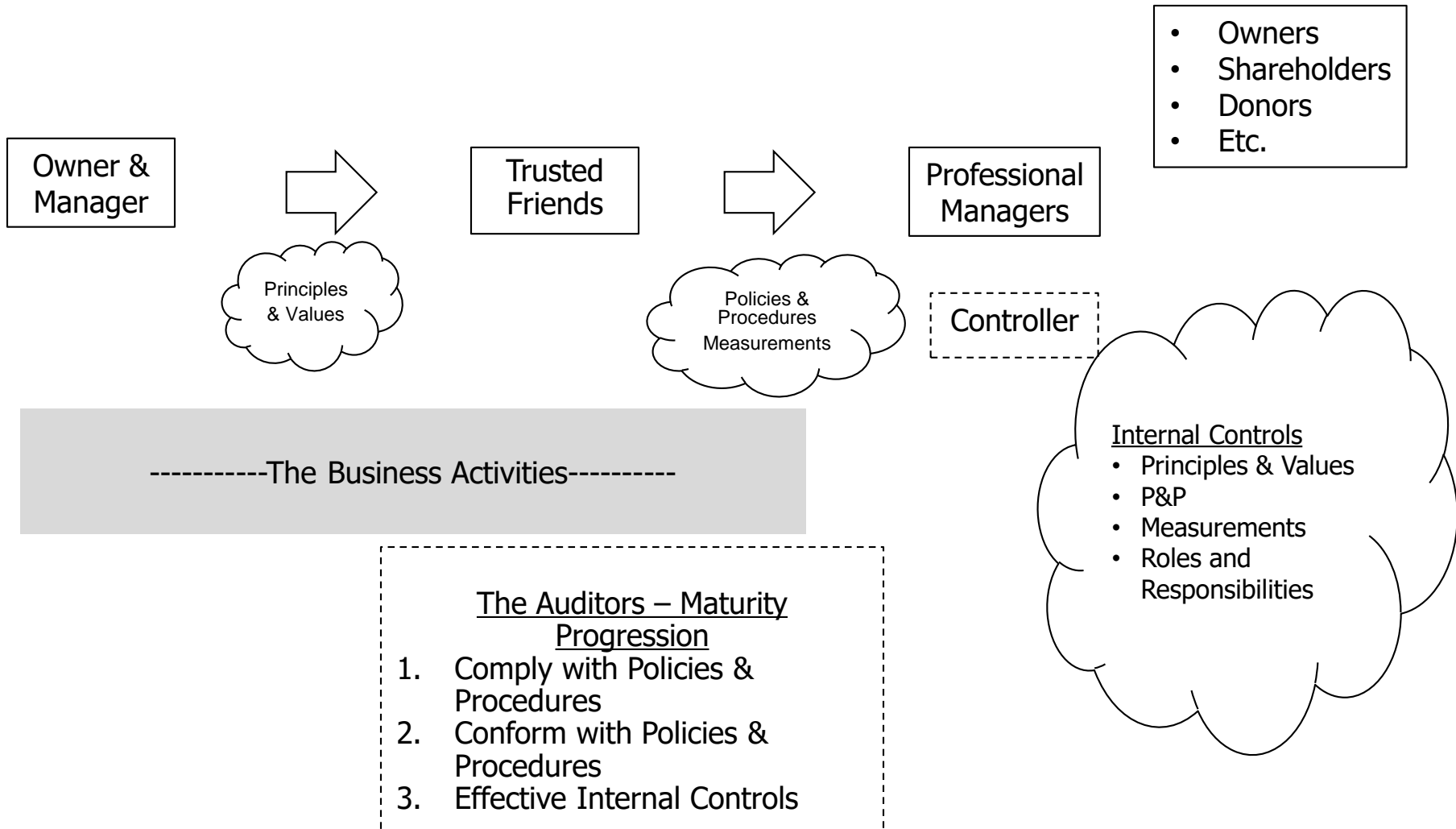
The Maturing of Internal Auditing



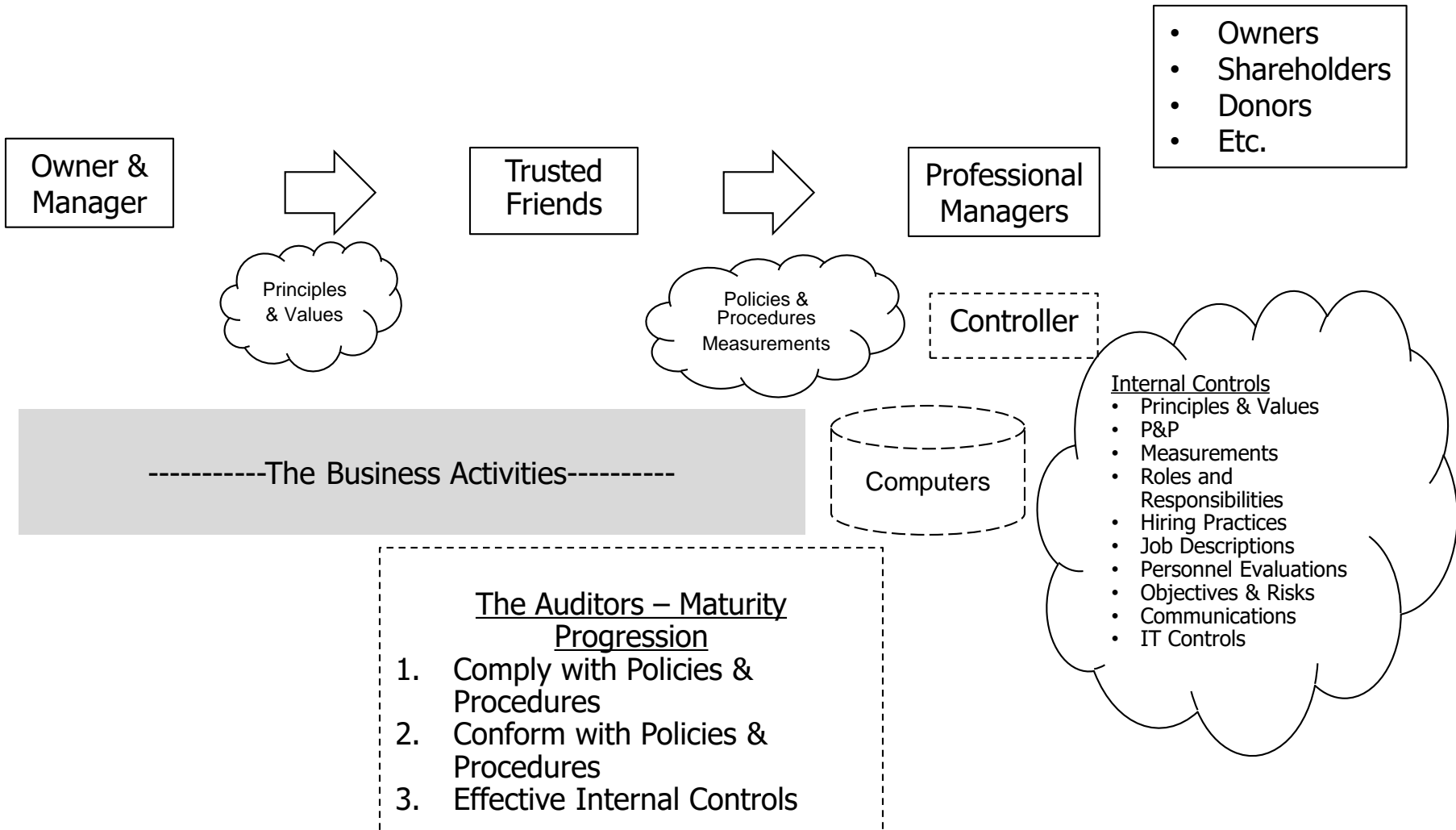
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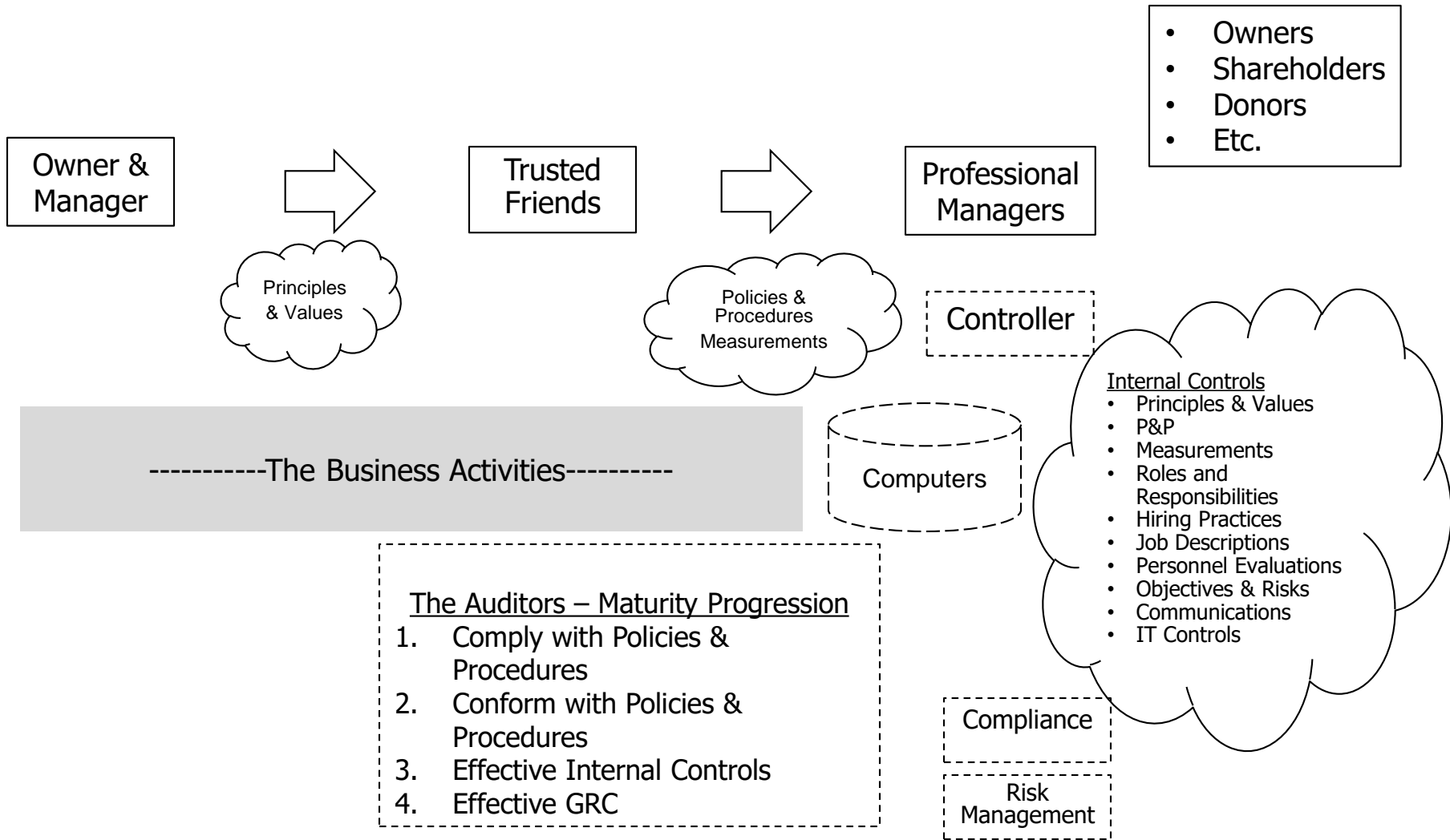
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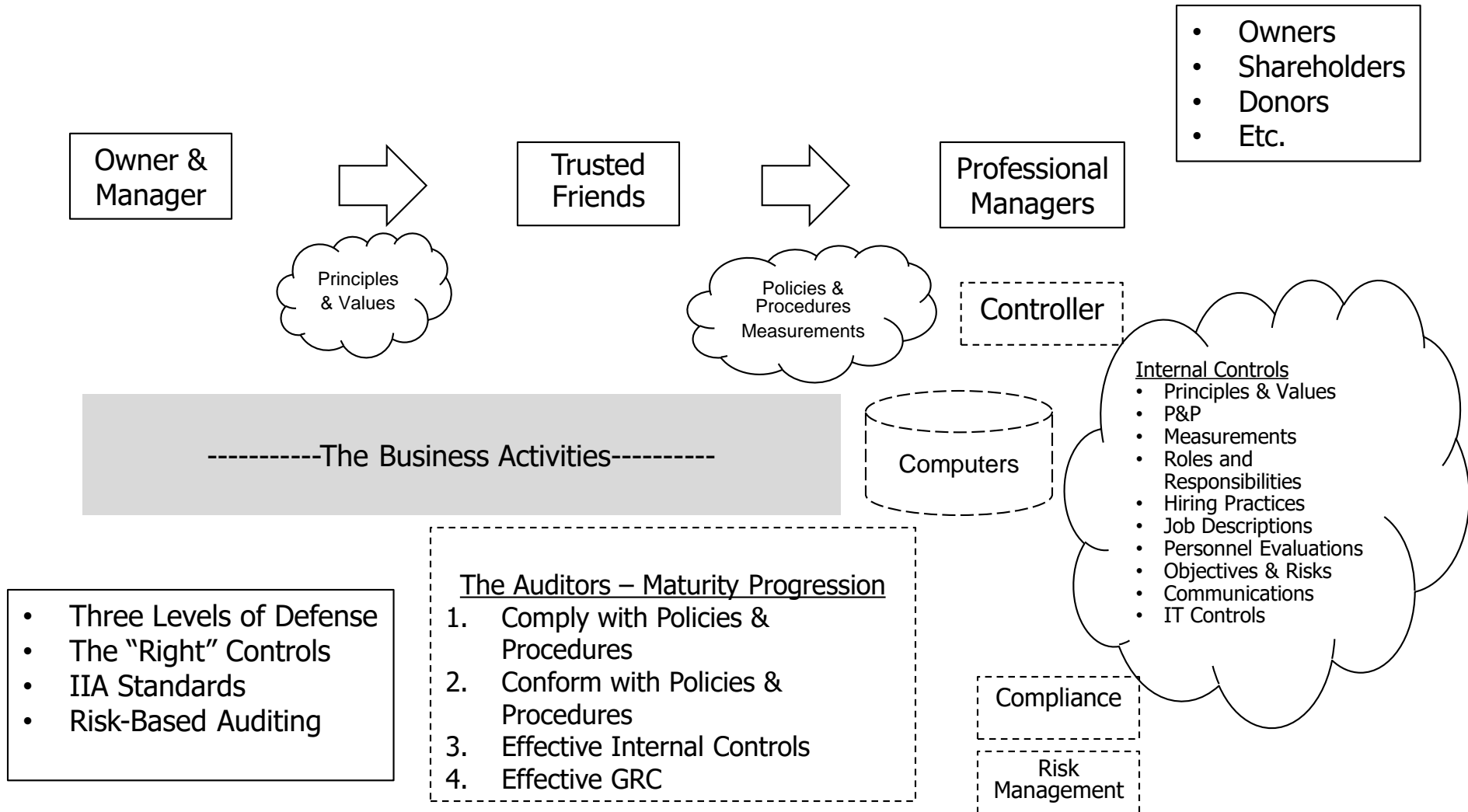
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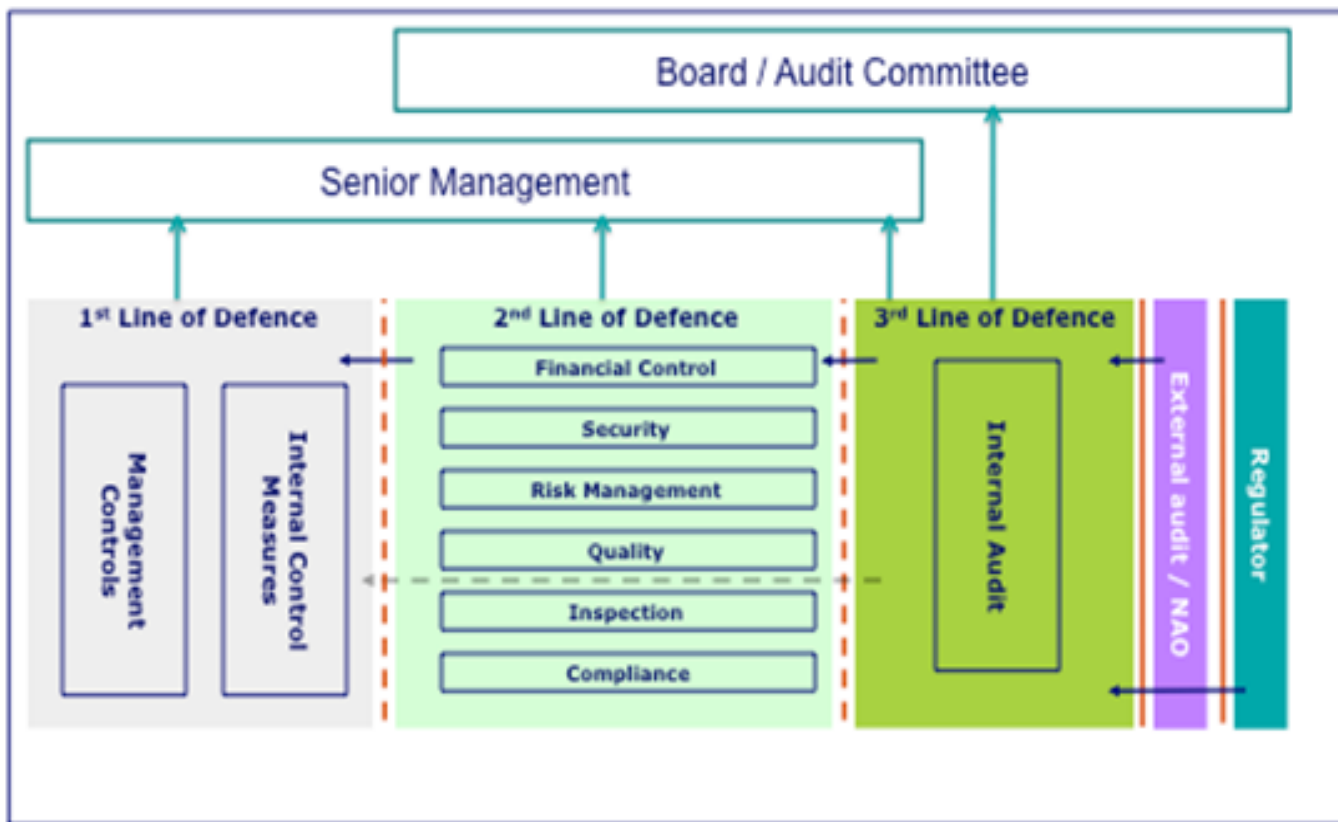
The Maturing of Internal Auditing



The Maturing of Internal Auditing



Three Lines of Defense



Developed by European Confederation of Institutes of Internal Auditing (ECIIA) and the Federation of European Risk Management Associations (FERMA).

- Published in "[Guidance for boards and audit committees on the implementation of Art 41.2 of the 8th EU Directive](#)"
- And in January, 2013 IIA Position Paper

Conducting an Audit

Plan

Test Controls

Report

Identify
Management
Controls

Identify
Business
Risks

Compare Controls
and Risks to a
Framework

Prepare Control
Maps and Risk
Matrix's

Evaluate Adequacy of
Internal Controls in
Managing Business Risks

Perform Tests
of Control
Operation

Evaluate
Operational
Effectiveness of
Internal Controls

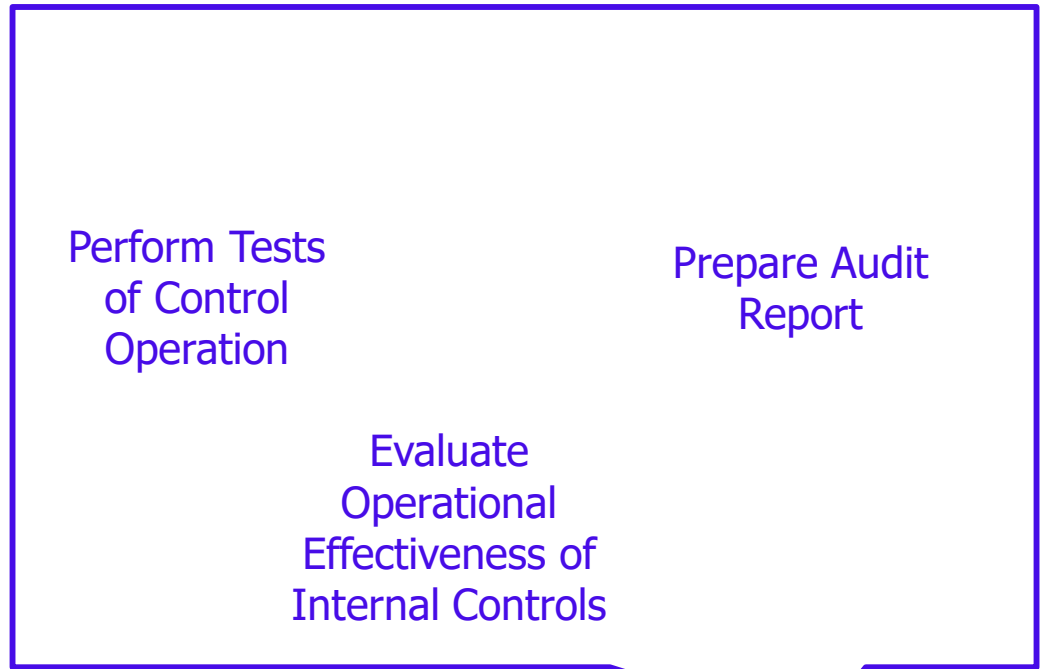
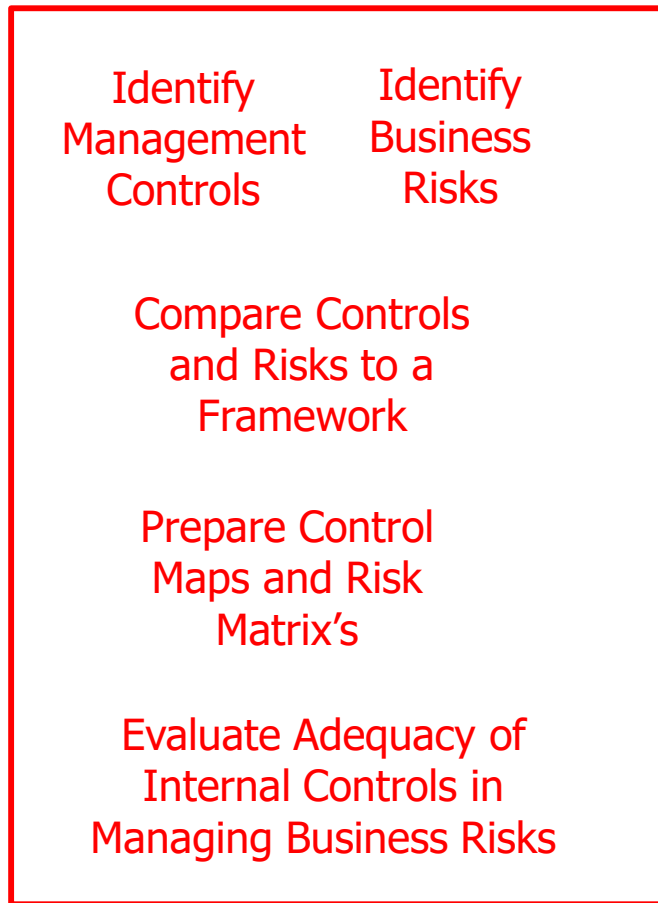
Prepare Audit
Report

Coordination of ERM and Internal Audit

Plan

Test Controls

Report

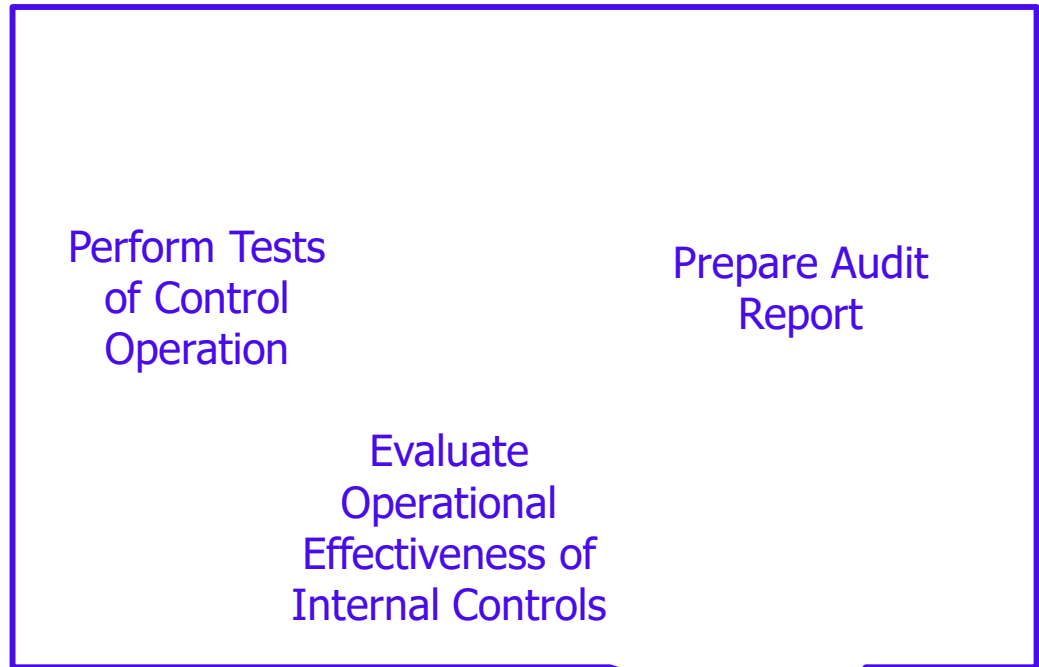
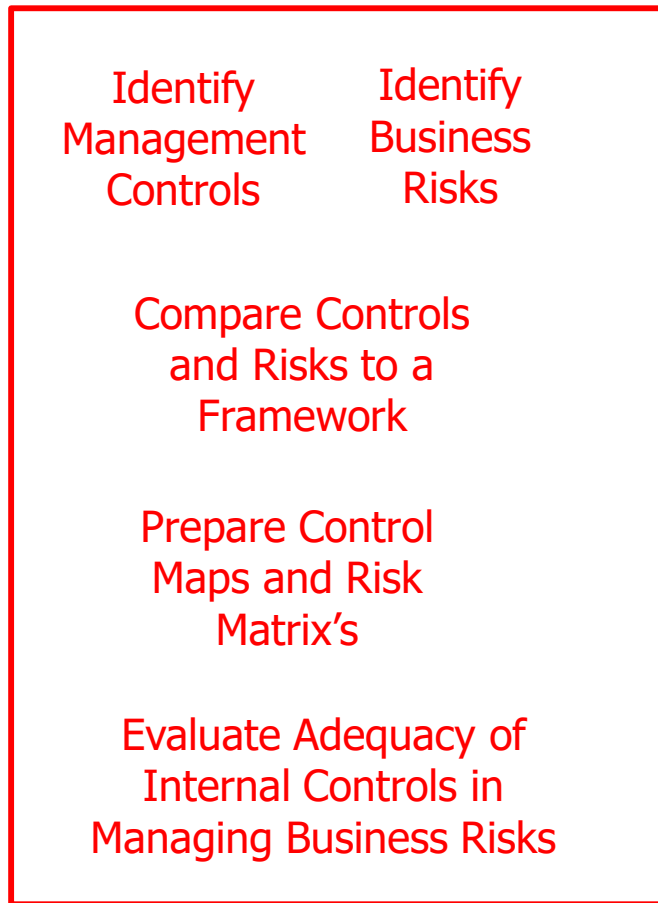


Coordination of ERM and Internal Audit

Plan

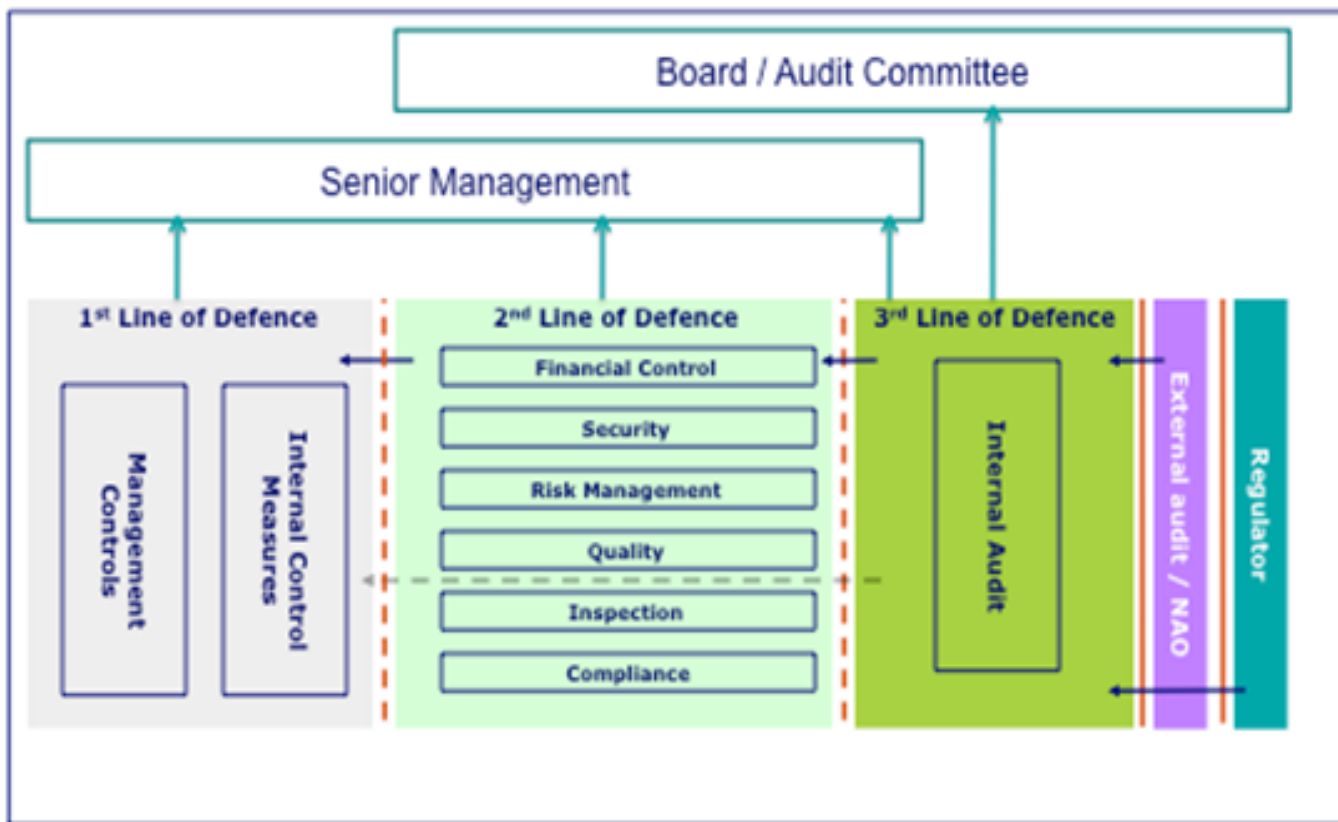
Test Controls

Report



.... Or Compliance

Three Lines of Defense



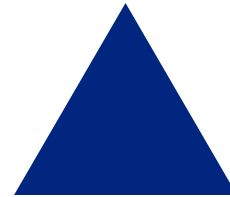
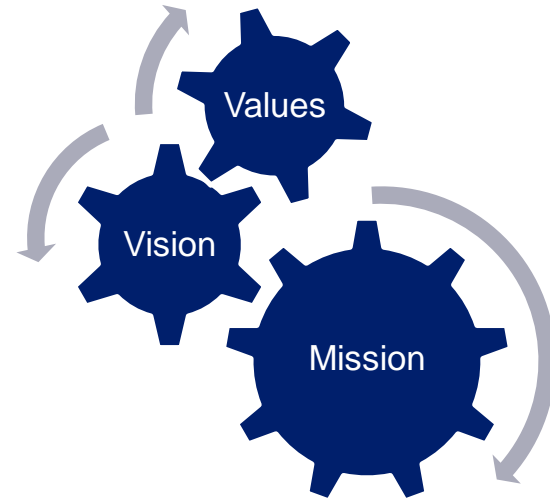
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Vision Mission Values (VMV)

- Mission Statement – Why the organization exists; its purpose
- Core Values – How people act and treat others while achieving the Mission
- Vision Statement – How the organization will achieve the Mission, sometime in the future
- Objectives – Goals and end-results that support the VMV
- Sub-objectives – Objectives that support the objectives
- Sub-Sub-Objectives – Objectives that support the objectives that support the objectives

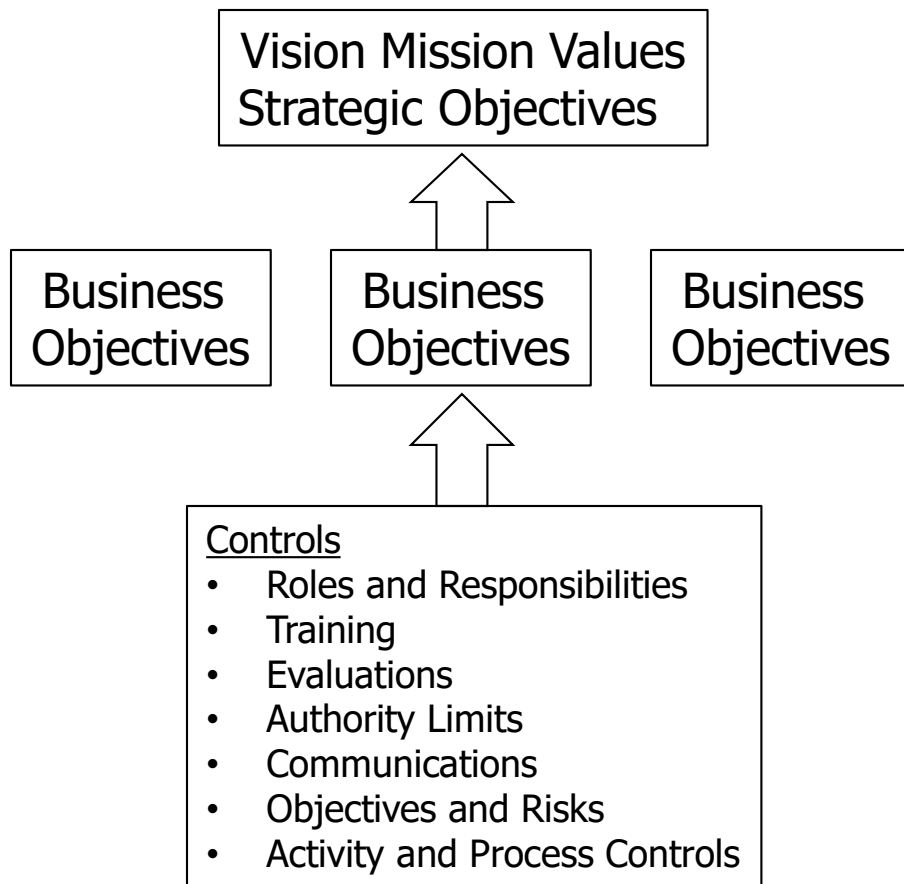
Objectives are Hierarchical -- You get the idea!



Objective
--- Sub-Objective 1
----- Sub-Objective 2
----- Sub-Objective 3

The Cascade Effect!!!

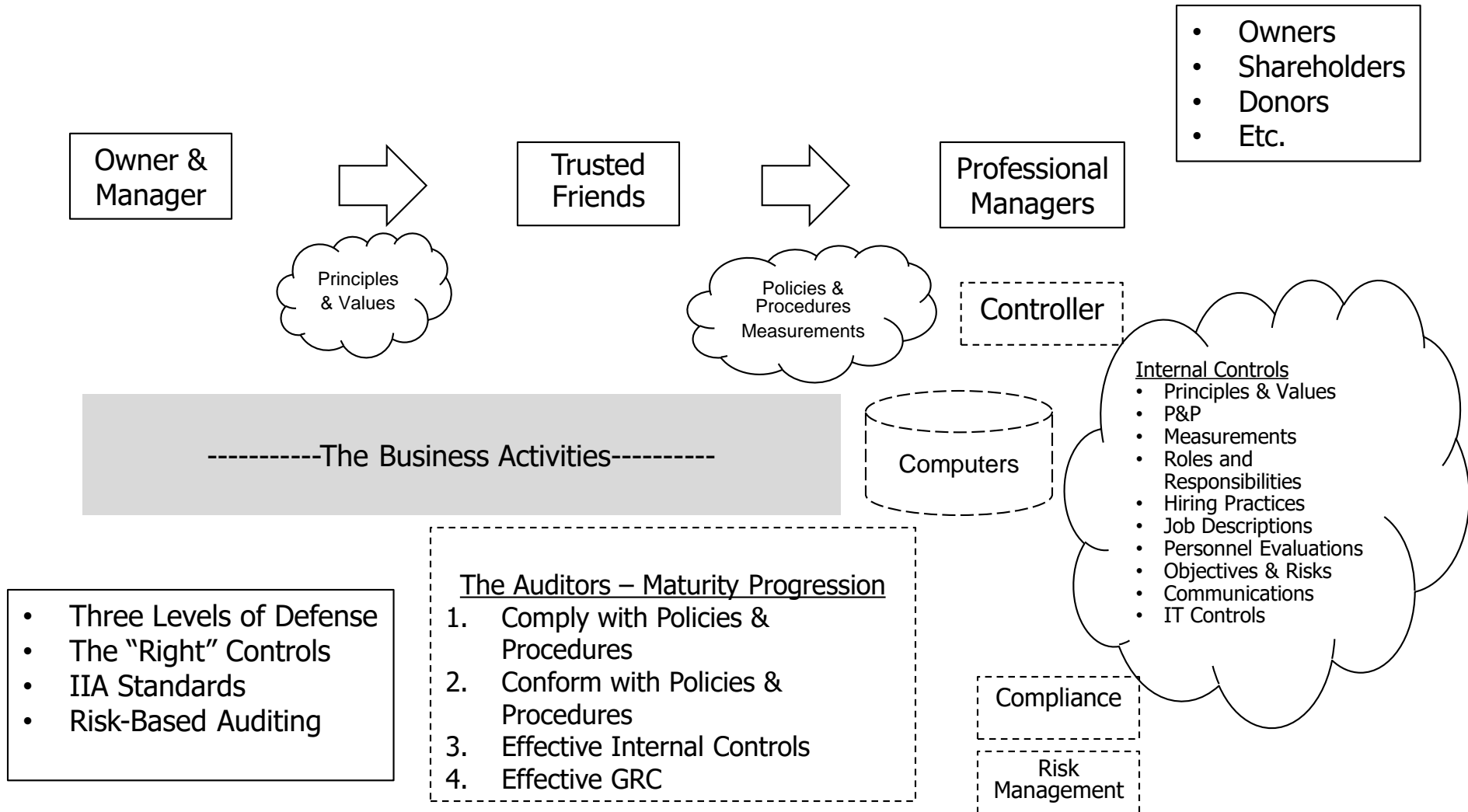
Business and Audit Objectives



Audit Objectives – CHOICES:

1. Ensure management controls are designed adequately (by comparing to COSO) and operating effectively to achieve Business Objectives
2. Ensure management controls are designed adequately (by comparing to Best Practices) and operating effectively to achieve Business Objectives
3. Ensure management controls are designed adequately (by identifying risks) and operating effectively to achieve Business Objectives
4. Ensure management is achieving their Business Objectives
5. Be sure policies and procedures are followed
6. Review transactions for accuracy and support
7. Do an audit.

The Maturing of Internal Auditing



Topics

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