Integrated Assurance
Seeing The Bigger Picture
AGENDA

- Definition of Integrated Assurance
- The need for Integrated Assurance
- Developing an Integrated Assurance Map
- Key Benefits
- Integrated Assurance Maturity Framework - Debate
WHAT IS INTEGRATED ASSURANCE?

**Integrated**: Some common examples

- Coordination
- Cooperation
- Combined
- Joined-up
- Reliance

**Assurance**:  
*Objective examination of evidence for the purpose of providing an independent assessment on risk management, control, or governance processes for the organisation (as defined by the IIA).*

**Integrated Assurance**:  
*A combination of two or more service providers for the purpose of providing the most effective and complete independent assessment on risk management, control, and governance processes for the organisation.*
2050 Coordination

The Chief Audit Executive should share information and coordinate activities with other internal and external providers of assurance and consulting services to ensure proper coverage and minimize duplication of efforts.
TODAY’S CHALLENGES

Over time, a number of departments and functions have evolved that concern themselves with governance, risk management and risk control in the broadest sense leading to the following issues:

➤ These functions are only loosely aligned, connected via informal channels and working with different risk models, risk catalogues and rating scales.

➤ They interact independently with operational units and line managers across the value chain.

➤ Risk “fatigue” among line managers due to multiple uncoordinated interaction with risk and assurance functions.
WHERE ARE WE NOW – WHERE DO WE WANT TO BE

Today: Multiple Assurance Providers

- Health & Safety
- External Audit
- Compliance
- GCAA
- Legal
- CSR
- Treasury
- Internal Audit

Tomorrow: Integrated Assurance

- GCAA
- Internal Audit
- External Audit
- Treasury
- Compliance
- Legal
- Risk

- We want to develop a single view on assurance across the airline.
- We want to understand the level of assurance provided by each of these sources.
- We want to remove the potential for duplication and gaps in assurance.
- Collaboration between assurance providers. Develop common view of risk.
- Present to Board how key risks are being covered by assurance providers
- THIS IS MORE THAN developing improvements in risk-based internal auditing
ROADMAP TO INTEGRATED ASSURANCE

1. Assess Assurance Need
   • Review documentation (annual corporate risk assessment and Safety & Security risk registers)
   • Interviews with key stakeholders (high level validation of risk management process and view on key risks)
   • Assessment of compliance requirements

2. Understand Sources of Assurance
   • Identify assurance Providers and scope
   • Assess Assurance Plan for each source and interdependencies
   • Understand reporting lines and quality assurance measures
   • Assess any areas of duplication

3. Develop Integrated Assurance Map
   • Map key risks to sources of assurance
   • Highlight gaps where additional assurance activity is required
   • Remove duplicate assurance activity

4. Develop Internal Audit Plan
   • Revise audit universe
   • Develop plan to cover fundamental assurance, gaps identified in integrated assurance map;
   • Assessment of other providers of assurance
UNDERSTAND SOURCES OF ASSURANCE

1st Line
Management Control and Reporting
e.g. Finance, Operations

2nd Line
Functional Oversight / Governance
e.g. Executive Board, Quality Audit

3rd Line
Independent Review / Regulatory Oversight
e.g. Internal Audit, GCAA Review and Liaison

Assurance Scale
Low Assurance  Management Action  Independent Monitoring  High Assurance

INDEPENDENCE/COVERAGE OF PROVIDERS

Independence of Assurance Provider

Low Assurance  High Assurance

No Coverage
Risk 3
Risk 3

High Level Coverage
Risk 2
Risk 2

Detailed Review
Risk 1
Risk 1

Provider 1
Provider 2
## ASSESSMENT OF PROVIDERS OF ASSURANCE

<table>
<thead>
<tr>
<th>Assurance Provider</th>
<th>Management Monitoring</th>
<th>High Level Assessment</th>
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<tbody>
<tr>
<td>Board of Directors</td>
<td>Yes</td>
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<tr>
<td>GCAA</td>
<td>No</td>
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<tr>
<td>External Audit</td>
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<tr>
<td>Health &amp; Safety Audit</td>
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<tr>
<td>Health &amp; Safety System</td>
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<tr>
<td>Internal Audit</td>
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<tr>
<td>Legal</td>
<td>No</td>
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<tr>
<td>Management Monitoring / Reporting</td>
<td>Yes</td>
<td>Minimal Reliance</td>
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<tr>
<td>Quality Audit</td>
<td>No</td>
<td>Credible</td>
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<tr>
<td>Quality System</td>
<td>Yes</td>
<td>Credible / Reliable / Independent</td>
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<td>Risk Management</td>
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<tr>
<td>Treasury Reporting</td>
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</table>
# Integrated Assurance Map – The Big Picture

<table>
<thead>
<tr>
<th>Examples of Key Risk Areas</th>
<th>Management Monitoring</th>
<th>Risk Management</th>
<th>Insurance</th>
<th>Compliance</th>
<th>Internal Audit</th>
<th>Quality</th>
<th>CAA</th>
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<tr>
<td>Economic environment</td>
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<td><strong>Operational Risks</strong></td>
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<td>Supply chain</td>
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Example of duplication:
Strategy, Risk Management and IA functions perform independent assessments of market development risks.

Example of gap:
Incomplete analysis of supply chain risks across the business.

Example of duplication:
Multiple financial control risk assessment languages and methodologies.
DRIVERS FOR INTERNAL AUDIT PLAN

An opportunity to re-evaluate current activity and focus on 3 main areas:

- Provision of **core assurance**.
- Providing assurance in risk based areas where assurance provided by other sources **is not balanced between the different lines of assurance** (or where no assurance is provided).
- Evaluating the activities of **other key providers of assurance** to both **improve the understanding** of the coverage provided and to **provide assurance** that the functions are operating in an effective fashion.

This will drive the Internal Audit Plan
KEY BENEFITS OF INTEGRATED ASSURANCE

- Combined reporting
- Overview of key risks and core assurance providers
- Refocused Internal Audit Plan on the ‘right’ areas
- Improved relationships with other assurance providers
- In companies with multiple locations – to avoid duplication of effort through separate audit / controls testing visits
- Lessening of excessive management time investment through liaising with multiple audit teams
- Cost synergies
- Better Board reporting
- Overall company-wide breadth & depth of combined coverage
THANK YOU
ANY QUESTIONS?
DEBATE
INTEGRATED ASSURANCE MATURITY FRAMEWORK

Does your internal audit function effectively coordinate with appropriate assurance providers to reduce the burden of audit and ensure the Board receives overall assurance?

Emerging → Developing → Operating → Maturing → Exemplar
Internal Audit is aware of the need to develop co-operation with other assurance providers including External Audit

Are you cooperating?
Approaches for co-coordinating the work of all assurance providers are being developed and implemented

Are you developing approaches?
Internal Audit adequately co-ordinates with both external audit and other assurance providers

Are you coordinating?
Internal Audit co-ordinates with both external audit and other assurance providers with demonstrable commitment to improving and extending co-operation

*Are you demonstrating commitment?*
Innovative arrangements are in place to co-ordinate, monitor and place reliance on work undertaken by other assurance providers including external audit.

*Are you innovating?*
KEY THOUGHTS TO TAKE BACK TO WORKPLACE

- Does your strategy commit you to using other assurance sources?
- Do you co-ordinate long-term strategies?
- Do you coordinate annual plans?
- Do you routinely take other assurances into account when planning an assignment?
- Do other assurance providers report independently to your Audit Committee?