



Delivering Value through Combined Assurance

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The better the question. The better the answer.
The better the world works.



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- ▶ Ways of coordinating combined assurance functions
- ▶ Value of combined assurance
- ▶ Building a robust combined assurance
- ▶ Key take-aways on combined assurance

What is combined assurance in a disruptive environment?

Combined assurance - setting the context

- ▶ Organizations have experienced unprecedented interruptions in their business operating environment in the recent past, challenging their operating models and significantly affecting their risks and controls.
- ▶ In response, organizations have made substantial investment in risk management activities and added layers of assurance providers

Combined assurance – setting the context



Evolving business models

01

- Unicorns and start-ups are disrupting traditional business models; agility, therefore, is critical to survival/winning
- Companies embarking on digital transformation programs are seeing mixed results
- A broader ecosystem of partnerships and alliances are being leveraged by organisations for building end-to-end propositions for their customers

02



Technology disruption

- Massive growth in automation across sectors
- Infusion of RPA and AI into front, middle and back-offices
- The promise and potential of blockchain
- Cyber and privacy-related matters are gaining importance in boardrooms
- Availability of next-generation tech skill-sets and resources is a challenge

- Geo-political turbulence and policy changes in areas such as devolution, trade, tax, labour and immigration laws
- Consolidation and cross-border transactions
- Emerging markets present growth opportunities as well as challenges such as fraud, corruption and bureaucracy
- Rising income inequality leading to social unrest risks
- Companies' climate change and sustainability impact in the spotlight



Changing global order

03

04



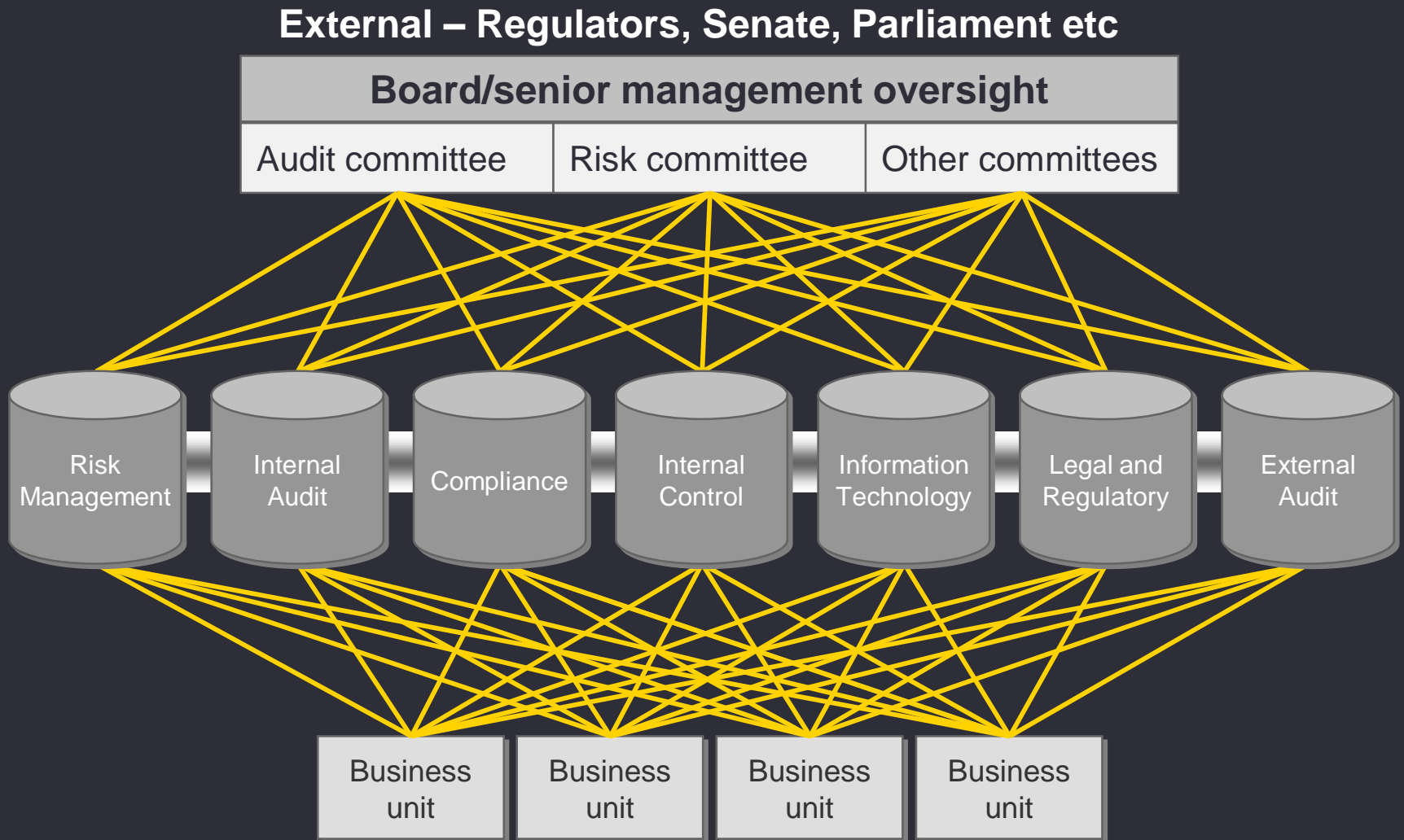
Corporate governance imperatives

- Boards and CXOs want better risk intelligence through predictive insights
- Given rapid the increase of regulatory compliances Boards and expect enforcement levels to intensify
- Given the rise in corporate misconducts and frauds Boards are demanding stronger internal controls, and early warning signals
- The Board's stewardship role, especially that of independent directors, is undergoing heightened scrutiny



Combined assurance – setting the context

Impact of lack of harmonization of assurance functions



So...what is combined assurance

IIA's Audit
Executive
Center (AEC)

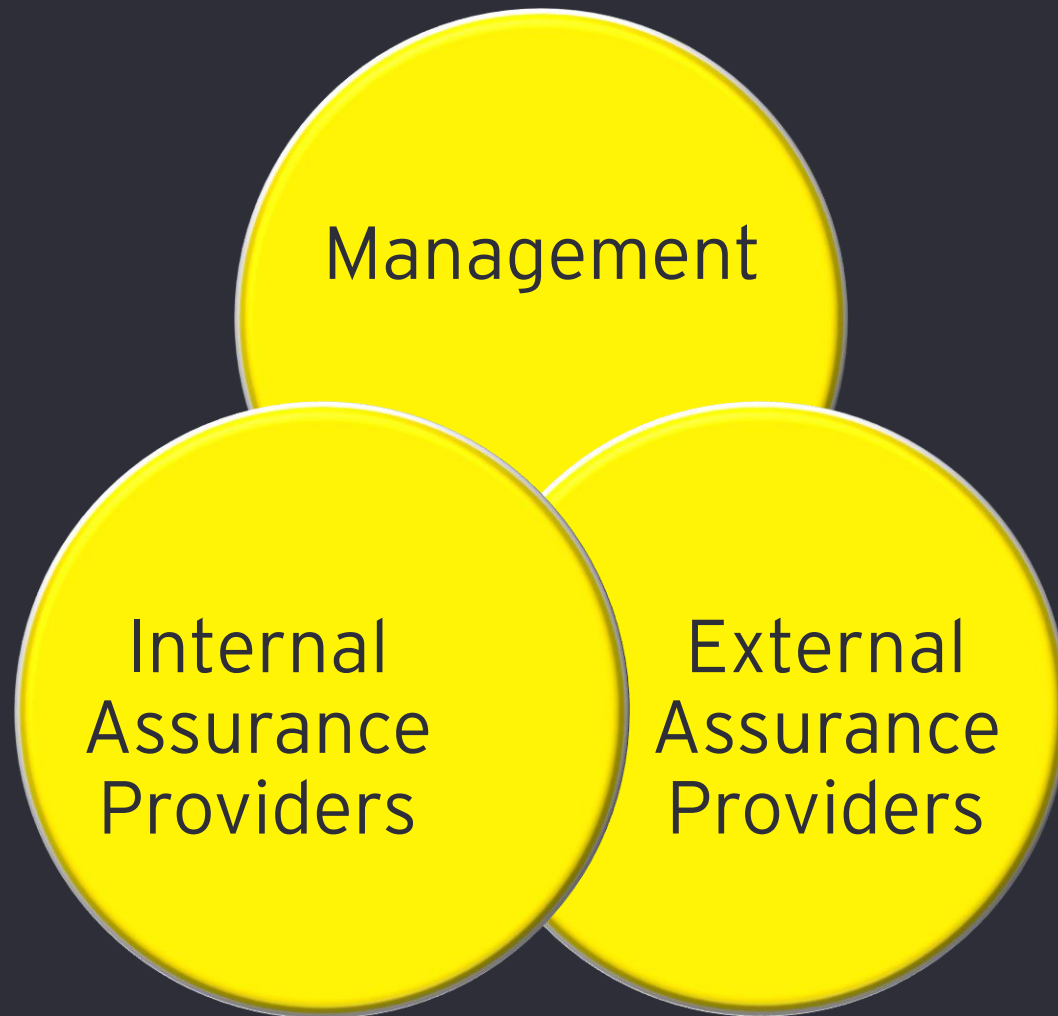
Combined assurance is the process of internal, and potentially external parties, working together and combine activities to reach the goal of managing the risks to an acceptable level.

Sam C. J.
Huibers EMIA,
RO, CRMA

Combined Assurance: One Language, One Voice, One View

Combined assurance is integrating and aligning assurance processes and controls systems to achieve optimal assurance taking into consideration the organization's risk appetite, to achieve appropriate risk and governance oversight.

Components of combined assurance model



Source: Adapted from *King Code of Governance for South Africa 2016*

Components of combined assurance model

1

Management : Responsible for ensuring that a robust risk and control framework is in place so that deviations are identified timely and adequately remedied. Referred to as first line of defense functions.

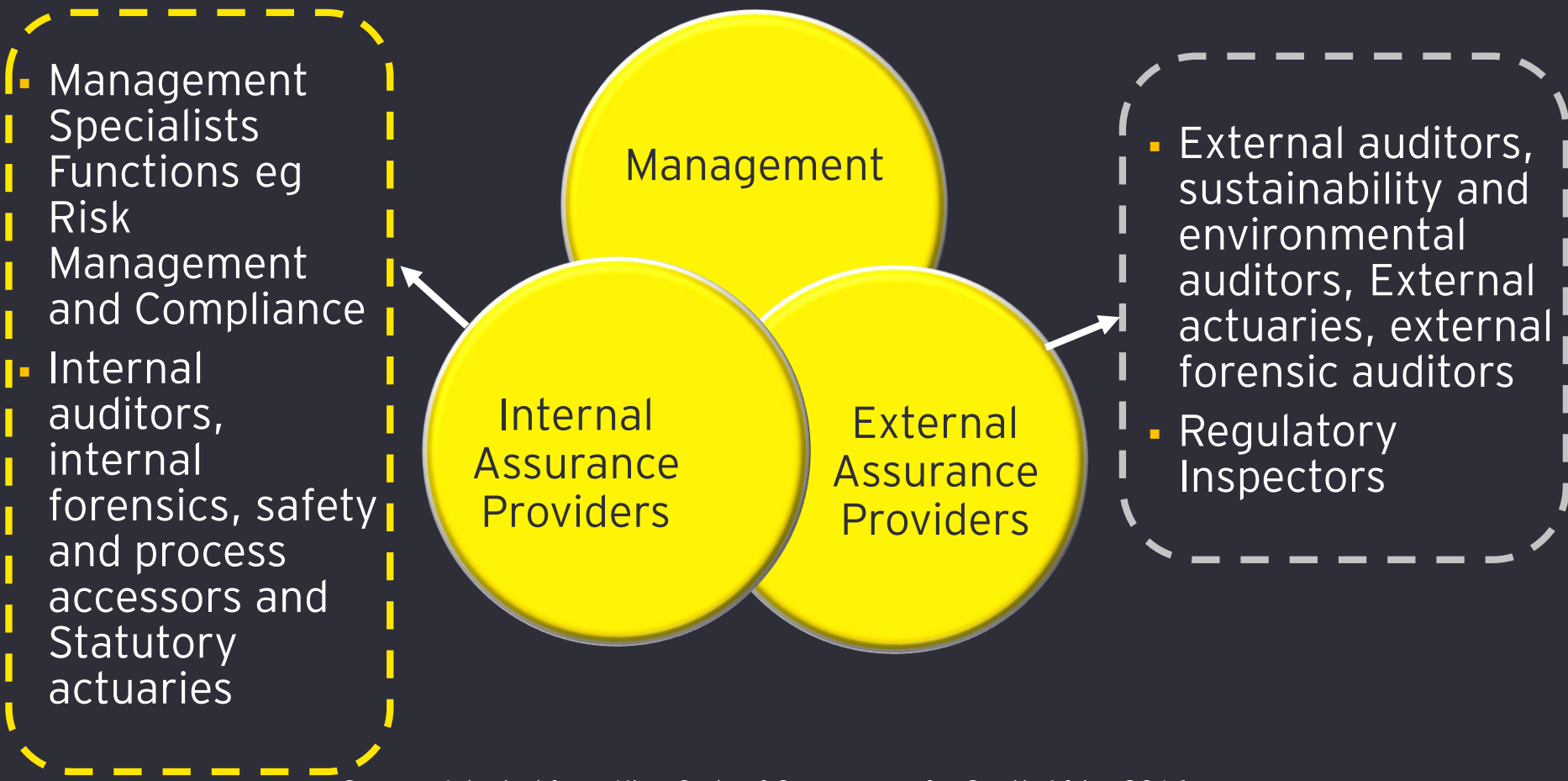
2

Internal Assurance Providers: Responsible for supporting management, such as internal audit, risk management and compliance functions. Referred to as second line of defense functions.

3

External Assurance Providers : Responsible for independent external assurance, such as the external financial auditor, regulators and external actuaries. Referred to as third line of defense functions.

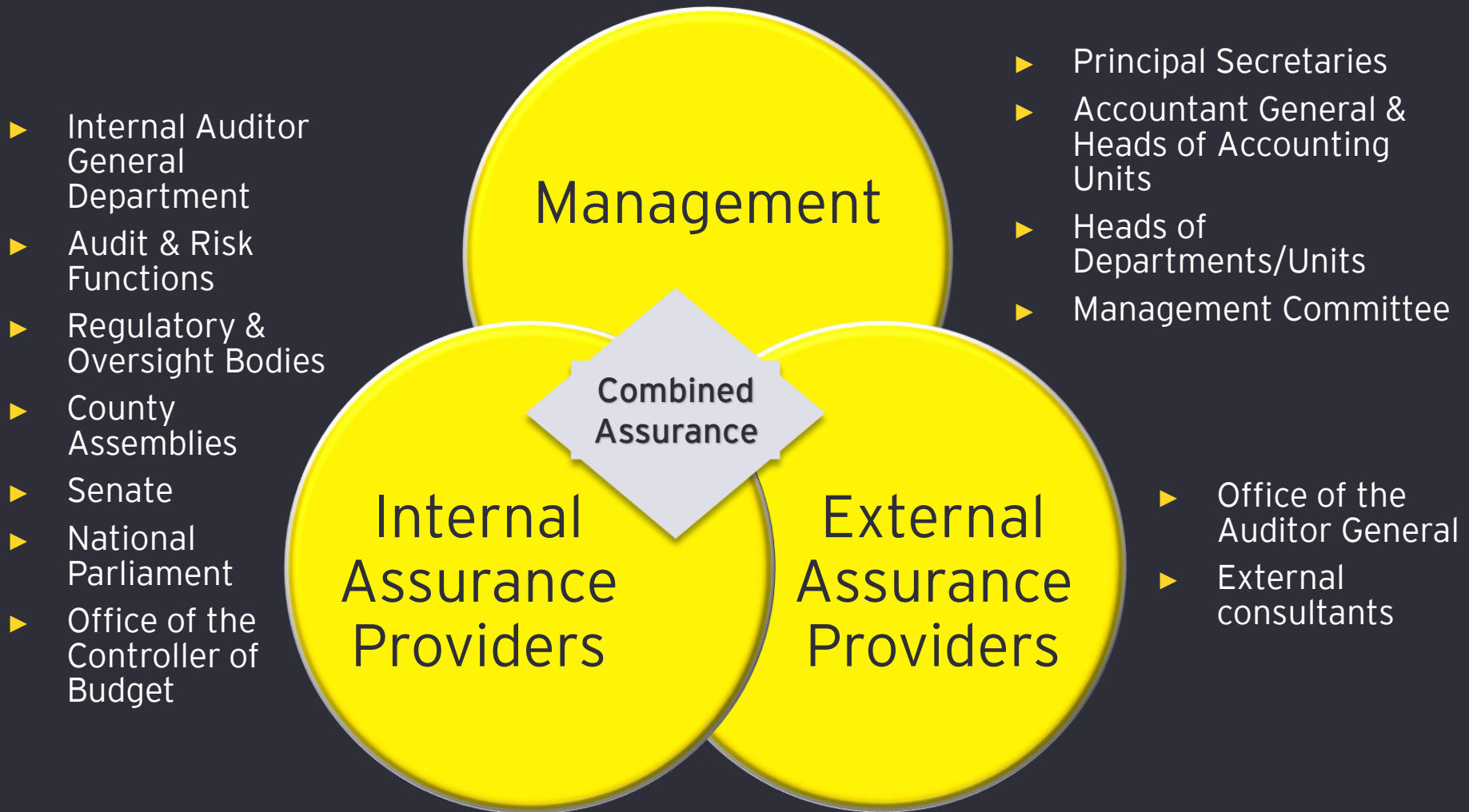
Components of combined assurance model



Source: Adapted from King Code of Governance for South Africa 2016

Components of combined assurance model

Example - Government of Kenya

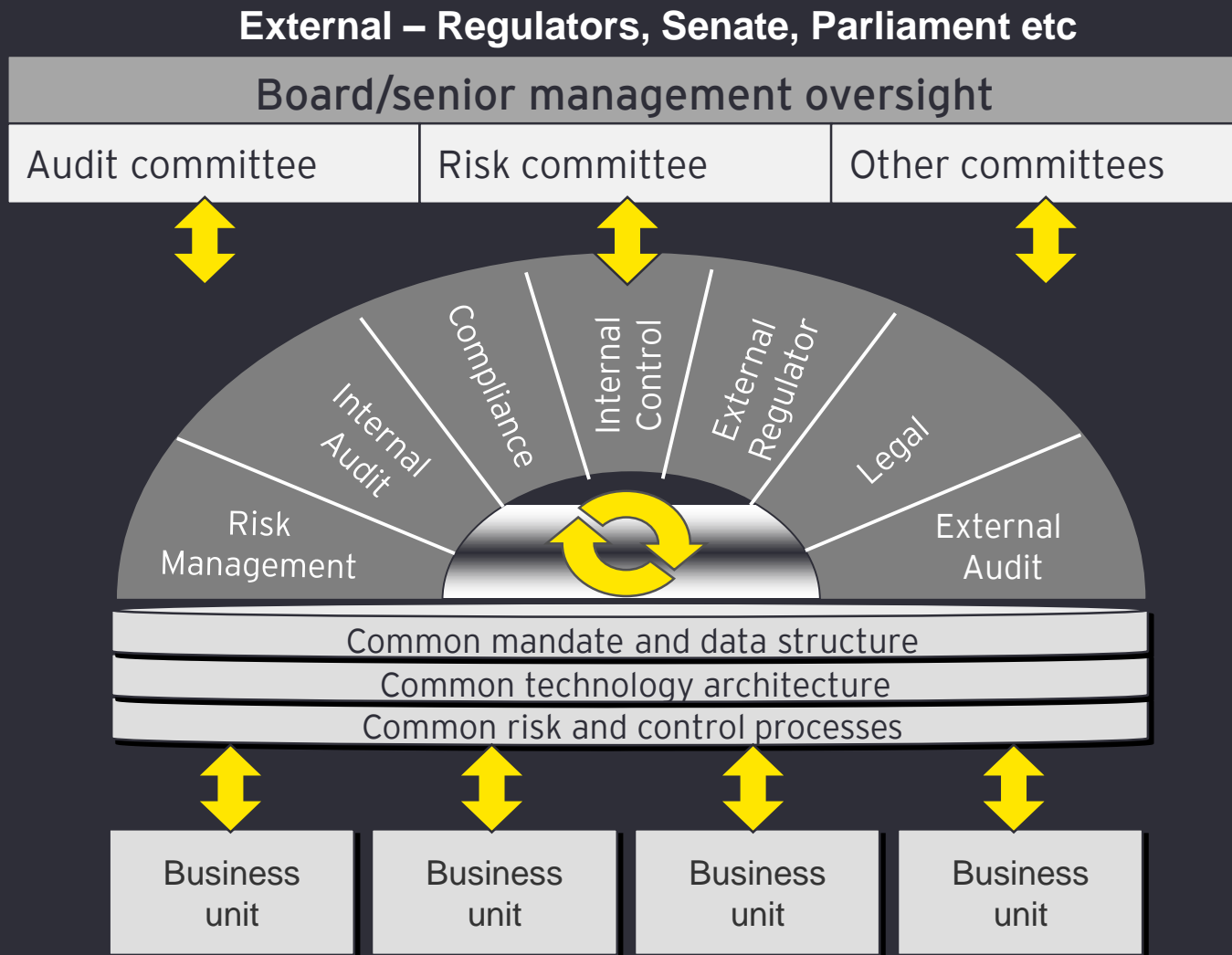


Ways of coordinating combined assurance functions



Combined assurance coordination

What does alignment and coordination look like?



Ways of coordinating combined assurance

Type of Coordination	Description	Means of Coordination	Consideration	Guidance
Integrated audits	Audits performed together with second line of defence functions	Coordination through audit activities	Audit to coordinate audit execution and ensure compliance with IPPD standards	All APPF Performance Standards apply (The IIA, 2013)
Process integration	Integrated planning of assurance activities and reporting	Coordination through planning and reporting process	Audit coordinates planning and provides integrated reports on the assessment of governance, risks and controls to the board and audit committee	Enhanced Integrated Reporting (Enhanced Integrated Reporting, Internal Audit Value Proposition, The IIA, 2015)
Alignment through activities	Coordination through alignment of activities	Coordination through alignment	Coordination through alignment of activities can be either on a structured or an ad hoc basis	The Three Lines of Defence in Effective Risk Management and Control (The IIA Position Paper, 2013)
Functional integration	Internal audit and second line of defence functions combined	Coordination through hierarchical lines	Consider safeguards and boundaries to ensure independence	Combining Internal Audit and Second Line of Defence Functions (Whitepaper by The IIA Netherlands, 2014)

Source: Combined Assurance: One Language, One Voice, One View - Sam C. J. Huibers EMIA, RO, CRMA The IIA Research Foundation

Value of combined assurance

“

*The foremost key success factor
is that you have
to believe in the benefits of
combining assurance
yourself and have the energy to
embark on the
journey*

Jenitha John

CAE FirstRand, South Africa

Benefits of combined assurance

1

More effective governance, risk, and control oversight

2

Efficiency in collecting and reporting information

3

Common view of risks and issues across the organization

4

One voice and taxonomy across all governance functions in the organization

Benefits of combined assurance

1

More effective governance, risk, and control oversight

- ▶ A combined assurance framework helps organizations know who is giving assurance, on what areas, and from which perspective, as well as potential assurance gaps, thus better accountability.
- ▶ Assurance efforts are directed to the risks that matter most. Resources are freed up for more productive tasks.
- ▶ Better coordination of assurance providers thus reducing the risks of assurance “fatigue”. Resources are no longer being wasted on unnecessary duplication.
- ▶ Escalation of information to governance committees is more precise and insightful
- ▶ Ultimately, fewer unpleasant surprises will occur

Benefits of combined assurance

2

Efficiency in collecting and reporting information

- ▶ With combined assurance, information from various assurance providers flows in a more unified manner, risk assessments are conducted in one language and this adds value to the integrated risk profile.
- ▶ In a combined assurance environment, efficiency is enhanced as silos are broken down and communication and co-ordination improved.
- ▶ Assurance activities produce valuable, relevant data based on collaboration and not silos. This facilitates better value-add discussions and decision making

Benefits of combined assurance

3

Common view of risks and issues across the organization

- ▶ Combined assurance provides a common view of risks and issues across the organization.
- ▶ Combined assurance fosters a culture of business and risk awareness among management and other assurance managers reduces the risk of gaps and duplication in risk identification and mitigation.
- ▶ Helps in achieving better consensus on evaluating significant risks

Benefits of combined assurance

4

One voice and taxonomy across all governance functions in the organization

- ▶ Use of a common language and consistency helps to facilitate value-add discussions
- ▶ Use of the same risk ratings, report ratings and report formats across the various assurance providers
- ▶ Efficiencies are enhanced by sharing lessons learned across the assurance providers for better decision making

Building a combined assurance model



Building a combined assurance



ARTICULATE VALUE PROPOSITION

- ▶ Prepare a business case to obtain buy-in from management and the board.
- ▶ Obtain executive sponsor
- ▶ Assign the function that will be responsible for driving the implementation (Typically, this is Internal Audit)

Building a combined assurance

COLLATE RISK AND ASSURANCE INFORMATION

- ▶ Understand the Risk Universe of the entity.
- ▶ Understand the Mission, Vision and mandate
- ▶ Understand the sector context and organisational structure
- ▶ Business organogram and functional structure
- ▶ All executive and oversight committees and their mandates
- ▶ All internal and third party assurance providers and their scope of work

Building a combined assurance

MAP KEY Risks

- ▶ Using the Risk Universe, obtain a list of all key risks.
- ▶ Understand ERM process followed by the organisation and the maturity thereof.
- ▶ Map the key risks to the process and controls
- ▶ Determine management and government structures to identify process and control owners, (First line of Defence)
- ▶ Map the assurance providers (internal and external) to key risks
- ▶ Determine the current level of assurance received

The outcome is to come up with a combined assurance matrix

Example of combined assurance matrix

Case for a Kenya State Corporations

	Three Lines of Defence											
	First line of defence Management-based assurance		Second line of defence Risk and legal-based assurance							Third line of defence Independent Assurance		
	Management Committees	Heads of Departments	Internal Auditor Department	Legal & Compliance	Health & Regulatory Safety Agencies	National Assembly	Senate CAs	OCOB	Auditor General	ISO Certification	Third Party Consultants	
Financial Risks												
Budget Process												
Revenue Administration												
Accounting & Reporting												
Strategic Risks												
Policies formulation & monitoring												
Projects Delivery												
PPPs Management												

Extensive Assurance

Moderate Assurance

Limited Assurance

No Assurance

Building a combined assurance

DEVELOP A COMBINED ASSURANCE PLAN

- ▶ Draft a high level combined assurance matrix by performing a high level assessment of gaps and duplications for current assurance provided and report thereon.
- ▶ Assess and validate the completeness of key risks linked to business objectives and develop a single risk framework per risk area.
- ▶ Analyse the key controls for consistency and completeness in relation to key risks (harmonise the key controls in relation to the key risks).
- ▶ Assess and determine alignment of assurance providers in relation to the risk areas.
- ▶ Assess all current assurance reporting mechanisms (including report, reporting mechanism, format, recipient, originator and frequency).

Building a combined assurance



IMPLEMENT REMEDiation PLAN TO OPTIMISE COVERAGE

- ▶ Determine how the combined assurance process will be coordinated, supported, enabled and monitored.
- ▶ Define actions in relation to consistency, effectiveness, optimisation, economy per the remediation plan and rank these in the order of business preference.
- ▶ Implement identified actions to achieve optimal assurance.
- ▶ Regularly report progress against the remediation plan.

Building a combined assurance

REPORTING ASSURANCE RESULTS

- ▶ Develop a common reporting framework to report on results per significant risk area.
- ▶ Align assurance results in terms of common ratings and definitions that have been agreed by management and approved by the Audit Committee.
- ▶ Report to the Audit Committee and relevant governance structures on the overall level of assurance relating to risk areas on a regular basis.
- ▶ Report to the Audit Committee that the combined assurance model embedded within the company is co-ordinated (so as to best optimise costs, avoid duplication and prevent assurance overload and assessment fatigue).

Building a combined assurance

MAINTAIN AND MONITOR

- ▶ Allocate responsibility and accountability for maintaining and overseeing combined assurance.
- ▶ Identify and monitor internal and external triggers that will impact the components of combined assurance.
- ▶ Review and update the combined assurance model on a regular basis.

Enabling combined assurance through technology



Building a combined assurance Technology as and enabler

Governance, Risk & Compliance Technologies

Enablement architecture



Functionality and capabilities



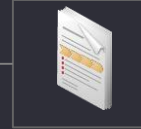
Risk and compliance process management

- ▶ Collaborative risk assessments
- ▶ Enterprise view of risk exposure
- ▶ Risk resources and performance management



Centralized structure

- ▶ Centralized document repository
- ▶ Extensible multi-mandate support
- ▶ Time-bound risk and control activity catalog



Electronic workflow

- ▶ Role-based activity notification
- ▶ Automated completion validation
- ▶ Survey design and management engine



Control automation

- ▶ Real-time transaction, configuration and security monitoring
- ▶ ERP, BW and legacy system integration



Analytics and dashboarding

- ▶ Driver, correlation and simulation risk analytics
- ▶ Interactive, customizable dashboards
- ▶ Risk response tracking and aggregation

Emerging technologies

3D Printing



Drones



Blockchain



Analytics



Artificial Intelligence



IoT



Robotics



Key take-aways on combined assurance



Working elements of a combined assurance model



Questions the board should ask

- ▶ Does your board have a clear view (in some form of risk coverage map) of how each significant risk is being managed? Who is providing this assurance?
- ▶ Does your board feel that the right risk and compliance activities are being performed for the organization's key risks?
- ▶ Does your management know the cost of risk assurance across the various providers and is this aligned with your risk profile?
- ▶ Does your board feel that risk management is embedded in the organization and is part of the day-to-day culture?
- ▶ Is your board comfortable that there are no gaps in risk management?
- ▶ Does your board have visibility on action being taken on any gaps in risk management?

“It takes work to organise, streamline, clarify and generally make sense of the world around us. People are naturally inclined to take the easy way out.....To be sure, it is easier to ignore or tolerate complexity than to battle it – but only at first. Gradually this “easier” path we’ve chosen grows so clustered with complication that it becomes difficult to move ahead, and eventually, the path is gone – completely overgrown....”

SIMPLE - conquering the crisis of complexity - by Alan Siegel and Irene Etzkorn



Thank you!

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