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Meaningful, Coherent and Well Positioned Assurance

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What is the exam question?

How do you seek assurance that services being delivered by you or on your behalf are being delivered effectively?

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Assurance: what is it?

1

A statement or indication that inspires confidence

2

A guarantee or pledge

3

Freedom from doubt; certainty

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What is good practice…the theory (OCED view)…

In order to assess the requirements for resources and funding for assurance purposes, the board should annually prepare or update an assurance map which should as a minimum:

- Document the people to whom assurance is provided (e.g. regulators, investors, customers and so on). The nature of the assurance, how that assurance is to be provided, how the board is going to satisfy itself that the assurance that is being provided is truthful, correct and appropriate in all circumstances

- Document the manner in which the board will seek and obtain assurance that what they are told is happening in respect of the business is indeed happening in order to discharge the assurance aspects of their Corporate Governance duties to exercise risk management oversight

- Document the way in which the board is assessing, monitoring and managing the risk management culture, and progress towards becoming a risk intelligent organisation

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Assurance in an Accounting Officer context: Some perceptions from clients…

'Assurance feels shallow'… I am not clear on 'what is it that I should feel assured about.'

'It is not a planned activity in the way.. most IA departments prepare an annual plan.'

'There is rarely an overall, documented plan for the totality of assurance that is required at the board level.'

'At the moment there is a sense in which assurance simply happens.'

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Assurance in an Audit Committee context: Some perceptions:

- Too many papers to Audit Committee
- Some risk areas receiving duplicate coverage with conflicting messages
- Some assurances not being received

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Business Assurance: The Key Principles

- Understand what assurance mean:
  - Not just a cosy feeling
  - A real understanding of the strengths and weaknesses which exist regarding risk, control and governance

- Principles of assurance:
  1. Planning to gain assurance
  2. Making explicit the scope of assurance boundaries
  3. Evidence
  4. Evaluation
  5. Revieweing and Reporting

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Business Assurance: Choosing the right sources

	Performance Management	Assurance by managers	Risk Management	Other sources of assurance	Regulator	Internal Audit	External Audit
Risk 1		√				√	
Risk 2		√	√			√	
Risk 3				√	√		√
Risk 4	√	√					

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The Key Phases…

Identify Sources of Assurance

- Understand sources of assurance
  - Internal, e.g. Internal Audit, Management
  - External, e.g.
- Interview key stakeholders

Output is understanding of assurance sources….

Analysis of Independent and Internal Assurances

- Desktop review
- Understand:
  - Nature/Mechanism e.g. letter, statement, report
  - Provider
  - Timing and frequency
  - Recipient

Output is a map of assurances….

Presentation of Assurance Map

- Process map
- Shows how assurances feed/meet assurance stakeholder needs
- May show duplication/gaps in assurance

Output is map demonstrating how assurances feed assurance needs….

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Example Case Study (Assurance Map) 1

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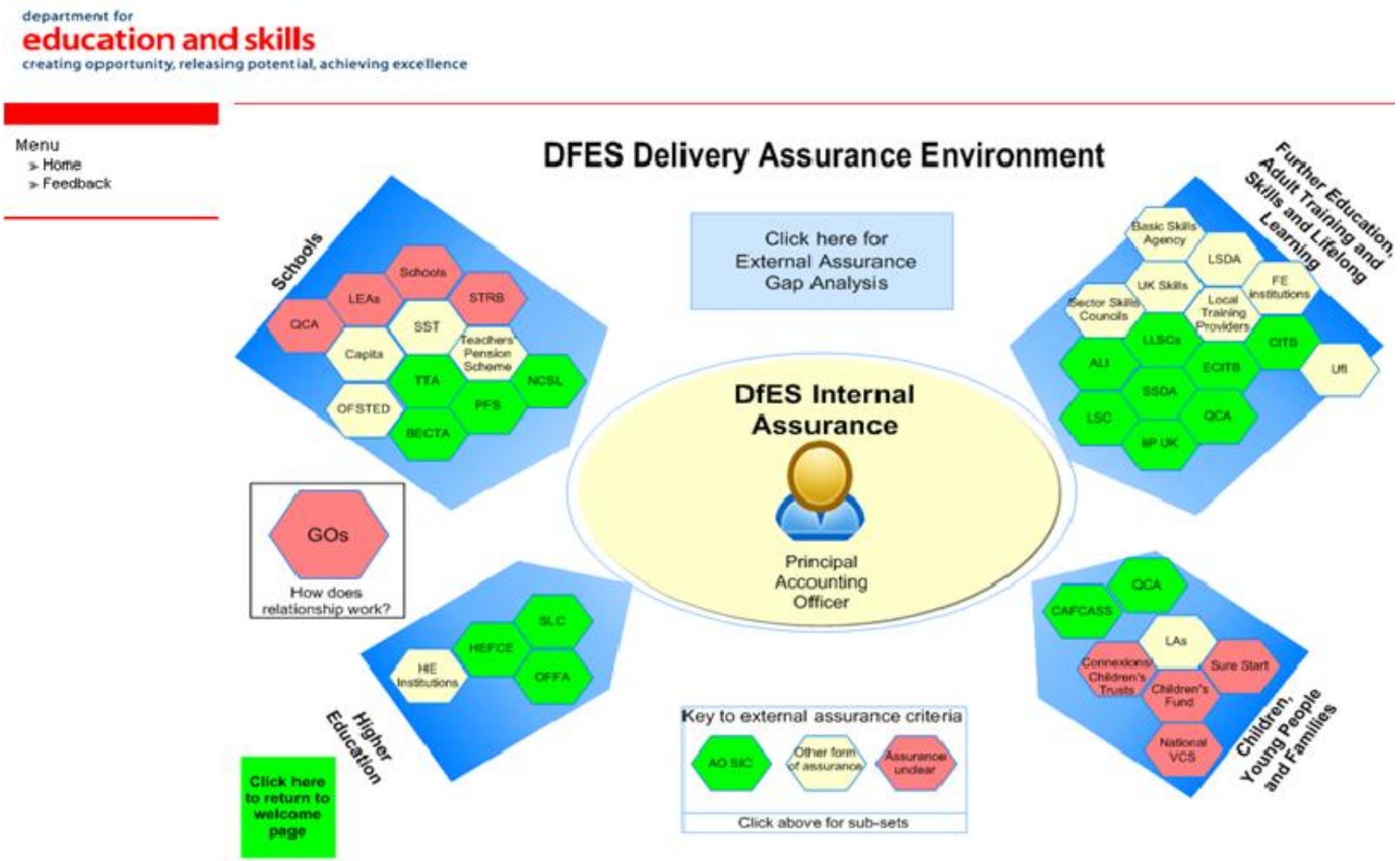
The Delivery Environment



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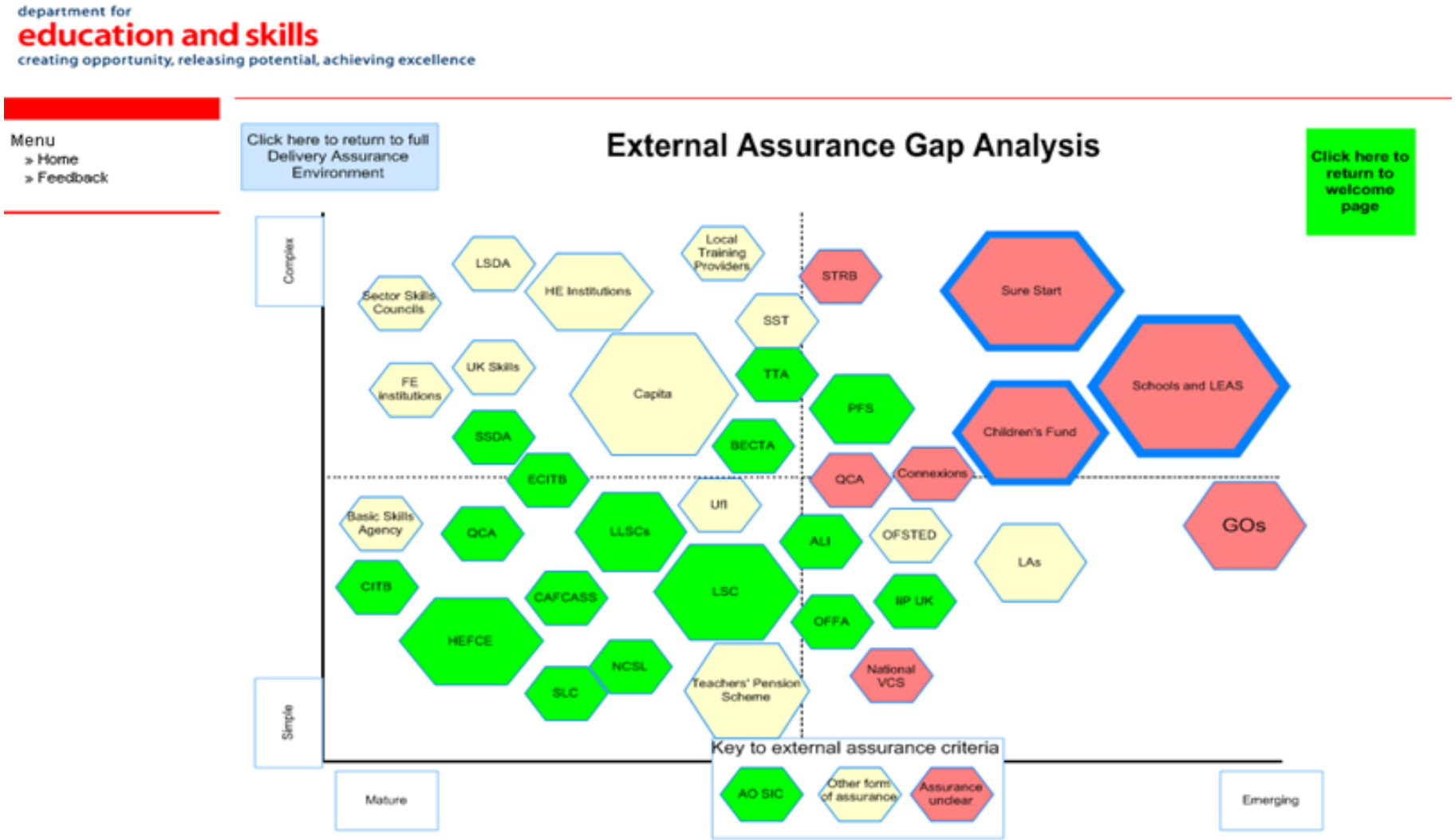
The Delivery Environment



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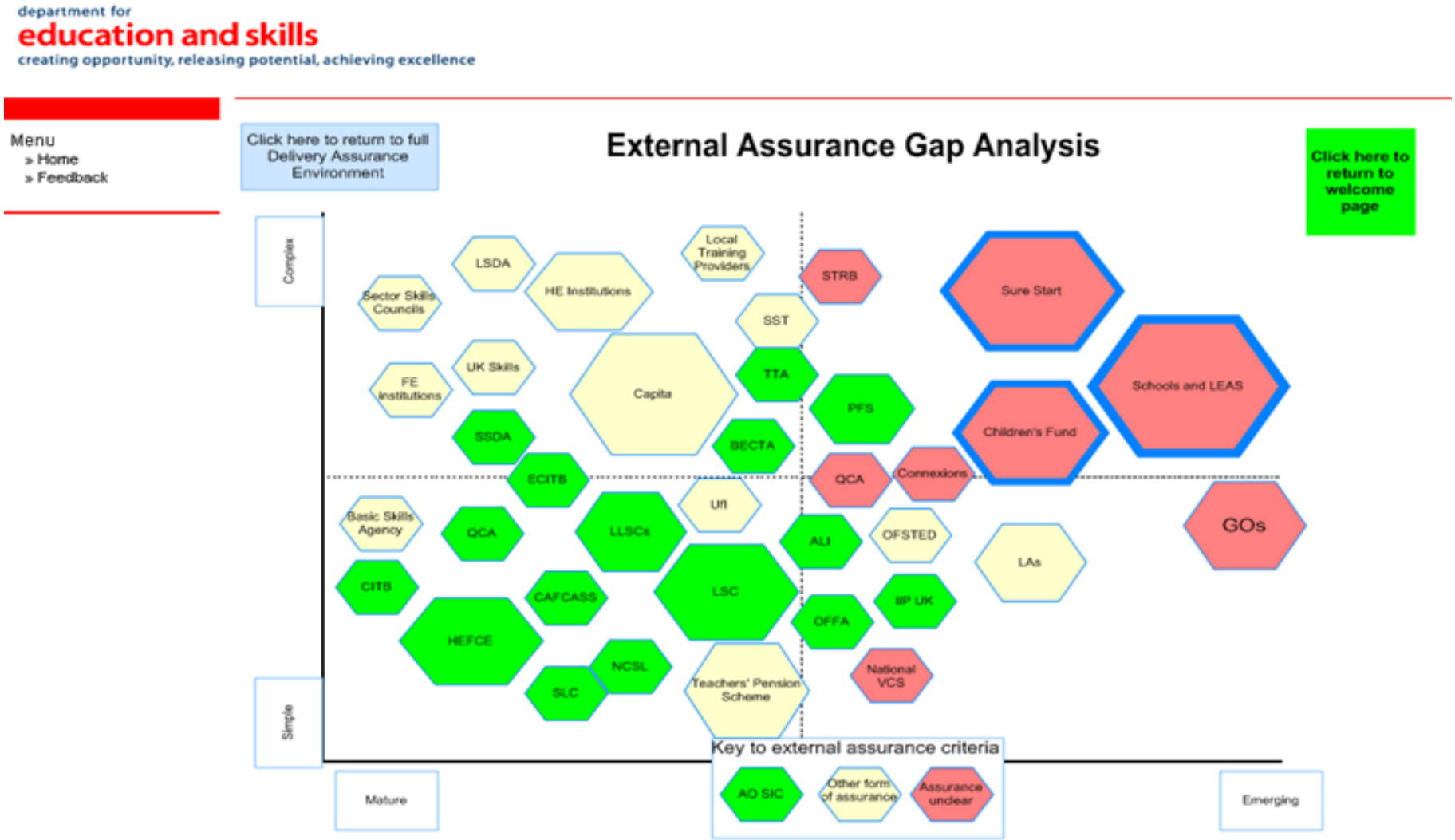
Identifying Sources (Phase 1)



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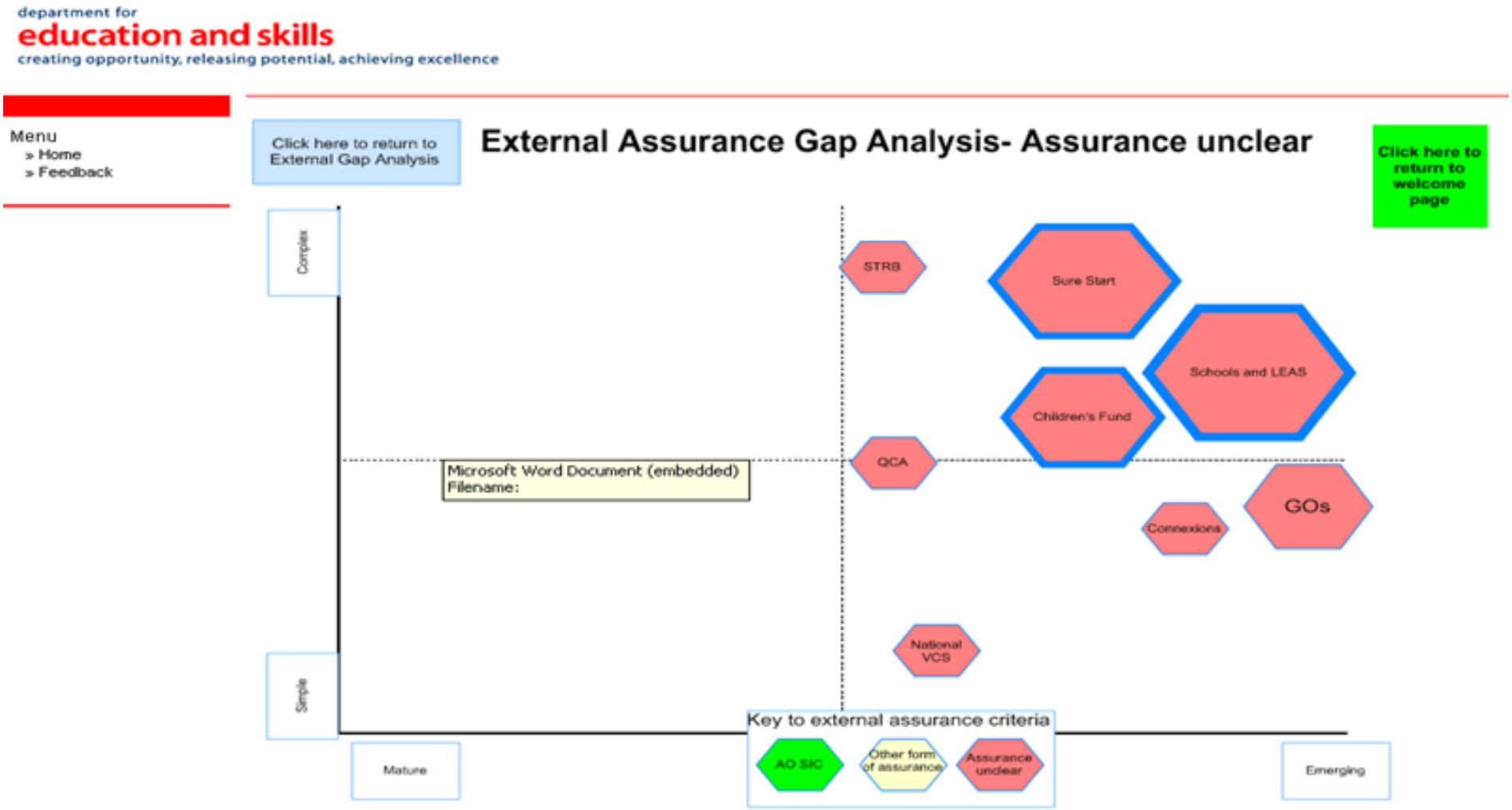
Identifying Sources (Phase 1)



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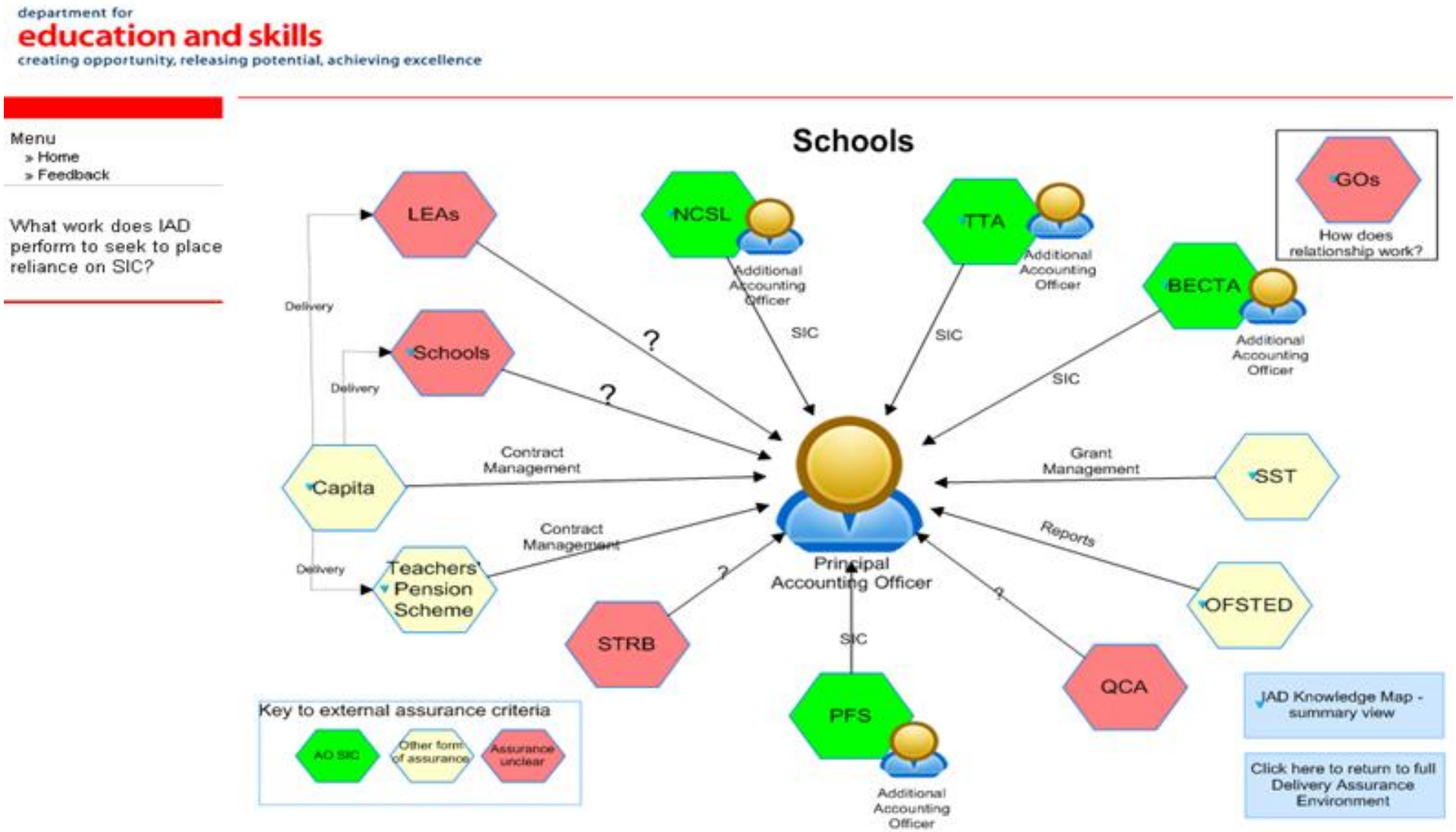
Analysing Current Sources (Phase 2)



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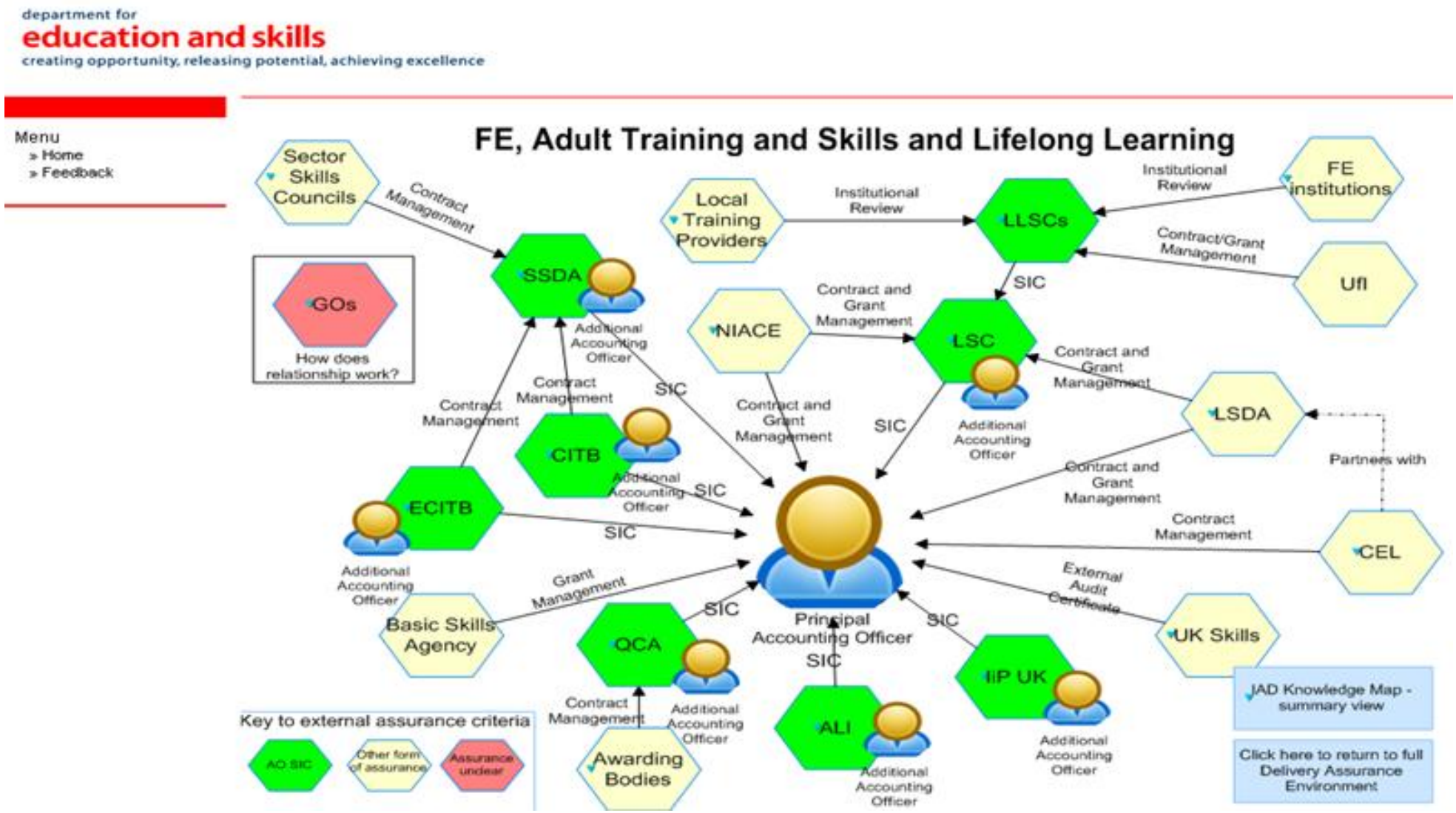
Analysing Current Sources (Phase 2)



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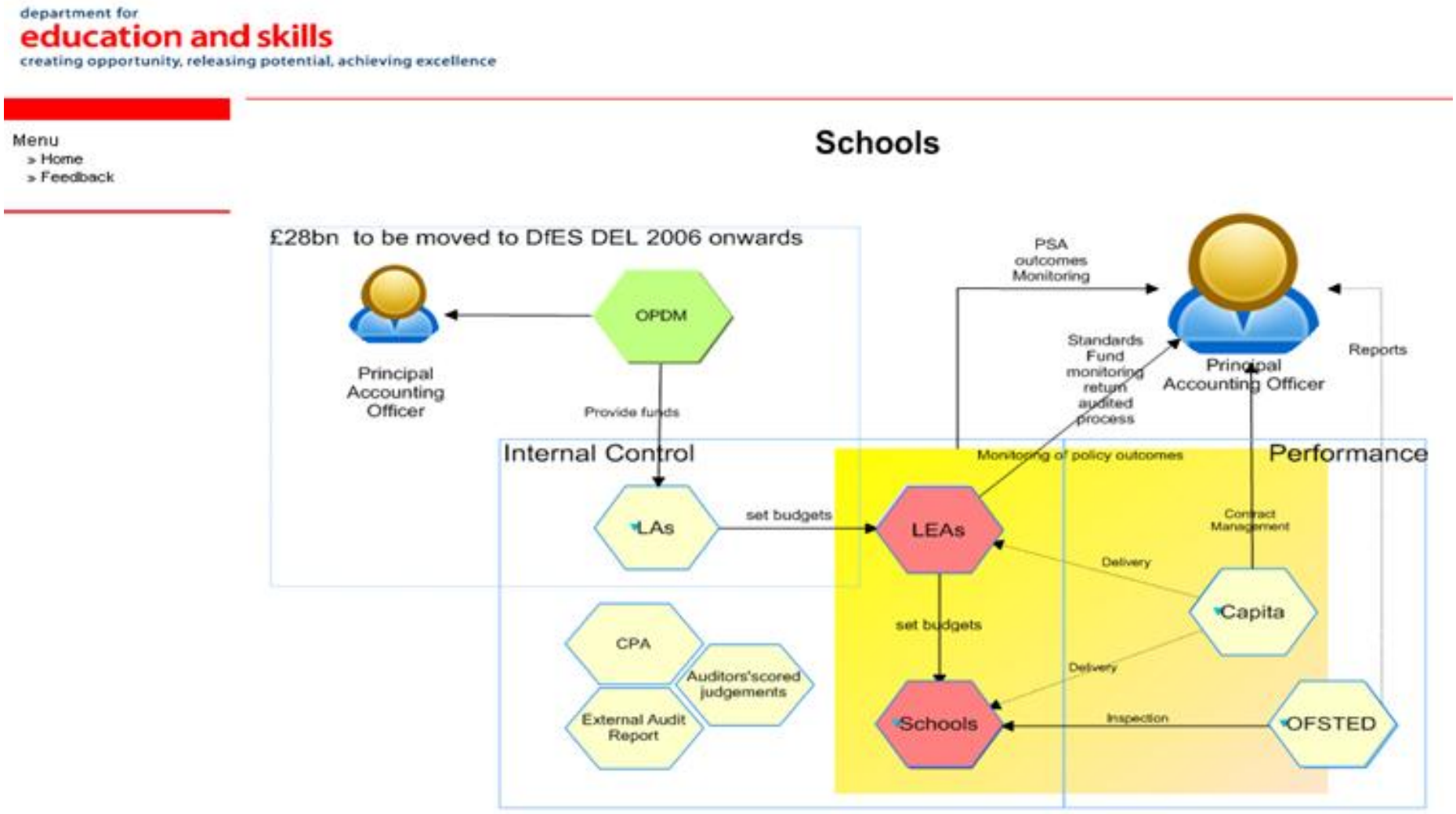
Process Mapping (Phase 3)



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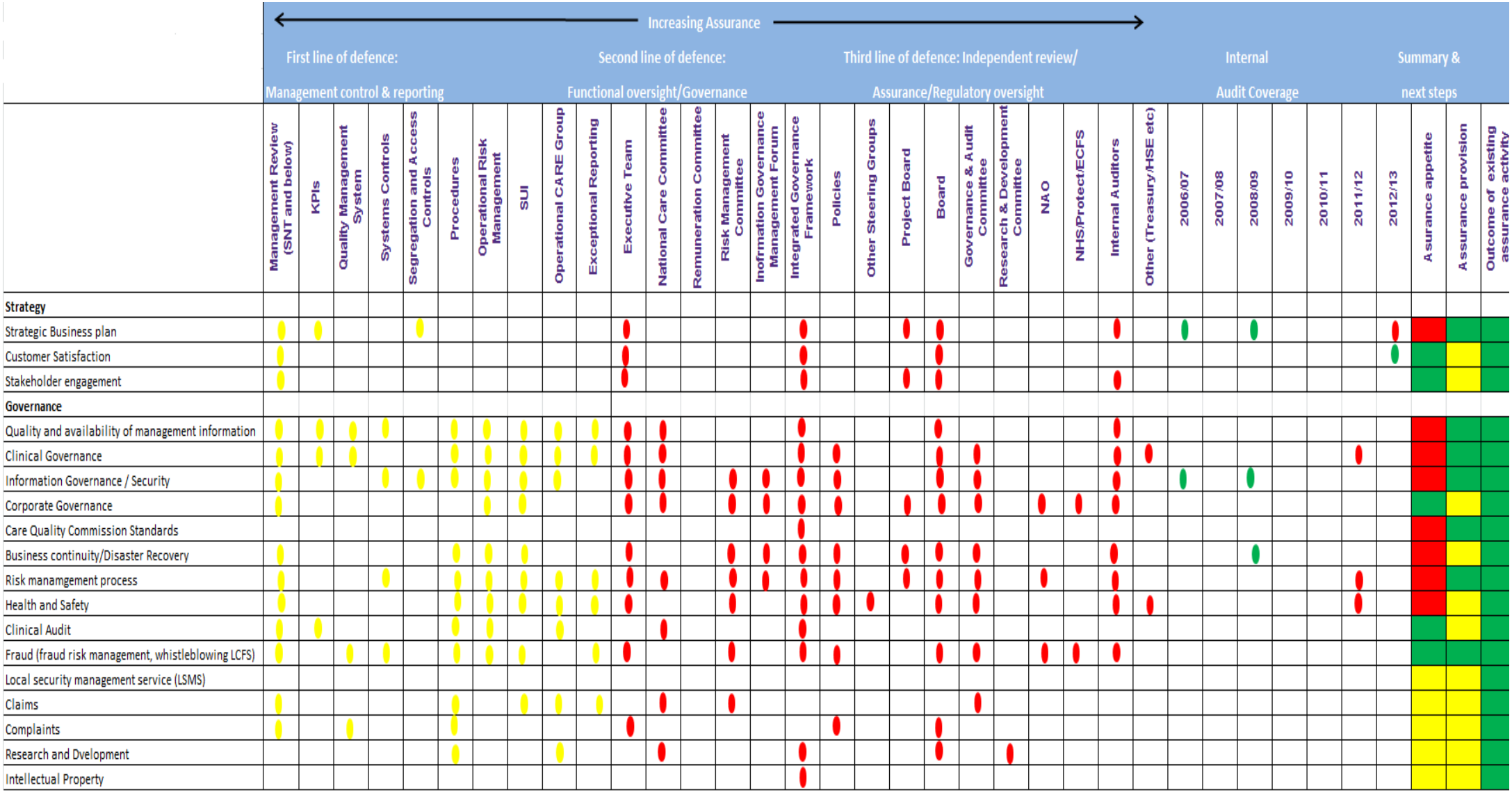
What does an assurance map look like?



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Example Case Study (Assurance Map) 2

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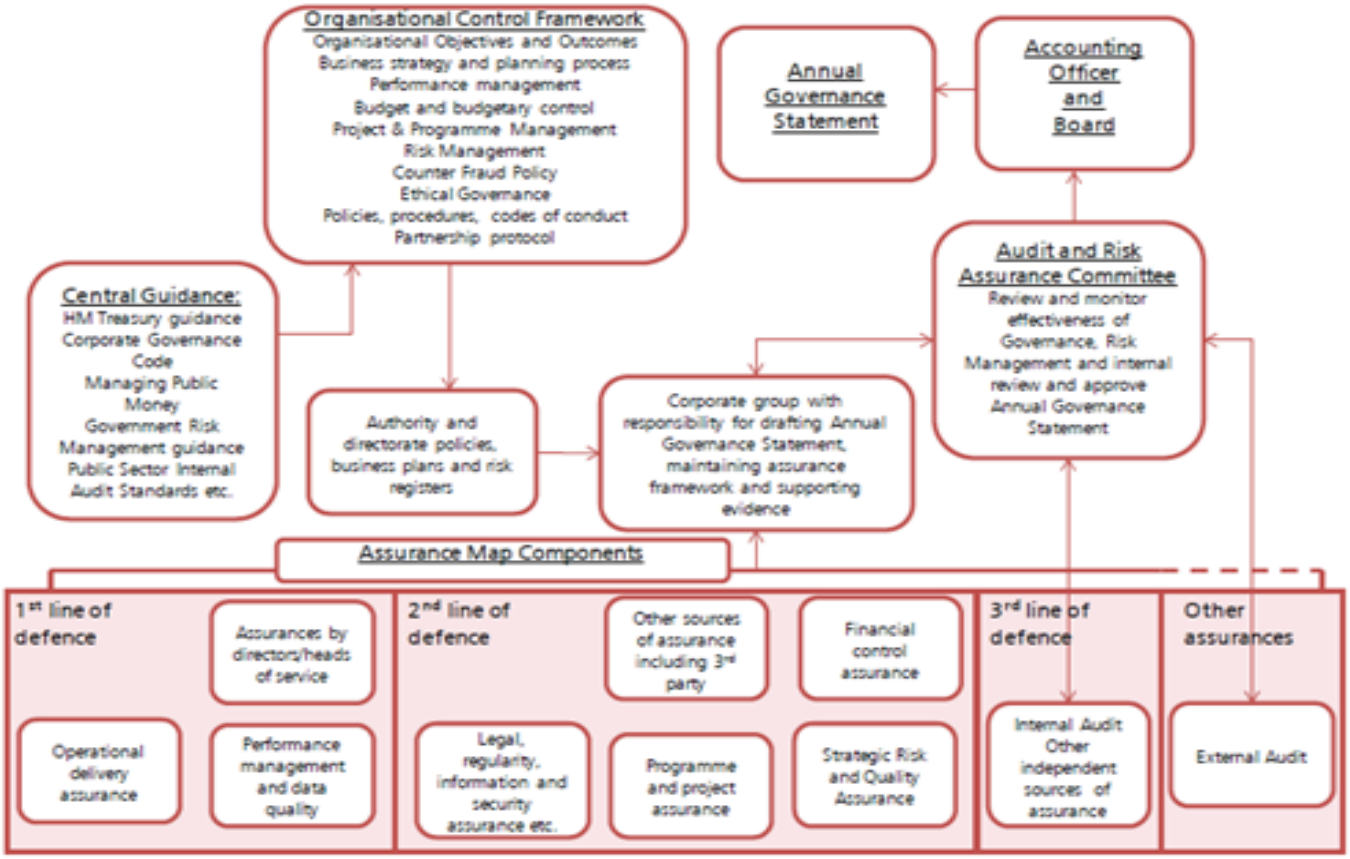
HM Treasury's view on Assurance Framework

Process overview

Chart A.1: Example assurance framework arrangements



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Potential risks to achieving "success" in building a coherent assurance map

Risk	Mitigating strategy
Output delivered does not meet the Board's expectations Lack of Executive buy in to the process	Agreement of scope, boundaries and nature of output with Board and Executive Sponsor Sign off that each stage has been appropriately completed
Wasted time in undertaking work that duplicates risk information that already exists	Close collaboration and sense check with risk management at each stage of process
Undertake project against inappropriate key business risks	Confirm key business risks through robust consultation with broad stakeholder group
No way of distinguishing whether assurance being received is appropriate for each risk	Assurances to be categorised through detailed review together with an initial assessment of whether they are in "first", "second" and "third" line of defence
Assurance sources may be missed	Robust early discussion to identify all key assurance providers. This will be refreshed at each stage to identify gaps.
No way of linking assurance to risk	Both risks and controls identified through consultations to enable thorough assessment of available assurance against range of controls
Staff below executive management level do not buy into the process and believe it is a box ticking exercise	Engagement of staff below executive team in the risk and control identification process Presentation back to staff after completion of process to engage them in agreeing the risk and control assessment outcomes from the process
Process is seen as a one off and one that doesn't really change anything	Post completion of project, there should be regular top management communication to demonstrate how the process is leading to change Internal Audit should follow up to assess the impact

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