

The 20 Critical Questions Series

What Directors should ask of Assurance

Assurance foundations

1. Does the organisation have a defined assurance approach to identify all assurance elements, for example using a '3 lines of defence' assurance model?
2. Have the '3 lines of defence' and external assurance activities been clearly defined specifically for the organisation, with clarity of their position in the organisation's overarching compliance framework? Is ownership of assurance responsibilities clearly defined throughout the organisation?
3. Are assurance activities taken seriously, with sufficient support from the audit committee, chief executive officer and senior management?
4. Is the overall assurance budget and resources adequate, is the total cost known to the organisation, does it represent value-for-money, and has benchmarking confirmed this?
5. Do the various assurance activities across all lines of defence have quality assurance and continuous improvement built in to their operations?

Integrated assurance planning

6. Do the various assurance activities across all lines of defence have risk-based plans to justify what they do, with a clear rationale for what is included and not included in the plans?
7. Does the internal audit plan, in particular, recognise the organisation's holistic assurance arrangements and leverage the insights from an assurance map?
8. Are assurance activities integrated to assure duplication is minimised and effectiveness is achieved for the most reasonable cost?
9. Are planned assurance activities 100% delivered in the year they are due, with any exceptions to planned assurance activities reported to the audit committee?

Assurance performance

10. Are there robust performance measures for the various assurance activities across all lines of defence to prove effectiveness, and are they achieved?
11. Are 2nd line assurance activities really doing their job to make sure the 1st line is doing what they are supposed to do, or do they rely on 1st line self-reporting and pass this to management without validation?
12. How do the assurance activities demonstrate competency of their resources?
13. Is there a periodic independent review regime for the various assurance activities across all lines of defence that is reported to senior management and the audit committee?
14. Is there an up-to-date 'assurance map' that provides an overview of all assurance activities, and which illustrates through a heat map style reporting whether there are gaps or duplicated efforts in the organisation's holistic assurance arrangements?

Assurance reporting

15. Are periodic integrated assurance reports prepared for management and the audit committee?
16. Does the audit committee have visibility of all assurance activities across all lines of defence, including their reporting on their effectiveness?
17. Do the various assurance activities across all lines of defence have an annual report, or a combined annual report, showing value added over the year, systemic issues identified, and trends to better position the organisation in the future?

What Directors should ask of Assurance

18. What assurance is provided to management and the audit committee to demonstrate the organisation has effective controls over its significant risks?
19. What assurance is provided to management and the audit committee in respect of fraud and corruption risks?
20. Does management take responsive and timely action to implement remedial actions identified by assurance activities (including the assurance map) from the various lines of defence and external assurance activities?

The killer question

Does the organisation clearly know how its assurance activities fit together, how much they cost, how effective they are, and whether there is a meaningful objective examination of evidence to provide an independent assessment of the organisation's governance, risk management and control processes?