

Dear Q&A

It seems to me that internal audit contributes about 15% of assurance activities to the organisation but takes up about 50% of audit committee meetings – what about the other assurance activities that don't seem to have visibility with the audit committee?

Answer

There are many assurance activities in organisations spread across what is called the 3 lines of assurance:

- › The 1st line of assurance owns and manages risk. It initiates risk and is responsible for managing the risks, together with making sure there are mechanisms in place to demonstrate that controls are working effectively.
- › The 2nd line of assurance monitors risk. It monitors, reviews and tests effectiveness of first line control and management of risks. It is a form of assurance.
- › The 3rd line of assurance assures risk is managed. It independently evaluates and gives an opinion on the adequacy and effectiveness of both the 1st line and 2nd line risk management approaches. It is a form of assurance independent of management.

It is true that audit committee coverage has a particular focus on internal audit and its reports. Recommended improvement actions contained in internal audit reports are tracked in a follow-up log and the audit committee received regular updates on management progress to implement the actions.

It is also true there are many other reviews and evaluations that take place within an organisation. Some are commissioned internally and may be performed by in-house staff, or service providers may be engaged to perform a review or evaluation. Others are commissioned or performed externally, for example by regulators.

Often review and evaluation reports are 'kept close' by the part of the organisation that commissioned the engagement and are not more widely disseminated. Even more often, recommended actions from these reviews and evaluations are not tracked and reported upward and can 'slip between the cracks', effectively wasting the cost and effort involved.

In reality all these reviews and evaluations should be:

- › Disseminated to other relevant parts of the organisation.
- › Disseminated upward to senior management and the audit committee.
- › Have recommended actions tracked and periodically reported to senior management and the audit committee to make sure actions are implemented in a timely way.