

## Dear Q&A

**In my organisation, internal audit reports functionally for its operations to the audit committee through the chair, and administratively to the head of corporate services. Is this a recommended practice?**

### Answer

Questions to be answered may include:

1. Are there control gaps?
2. Is there assurance duplication?
3. How can strong, integrated and cost-effective organisation-wide assurance be delivered?
4. How do we work out if internal audit can rely on other assurance providers?

These questions can generally be answered through an assurance mapping exercise which would usually:

- › Identify the organisation's 3 lines model and external assurance activities (Note: this was previously known as the 3 lines of defence model).
- › Rate effectiveness of assurance activities.
- › Prepare an assurance map.

Mostly an assurance mapping exercise is used to inform development of the internal audit plan, but this is a wasted opportunity if that is the only deliverable. Internal audit is only one assurance mechanism in a suite of assurance mechanisms. Ideally, all assurance activities and their effectiveness should be visible to the board of directors, audit committee and management. Assurance activities should not be limited to the 3rd line internal audit function doing them – there are opportunities for 1st line and 2nd line functions to have identified assurance improvement activities encapsulated in formal plans that can be overseen by management and deliver an assurance program across the whole organisation – breaking down the silos of assurance activity often associated with the 3 lines model.

Therefore, a second activity should ideally be performed after the assurance map is developed:

- › Validate and rate the assurance map with relevant internal stakeholders.
- › Develop an assurance plan that assigns improvement actions to business units.
- › Prepare the internal audit plan.

When assessing an organisation's overall assurance coverage, if an assurance mapping exercise uses a traffic light rating approach to rate assurance effectiveness across the 3 lines and external assurance, there should not be an expectation for everything to eventually be green.

An important objective of an assurance mapping exercise is to avoid duplication of assurance activities. For example, if 2nd line assurance activities are strong, in those areas internal audit may not need to perform work or may perform work less frequently. Likewise, if 2nd line assurance activities are weak, it may be necessary for internal audit to do more.