

# *Audit and Assurance Faculty Webinar*



*Developing an Assurance Map to Maximise the  
Value of Assurance*

**PRESENTED BY AMARJIT ATKAR AND JOHN WARD**

# *Presenters*



John Ward



Amarjit Atkar



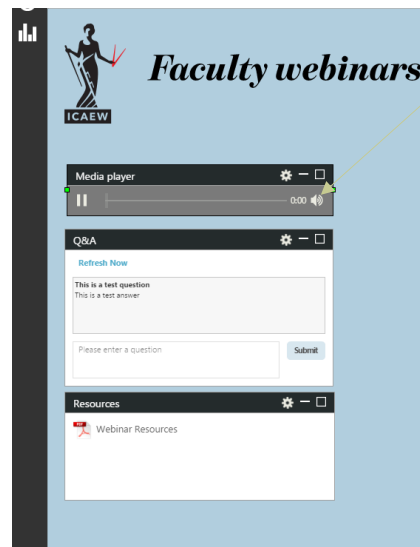
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# *Introduction*



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# *Outline Agenda*

- What an assurance map comprises and why it is important
- How to develop an assurance map and maintain it
- Open forum and questions

## *The rationale for assurance maps*

Assurance Maps provide evidence to support assertions made in the Financial Statements regarding the state of Internal Control.

An Assurance Map shows:

- Key Elements over which assurance is required
- The “four lines of Defence” that provide assurance
- Any gaps where there is little or no assurance
- The quality of assurance, the degree of risk and outcome of assurance.

## A Simple Assurance Map

	1st Line		2nd Line				3rd Line	4th Line	
	Control Framework	Management Review	Control Self Assessment	Risk and Compliance review	Group Legal	Board Review	Internal Audit	External Auditors	Other Third Party
Financial Reporting	High Assurance	High Assurance	Medium Assurance	Medium Assurance		Low Assurance	High Assurance	High Assurance	
Financial Controls	High Assurance	High Assurance	Medium Assurance	Medium Assurance	Low Assurance	Low Assurance	High Assurance	Medium Assurance	
Legal	Low Assurance	Low Assurance		Medium Assurance	High Assurance	Low Assurance	Low Assurance		
IT	Low Assurance	Low Assurance	Medium Assurance	Low Assurance	Medium Assurance	Low Assurance	Low Assurance		
Treasury	Medium Assurance	Medium Assurance	Low Assurance	Medium Assurance	High Assurance	Low Assurance	Low Assurance	Low Assurance	
Tax, Pension and Insurance	Medium Assurance	Medium Assurance	Low Assurance	Low Assurance	Low Assurance	Low Assurance	Low Assurance	Low Assurance	
Human Resources	Medium Assurance	Low Assurance	Low Assurance	Medium Assurance	Low Assurance	Medium Assurance	Low Assurance		
Fraud	Medium Assurance	Low Assurance	Medium Assurance	Low Assurance		Low Assurance	Low Assurance	Low Assurance	
Health & Safety	Medium Assurance	Medium Assurance	Medium Assurance	Medium Assurance	Low Assurance	Low Assurance	Low Assurance		High Assurance
KEY	High Assurance		Medium Assurance		Low Assurance		No assurance - but should be assurance in this area		Not Applicable

## ***Benefits: Boards and Senior Management***

- Summarises evidence on the effectiveness of the state of Internal Control vs known risks
- Helps to identify gaps in assurance needs
- Raises the understanding of the risk profile and strengthens accountability and ownership of control issues
- Enables oversight of all assurance providers and assurance activities
- Enables better use of assurance skills and resources
- Supports safer corporate reporting of risks, controls and assurance



## ***Benefits: Risk and Audit Committees***

- Factual high level summary of the state of assurance
- Enables better decision making: e.g. how to better utilise Internal Audit and other assurance providers against risk and where there are gaps
- Creates better evidence to support assurances provided to the Board on state of Internal Control
- Supports public reports on Governance and Statement of Internal Control

## ***Benefits: Internal auditors***

- Enables the state of risk and internal control to be evaluated more quickly and effectively and in line with management perspectives
- Focuses effort on gaps in the assurance provided by first and second line of defences
- Provides independent assessment of the quality of assurance provided by assurance providers
- Creates a linkage of internal audit activity to risk and controls
- Provides a perspective on the state of internal audit relative to the assurance map

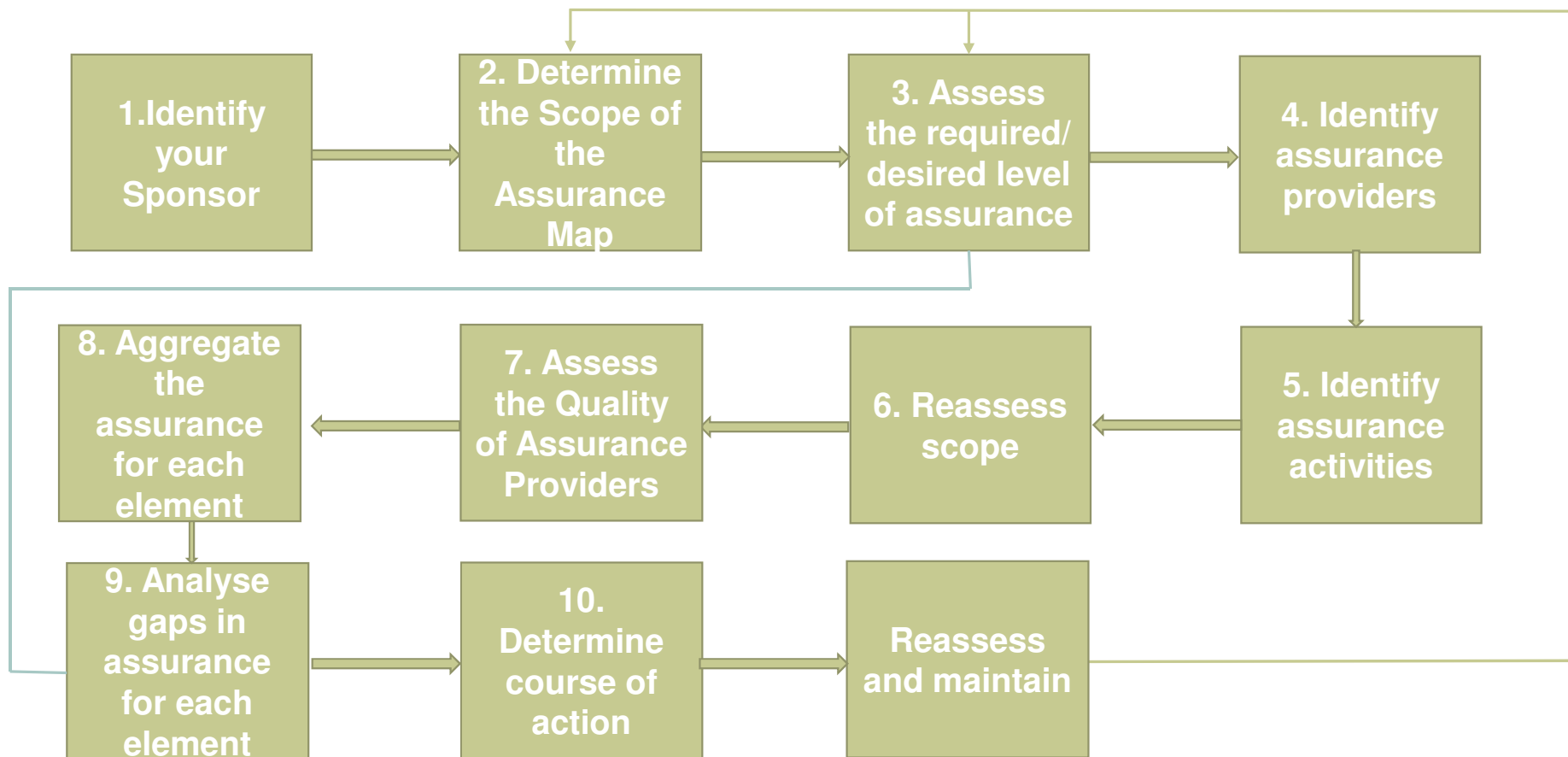
## ***Benefits: External auditors and assurers***

- Identifies risk and enables a prompt focus on key issues likely to impact the external audit or other assurance engagements
- Provides a better understanding of the corporate view of the overall control environment
- Better understanding of the breadth and focus of internal audit activity relative to the overall risk and control environment

## *Benefits of Assurance Maps: In Summary*

- ✓ Provides **the Audit and Risk Committee** with access to a well-structured analysis of assurance to enable them to evidence, their satisfaction with the state of internal control
  - Enables them to focus on specific areas of concern
- ✓ **Boards** will have evidence to support their assertions as to the state of internal control; vital for public reports
- ✓ **All assurance related activities** and resources can be better co-ordinated and directed to maximise the value of assurance activity

## *How to develop an Assurance Map*



# 1. Identify your Sponsor

- Need a clearly defined sponsor
- Agree why assurance map is needed
- Agree scope of the map – components and activities
- Agree the focus of assurance activity – amount, frequency, scope and quality
- Involved in determining required/desired levels of assurance
- Agree the main users of assurance map and their involvement

## 2. Determine the Scope of the Assurance Map



### Element requiring assurance

Governance

Strategic/major projects

Strategic/Board risks

### **Operational Risks/processes**

Finance

Cyber security

Business resilience

Health & Safety

Human Resources

Treasury

- At what level
- Elements requiring assurance
- Maturity of risk management

### 3. Assess the required/ desired level of assurance



Element requiring assurance	Amount of assurance required
Governance	High
Strategic/major projects	Medium
Strategic/Board risks	Low
<b>Operational Risks/processes</b>	
Finance	
Cyber security	
Business resilience	
Health & Safety	
Human Resources	
Treasury	

- Risk
- Importance
- Complexity
- Change
- Past experience



## 4. Identify assurance providers



Element requiring assurance	Amount of assurance required	First Line of Defence	Second Line of Defence	Third Line of Defence	Fourth Line of Defence
Governance	High	Formal polices	Executive Committee	Internal Audit	External Audit
Strategic/major projects	Medium	Delegations of authority	Risk Committee  Compliance functions	Audit Committee	FRC, Ofgem, Ofsted
Strategic/Board risks	Low				
<b>Operational Risks/processes</b>					
Finance					
Cyber security					
Business resilience					
Health & Safety					
Human Resources					
Treasury					

## 5. Identify assurance activities



Element requiring assurance	Amount of assurance required	First Line of Defence	Second Line of Defence	Third Line of Defence	Fourth Line of Defence
Governance	High				
Strategic/major projects	Medium				
Strategic/Board risks	Low				
<b>Operational Risks/processes</b>					
Finance					
Cyber security					
Business resilience					
Health & Safety					
Human Resources					
Treasury					

## 6. Reassess scope

- Have any additional *elements requiring assurance* and *assurance providers* been identified.
- An Assurance Map is a live document.
- Changes in Board risks or policies
- Changes in assurance providers

## 7. Assess the Quality of Assurance Providers

Factors to consider

- Breadth of scope
- Depth of scope
- Competence of the provider
- Frequency of review
- Line of Defence provider the assurance

## 8. Aggregate the assurance for each element

- Number of assurance activities
- Depth and breadth of the activities
- Internally or Externally provided assurance
- Line of defence providing the assurance
- Frequency of the assurance activity
- Focus of the assurance

## 9. Analyse gaps in assurance for each element

- Actual assurance
- Desired/required assurance
- Under/Over or gaps

Element	Desired Level	1st Line of Defence	2nd Line of Defence	3rd Line of Defence	4th Line of Defence	Current Overall Level	Action Plan
1	High	High	Medium	None	None	Medium/ Low	Increase assurance at 3rd and 4th line
2	Low	High	Medium	High	Low	Medium	Decrease activities at the 2nd and 3rd line

## 10. Determine course of action

- No assurance, over assurance, little assurance
- Action planning
- Management priorities
- Update as actions completed

## Reassess and maintain

- An Assurance Map is a live document.
- Reassessed and approved
- New/changed elements, assurance providers or activities.
- The desired or required amounts of assurance
- Sponsor, Board and the Risk and Audit Committees role



# Documenting the Assurance Map

Objective of Assurance activity: Confidence in effectiveness of Governance, Risk Management & Control	Amount of Required Assurance (H, M, L)	Management 1st Line				Independent 3rd Line				External 4th Line			Current Amount of Assurance	
		Policies	Control Framework	Management Review	Current Amount of Assurance	Board 1	Board 2	Current Amount of Assurance	Authorities	Operating committee	Audit Committee	Current Amount of Assurance		External 1
<b>GOVERNANCE:</b> Objective of Assurance activity - <i>Governance: Leadership &amp; Culture</i>														
Conduct, Culture & Behaviour	M	GOV2		GOV4	L	GOV5		None			None		None	L
Vision & Strategy Setting	M	GOV3 GOV7			M	GOV8		L			None		M	L
<b>Operational Tasks</b>														
Operational Tasks	H	DEF1		GOV1	H	GOV1		H			H	Non Applicable	N/A	H
<b>BOARD RISKS:</b> Objective of Assurance activity - confidence in management of risks														
Output Risk 1	H	RSK1		RSK3	L			H			H		None	H
Output Risk 2	M	RSK2		RSK4	M		GOV1	H			H		None	H
Input Risk 1	H		RSK11	RSK12	M		GOV1	H	RSK20		H		L	H
	H		RSK11	RSK13	L			H			H		L	H
<b>PROCESSES:</b> Objective of Assurance activity - confidence in effectiveness of internal control (currently aligned with sections of Annual														
	M	PRO1		PRO2	L			L	PRO4	PRO5	M		PRO7 PRO11	M
Personnel: Administration	M	PRO30		PRO10 PRO31	L			L	PRO32 PRO34		L			None
Inclusion & Diversity	M			PRO35 PRO36 PRO37 GOV23	M			None			None			None
Finance	H	PRO38	PRO39 PRO49	PRO40	H	GOV1	PRO41 GOV1	M	PRO42 PRO51 PRO55	PRO43	M	PRO47 PRO53 PRO56 PRO57	PRO48	H
Health & Safety	M	PRO77	PRO79 PRO85 PRO87	H	H	PRO80		L	PRO82 PRO86	PRO83	M			M
Business Resilience	L		PRO89	L	L	GOV1	GOV1	L	PRO91 PRO97	PRO92 PRO98	L			None
Security	H	PRO93 PRO102	PRO94 PRO103 PRO107	PRO95 PRO104 PRO108	H	GOV1	GOV1	L	PRO105 PRO109		M			L
Fraud	M			PRO110 PRO135	L			L	PRO136 PRO117		L			L

1

4

2

3

5

## *How to develop an Assurance Map – Final Thoughts*

- Keep it simple to begin with.
- Get buy in from key users.
- Agree who is best equipped to develop assurance map.
- Living document and will evolve over time.
- Can be tailored for use in small organisations as well.



# *Resources*

Assurance mapping webpages

<https://www.icaew.com/technical/audit-and-assurance/assurance/process/assurance-mapping>

The assurance sourcebook

<https://www.icaew.com/en/technical/audit-and-assurance/assurance/process/assurance-sourcebook>

Internal audit resource Centre

<https://www.icaew.com/en/technical/audit-and-assurance/assurance/process/internal-audit-resource-centre>

The journey: assurance non-financial information

<https://www.icaew.com/en/technical/audit-and-assurance/assurance/future-of-assurance/the-journey-assuring-all-of-the-annual-report>



*Any questions?*

## *Future webinars and events*

- Webinars
  - 21 February - Nine key stages of the Assurance Process
  - 12 March - Cold file reviews and root cause analysis

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# *Thank you for attending*

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