

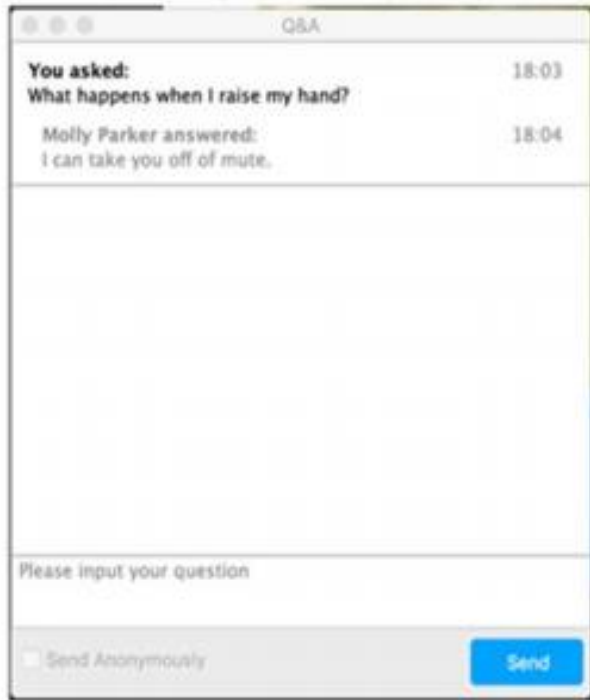


# ***Enhancing risk management: benefits of a new or enhanced first line risk and control function***

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# Ask a question



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Click on the **Q&A** button in the bottom toolbar to open the submit question prompt.

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ICAEW's revised Continuing Professional Development (CPD) Regulations brought in new CPD requirements, including a minimum number of hours and an ethics requirement.

This webinar could contribute to up to 1 hour of verifiable CPD, so long as you can demonstrate that the content is relevant to your role.

Find out more about how these changes affect you at [icaew.com/cpdchanges](https://www.icaew.com/cpdchanges).



## The pros of establishing or enhancing a Line 1.5 function

### Factors

- 1 Helps embed greater accountability, ownership and control discipline where it's really needed
- 2 Helps develop a better understanding of risk and control concepts and practice
- 3 Promotes more effective use of firm-wide resources to manage risk and internal controls, including a more focussed and independent second line
- 4 Provides strong evidence to support first line attestations over internal control effectiveness
- 5 Helps deliver more consistent and higher quality risk and control self-assessments, including risk events management
- 6 Helps drive a strong risk and control culture, with a greater sense of risk ownership and awareness
- 7 It builds a network of business risk and control managers who can share good practices and better influence change
- 8 Provides further comfort to the regulators

## The cons of establishing or enhancing a Line 1.5 function

### Factors

- 1 The role needs a degree of dedicated resource, but this costs and might increase total spending on risk conduct or detract from resources for second and third lines
- 2 It can produce varying and/or inconsistent results
- 3 It may be duplicated across the second and/or third lines
- 4 It may weaken ownership within the first line for establishing effective control, with risks and control owners pushing responsibility/ownership/accountability onto 1.5, as well as reducing the knowledge on core policies and procedures
- 5 It may contribute to 'assurance fatigue' in the first line

## Delivering value over the longer term

### Factors

- 1 Clarity of purpose and role within the firm's three lines model, in particular a common understanding across the first line
- 2 Clear and sound approach and methodology, appropriately aligned to the overall model for delivering assurance across the three lines
- 3 Maintaining momentum
- 4 Consistent application across all business units/function within the first line
- 5 Sufficient capability and capacity within the first line to implement and drive the programme forward
- 6 Appropriate levels of support, review and challenge by the second line
- 7 Sharing of good practices and common issues
- 8 Supported at Board level
- 9 Proportionate policies and practices
- 10 Leverage tools
- 11 Ensure appropriate degree of review and quality control within the first line
- 12 Reporting of results
- 13 Tracking and follow-up of actions

## How an effective Line 1.5 function can impact the work of the second line and internal audit

Second Line	Third Line
Reduce the level of detailed assurance reviews/testing	Greater focus on controls that are managing areas of higher inherent risk/less focus on lower risk activities
Focus more on assessing the quality and results from the first line's work, including its control effectiveness testing	Evidence to support a more informed view on the first line's risk and control culture
Cross-checking the results from the first line to the risk and control data and indicators for consistency/sense checks	Reducing time spent on root cause analysis for significant control weaknesses
Develop and deliver a more focussed combined assurance plan	Clarity on issues already identified and being actioned by management
	More data to support reporting to Audit Committee around trends and themes
	It's an opportunity to place a greater degree of reliance on the second line



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