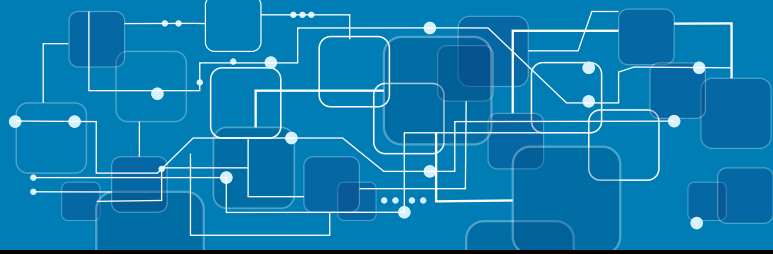


Deloitte.



WORLD CLASS RISK ASSURANCE
Helping you accelerate your journey



Taking your first steps

World class risk assurance generates higher-quality assurance at a lower cost, delivers greater impact and value across the governance model, and provides actionable insights for the business on how to better manage the risks that really matter.

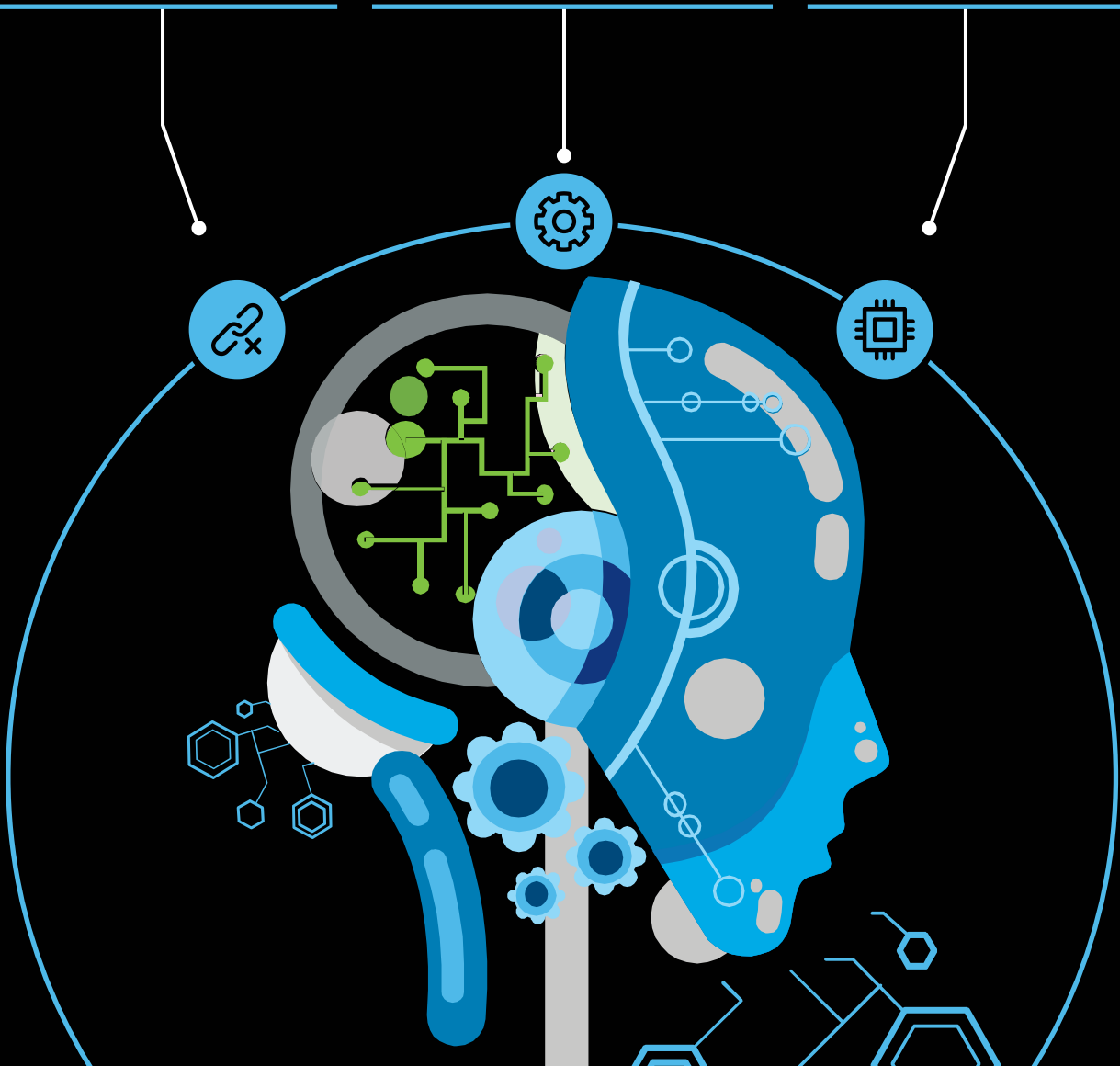
That's the message of our [previous article](#), in which we explained how—in theory—your organization could 'connect, modernize and digitize' its way to more effective assurance, compliance and risk.

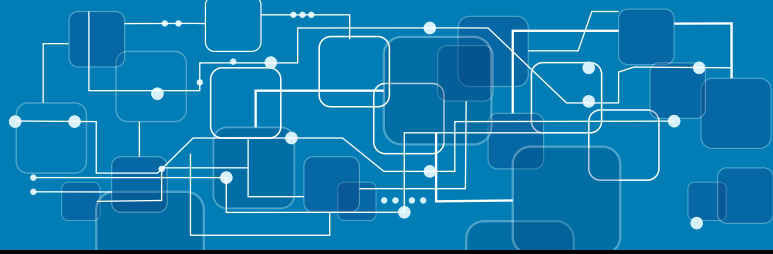
We explained how, by embracing digital technologies and new ways of working right across your lines of defense, it's possible to achieve optimal assurance that can directly support the achievement of your organisation objectives, improve risk management, and potentially lower the cost of compliance.

Connect and align operating and governance models ensuring the right people, processes, tools and methods to deliver effective risk assurance across the three lines of defense.

Modernize the three lines of defense to enable them to proactively identify, monitor, manage and assure risks in a rapidly changing world.

Digitize risk and assurance activities to take advantage of the latest capabilities in automation, analytics and AI and act on real time information.





Let us help you get there

This second article aims to take you one step further on that journey, taking the concept of world class risk assurance and showing how it can be practically implemented to improve your organization's whole approach to risk and assurance. Here you'll find practical advice on how your organization can get started and the crucial role that technology plays in accelerating the journey.

Our diagnostic tool will help you assess where on the journey you are. Case studies illustrate an approach that takes cost out of the business, while making risk and assurance easier to manage and less disruptive.

Why act now?

There's never been a better time for organizations to transform their approach to risk and assurance. The decreasing cost and increasing accessibility of digital technologies holds tremendous potential for assurance, compliance, and risk management functions.

However, in many organizations, these benefits remain largely unrealized because an enterprise-wide transformation of risk and assurance has yet to occur.

Step 1: ascertain your position

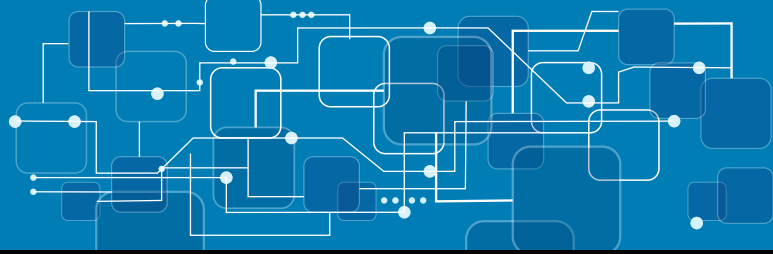
To ultimately realize the potential benefits, a strategic approach is required. An approach that not only transforms the way the business delivers assurance, compliance and risk management, but also seeks to seamlessly automate and connect those capabilities.

Crucially, before you move forward, you need to know exactly where you are now. To ascertain the health of your current position, it's critical to start with a diagnostic of the approach to risk and assurance across the business.

With that in mind, you should identify:

- executive level insight on key symptoms that need addressing
- the extent of current consistency and alignment in ways of working across assurance functions
- opportunities to leverage technology that drives efficiencies
- the degree of co-ordination and integration of assurance activities currently
- coverage of key risks, alignment of assurance activities, and gaps or duplication in assurance provided now.

The results of the diagnostic will help drive a program of activity. A 'map' that allows you to more effectively connect, modernize, and digitize your risk and assurance activity. In addition, it prepares you to meet the demands of any forthcoming regulations that your organisation needs to comply with.



Step 2: make the case for change

Knowing where you should take the organization is one thing. Convincing others that this is the right course of action is quite another. That's why getting buy-in from senior leadership is a prerequisite to achieving successful change. And to gain that buy-in, there must be a crystal-clear business case for that change. One that's typically grounded in reduced cost, enhanced performance and better business resilience.

The top-line case for transformation:



achieve an integrated, organization-wide view of risk and assurance activities



increase co-ordination of risk and assurance activities while gaining valuable, actionable insights/foresights to help better manage the risks that matter most



optimize and align assurance and risk activities more cost-effectively, ultimately improving overall risk management.

Case Study 1: UK-based technology business

We were asked to conduct a governance framework 'current state' assessment. The aim was to propose a target operating model for risk and assurance across the three lines of defense.

The assessment provided the insight into the business and the market nuances necessary to develop an implementation plan to support the move towards an operating model that would deliver a proportionate and effective approach to enterprise-wide risk management.

Recognizing the breadth of expertise required and the representation needed from across the business, the CFO approved a transformation programme that would bring together both the ongoing change activities and to incorporate new critical workstreams.

The client has fully embraced the principles of 'Connect, Modernize, Digitize' and embarked on a long-term risk and assurance operating model transformation, which has scaled up rapidly. That has involved building a robust second line of defense which includes:



Risk workstream: establishing the Enterprise Risk Management Framework and supporting governance mechanisms

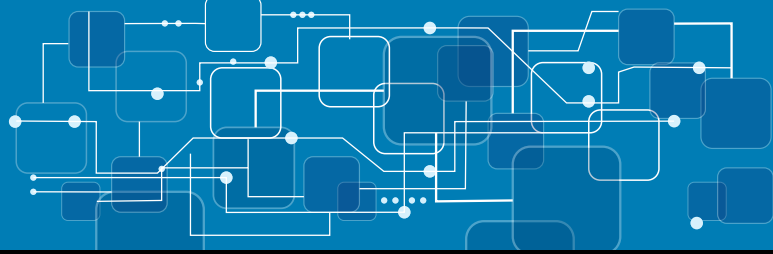


IT workstream: redesigning the IT controls framework



Compliance workstream: establishing a fit-for-purpose compliance programme.

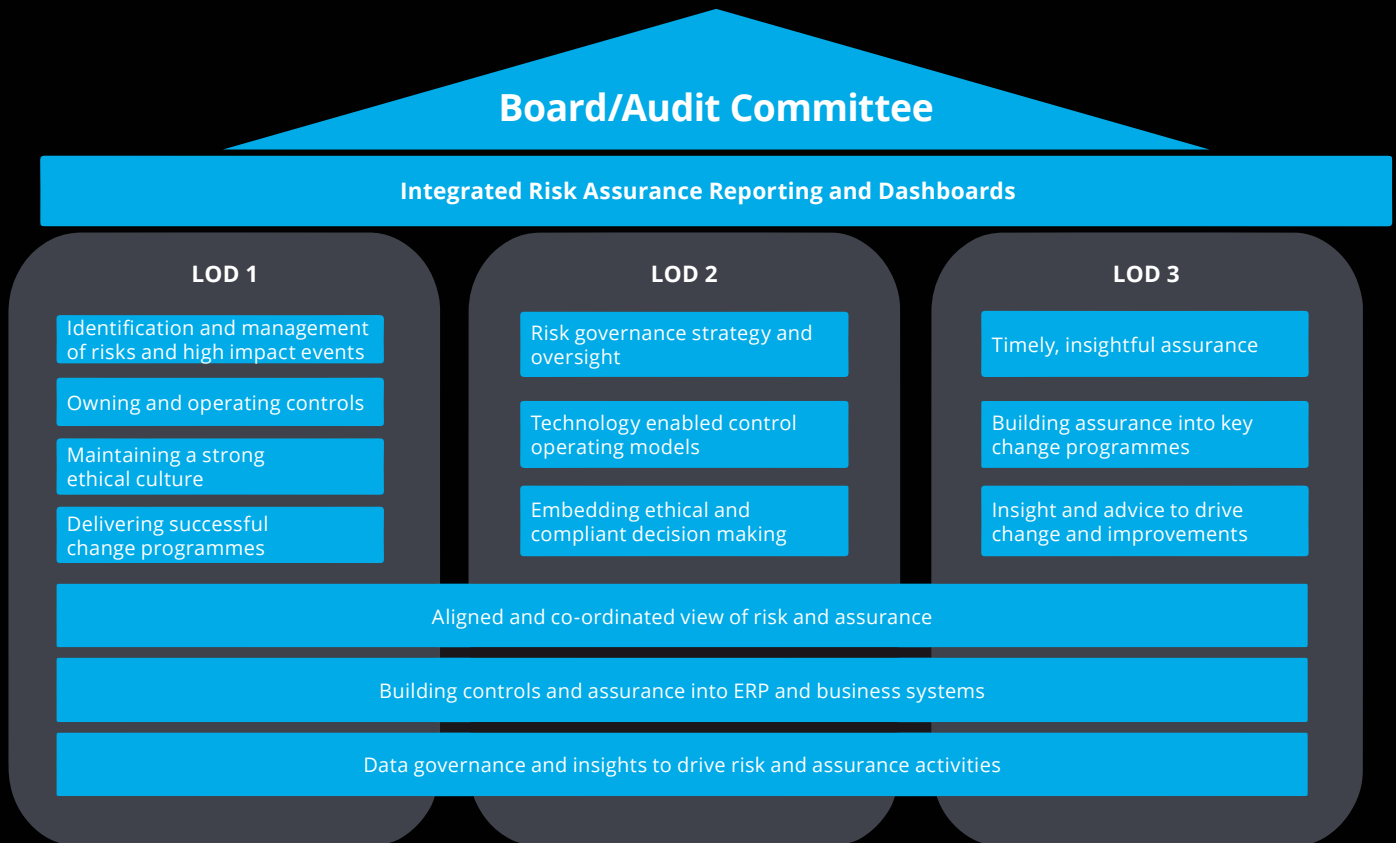
As the transformation progressed, the focus has extended to include the establishment of a Finance workstream to support the enhancement of their Internal 'Control over Financial Reporting (ICFR) framework, as well as a GRC workstream. The latter uses technology to facilitate manual processes across the second line of defense and provide visibility at the centre.



Step 3

Create a new roadmap [or] clarify your existing roadmap

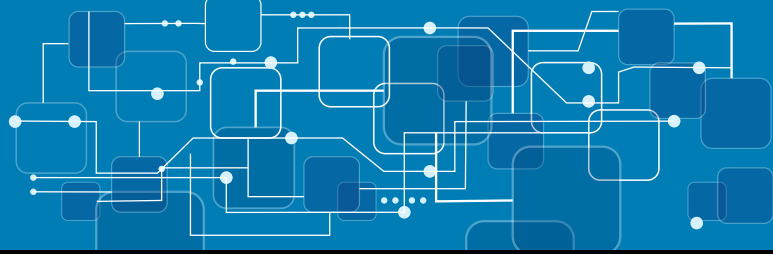
A remodeled three lines of defense



The best defense is a united defense

The model shows the building blocks that support a world class approach. It also highlights the key areas that need to be integrated across the business to drive alignment. The secret is to apply integrated planning, execution and reporting of assurance activities across your entire organization. **In short, a single enterprise-wide assurance strategy.**





Five ways to integrate risk and assurance:



create a **technology-enabled framework** which provides **real-time reporting** on progress, outcomes, and remediation action status



use **common terminology, risk taxonomy** and **rating mechanisms**



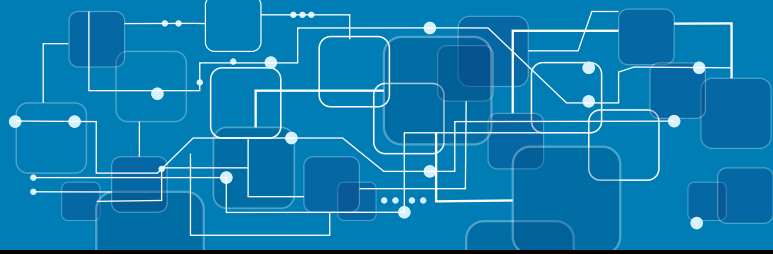
ensure a **common understanding** of risk and assurance to **drive enhanced co-ordination**



where appropriate pool resources across assurance providers to **drive efficiency** and **facilitate knowledge sharing** (many of the skills are similar)



develop mechanisms to monitor and update risks as the risk profile changes.



Direct benefits for users typically include:



Executive team: an integrated organization wide view of risk, compliance and assurance to help drive activity where it is needed



Business: a clear view of assurance results to take action where it is needed and planned assurance to help reduce burden on the business



Legal and compliance: compliance and legal integrated into the organization wide approach to drive better management of compliance and legal risks



Risk: single view of risk and assurance activities with the ability to integrate external risk sensing to identify key emerging risks



Internal audit: a single tool to drive co-ordination in risk and assurance activities and maintain an organization wide view

Case Study: US-based global consumer goods business

This organisation was suffering from control weaknesses being identified too late and a generally high-cost of compliance. So, the company's Internal Audit function asked to conduct a 'cost of compliance' study. This subsequently identified that the business had an inadequate control framework with ill-defined links between control objective, risk, and applicable location resulting in a costly and ineffective approach.

Based on that finding, Deloitte was asked to develop a new Compliance Operating Model and modernize controls across the business. The aim was to establish a best-in-class control framework and governance model that would evolve with the business. Thereby providing insights that empower management to intelligently manage risk and support the achievement of business objectives.

We helped the company implement a GRC system to facilitate this transformation. Controls were modernized with greater use of technology and strengthened as a result, with automated integration and real-time data delivering faster, more effective analysis of control effectiveness and management of risks.

After the implementation of an enhanced controls framework, operating model and GRC system, the client was able to:



reduce controls by 40%



increase assurance risk coverage by 10%



decrease compliance cost

The client's approach to risk and assurance has become much more agile and resilient. This was especially noticeable (and appreciated) during the pandemic. The plan is to expand the project beyond financial controls and transform the company's global operational excellence, harmonizing processes throughout the business.



Need a hand getting started?

We'd be happy to help. For example, we could run a diagnostic for you, identifying gaps to address and opportunities to realize cost improvements and better risk insights. This would include a high-level risk and assurance map, proposing a route towards the desired state of integrated maturity, including technology enablement focused on short, medium and longer-term actions.

If you'd like to put the theory into effective practice and take the first, positive steps to connecting, modernizing, and digitizing your organization's risk and assurance activity, please **get in touch**.

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