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Effective Collaboration between the 2nd and 3rd Line in the Banking sector

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Setting the scene:

Living in a dynamic environment
with many emerging risks



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Living in a dynamic environment with many emerging risks



Risks

geopolitics
globalization
climate change
technology transformation
energy crisis
global pandemic
evolving risk landscape
challenges



Opportunities

new business models
volatility
risk appetite
strategic objectives
operationalization
vulnerabilities
complexity
opportunities



Expectations

resilience	experience
continuity	stakeholders' expectations
regulations	conduct
proactiveness	behaviour
coordination	risk awareness
governance	business value
technical skills	assurance

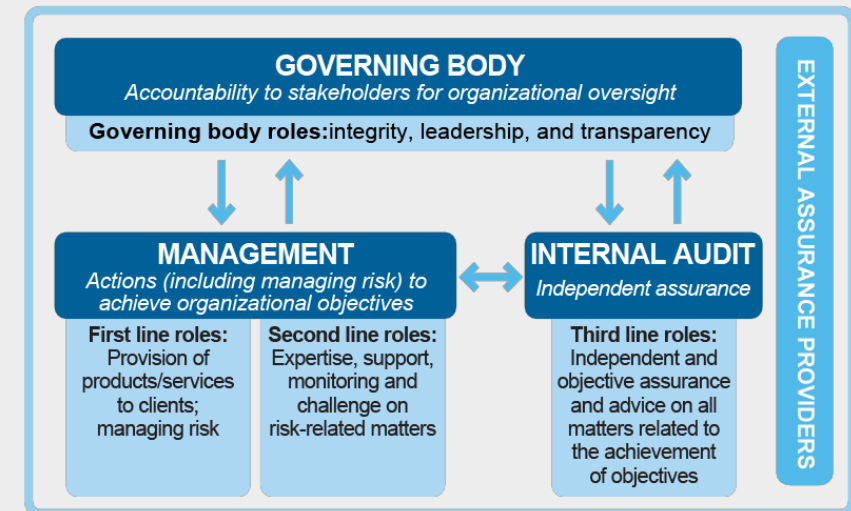


The Foundation for Value:

Alignment, communication, coordination, collaboration



The IIA's Three Lines Model



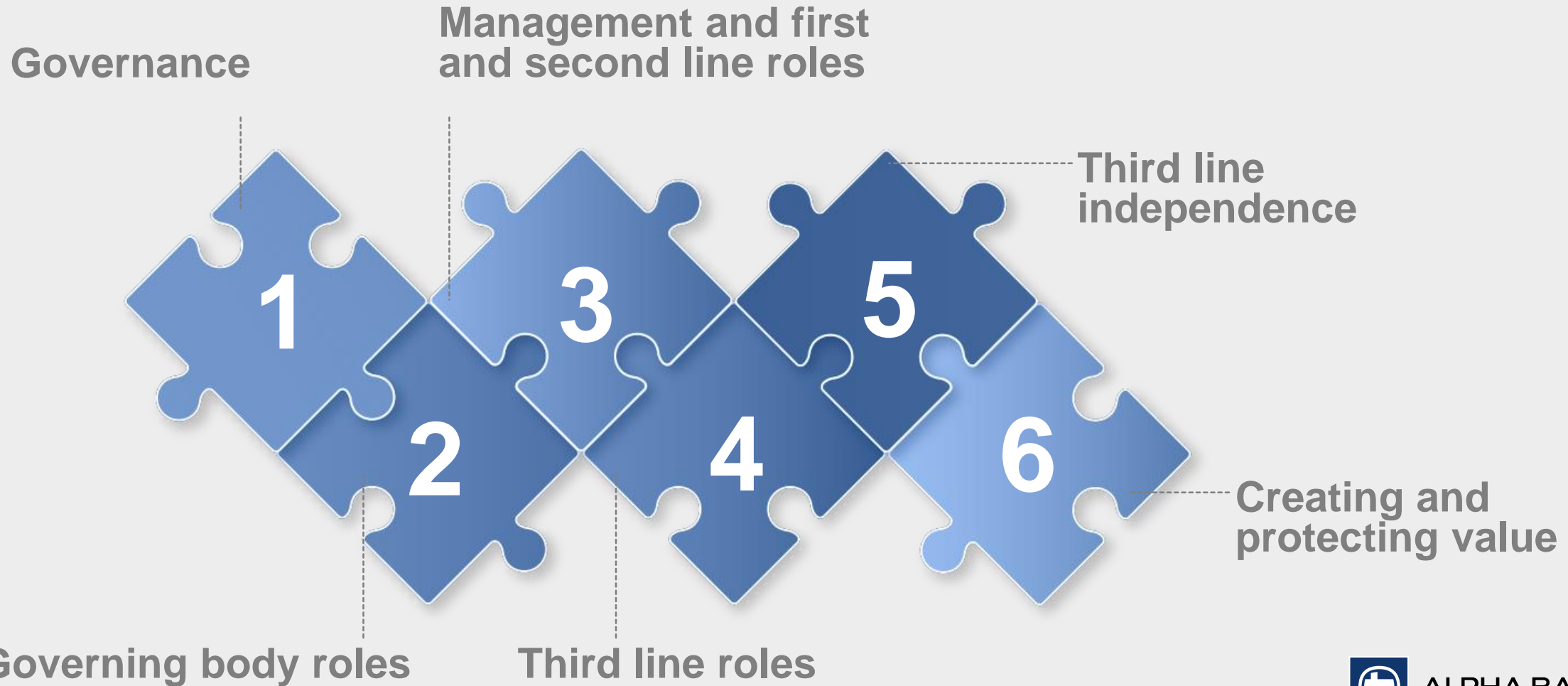
KEY: ↑ Accountability, reporting ↓ Delegation, direction, resources, oversight ↔ Alignment, communication coordination, collaboration



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The Foundation for Value:

Alignment, communication, coordination, collaboration



More Foundations to build on:

Mature level of Controls across the 2nd line functions



Purpose
Relevance
Frequency

Formalization
Scope

Tests
Reviews

Controls

More Opportunities for Strategic Coordination: Reflect on Collaboration Level and Nature



To what extent is the work of the 2nd line functions taken into consideration into the Internal Audit Plan preparation process?

Do not consider the work of the 2nd line in the audit plan preparation process

Leverage the work of the 2nd line to define frequency and / or timing of audit projects

Rely completely on the work of the 2nd line and deprioritize audit projects

To what extent is the work of the 2nd line functions taken into consideration into the Internal Audit projects and audit testing?

Do not consider the work of the 2nd line in audit testing

Leverage the work of the 2nd line to define audit testing scope and / or sample size

Rely completely on the work of the 2nd line and opt out of some testing

Is there more to do?

Turning challenges into opportunities:

Culture - a collective effort



Challenges

Complex / “fragmented”
procedural framework

Lack of accountability/
ownership - tone at the top

Ineffective verbal and
written communication

Lack of conversation
in decision making

Delayed / un-coordinated
action taking

Enablers

Risk and Control
awareness

Training

Case studies

Procedures
revamping

Continuous interaction

Challenge process

VALUE

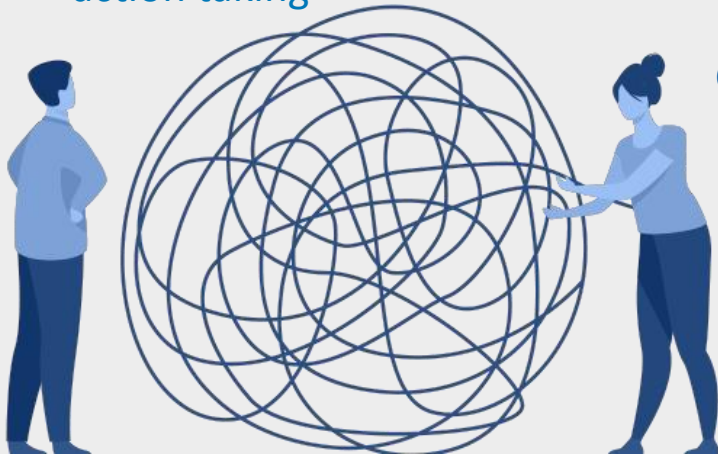
Risk perception

Control mindset

Cross – functional
collaboration

Open dialogue

Alignment with risk profile



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Is there more to do?

Turning challenges into opportunities:
Open communication & transparency



Challenges

Losing relevance and value

Siloed approach

Poor risk identification

Over-indexed risk mitigation activities

“Tick-the-box” risk management responses

Enablers

Close partnership

Sharing information and insight

Building expertise

Leveraging on intelligence

Continuous interaction

Challenge process

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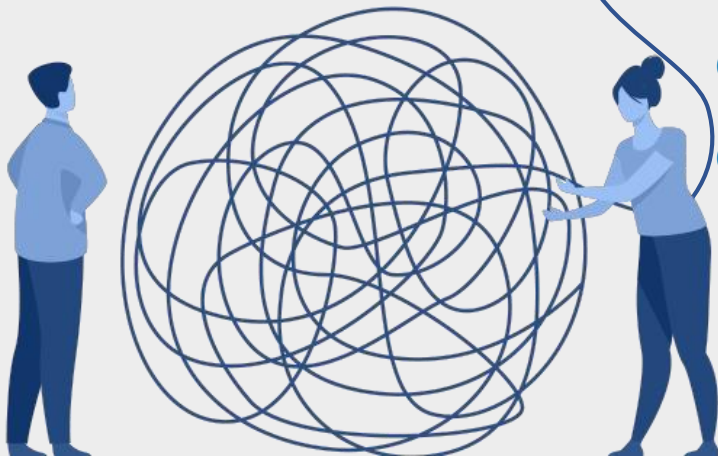
Trust

Holistic approach

Resources effective utilization

Greater visibility

Readiness for emerging risks



Is there more to do?

Turning challenges into opportunities:
Common risk language



Challenges

- Different messages / confusion
- Fragmented approach
- Different perception of risk severity
- Delayed identification of critical / emerging risks
- Inefficient use of resources

Enablers

- Transparency
- Combining expertise and perspectives
- Elaborating on results
- Sharing insights that correlate
- Continuous interaction
- Challenge process

VALUE

Get on the same page

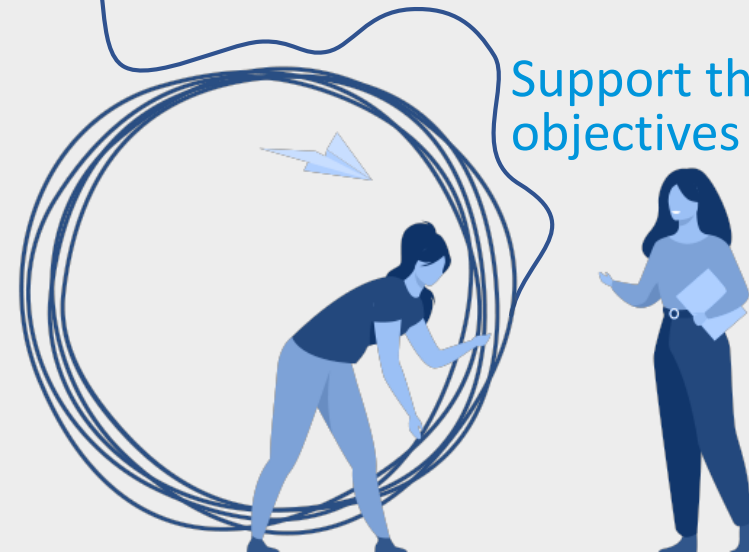
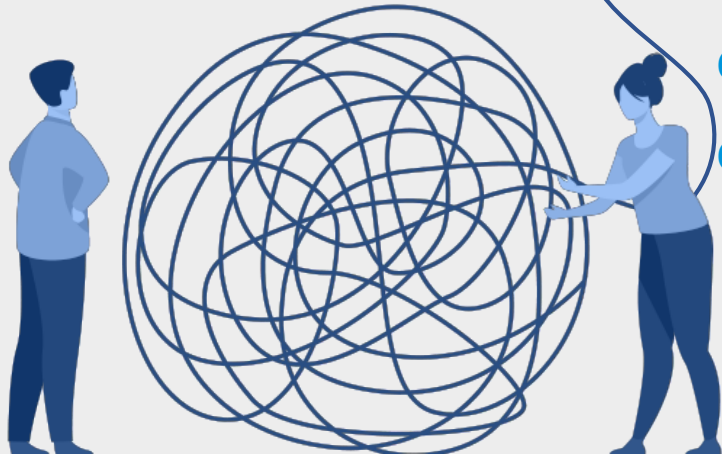
Upgrade skills

Achieve synergies

Capture interrelated risks

Elevate impact

Support the strategic objectives








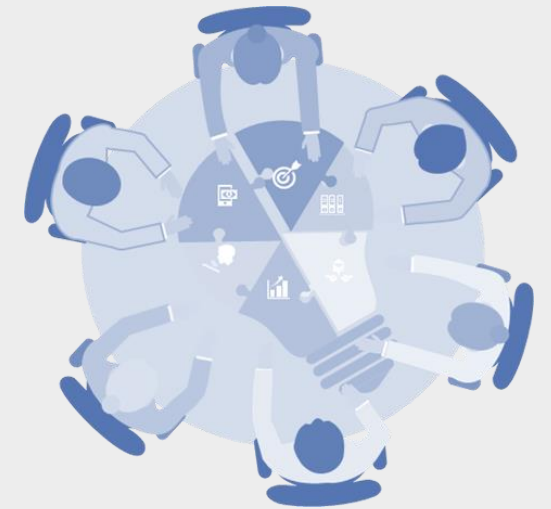
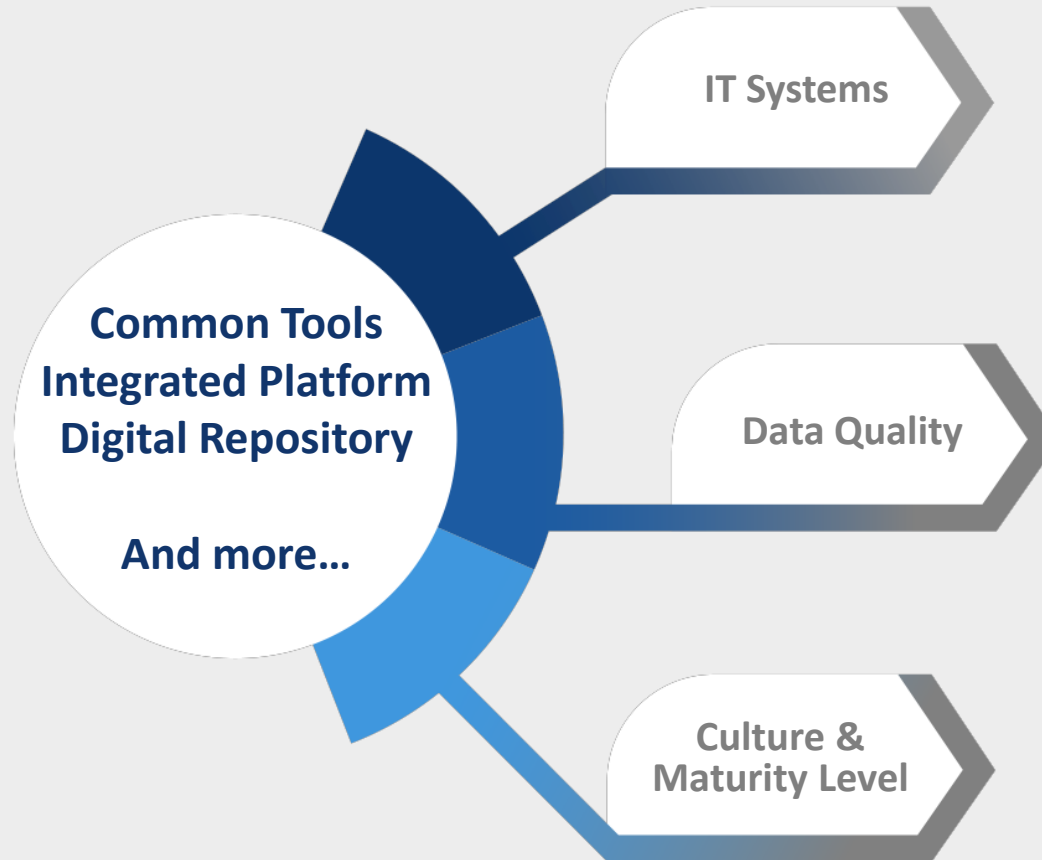
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Is there more to do?

Do we have the tools to support 2nd & 3rd Line Collaboration?













-  Substance
-  Competence
-  Independence
-  Relevance
-  Objectivity

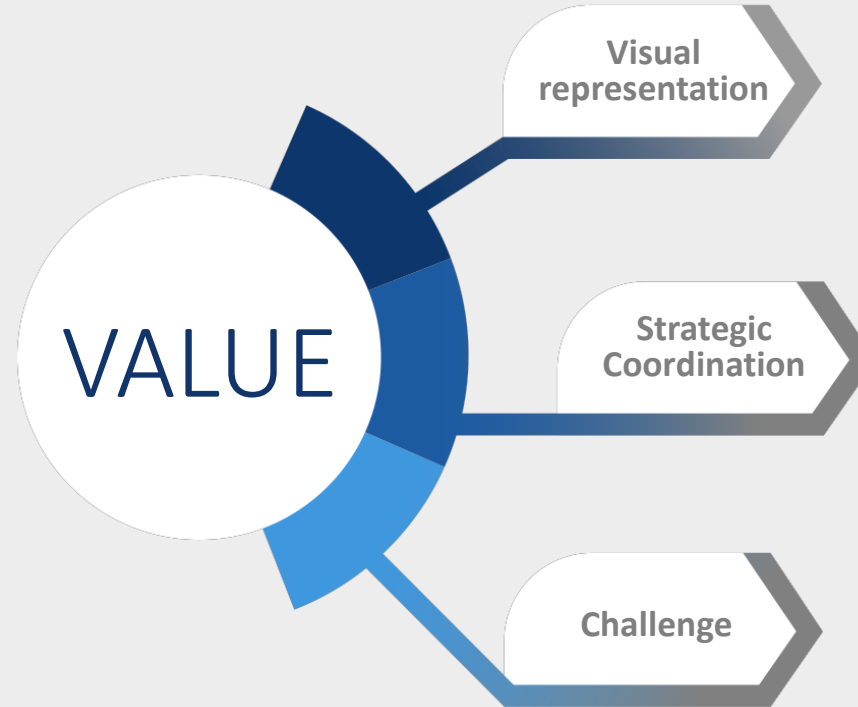


Let's not forget our Enablers

The IIA's Assurance Map Tool



-  Multiple controls
-  Depth / frequency
-  Internal / external
-  Relevance
-  Objectivity
-  Continuous monitoring
-  Gaps / overlaps
-  Competence
-  Substance
-  Independence



Risk Categories	Management 1st Line										Functional Oversight 2nd Line				Independent 3rd Line								
	Finance	Human Resources	Treasury	Operations	IT	Procurement	Marketing	Legal	Budgeting & Planning	Communications	...	Risk Management Processes	Performance Review Committee	Safety Review Board	Environmental Management Group	Network Development Committee	IT Steering Group	...	Internal Audit	Outside Quality Auditors	Environmental, Health & Safety Consultants	Risk Management Consultants	...
Strategic																							
Crisis Management																							
Competitive Environment																							
Resource Allocation																							
...																							
Operational																							
Product Quality																							
Production Capacity																							
Suppliers & Key Relationships																							
...																							
Human Resources																							
Succession Planning																							
Training																							
Turnover																							
...																							
Financial																							
Financial Reporting																							
Accounts Payable																							
Accounts Receivable																							
...																							
Regulatory Compliance & Reporting																							
Disclosure																							
Environmental																							
Information Privacy																							
...																							
Technology																							
Data Security																							
Hardware Availability & Effectiveness																							
Software Usability & Efficiency																							
...																							

Effective collaboration

between 2nd and 3rd line brings value!



Internal audit can be a leader
in coordinating key players
across the organization





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Thank you!

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