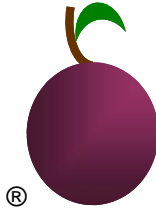


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REVIEW METHODOLOGY

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TABLE OF CONTENTS

1.0	CONTROL ASSURANCE PLAN	2
1.1	Introduction	2
1.2	Control Elements	2
1.3	Control assurance.....	3
1.4	Control Criteria.....	3
1.5	Management Practices (Control Activities)	5
1.6	Definitions	5
1.7	Control Assurance Figure	8



1.0 CONTROL ASSURANCE PLAN

1.1 INTRODUCTION

Plum Concepts & Solution's review process follows the conceptual steps of the Control Assurance Plan outlined below and in Figure [1](#). A key component of this Control Assurance Plan is the linkage between risk management and governance that —

- promotes the effective integration of risk management by linking objectives with risks at all levels of the organisation to develop controls and strategies; and
- builds a self-sustaining system of inherent controls focused on results to complement legislative and regulatory compliance (formal controls).

1.2 CONTROL ELEMENTS

The Control Assurance Plan is based upon five control assurance elements ([Fig1](#)), each with its own assurance focus, as follows —

- **Planning** (the core control element setting the purpose for the organisation in the form of linked corporate plans, operational plans and risk management).
- **Board** (shareholder representatives accountable for organisational performance to key stakeholders – sets organisational direction, develops broad policy and supervises management).
- **Organisation** (CEO, senior managers and employees – responsible for the delivery of organisational outputs in line with the Board's corporate objectives).
- **Independent Assurance** (provides risk management and control assurance to the Board independent of management – supports the Board's accountability).
- **Management Assurance** (management's performance reporting, including the associated risk and control assurance to the Board – supports management's accountability).

The control elements are linked by an information system that promotes —

- effective decision-making;
- clarity of roles, responsibilities and authorities; and
- the performance processes of monitoring, reviewing and reporting.

1.3 CONTROL ASSURANCE

Assurance relates to the likelihood that planned objectives will be achieved within an acceptable degree of residual risk *i.e.* it seeks to ensure that an acceptable level of accountability will be realised by those assigned responsibility and authority for the achievement of an objective. Assurance is sought by the person or body assigning the responsibility and authority.

The level of assurance is reliant on the effectiveness of the systems and culture put in place by those persons or bodies responsible for implementing and maintaining the control environment. It follows that the persons or bodies assigning responsibility and authority, as well as seeking assurance, are responsible for the implementation of systems that provide and enhance that assurance.

Control assurance is provided by a balance of formal and inherent control.

The latter is developed by control activities that promote purpose, capability, commitment, monitoring and learning, and effective information flow throughout the organisation, including the Board, and are reliant on sound HR, ethics and communication. They occur continuously and consistently throughout the organisation, are embedded in normal business practice, and are to a large extent self sustaining. The control activities are in essence standard management practices.

Formal control processes involve assigning, monitoring, reviewing and reporting (command-control style based upon a hierarchy).

The aim of the Control Assurance Plan is to achieve a balance between the two assurance processes whereby there is increased reliance on inherent control assurance and formal control assurance is limited to essential compliance matters.

The Control assurance Plan operates by addressing the control criteria of purpose, capability, commitment, monitoring and learning, and information in each Control Element. The various aspects of the control criteria are addressed by applying standard management practices to each Control Element. The management practices are in essence Control Activities.

Control Activities address the Criteria in different ways in each Element depending upon the Element's control assurance focus as outlined under 1.2 above.

1.4 CONTROL CRITERIA

The Plan operates by addressing the control criteria of purpose, capability, commitment, monitoring and learning, and information in each control assurance element according to its control assurance focus.

Purpose

The Board is directly responsible for setting the organisation's strategic direction. It achieves this by developing the organisation's mission and vision from which are developed the corporate objectives. The Board is indirectly responsible through the CEO for ensuring that these objectives cascade throughout the organisation by translation into integrated and aligned operational, business, team and individual objectives. In association with this responsibility the Board and senior management have a duty to ensure that the significant internal and external risks associated with these objectives are identified and assessed.

Capability and Commitment

Capable and committed directors, committees, teams and employees are the key to providing reasonable assurance that the organisation's objectives will be met within an acceptable degree of residual risk. Capability and Commitment are facilitated through communication and human resource strategies aligned to the corporate objectives. An important issue is the development of awareness by all members of the organisation that they share the responsibility for the effectiveness of its risk management and control frameworks.

Capability and commitment are facilitated by —

- clearly defined roles and responsibilities;
- an understanding of how assigned roles and responsibilities contribute to personal and organisational purpose;
- aligning skills and ability with assigned roles and responsibilities; and
- the provision of support in terms of authority, tools and information.

Monitoring and Learning

Effective monitoring and reporting processes maintain a watch over the achievement of objectives at all levels and ensure compliance within the organisation's statutory and regulatory environments. A key element in this area is ensuring the continuing effectiveness of the organisation's risk management and control frameworks. Learning is achieved through identification of non-compliance, post-event analysis, variances from planned targets and the identification of opportunities.

Information

Information plays a vital role in supporting the criteria of Purpose, Capability and Commitment that form the basis of inherent control. Similarly, information is the vital link in formal control through its support of effective decision-making, and monitoring and reporting against targets and critical risks.

1.5 MANAGEMENT PRACTICES (CONTROL ACTIVITIES)

The various aspects of the control criteria are addressed by applying the following standard management practices (control activities) to each control assurance element —

- developing an appropriate organisational structure;
- linked corporate and operational planning;
- competencies matching objectives (strategic HR and Board recruitment practices);
- clarity of roles and responsibilities (Board operating manuals, terms of reference, charters, job descriptions, policies and procedures, inductions, ongoing training/information sessions; electronic document handling systems);
- matching assigned responsibilities with authority (delegations);
- high standards of ethical behaviour (codes of conduct, leading by example);
- effective monitoring and reporting systems;
- effective and timely information flow throughout the organisation; and
- an integrated risk management system.

1.6 DEFINITIONS

Assurance

Assurance relates to the likelihood that planned objectives will be achieved within an acceptable degree of residual risk *i.e.* it seeks to ensure that an acceptable level of accountability will be realised by those assigned responsibility and authority for the achievement of an objective. Assurance is sought by the person or body assigning the responsibility and authority.

The level of assurance is reliant on the effectiveness of the systems and culture put in place by those persons or bodies responsible for implementing and maintaining the control environment. It follows that the persons or bodies assigning responsibility and authority, as well as seeking assurance, are responsible for the implementation of systems that provide and enhance that assurance.

Assurance Focus	Control assurance responsibility assigned by legislation, regulation, listing rules or by an organisation's governance system. It may apply to individuals or parts of the organisation including the Board.
Control*	<p>Control comprises those elements of an organisation (including its resources, systems, processes, culture, structure and tasks) that, taken together, support people in the achievement of the organisation's objectives.</p> <p><i>Once the strategic direction of the organisation is determined everything that follows is part of the control environment.</i></p>
Control Activities*	Routines established to provide assurance that processes operate as designed and meet the requirements of the organisation's policies. (Management practices or principles)
Control Criteria*	Criteria that are the basis for understanding control in an organisation and for making judgements about the effectiveness of control.
Control Elements*	Any part of an organisation, or the relationship between parts of an organisation, that contributes to reliable achievement of its objectives.
Organisational Objectives	The long-term results, with appropriate key performance indicators, set by the organisation.
Formal Control	Control processes of assigning, monitoring, reviewing and reporting (command-control style based upon a hierarchy).

Inherent Control	Control activities that promote purpose, capability, commitment, monitoring and learning, and information throughout the organisation, including the Board, and are reliant on sound HR, ethics and communication. They occur continuously and consistently throughout the organisation, are embedded as normal management practices, and are to a large extent self sustaining.
Organisation*	A group of people working together to achieve objectives. This includes the entity and its governing body.
Risk Management	The culture, processes and structures that are directed towards realizing potential opportunities whilst managing adverse events.

* After *Control and Governance, Number 1 - Guidance on Control*. Canadian Institute of Chartered Accountants, 1995.

1.7 CONTROL ASSURANCE FIGURE



Figure 1
Components of Control Assurance