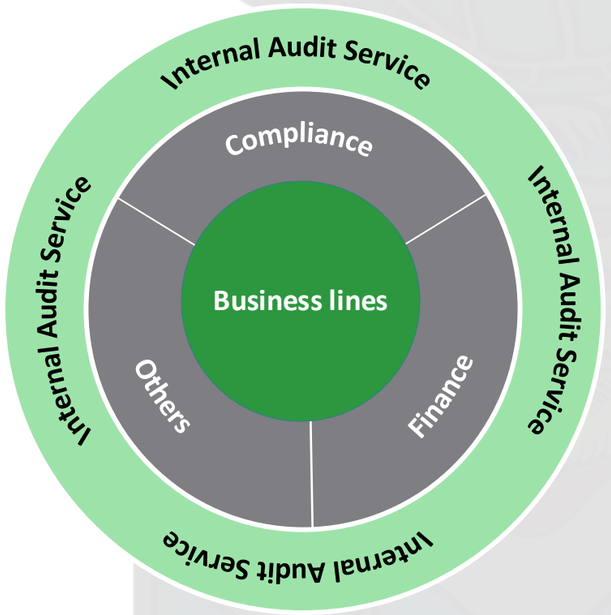
Three Lines of Defence

The Three Lines of Defence model illustrates the different objectives of each of the lines of defence in CIG and, how roles and responsibilities are divided to maintain the internal control environment.



First line of defence – *own and manage risk*
This is formed of operational management, responsible for identifying, owning and managing risk as part of their accountability for achieving objectives.

Second line of defence – *oversight and specialise in risk management*
This provides the policies, frameworks, tools, techniques and support to enable risk to be managed in the first line and, conducts monitoring to opine on effectiveness and helps ensure consistency of definitions and measurement of risk.

Third line of defence – *provide independent assurance*
This provides independent assurance that an organisation's risk management, governance and internal control processes are operating effectively. It reports to the Audit, Risk and Assurance committee.

What is Internal Audit?

Internal Audit Services (IAS) exists as the third line of defence within CIG. IA's role revolves around Collaborating with the organisation to assess whether the internal control environment is fit for purpose and robust.

Internal Auditors have a professional duty to provide an unbiased and objective view of the organisations' risk management, governance and internal control processes to the Deputy Governor.

IAS reviews are centred around a risk-based annual internal audit plan, focusing on the highest risks and associated processes within CIG to ensure efficiency in coverage of the CIG control environment.

The reviews enable IAS to opine on how well the systems and processes designed to keep the organisation on track, within the defined risk appetite, are working.

IA will also develop audit themes from the reviews performed and wider industry insight for inclusion in the annual audit report and opinion to the Deputy Governor.

The Internal Audit Process

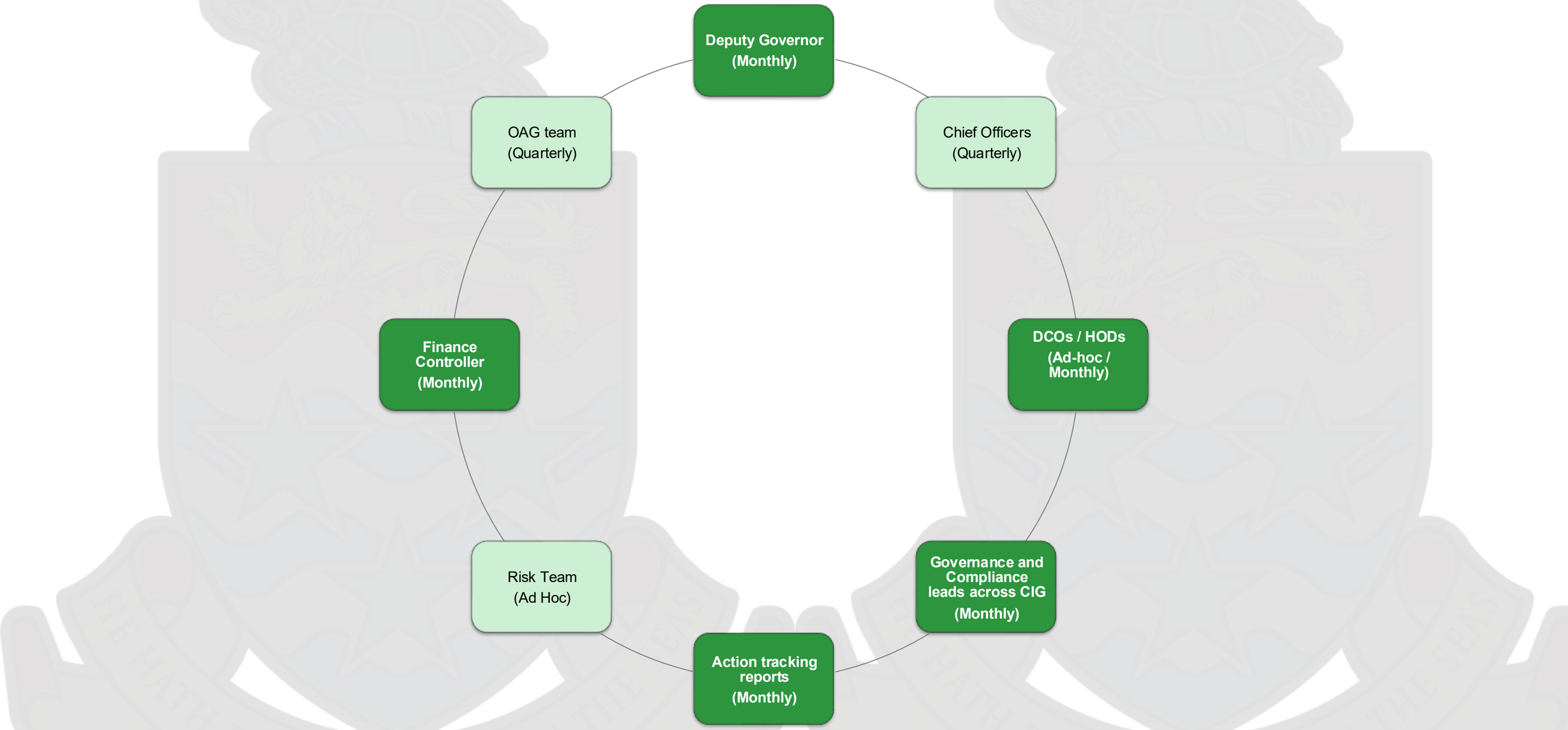
The internal audit lifecycle spans the annual audit planning process through to scoping, execution and reporting on individual reviews. The following illustrates a typical internal audit process.

Phase	Objective
Annual audit planning	Risk assess the auditable areas within CIG and develop a prioritised, risk based, list of audits to deliver in the period.
Scoping	Determine the scope and timings of the audit ensuring that management of key risks are within scope.
Fieldwork	Deliver the audit against the agreed audit objective and, within agreed timeframes through assessing Design and Operational Effectiveness.
Reporting	Provide an audit opinion with pragmatic challenge and insight to assist in improving the control environment

Internal Audit: Collaboration for Delivery

Phase	Internal Audit Approach	Support Required
Identification of key audits	• Liaise with key audit stakeholders to develop and manage emerging risks and implement relevant reviews where required.	• Periodic reporting / meetings with Chief Officer / Director teams to understand and develop the emerging risk profile of CIG.
Planning and Scoping	• Determine the scope and timings of the audit ensuring that management of key risks are within scope. • Understanding and identifying the systems, processes and controls to be reviewed, which will be primarily achieved through meetings with relevant individuals. • Identifying the operational and strategic controls established by Management.	• Provision of the names and availability of the key individuals who will be able to assist us as we complete our work. • Agreement to provide relevant documentation to plan the audit. • Agreement of the final Terms of Reference before fieldwork commences.
Fieldwork	• Deliver the audit against the agreed audit objective and, within agreed timeframes through assessing Design and Operational Effectiveness. • confirming our understanding of potential issues with relevant personnel	• Availability of individuals to assist us throughout the duration of the review • Provision of all documentation relevant to the scope this review within reasonable timescales. • Availability of key contacts for the fieldwork closing meeting. • Input into the finalised management actions.
Reporting	• Provide an audit opinion with pragmatic challenge and insight to assist in improving the control environment	• Timely provision of feedback on findings. • Timely provision of and commitment to management action plans.

Internal Audit: Stakeholder Interaction



Internal Audit: Service Levels

1	**Agreed annual audit plan and Charter and Memorandum of Understanding with the Accounting Officer and Audit and Risk Assurance Committee by 31 December.**
2	**Final Terms of Reference issued at least 10 days before fieldwork starts**
3	**Audits delivered within the timeframes agreed in the Terms of Reference**
4	**Draft report within 10 working days of the field work end date**
5	**Customer response to the draft report within 10 working days**
6	**Final report within 10 working days of customer response**
7	**Customer response to final report sign off / action plan 5 working days from issue.**
8	**Tracking all recommendations to support 80% of high priority actions implemented by agreed date(s)**
9	**Rolling average achievement score of 80% from customer service questionnaires (we will also track return rates)**
10	**Deliver at least 90% of annual plan in draft by 31 December 2023**
11	**Deliver 100% of annual plan to final by 31 January 2024**
12	**Annual report and opinion issued by 31 March 2024**

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