



DEVELOPING YOUR AUDIT AND ASSURANCE POLICY

October 2021

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DEVELOPING YOUR AUDIT AND ASSURANCE POLICY

GOVERNMENT PROPOSAL

“To introduce a statutory requirement on public interest entities to publish an annual Audit and Assurance Policy that describes the company’s approach to seeking assurance of its reported information over the next three years. In the case of quoted public listed entities, the Policy would be subject to an advisory shareholder vote at the time of its publication.”



IMPLICATIONS FOR COMPANIES

Your approach to risk and assurance will be disclosed in more detail and, for quoted entities, subject to an advisory vote at the AGM. Shareholders and other stakeholders are more likely to engage and analysts more likely to comment, leading to increased scrutiny.

The government has suggested that the Audit and Assurance Policy will be required initially by Premium Listed companies, before being extended to other public interest entities two years later. As a minimum, the Audit and Assurance Policy is expected to include:

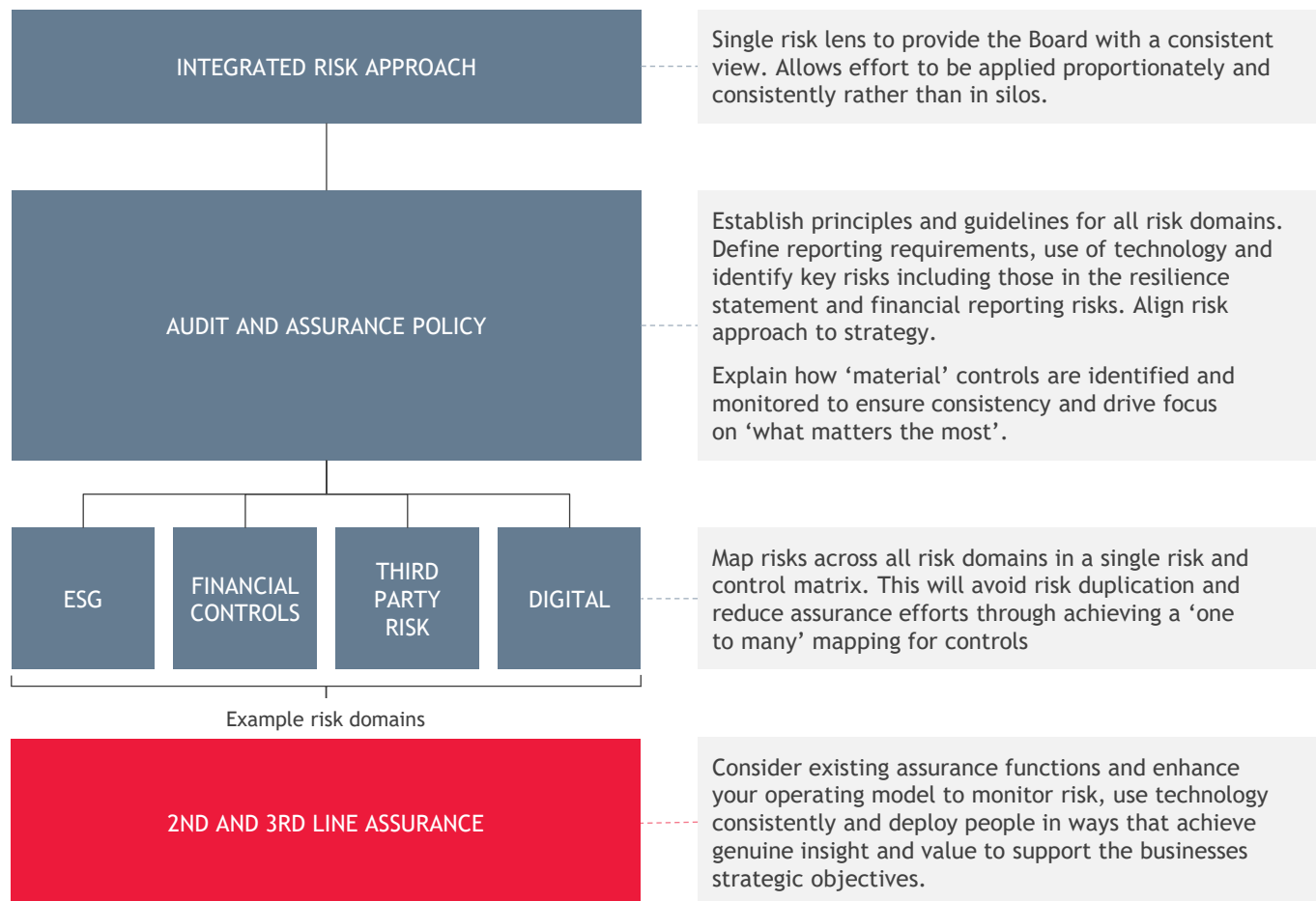
POLICY AREA	SPECIFIC DISCLOSURES	DETAILS EXPECTED
Independent assurance	<ul style="list-style-type: none"> ▶ Effectiveness over internal controls ('UK SOX') ▶ Resilience statement and other risk disclosures. 	<p>Internal Controls</p> <ul style="list-style-type: none"> ▶ What control framework or benchmark has been adopted e.g. COSO? ▶ What operating model has been adopted / will be implemented ▶ Establish principles to determine assurance required, including external assurance and the factors considered in determining the level of assurance obtained (e.g. number of IT systems, acquisitions, errors, culture, strength of internal assurance functions) and stakeholder reporting requirements ▶ Reporting to be included in the Annual Report ▶ Approach to deficiency classification and to remediation. <p>Resilience statement</p> <ul style="list-style-type: none"> ▶ Disclosure of any material uncertainties and assurance provided over mitigating action taken ▶ Assurance provided over reverse stress testing scenarios ▶ Assurance provided over threats to: a) liquidity, solvency and business continuity in response to disruptive events, b) supply chain resilience and other business dependencies e.g. particular products, markets and services, c) digital security risks, d) business investment needs, e) sustainability of the company dividend, f) climate change risk including impact of climate change on the company’s business model, and g) any other matters specific to individual companies e.g. system implementations, transformations, competitor action / emergence.
Internal audit and assurance	<ul style="list-style-type: none"> ▶ Internal audit and assurance capability. 	<ul style="list-style-type: none"> ▶ How are judgements and conclusions in the Annual Report challenged and verified? ▶ How will 2nd and 3rd line capability be strengthened over the next three years? ▶ Explain why additional assurance is required and why a particular firm was engaged.
External audit	<ul style="list-style-type: none"> ▶ External audit services. 	<ul style="list-style-type: none"> ▶ Approach to tendering and running an effective tender ▶ Non-audit services provided by the external auditor.
Stakeholder engagement	<ul style="list-style-type: none"> ▶ Shareholder engagement ▶ Employee engagement. 	<ul style="list-style-type: none"> ▶ How / when are stakeholders engaged? ▶ What does effective engagement look like? ▶ Will KPIs and APMs be challenged and additional assurance sought? Consider remuneration, climate measures, employee satisfaction etc.

The Government has proposed that routine consideration should be given for possible additional assurance in this area for every new Audit and Assurance Policy



DEVELOPING YOUR AUDIT AND ASSURANCE POLICY

CREATING VALUE AND DRIVING EFFICIENCY ACROSS YOUR RISK LANDSCAPE



INITIAL STEPS TO CONSIDER



HOW BDO CAN HELP

Utilising our extensive risk management experience, we can help clients with:



Policy development and creation including stakeholder engagement.



Enhance the development of your risk operating model to deliver your Policy goals.



Run risk workshops to identify material risks and controls.



Build risk documentation consistently across all risk domains.



Identify efficiencies and eliminate duplication in your risk process.

KEY CONTACT



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