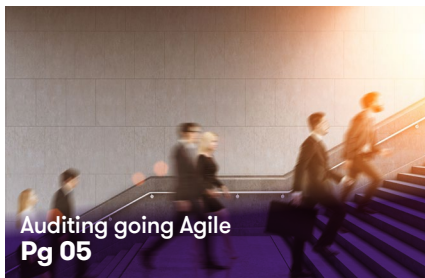


Business Risk Services

Q2 2022 | Edition 2 **Newsletter**

In this edition



Welcome to our winter newsletter. This edition focuses on Internal Audit and the transformation of Internal Audit.

The International Institute of Internal Audit focused on Internal Audit during the month of May ... and so did we. We had a panel interview with our leadership to engage them on how they see the future of Internal Audit. You can listen to our leaders on our SNG Grant Thornton LinkedIn page.

The importance and value of Internal Audit functions within an organization is becoming increasingly important given the rate of technological changes, market conditions and emerging risks. Internal Audit functions need to remain attentive and be more vigilant in executing its mandate to be an independent, objective, assurance and consulting partner that adds value to improve an organisation's operations. Internal Audit is in an influential position to support the successful achievement of organizations strategy and objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Recently I came across the statistics as to how fast the world is changing and a simple yet profound example is the fact that the internet has reached 65% of the worlds population.

See extract below from Visual Capitalist.

As of July 2021, the internet reached 65% of the World's population and represents 5.17 billion people - a 10% increase from January 2021. Of this total 92.6% accessed the internet via mobile devices. According to Statista, the total amount of data consumed globally in 2021 was 79 zettabytes, an annual number projected to grow over 180 zettabytes by 2025.

Global Internet Population Growth in Millions (in Billions)



You might say why change? Don't change something if it is working. Fortunately, our Internal Audit mandate and ethical standards are the same. However, change is inevitable and the future of Internal Audit requires new thinking to align to the myriad of changes we see in business in order to continue adding value. We need to challenge and be innovative on how we execute on our mandate. We should capitalize on the technology that is available to improve our execution. We should utilize new methods and practices for example, be more agile in executing our audits. We should collaborate more effectively with other assurance providers to extend the reach of the assurance activities through Combined Assurance. We should be proactive and pre-empt emerging risks or themes to support the organization to be future fit.


This newsletter will give you food for thought in respect of improving your Internal Audit function by transforming using technology, improving Combined Assurance and adopting new methods for example Agile Auditing. We will also provide insight in respect of two emerging themes namely: Third Party Risk Management and Integrated Reporting.

The SNG Grant Thornton team is excited about the future of Internal Audit and we look forward to collaborate with you.



Ria Pretorius

How influential is your Internal Audit to support the successful achievement of strategy and objectives?



Ria Pretorius





Ria Pretorius

Traditionally we asked if Internal Audit is effective, or did they execute the plan? Is that still the right measure of success in the dynamic environment that we operate in? Execution of the plan and being effective at it should be a foundational requirement.

Internal Audit needs to be an objective partner to Management and utilize the knowledge of the business, coupled with governance and risk expertise, to support the organization to navigate the turbulence whilst meeting objectives and targets.

Internal Auditors should consider the following to become business partners and influence the organization success:

1) Get the basics right:

Provide the Audit Committee and executive management with the assurance they need, namely that they can rely on the organisation's processes and systems to manage risks in order to achieve its objectives. That means providing assurance on the risks that matter to the company today, in a form and timeframe that is useful. Make recommendations for improvements that are 'fit for purpose' and acted on by management.

2) Obtain an effective quality assurance review (QAR) as prescribed by the IIA:

Obtain a regular independent assessment of the effectiveness of the function to improve the confidence of the Board in the Internal Audit function. This allows for continuous improvement as well as increased credibility of the Internal Audit function.

3) Perform a deep risk evaluation in respect to the changes in the environment:

For example, carefully analyse hybrid working schedules. What is the implication for assets, governance, audit coverage? Is the policies and procedures still adequate? Is remote supervision and oversight effective controls? Is segregation of duties compromised by technology work-arounds that preclude physical oversight and inquiry? Is there remote-latency that impact time-sensitive processes?

4) Leverage advance analytical procedures:

Use data analytics to analyse large volumes of data to obtain greater insight, identify trends or test full populations of transactions. Analysing data during the planning of an audit process could identify risks that require auditing that may have been missed.

5) Incorporate new ways of work and new technologies to automate the execution of the audit and achieve faster reporting:

Audit reporting cycle times are often too long and lack agility in a dynamic environment. Adopt different protocols and ways of work to increase communication and collaboration to achieve shorter reporting timelines. Enhance IA methodologies to be leaner and allow flexibility for shorter delivery cycles. Collaboration tools can also speed up the process, without compromising quality. The creation and use of Internal Audit dashboards to increase the visualisation of assurance activities enhances team collaboration, effectiveness, efficiency and ultimately adds value to reporting.

The SNG Grant Thornton team helps Internal Audit functions to transform and become technological enabled. We perform maturity assessments and prepare a roadmap that will guide you to be future fit for the organization. Teaming with us transforms Internal Audit functions to achieve a high level of performance, assists with enhanced process efficiency, operational quality, internal control, and regulatory compliance. We enhance the overall value delivered by Internal Audit functions through strengthening quality, flexibility, efficiency, and value.

Auditing going Agile

Omar Hassan





Omar Hassan

“Success today requires Agility and drive to constantly rethink, reinvigorate, react, and reinvent”. Bill Gates

This statement is true not only for software development but to align Internal Audit to the fast-paced high demanding business environment. Organizational Agility has become essential for organisations to keep up with the rate of change, remain competitive and meet customer needs. Agile Internal Auditing seeks to ensure Internal Audit functions partner with business to provide Real-Time value from risk based targeted assurance.

Internal Audit is continuously challenged to stay abreast of the organisational strategic objectives, market conditions and provide increased value to stakeholders to enhance organisations effectiveness.

Stakeholders are demanding deeper insights from Internal Audit through increased assurance efficiency and effectiveness, pro-active risk reporting, advice and guidance on business processes and control maturity. Stakeholders are demanding more VALUE! The value of traditional auditing is being questioned in many industries. The time to be Agile is NOW! !

So, what is Agile Internal Auditing in practical terms?

It still is Independent Auditing, but with a twist. The fundamentals of auditing remains intact but the delivery method is amplified to create efficiencies and enhanced value. Essentially it is a cultural and mindset shift that challenges the traditional ways of auditing to be more flexible, targeted and value based. It is the ability of the Internal Audit function to respond to business and stakeholder needs through accelerated audit cycles,

risk-based auditing, real-time reporting and increased collaboration.

Agile auditing means auditing in focus increments. For example, breaking traditional scope areas down into smaller increments, auditing and reporting on these and thereafter going back into planning to re-focus on higher risk areas. It is the new way to audit allowing the audit team to easily adapt to market changes, business innovation, reducing cost and time to serve while enhancing the quality and insights to business.

Key considerations for Internal Audit functions going Agile:

1. Embedding the cultural and mindset shift across the function

Agile is a mindset, a set of attitudes and thought processes that involves understanding, collaborating, learning and staying flexible to achieve high-performing results. This is seen as the foundation that allows agile to be successful. It is a mindset of customer centricity, adaptability and continuous learning.

We often find organizations jumping on the “Agile” bandwagon by running some awareness campaigns, introducing a series of training courses, having stand-up meetings and introducing Internal Audit Agile terminology, then expecting the department to be Agile transformed. Guess what? they revert to traditional auditing in a matter of months as they look disorganized, fear the loss of control and lose the buy-in from staff along the way.

When it comes to change especially Agile you need to “go slow, to go fast”, clearly defining and creating awareness of the to-be end state. The shift to Agile requires engaged and active leadership, Leaders who fully buy into Internal Audit transformation and are willing to allow their team to adapt and learn as they transition into the agile reality. This requires continuous investment of time and money as well as consistent communication and feedback loops between employees and leaders. Internal Auditors often want proof or as we call it “evidence” before they have belief in something., Thus it is important too

in the Agile transformation. The beauty of Agile Internal Audit transformations is that you can start off as small as one audit or function and scale as you feel the culture and mindset start shifting.

2. Establishing empowered autonomous teams/squads

One of the fundamentals in Agile is the establishment and empowerment of self-organizing and effective teams. Internal Audit functions have a wealth of knowledge and expertise but often the levels of bureaucracy impacts on the effectiveness and value of their service. We often find deep skills and expertise being hidden within Internal Audit functions, key skills being under-utilised and the levels and layers of review cycles impacting on speed of service and diminished value.

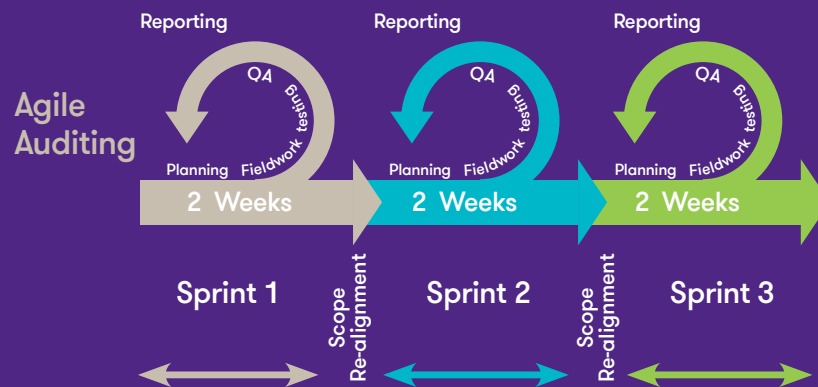
Agile Internal Audit requires Internal Audit functions to build teams that are multi skilled, have a clear focus, common goal and have the authority to adapt and make decisive decisions in alignment of the team and Internal Audit functions goals. This is a game changer in unlocking potential value as it empowers the Agile teams to work closely together in delivering their audit objectives in a manner that is adaptable and fully owned by the team, which in turn increases accountability, quality and value creation.

Creating stable teams and aligning them to deliver on different components of the audit plan/ backlog results in enhanced focus and increased efficiency of value added delivery to the organization. When we think Agile, we should think high performing empowered teams. As leaders our ability to trust, empower and drive a team culture is crucial for “Agile” success.

3. Clear focus in accelerating delivery cycles

Imagine a world where Internal Audit could be seen as a partner! A world where independent Internal Audit insight is provided to management regularly to enable them to reduce their risk exposure and improve the organizations control environment. That world is Agile! Enabling customer centricity and value focused. The Internal Audit functions ability to shorten their response/feedback cycles to management is vital to increase the value they could add to the organisation.

The value of Internal Audit output is diminished and questioned by stakeholders due to the duration of audit review cycles. Stakeholders usually must wait months before receiving any insightful feedback from audit teams with the traditional audit approach, leaving the organization exposed. Accelerated audit delivery cycles, where the agile team structures the audit into smaller work packages or sprints allows for earlier feedback to stakeholders to address risks identified. The early feedback and involvement of stakeholders also provides insight on key areas of concern timely which could result in a shift in audit focus on areas of greater concern, resulting in increased value to the organization. This allows stakeholders to be fully engaged in the audit and support its outcome. The accelerated delivery cycles is depicted in the diagram below.



4. Flexible audit planning

In today's fast paced business environment and market, the traditional 12-month audit planning is usually out-dated by quarter one of the financial year. This often results in Internal Audit not meeting the business need or cumbersome change management processes to retrofit the audit plan, increasing the admin overhead and wasteful time.

Agile Audit Planning allows for constant re-prioritisation of the audit plan to align with business needs. It is, moving from an annual audit plan to quarterly focused planning with a 6-12 month forecast. Requiring audit teams to only lock down a quarterly plan and have high-level objectives or proposed audits for the balance of the year. Even then, the team is empowered to update and reprioritize the scopes of the committed audits as they deem fit for the area under review to ensure coverage of key risks. The focus is on value rather than number of audits to be delivered.

Agile planning creates empowered Internal Audit Agile teams to flex their audit plan as key risks arise to provide Real-Time assurance over processes and controls that would immediately add value to the organization and are of high priority.

5. Visualisation

The concept of Agile is about creating an enhanced and perfect experience for the Internal Audit Agile team and function. The Agile team is responsible for the planning, fieldwork, reporting and closure of the audit. The visualization of the audit tasks, process, responsibilities, risks etc allows for the team members to easily understand the current progress of the audit, key responsibilities as well as the importance and impact of the work they are assigned. It also allows for wider stakeholders to understand the audit progress and challenges. Its key that Agile teams are trained and equipped with tools and resources to allow for visualization of audit tasks, deliverables, issues and challenges. Especially in today's hybrid way of working leaders need to ensure that Internal Audit tools and systems are digitally enabled to cater for Agile visualization.

Conclusion

The future of Internal Audit is exciting and has increased potential. The transformation into Agile certainly increases its efficiency as well as effectiveness when the transition from traditional to Agile is managed and executed in a structured and deliberate manner. The key is to have active leadership in the change and remember to communicate communicate communicate. Internal Audit functions should always look at starting small by transitioning one area or audit team and continuously assess the readiness of the Internal Audit function to scale and fully embed Agile as a new way of work.

The journey to Agile is exciting and one of continuous learning and innovative thinking. SNG Grant Thornton is here to support your journey to greatness. Reach out to us for our insights and suggestions to help increase the value on your business!

Internal Audit Digital Transformation

Sithabile Zungu & Riaaz Mahomed





Sithabile Zungu



Riaaz Mahomed

The digital disruption and rapid technological advancements driven by cloud computing, robotics, internet of things, mobile platforms and so forth have changed the way organisations do business and are creating a need for traditional Internal Audit functions to pivot into a function that is technologically enabled

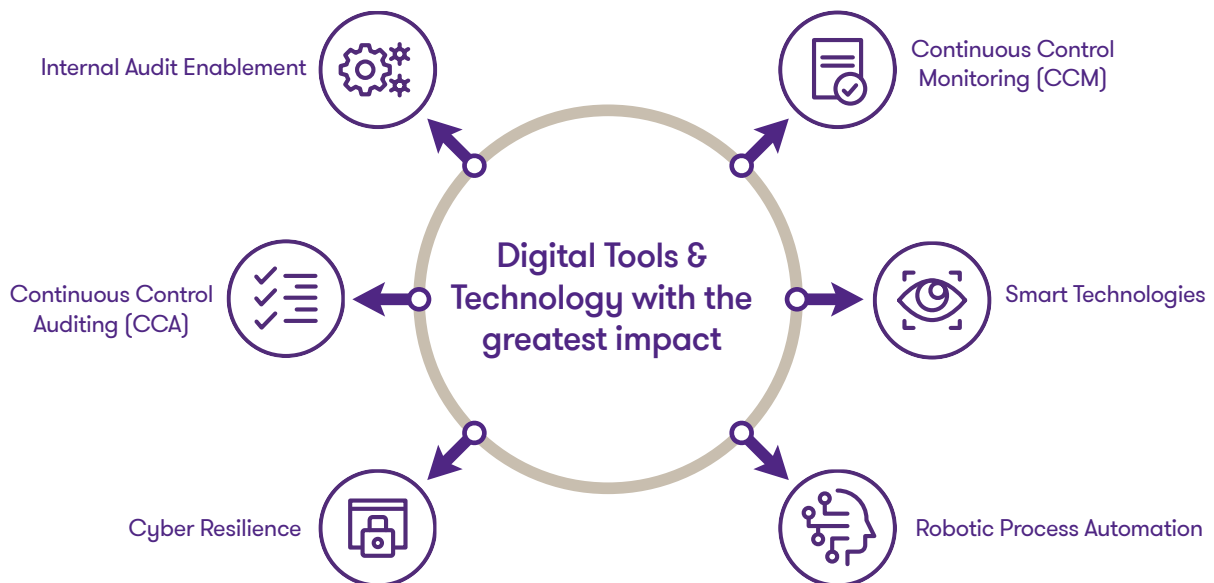
These new technologies bring a myriad of opportunities but also a different level of risk exposure for organisations that are on the digital transformation journey. Furthermore, given recent global economic events, several high profile incidents of fraud and pressures from regulators, investors and lenders, organisations are increasing their focus on governance and controls. Ineffective processes, poor controls and a lack of governance are not acceptable. As a result, executive management and Boards are demanding greater accountability, transparency and often feel that there is an unknown risk exposure associated with these new technologies which threatens their ability to govern organisations.

So how does an Internal Audit function digitally transform? In this article we explore digital tools and technology which we believe have the greatest impact on transforming Internal Audit functions as well as key considerations for the transformation journey.

The digital tools and technology transforming Internal Audit

A combined use of digital tools and technology helps Internal Audit functions achieve a focused identification of key business risks and tailored monitoring activities, attain a broad view of key business risks and view company data more clearly. Such information will help them to communicate effectively among teams and focus on bringing just-in-time business insights, process improvement suggestions, risk management ideas and leading practices.

In the graphic below we highlight some of the digital tools and technology and briefly discuss them in the paragraphs that follow:



Internal Audit Enablement

Digital platforms that partially or fully digitalize the Internal Audit service delivery lifecycle – Planning and assessment, Execution, Reporting, Follow-up and remediation to ensure an effective and efficient Internal Audit function. Key digital considerations for each phase are as follows:

Planning and assessment:

- Identify and assess risks beyond today’s scope by leveraging predictive, historical and external data;
- Execution: Risk and control reviews via process mining tools;
- Data driven audit execution via bespoke analytics or standardized analytics; and
- Control and testing automation through Robotics Process Automation (RPA).

Reporting:

- Internal Audit dashboard reporting;
- Internal Audit video reporting; and
- Digital boardroom.

Follow-up and remediation:

- Process automation for recurring follow-up activities (email-reminder, status tracking); and
- Continuous auditing (e.g., weekly, monthly) via bespoke monitoring dashboards.

Continuous Control Monitoring (CCM)

A standardised suite of data analytics by process that is developed in a data visualization tool to enable automated, on-going monitoring and clearing of exceptions (key risk indicators) by management.

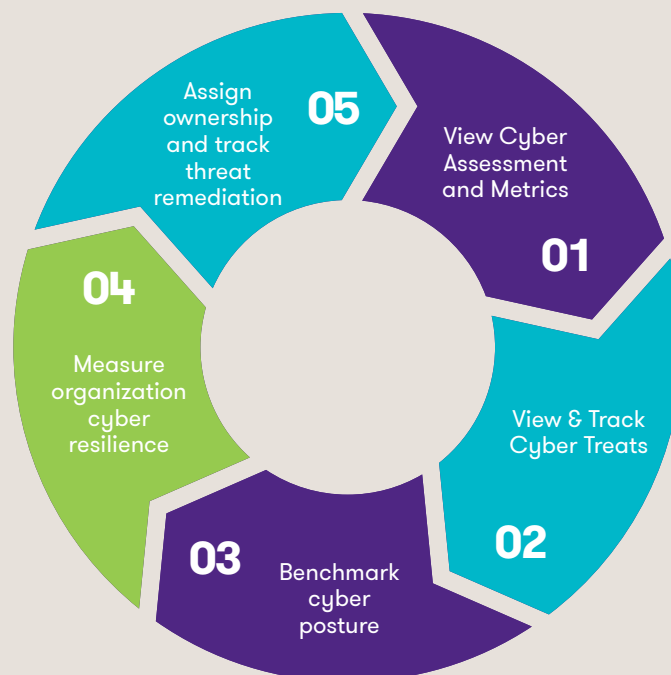
The benefits of CCM are many fold a few have been listed below:

- Apply technology to optimize key business processes;
- CCM generated process efficiencies and cost savings;
- “Real-time” notification of anomalies from expected outcomes based on established business rules;
- Identification of transaction anomalies that could indicate fraud; and
- Business performance monitoring and data for decision support.

Continuous Control Auditing

Continuous Control Auditing (CCA) enables Internal Audit to have oversight and audit capabilities over the CCM environment in an automated, non-invasive and continual manner.

CCA enables Internal Audit to continuously collect 100% of data that supports auditing activities. Internal Audit can provide the organization with continuous assurance by performing ongoing testing of continuous monitoring activities.

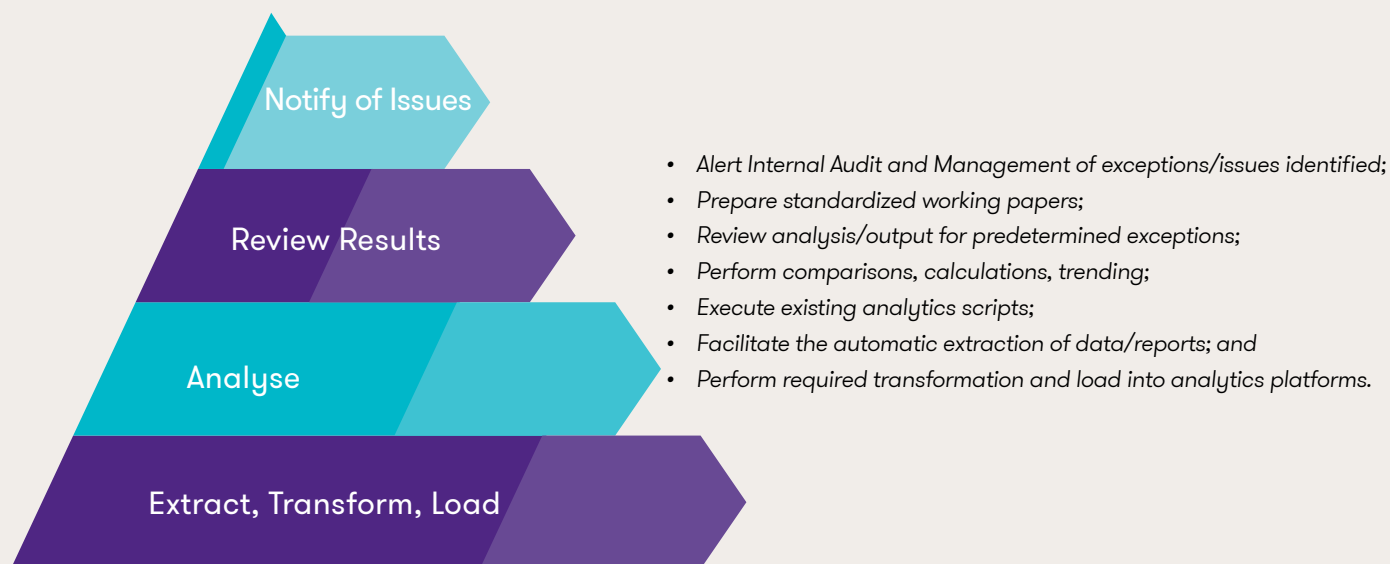


Cyber Resilience dashboarding

Interactive dashboarding solutions designed using Artificial Intelligence (AI) to provide a 360-degree view on the organisations cyber security posture. The following elements are employed in the process.

Robotic Process Automation

“Robots” are software tools that have emerged to simplify business process delivery. The technology behind this development is called robotic process automation (RPA). These software robots offer improved business efficiency, data security and effectiveness by mimicking human actions and automating repetitive tasks across multiple business applications without altering existing infrastructure and systems. Enhanced productivity, reduced cycle time, and improved accuracy and compliance are some of the benefits of this technology. RPA can be used to facilitate the continuous monitoring of controls and automation of rules based routine work.



Smart Technologies

The use of smart technologies such as machine learning, drones, augmented & virtual reality and blockchain to virtualise Internal Audit testing methods. A few have been listed below:

Smart Technology	What is it?	What can it be used for?
Optical /Intelligent Character Recognition	Intelligent rapid process of digitizing hardcopy documentation into electronic formatted output.	Digitally ingest large volumes of artefacts which can be processed into the requested users output format thereby increasing efficiency and accuracy.
Machine Learning	Machine learning is an application of artificial intelligence (AI) that provides systems the ability to automatically learn and improve from experience without being explicitly programmed.	Automatically recognize trends and anomalies using AI models and Natural Language Processing to provide users with output that is actionable.
Augmented and Virtual Reality	Augmented reality (AR) adds digital elements to a live view often by using the camera on a smartphone. Examples of augmented reality experiences include Snapchat lenses and the game Pokemon Go. Virtual reality (VR) implies a complete immersion experience that shuts out the physical world.	AR & VR can be deployed to perform immersive walkthroughs of various locations thereby assisting in process understanding and confirmations.
Drones	Drones are more formally known as unmanned aerial vehicles (UAVs). Essentially, a drone is a flying robot that can be remotely controlled or fly autonomously through software-controlled flight plans in their embedded systems, working in conjunction with onboard sensors and GPS.	Drones can be used to capture, view and analyze aerial imagery and survey data. This helps manage sites and behavior by tracking the location of assets, stock-flow and items needing attention.
Blockchain	An electronic, distributed ledger that is immutable, un-hackable and a single version of the truth across multiple parties that do not know or trust each other.	Record, store and share data in a transparent, accurate, secure manner.

Key considerations for Internal Audits transformation journey:

- Take your organisation along the journey with you. Aligning your Internal Audit functions digital transformation journey with your organisational strategy, goals and objectives is imperative;
- Assess your current Internal Audit operating model, resource model and technology footprint to identify opportunities to automate, innovate and better position the function for transformation;
- Start by making real investments in areas of impact and aggressively prioritise “low-hanging fruit.” This will demonstrate value and provide motivation for larger transformation initiatives;
- Leverage existing tools and technology, partnerships, existing management capability that your organisation may already have.
- Secure executive sponsorship through a clearly articulated value proposition.

Solicit business support by co-developing your digital transformation strategy as well as ensure transparent and frequent communication. At SNG Grant Thornton we are passionate about digital transformation. We assist with current state assessments and co-create roadmaps to make your Internal Audit function future fit.

Integrated Reporting

The background of the page features a close-up, low-angle shot of a person's hands typing on a laptop keyboard. The lighting is soft and blue-toned, creating a professional and digital atmosphere. Overlaid on this background are several semi-transparent, white icons: a calendar with a checkmark, a document with a checkmark, a document with horizontal lines, a padlock, and a document with a checkmark. The overall composition is clean and modern, emphasizing business and technology.

The providers of financial capital as the primary audience of Integrated Reports

Gerdileen Taylor and Fana Manana



Gerdileen Taylor



Fana Manana

A word that probably make all South Africans sigh is loadshedding. The bulk of South Africans are still fully dependent on our parastatal (Eskom), power utility to produce electricity, but unfortunately Eskom’s service is not very reliable due to several factors.

Most companies (public or private) and individual families, who can afford it, have made back-up plans for when the dreaded loadshedding hits again. Generators, gas stoves and geysers as well as solar panels are becoming more and more popular. In essence it is safe to argue that most South Africans would like to divest from Eskom. Ironically, if you are a taxpaying, South African citizen you are heavily invested in Eskom, whether you want to be or not. You are indeed a provider of financial capital. According to the IOL Eskom received another R21.9 billion bailout from the Minister of Finance in 2022.

Now, what does taxpayers’ indirect investments in Eskom have to do with Integrated Reporting? The keywords here are: providers of financial capital. R21.9 billion is an enormous investment and you and I pay for it. Yet, I doubt that many of us have studied Eskom’s Integrated Report. And if you have, has it made you any wiser about the failures of the organisation? Integrated reporting differs from social and environmental reporting and sustainability reporting in that its target audience is financial capital providers rather than a broad variety of stakeholders (Humphrey et al., 2017). The fact that the IIRC (International Integrated Reporting Council) clearly specifies that “the fundamental goal of an Integrated Report is to explain to the providers of financial capital how an organization develops value over time” (IIRC, 2013c:4) is a major source of interest in the Integrated Reporting community.

According to the IIRC Integrated Reporting can improve “the quality of information available to providers of financial capital to enable a more efficient and productive allocation of capital” (IIRC, 2013:3). However, Lange (2019) states that providers of financial capital think Integrated Reports are boilerplate and lacking in information value. In a recent study that was conducted it was also found that the level of knowledge about Integrated Reporting possessed by providers of financial capital in South Africa is extremely limited. Therefore, research points to the idea that providers of financial capital are not specifically interested in Integrated Reporting. The obvious questions that emerge are: Why is this the case? What is the information needs of providers of financial capital? And, seeing that providers of financial capital are the primary audience of Integrated Reports, how can Integrated Reporting address their needs? Or perhaps, should the providers of financial capital tail wag the Integrated Reporting-dog?

Lange (2019) argues that providers of financial capital are interested in two specific themes in reporting: governance and business outcomes. A survey of the top 8 companies by market capitalization in August 2019, on the Johannesburg Stock Exchange (JSE) was analysed.

So called “boilerplate” disclosures in governance reporting remain an issue.

Very few reports explain what those charged with governance have done to add value to the company. The reporting on governance seems to be separate from the rest of the report with no clear linkages. Research also illustrated that providers of financial capital have a very specific interest in the management of companies and would prefer engagements with management over governance reporting. Now, you must ask why this is the case? It is evident that providers of financial capital do not like or trust the way companies report on governance. Lange (2019) provides four guidelines to improve governance reporting:

1. Report on more than processes.
2. Report beyond the obvious.
3. Describe what makes your company unique.
4. Focus on the most important points and use structure to assist you.

Lange (2019) also confirms that reporting on business outcomes is problematic. The specification of the business model’s inputs, outputs, and outcomes allows the company to describe how it generates value. The company’s business model should show how it employs various capitals as inputs to its business activities, such as relationships and resources, to produce outputs in the form of products, services, material by-products, or waste. Internal and external outputs, both positive and negative, should be represented by outcomes. Most businesses solely consider the positive outcomes, ignoring the negative outcomes and trade-offs.

The result of an over emphasis on the positive is a perceived lack of transparency. A lack of transparency in turn results in distrust. This information asymmetry has been reported as one of the greatest issues with Integrated Reporting for providers of financial capital for a long time (Sriani & Augustia, 2020; Garcia-Sanchez & Noguera_ Gamez, 2017). Providers of financial capital do not trust corporate reporting, but some providers of financial capital were not even aware of Integrated Reporting or making use of Integrated Reports in their investment decision-making.

Yet, the IIRC has singled out the providers of financial capital as the primary audience of Integrated Reports. There is some irony in this.

The saying: it takes two to tango is very applicable. It is evident that it would require an acknowledgement and acceptance of a reciprocal responsibility from report preparers and providers of financial capital to ensure the success of Integrated Reporting, to result in financial stability and sustainability, through better capital allocation. Report preparers must make sure that the information provided in Integrated Reports are accurate and truthful for sustainable investments. On the other hand, providers of financial capital should study and understand the Integrated Reports of the companies that they invest in.

There is a complete abdication of responsibility from providers of financial capital in terms of using Integrated Reporting to inform investment decision-making. So, the question remains – how can we get providers of financial capital to take up this responsibility and become active stakeholders and shareholders, instead of passive complainers? Remember, all of us are providers of financial capital.

Released in December 2021, the prototype Integrated Thinking Principles ('Principles') – together with the Integrated Reporting Framework and the SASB Standards – can help embed sustainable business practices into every organization and provide a foundation for long-term value creation. Integrated Thinking and Integrated Reporting have long gone together, and Integrated Thinking has supported the design and execution of strategies underpinning value creation for both investors and other key stakeholders. We have confidence in the fact that that Integrated Thinking and understanding of the integration of the various Principles (Purpose, Strategy, Risks & Opportunities, Culture, Governance, Performance) and Capitals (Financial, Manufacturing, Intellectual, Human, Social & Relationship, Natural) by providers of financial capital will play a big role in the transition from passive complainers to active stakeholders.

At SNG Grant Thornton we utilise our Integrated Reporting and risk management framework which enables us to assess organisations current state of Integrated Reporting readiness and compliance to the IIRC principles and requirements to transform our clients Integrated Reports. The SNG Grant Thornton team is well equipped to support clients with their Integrated Reporting aspects of their business. For any Integrated Reporting assistance, contact Gerdileen Taylor on 083 283 7704 or Gerdileen.Taylor@sng.gt.com or Fana.Manana@sng.gt.com.

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Third-Party Risk Management

Ria Pretorius and Riaaz Mahomed





Ria Pretorius



Riaaz Mahomed

Third-parties help businesses drive efficiency and cost savings, but they also give rise to complex and evolving risks.

These risks are mainly related to Cybersecurity, Operational, Compliance, Reputational and Financial risks which are expounded below:

Cybersecurity risk: The risk of exposure or loss resulting from a cyberattack, security breach, or other security incidents.

Operational risk: The risk of a third-party causing disruption to the business operations. This is typically managed through contractually bound service level agreements (SLAs), and business continuity and incident response plans. Depending on the criticality of the vendor, organisations may opt to have a backup vendor in place which is common practice in the financial services industry.

Legal, regulatory, and compliance risk: The risk of a third-party impacting your organisations compliance with local legislation, regulation, or agreements.

Reputational risk: The risk of negative public opinion due to a third-party. Dissatisfied customers, inappropriate interactions, and poor recommendations are only the tip of the iceberg. The most damaging events are third-party data breaches resulting from poor data security.

Financial risk: The risk that a third-party will have a detrimental impact on the financial success of your organization. For example, your organization may not be able to sell a new product due to poor supply chain management.



We utilise our leading third-party risk management framework which enables us to rapidly assess your organisations current state simultaneously applying a risk lens to effectively transform your third-party risk management program:

Planning & Sourcing

- Does your organisation have a consolidated record of all your third-party service providers?
- Does your organisation have an established third party management policy, procedure and framework?

Risk Assessment

- Has your organisation conducted a risk assessment for each third party service provider
- Is your third party risk information easily accessible and available to the relevant stakeholders?

Contracting & on-boarding

- Has your organisation defined the minimum requirements in terms of a contract and/or service level agreements required for third party service providers?
- Does your organisation periodically monitor third party performance in terms of their contract and/or service level agreements?

Monitoring

- Does your organisation periodically review third parties current and emerging risks to ensure they remain relevant?
- Does your organisation adequately report on third parties including their associated risks at the appropriate governance committees?

Termination & off-boarding

- Has your organisation defined handover protocols of data and assets as part of third parties exit and handover process?



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