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RISK MANAGEMENT  
SEMINAR 2012

# Coordination of Risk Management with Internal Control and Internal Audit

Michel DENNERY : Vice-President FERMA

Thijs SMIT : ECIIA Board member

Paul TAYLOR : ARMIC

Panel debate 3

**LIVING AND  
WORKING IN A  
RISKIER WORLD**

VERSAILLES, FRANCE  
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de Versailles



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# Guidance on the 8<sup>th</sup> EU Company law Directive

- Guidance about 8<sup>th</sup> EU Dir. : ECIIA & FERMA
- Green paper about the project of 9<sup>th</sup> Dir. EU





# 3 lines of defense model

Board / Audit Committee

**SENIOR MANAGEMENT**

1<sup>st</sup> Line of  
defense

- **Opérational Management**
- **Internal Control**

2<sup>nd</sup> line of  
defense

- **Risk Management**
- **Compliance**
- **Others**

3<sup>rd</sup> line of  
defense

- **Internal Audit**



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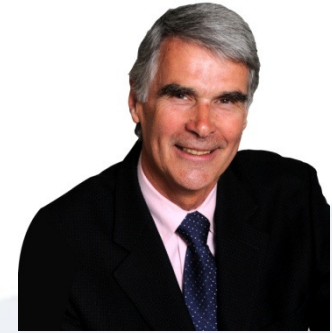
## **Thijs SMIT : ECIIA Board member**

**Corporate Internal Auditor, SHV Holdings N.V.**

- Ahold, food retailer. Focus monitoring risks at first line. Support from third line.
- SNS Reaal, financial services. Strong risk management departments in second line. Third line limited to review second line.



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## Paul TAYLOR : ARMIC

- Increasing convergence and co-ordination in the last 10 years, still a long way to go.
- The catalysts:
  - Framework/process includes all disciplines
  - Common language and definitions
  - Clear understanding of roles and responsibilities



# Common Process

## Risk or Compliance Issue Defined:

- Strategic
- Operational
- External
- Compliance & Ethics

Acceptability  
and Tolerance  
Defined

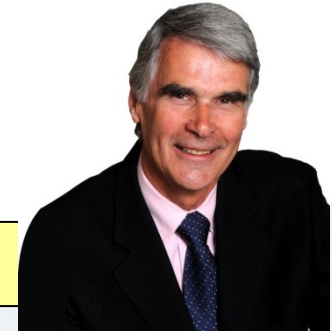
Policy defines  
standards or  
requirements

Processes  
and Controls  
implemented

Assurance to  
Audit  
Committee

Controls  
independently  
assured

Controls self-  
assured



1<sup>st</sup> line

2<sup>nd</sup> line

3<sup>rd</sup> line

Who

**Implementers:**

Business Units  
and Divisional  
management

**Group Standard Setters:**

- Environment, Health & Safety
- Group Risk
- Finance, Treasury, Tax
- Insurance
- Cosec and Legal
- HR/Pensions
- IT

**Assurance Providers:**

- Internal Audit
- External EHS audit
- Insurance Engineers
- External regulators/auditors
- Statutory inspectors

What

- Assess/manage business risk
- Comply with laws and regulations
- Implement, maintain/manage Internal Controls

- Develop and roll out GRC strategy, policy, process and training
- Define minimum internal controls
- Prepare and analyse “self assessments”
- Support compliance

- Provide independent assurance of the effectiveness of internal controls





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## **Michel DENNERY : Vice-Prdt FERMA Deputy Chief Risk Officer, GDF SUEZ**

- **Audit - ERM**
  - Audit program is prioritized according to major risks
  - Risk knowledge is updated by audit's statements, and mitigation plans by advices
- **Internal control - ERM**
  - Critical processes are defined according major risks
  - Risk knowledge is updated by self-assessment





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## **Michel DENNERY : Vice-Prdt FERMA Deputy Chief Risk Officer, GDF SUEZ**

- Convergence of different control systems
  - A lot of regulations : Governance, transparency on financial information, ESR, QHSE certification, ...
  - Reporting on common data
  - Maturity of processes
- But Internal audit, 3<sup>rd</sup> line of defense, will stay independant