



Institute of Internal Auditors (IIA) Indonesia Conference

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Developing
Sustainable Futures



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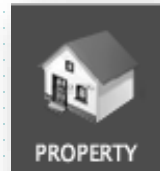
Background

Six core businesses: Plantation, Property, Industrial, Motors, Energy & Utilities and Healthcare.

The business portfolio reflects the shareholders' requirements: A mix of stable and growth businesses.



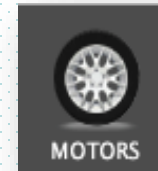
- **World's largest listed oil palm plantation company** in terms of planted area of 523k ha (Malaysia 314k ha; Indonesia 209k ha)
- **6%** of world's CPO output originates from Sime Darby's estates



- **Largest landbank in Malaysia** – 59,000 acres



- **World's 5th largest Caterpillar dealer**
- **Australia's largest Caterpillar dealer (mining)**
- **China's leading Caterpillar dealer**



- **One of world's largest BMW dealers**
- **One of China's largest independent BMW dealers**



- **Largest standalone private hospital** with 393 beds
- **Leading-edge and JCI-accredited healthcare provider in Malaysia**

Operating landscape

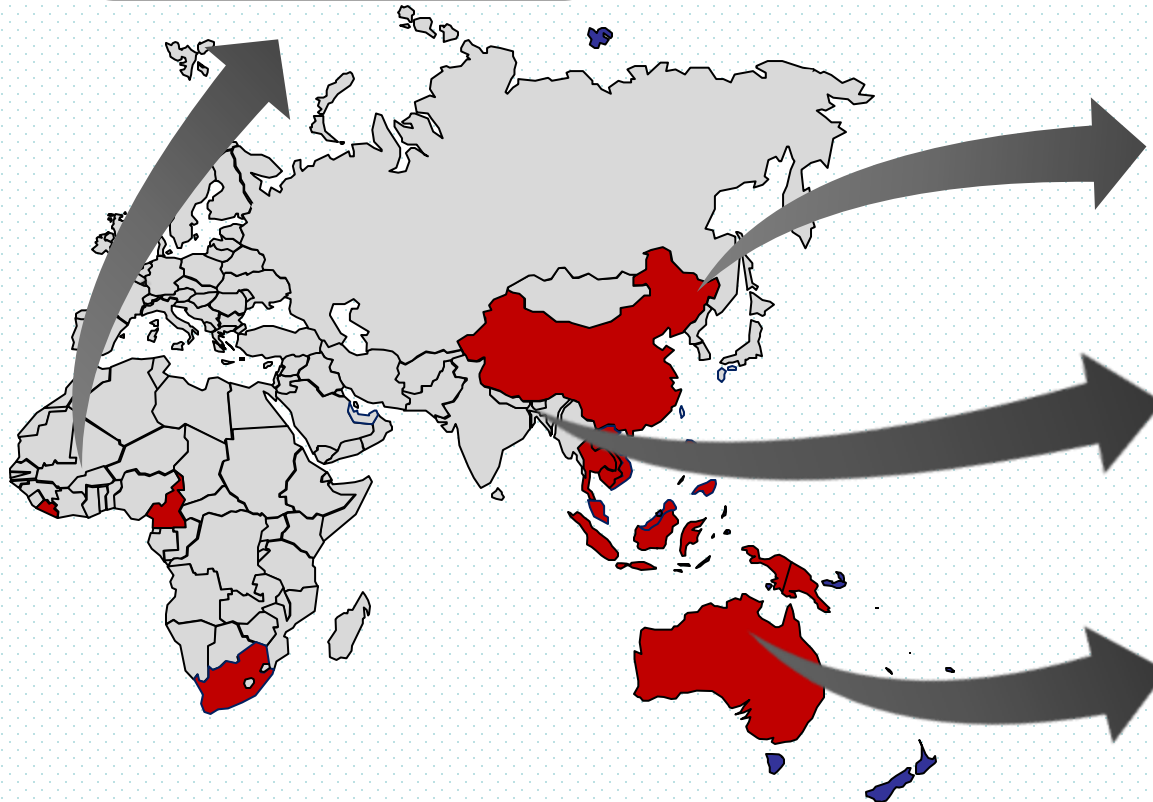
Majority of businesses are in **Emerging Asia, the New Economic Powerhouse.**

Africa

- **Large arable land, affordable labour and growing affluence** is ideal for Plantation expansion.

Emerging Asia are driven by the following trends:

- **Population growth and growing affluence**
- **Urbanization and industrialization**



China

- Rapid rate of **urbanisation** and **industrialisation** will drive demand for raw materials and ports services
- **Growing affluence** will spur demand for **lifestyle goods** e.g. vehicles

India

- **Population growth and growing affluence** will raise demand for industrial-based and lifestyle products

Australia

- The **mining boom** is a result of growing demand for commodities in China and India.

Core Values



Core Values

Our core values

❖ **Respect & responsibilities**

Respect for the individuals we interact with and the environment that we operate in (internally and externally) and committing to being responsible in all our actions.

❖ **Excellence**

Stretch the horizons of growth for ourselves, our business and our people through our unwavering ambition to achieve outstanding personal and business results.

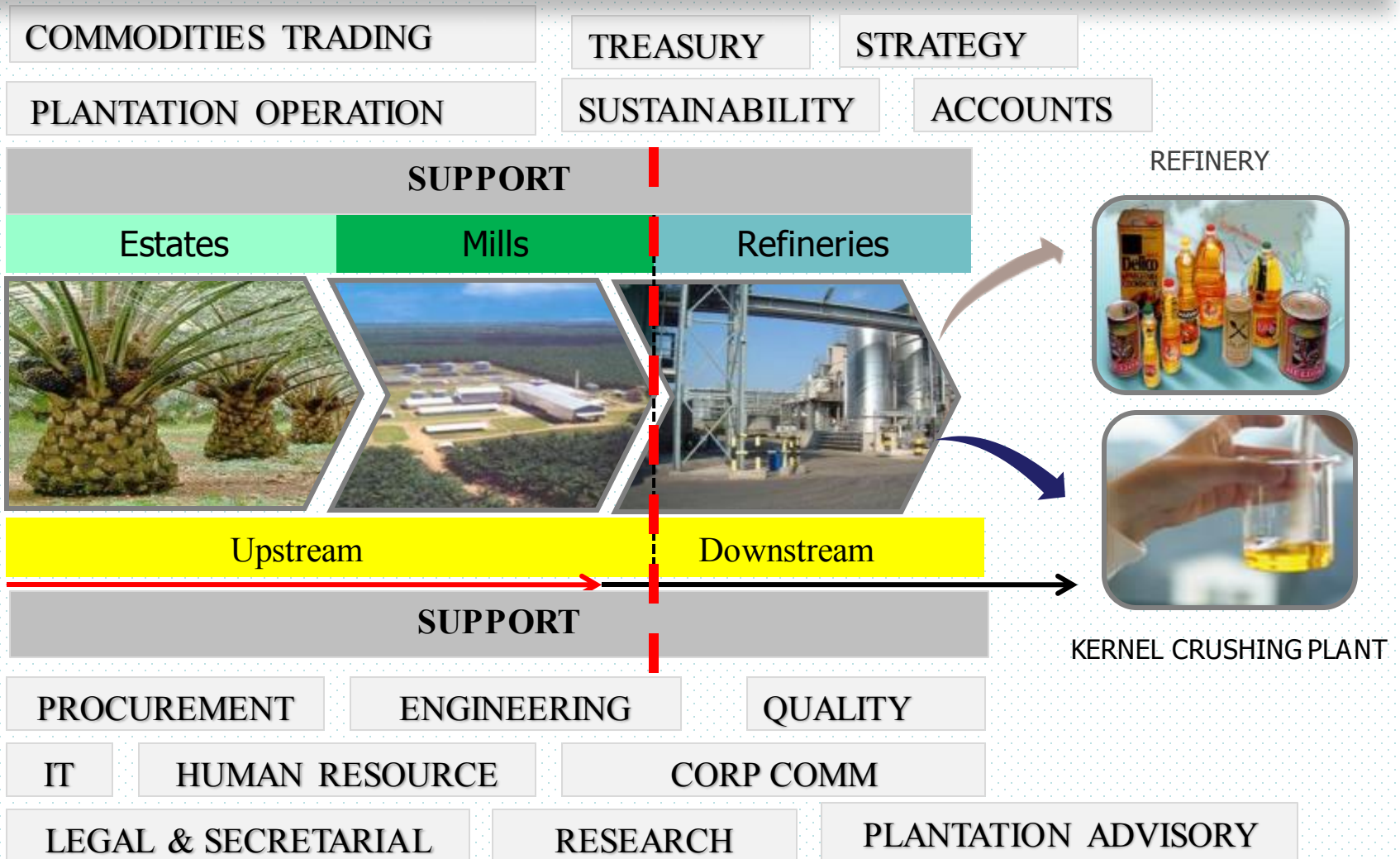
❖ **Enterprising**

Seek and seize opportunities with speed and agility challenging the set boundaries.

❖ **Integrity**

Uphold high levels of personal and professional values in all our business interactions and decisions.

Value Chain – Plantation Upstream



Group Corporate Assurance – Sime Darby

Internal Assurance Provider - 3rd Line of Defense

Auditors are located at various parts of the world, including Malaysia, Australia, China & Hong Kong and Indonesia.

Teams	
Malaysia based	131
Regional based	65
Support staff	16
Total	212

- Control and Compliance Reviews
- Information Technology (IT) Reviews
- Environment, Safety and Health (ESH) Reviews
- Project Management Reviews
- Business Advisory (BA) Reviews

Other Assurance Providers

External Assurance Providers – 3rd line of defense

External Auditors External Consultants
Internal Auditors

Internal Assurance Providers – 2nd line of defense

Group / Divisional Compliance
Group / Divisional Risk Management
Group / Divisional Legal; Strategy & Business Development

Management based assurance – 1st line of defense

Group / Divisional Sustainability and Quality Management
Group / Divisional Procurement, Human Resource, Finance/Acct
Plantation Advisories, Plantation Operations, Plantation Services
Research & Development, Engineering Services

Institute of Internal Auditors (IIA) Standards

International Professional Practices Framework 2013

1000 – 1300 : Attribute Standards

2000 – 2600 : Performance Standards

Standard 2050 – Coordination

The CAE or Internal Audit Head should share information and coordinate activities with other internal and external providers of assurance and consulting services to ensure proper coverage and minimise duplication of efforts

Standard 2110 – Governance

The internal audit activity must assess and make appropriate recommendations for improving the governance process in its accomplishment of the following objectives:

- Coordinating the activities of and communicating information among the board, external and internal auditors, and management.

Combined Assurance - Definition

Standards Glossary defines assurance as:

“an objective examination of evidence for the purpose of providing an independent assessment on governance, risk management and control processes for the organisation”

Combined Assurance defined :

“ the process of integrating and aligning the **assurance** processes to maximise the oversight function and control efficiencies with the objective of optimizing the overall **assurance** reporting to the board.

Why Combined Assurance

- Responsibility for assurance activities are traditionally being shared among management, internal audit, risk management and compliance
- Many companies operate with traditional internal audit, risk and compliance activities performing different risk management, compliance and assurance functions independently.
- Important to ensure that assurance activities are coordinated to ensure resources are used in the most efficient and effective way.
- Without effective coordination and reporting, work can be duplicated, or key risks may be missed or misjudged

Implementing Combined Assurance

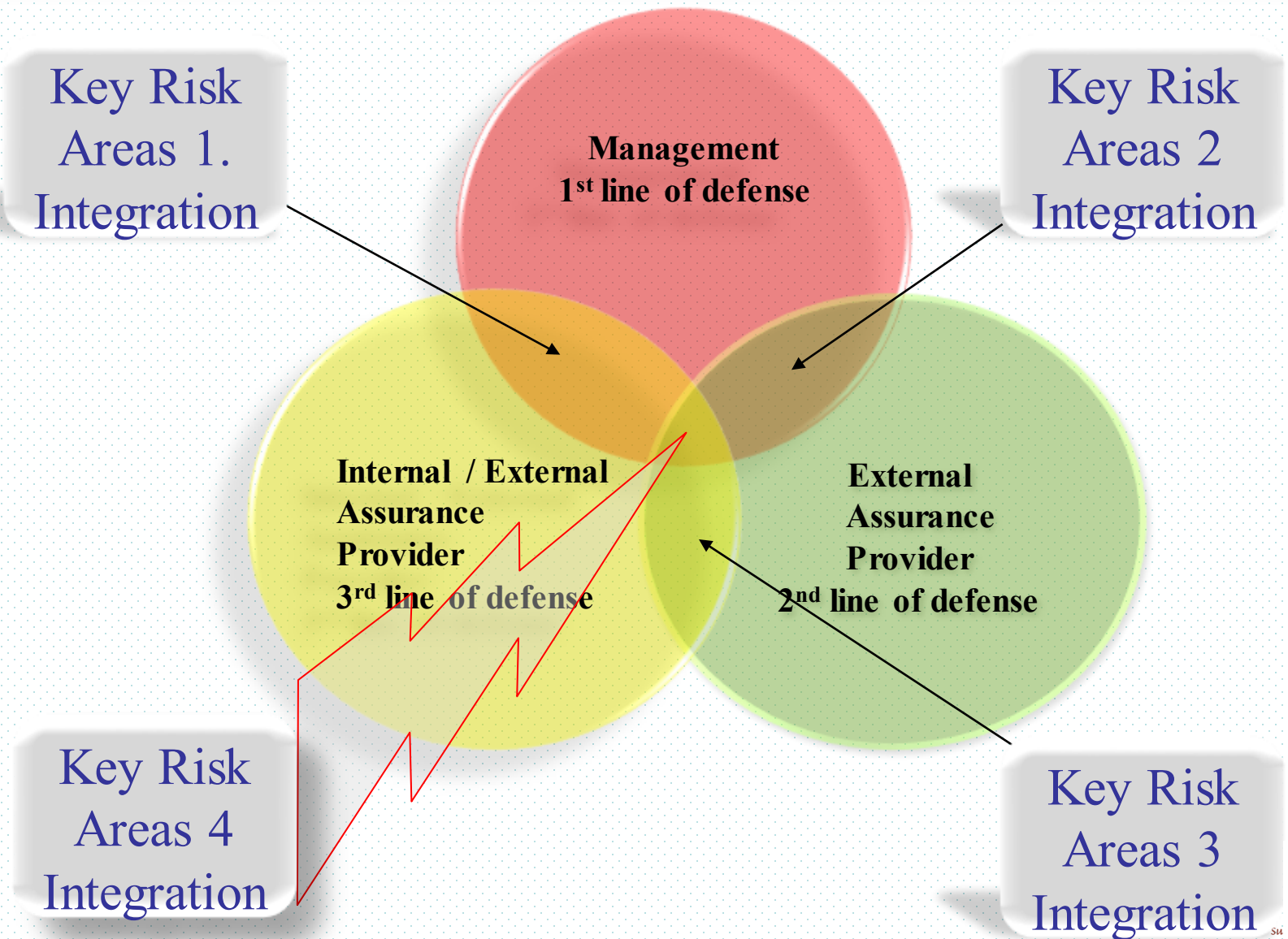
Phase 1

- Established Risk Management Process – Strategic, key operational and business unit level risk profiles to be established.
- Mapping of Risks to the Assurance Provider – 1st Line of Defense, 2nd Line of Defense and 3rd Line of Defense
- Identify risk areas with overlapping Assurance Provider for integration.

Phase 2

- Decide on the assurance services to be provided.
- Identify gaps and the desired assurance service.
- Determine deliverables
- Coordinate the assurance process.

Combined Assurance

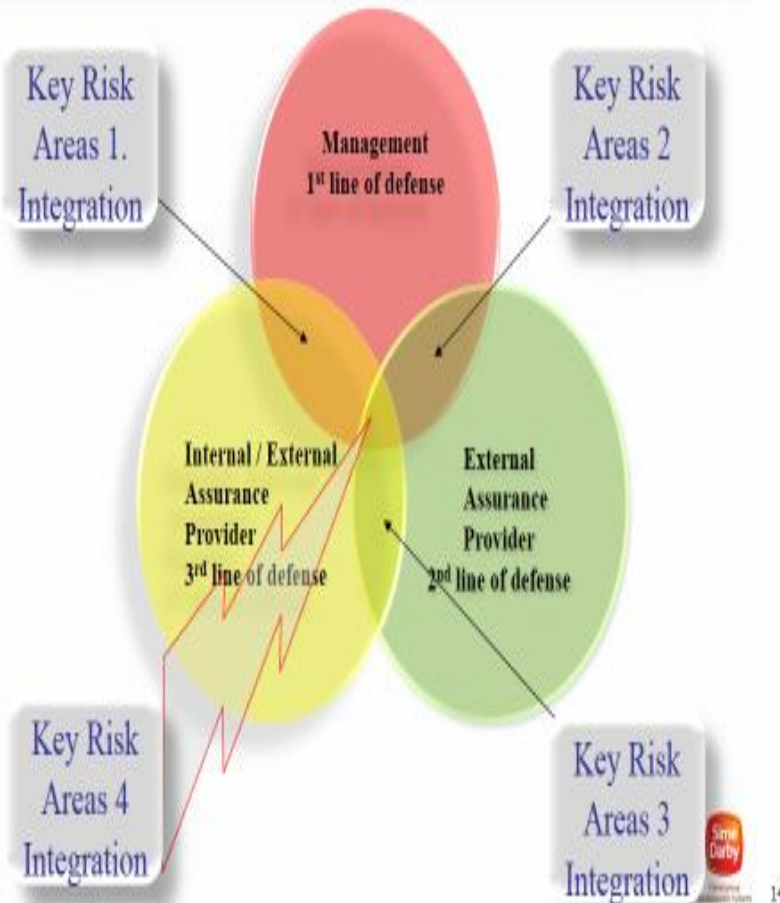


Combined Assurance Matrix - Key Risk Area 4

Risk	1 st Line of defense	2 nd line of defense	3 rd line of defense	Assurance Service Provider			Assurance Approach
Inadequate number of competent contractor	Group / Divisional Procurement	Group/Divisional Risk Management (GRM)	Internal Auditors (GCAD)	GRM		GCAD	Business Advisory / Analytical Review
Backlogs in end-to-end process from crops harvesting to processing and transporting of CPO	Divisional Plantation Operation Dept (POD)	Divisional Plantation Advisory, (PA) Group Sustainability & Quality Mgmt (GSQM)	Internal Auditors (GCAD)	POD	GSQM	PA	Special Process Review
Organization of legal documents does not facilitate efficient access.	Divisional Plantation Service Dept (PSD) Legal & Secretarial	Group / Legal (GL) Group / Divisional Compliance (GCO)	External (EA) Internal Auditors (GCAD)	GL		EA	Control and Compliance Review
Non-compliance to Limit of Authority	Group / Divisional Finance (Fin)	Group / Divisional Compliance (GCO)	External / EA) Internal Auditors (GCAD)	GF	GCO	GCAD	Control Self Assessment
Inability to secure RSPO & ISPO certification	Plantation Service Dept (PSD), Sustainability & Quality Mgmt (PSQM)	Group Sustainability & Quality Mgmt (GSQM)	External Consultant (EC)	GSQM		EC	Business Advisory
Plant does not meet requirements in terms of budget etc.	Plantation Engineering Service Dept (ESD)	Strategy & Business Development (SBD)	Internal Auditors	ESD	SBD	GCAD	Post Investment Review

Types of Deliverables from Combined Assurance

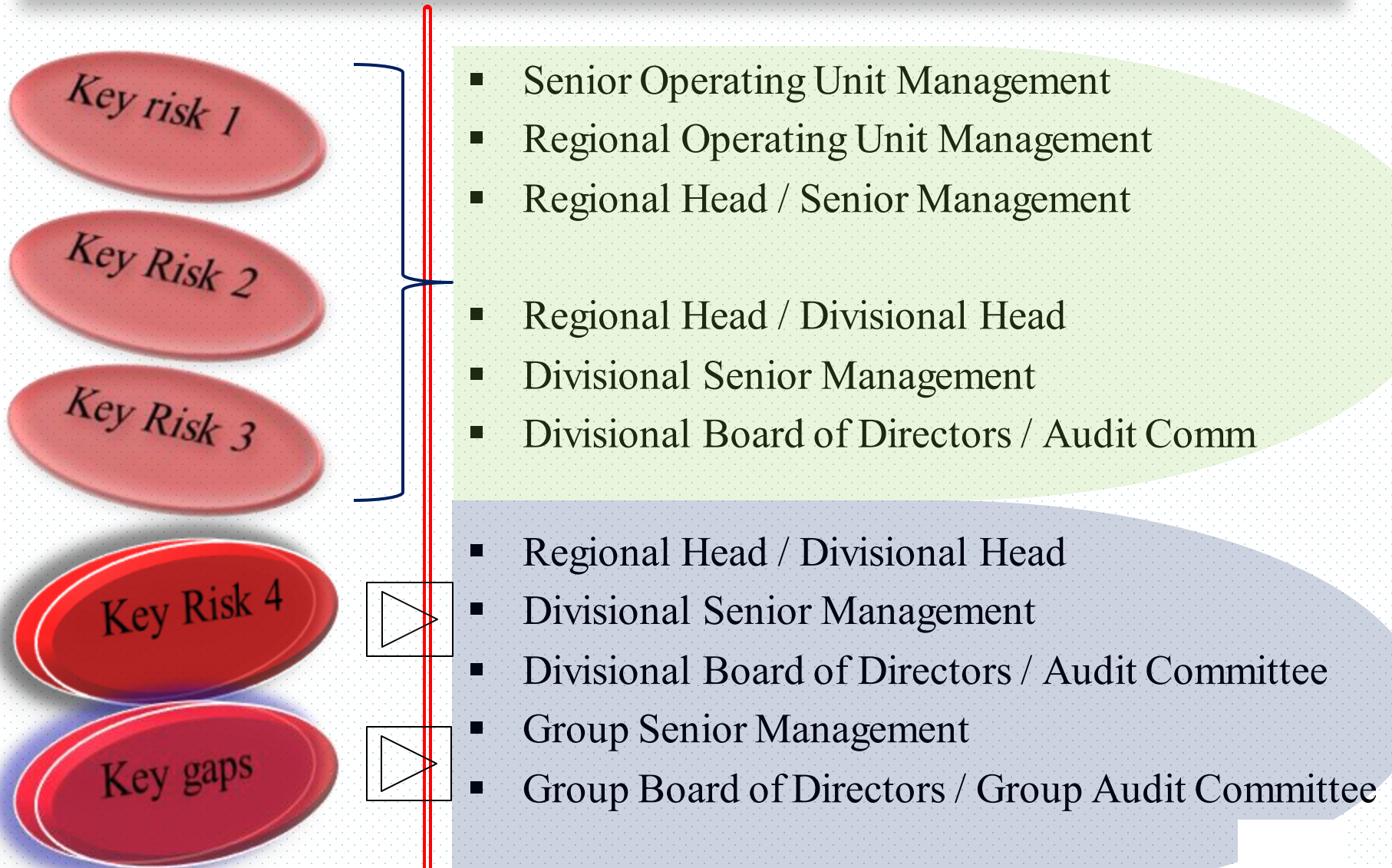
Combined Assurance



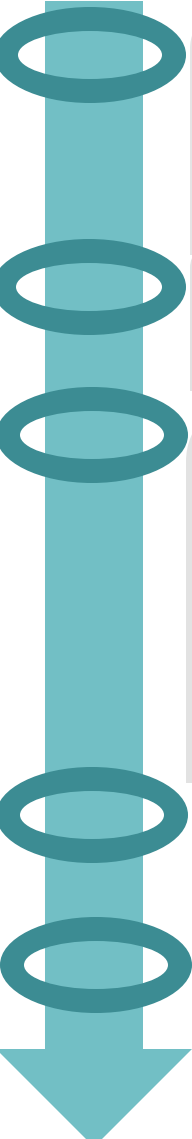
Key risk 1 , Key Risk 2 , Key Risk 3, Key Risk 4

- Control & Compliance reviews
 - Standard Scope and Objective
- Control Self Assessment reviews
 - Focused Areas
- Joint control & compliance review
 - Involve Subject Matter Expert
- Business Advisory reviews
 - Analytical and comprehensive
- Special Process Review
- Detail investigative review
- Post Investment Review

Key Output / Deliverables



Role of the Internal Audit Head



IA Head to act as the coordinator of assurance providers to ensure there are either no gaps in assurance, or the gaps are known and accepted.

The IA Head needs to consider areas of inadequate coverage when developing the internal audit plan.

The IA Head needs to understand the nature, scope and extent of the integrated assurance map to consider the work of other assurance (and rely on it as appropriate) before presenting an overall opinion on the organisations governance, risk management and control processes.

The IA Head reports on any lack of input or involvement from other assurance providers.

Senior management and Audit committee need to be advised if the IA Head believes that the assurance coverage is inadequate or ineffective.

Benefits of Combined Assurance

Governance

- Enhancing corporate governance process to be more systematic
- Identification of priorities to reduce assurance overdose / fatigue.
- Relevant and timely issues for effective mitigating plan

Cost

- Cost efficiency through elimination of overlapping assurance providers
- Value adding and improving the value of assurance services
- Comprehensive deliverable to include gap analysis

Resources

- Opportunity for skills / knowledge transfer.
- Embedding continuous improvement / coordination between all the assurance providers for the organization.
- Better work efficiency through improved coordination

Challenges of Combined Assurance

Governance

- Structured Risk Assessment process not established.
- Risk assessment process not reaching the operating units

Resources

- Assurance providers not prepared for new emerging risks
- Skill and experience levels not appropriate for the work.

Support

- Management constraint by other pressing priorities
- Project Champion lack the required authority
- Diminishing continuity

Thank you



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