

Controls Assurance



“If a man is offered a fact which goes against his instincts, he will scrutinize it closely, and unless the evidence is overwhelming, he will refuse to believe it. If, on the other hand, he is offered something which affords a reason for acting in accordance to his instincts, he will accept it even on the slightest evidence.” – Bertrand Russell

More than any other business activity, controls assurance has at its heart the avoidance of damage and loss. Knowledge of control weaknesses and their possible consequences is critical to avoiding those losses. Controls assurance exists to identify where a business is operating outside of acceptable boundaries of risk management and control.

Controls assurance performed properly has four major characteristics:

- It identifies actual facts about the state of business controls.
- It supports those facts with enough evidence to convince decision makers of the need to take action.
- It drives action in the areas which make the most difference to reducing unwanted business risk.
- Its costs are low enough to make return on investment strongly positive.

Controls assurance can have a regulatory driver, but in most cases it exists to achieve a business benefit, and it needs to justify itself as a value adding and value protecting service. Kingston Smith Consulting understands that this can only be achieved with the right combination of experience, insight and highly efficient delivery which are the hallmarks of our service. As a result

we are able to consistently deliver the highest standards of controls assurance support across the full range of business needs.

Investigations

Kingston Smith Consulting offer investigation services delivered by experienced professionals with a track record of this type of work. Our team combines strong investigative skills and technical knowledge of the business, with sophisticated communication and relationship management expertise to carry this work out sensitively and effectively. Our experience ranges from investigation of suspected criminal activity including fraud, bribery and corruption cases, through to investigation of innocent mistakes and errors. Where necessary we employ forensic tools to track events and identify suspect activity. In all cases we can effectively diagnose the root cause of a problem and recommend practical and commercial control improvements to address it.



Technical support

Those performing in-house controls assurance activity, be they internal audit or a management control function, are often hard pressed to possess all the technical and business expertise needed to effectively review business controls. The pace of development and complexity in areas like technology and compliance make it very unlikely an in-house team with finite resource will have the skills they need to generate insightful assurance results in every case.

Kingston Smith Consulting offers a much wider pool of specialist technical resource from which a business can draw to meet their needs. As this support is only there when it is required it is a cost-effective way of filling internal gaps. Kingston Smith Consulting is also committed to developing client capability and will work to pass knowledge onto your own staff so the dependency on external help can be reduced.

Third party control reports

A cost of doing business in today's world is the need to meet the demands of your customers for assurance that you operate a well run organisation that will protect their data and secure their assets. In an increasing number of industries businesses cannot expect to win substantial clients without first assuring them that they operate to high standards of control. Where your customers need that assurance in the form of a control report from an independent specialist, Kingston Smith Consulting can help.

These typically comprise a SAS70 or AAF01/06, and we can help you with the following services:

- **Specification** - Third party control reports are commissioned for one overriding reason: to meet the control assurance demands of your most important clients. The report will be a success if your clients are happy to place their business without ad hoc requests for further control information or requiring that their own auditors review your controls. This goal can be achieved by correctly specifying the report scope before it is produced. We can work with you and your major clients to identify just those controls where assurance is needed.



- **Gap analysis** – Even worse than a badly specified control report is one which identifies many control weaknesses. Before commissioning the report, you should know where it is likely to reveal weaknesses in your organisation's controls; and have an opportunity to correct them. Kingston Smith Consulting can perform a rapid review of your business against the control objectives you are looking to address. This will tell you where controls are not 'report ready'.
- **Report production** – Whether it covers one control objective or many, the drafting of the control report can be a significant investment of time. As a document that will potentially go to many of your clients the quality of presentation is a reflection on your organisation. In addition, outside of the control-specific content, there is scope to include information on your organisation which has wider marketing value, such as a commentary on your business culture and ethics, or your strategy. We can work with you to develop the full content as quickly and efficiently as possible, using our subject experts and the lessons learned from many other organisations.

Audit

Kingston Smith Consulting, as part of the Kingston Smith professional services organisation, can perform all necessary testing and provide the final audit opinion. Often audit firms performing the financial statement audit for a client see control reports as an opportunity to improve their margins and charge a fee accordingly. Kingston Smith recognises that control report auditing is a specialist area - one that requires sufficient work and not gold plating. As a result we believe our fees to be competitive.

Supplier audits

Third party suppliers account for a large element of the expenditure of many businesses, and often they represent major risks as they support key parts of your business value chain. Obtaining direct assurance on your suppliers at the minimum will inform your management of what risks they should be concerned about. At best, this assurance can directly reduce your costs and improve the service you receive. Our services include:

- **Control due diligence** - Similar in concept to a SAS 70, we will review and test the major controls your supplier operates and report back on where they should improve to protect your interests.
- **Contract compliance** - Are you receiving the contracted supply and being charged the agreed price? Using forensic tools we can identify where you may have been overcharged. Our typical experience is that recoveries of between 2% and 8% of the contract value can be identified. We will also help you structure your contracts so in future these losses can be reduced.
- **Construction audits** - A specialist area of contract compliance, large construction projects with a web of

suppliers are high risk environments for cost wastage and quality issues. Utilising industry specialists we can perform audits during the project lifecycle that identify issues and recoveries that you can action. If conducted at the close of a project our audits can be used to resolve potential disputes over final settlement.

Assurance improvement

Kingston Smith Consulting specialises in projects that raise the long term effectiveness and value of controls assurance activity in your business. Utilising our Assurance Improvement Methodology we can lift the performance of your team. Assurance methodologies are frequently not optimised for efficiency and it is notable that our research suggests the top performing 20% of internal audit / assurance functions are twice as productive as the average, and five times as productive as the lowest performing 20%. Real gains in productivity can be achieved from our advice, and real gains in quality can be obtained from our training support. Kingston Smith Consulting offer a suite of first class training solutions designed to develop the capability of your teams to operate both efficiently and with new insight to business issues.

In addition, we are able to perform internal audit effectiveness reviews utilising the Institute of Internal Audit Quality Assurance Review standard or a version customised for your business.

Outsourced solutions

An outsourced approach to internal audit and controls assurance offers several benefits:

- Access to all the technical skills of a specialist consultancy.
- A strong independence culture as the outsourced supplier is not compromised by their relationship with management.
- The cost flexibility of being able to increase or reduce the level of service quickly and easily.

In addition the Kingston Smith Consulting approach eliminates the two major disadvantages of outsourcing:

- Our core team is involved in every audit and develops an intimate knowledge of your business. Niche experts supplement the core team rather than dilute it.
- We apply a delivery methodology modelled on the most efficient assurance functions in the world. The cost of the service is often less than an in-house function, its productivity almost always higher.

We recognise that different organisations have very different preferences for both the quantity and style of controls assurance work. We can flex our service as required, whilst always advising you on best practices and added value techniques used in other organisations.

About Kingston Smith Consulting LLP

Kingston Smith Consulting is the specialist consulting practice associated with the top 20 accountancy firm Kingston Smith LLP.

Kingston Smith was originally formed in 1923 and the firm has grown to its current position through organic growth and mergers. Kingston Smith is a member of KS International which is an association of independent accounting firms in over 50 countries around the world.

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