New Development Bank

Strengthening Governance: Combined Assurance and the strategic integration of internal audit within the Risk Management Framework

May 26, 2025

Internal Audit Department (IAD)

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Evolution of NDB and the Internal Audit Department (IAD)

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Evolution of NDB and IAD

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2015
- NDB commenced operations.
- IAD set up along with Policy & Charter.

2016

2017
- General Strategy for 2017-2021 approved.*
- Internal Audit Guidelines were approved.

2018
- NDB received AA+ Credit Rating from Fitch and S&P.
- Teammate+ was implemented.

2020
- NDB earmarked a total of USD 10 billion as a response to the COVID-19 pandemic.

2021
- NDB admitted Bangladesh, Egypt, UAE and Uruguay as new member countries.

2022
- General Strategy for 2022-2026 approved.**
- Director General (DG) IAD joined.

2023
- NDB had cumulatively approved USD 34.8 billion for 105 projects.
- IAD Charter and Policy reviewed to include multi-year audit plan.

2024
- Working on adopting New Global Internal Audit Standards (GIAS).

2025
- GIAS requirements included in IAD Policy and Charter.

* Accountability is also ascertained during integrity reviews, internal audit and independent evaluation.
**Reviews and reports from NDB's relevant departments, including Internal Audit Department, will further add to transparency and accountability, delivering benefits in the form of new lessons for potential enhancements in the Bank's activities.

Positioning of IAD

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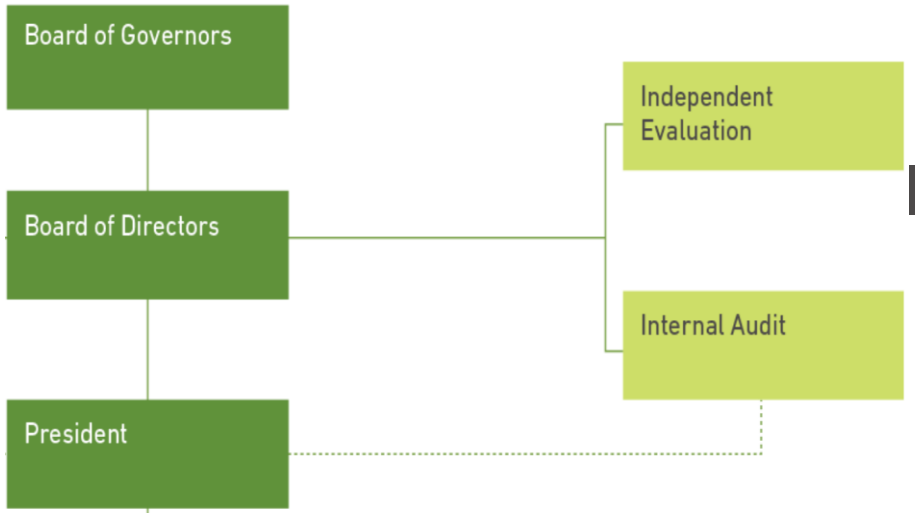
Overview of the Internal Audit Department

Mandate

- The NDB's Internal Audit Department is an independent and objective assurance function that aims to assist the NDB to accomplish its strategic and operational objectives by adopting a systematic and disciplined approach to evaluate and improve the effectiveness of the Bank's risk management, internal control and governance processes.
- IAD's mission is to be an independent and objective assurance function, supporting the Bank in the achievement of strategic objectives and contributing to ensure the Bank is operating in line with the expectation of the Board of Directors (BoD), Audit, Risk and Compliance Committee (ARC), Senior Management and other stakeholders.
- IAD provides the ARC of the BoD and Management with assurance, analyses, recommendations, advice and information concerning the activities reviewed.

Key Responsibilities

- Developing and implementing the internal audit strategy which is a plan of action designed to achieve a long-term or overall objective of internal audit function.
- Implementing the Internal Audit Department Charter, Policy and Guidelines.
- Conduct the annual risk assessment and prepare the multi-year risk-based internal audit plan for the Bank.
- Executing the multi-year risk-based audit plan on the processes/departments, reporting to the ARC and communicating the findings to the stakeholders.
- Monitoring the remedial actions taken by Management and reporting to ARC.
- Periodically monitoring the Bank's control and risk environment to ensure the relevance of the audit plan.



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NDB Risk Management Framework and Comparison with United Nations' Model

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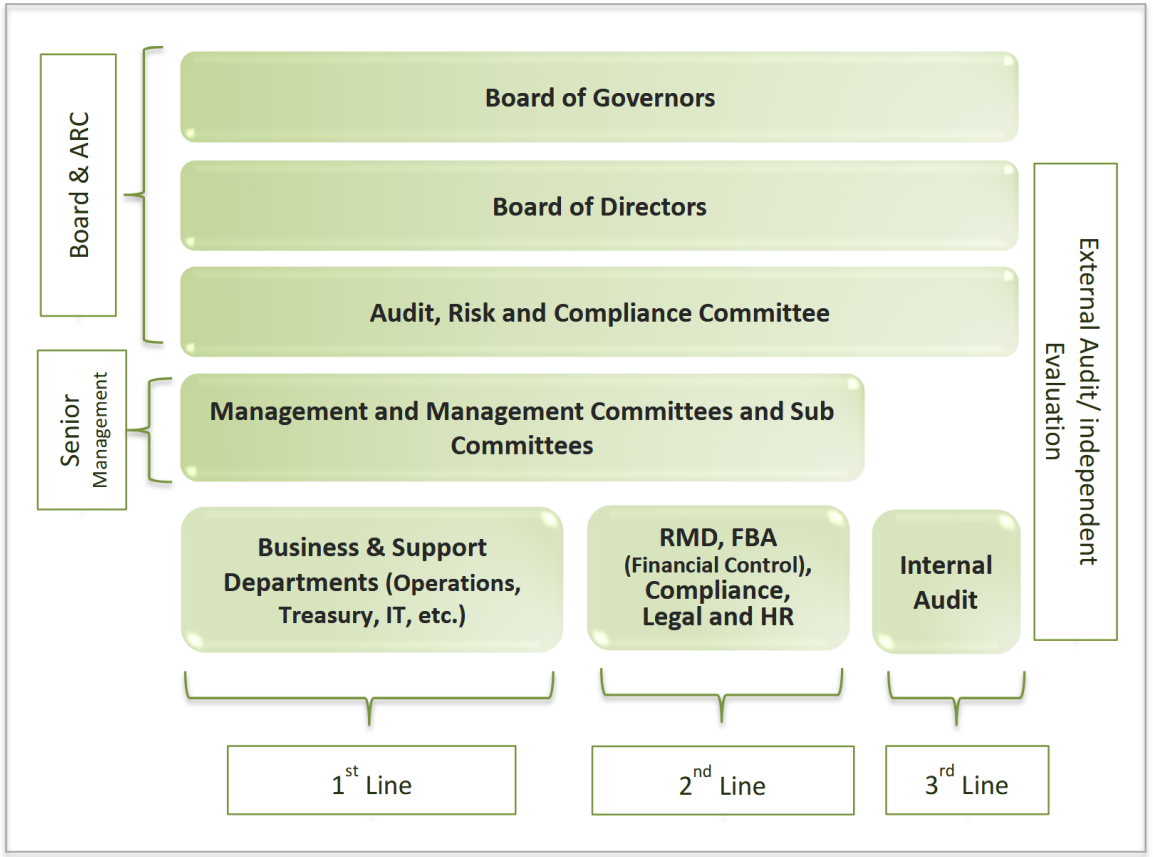
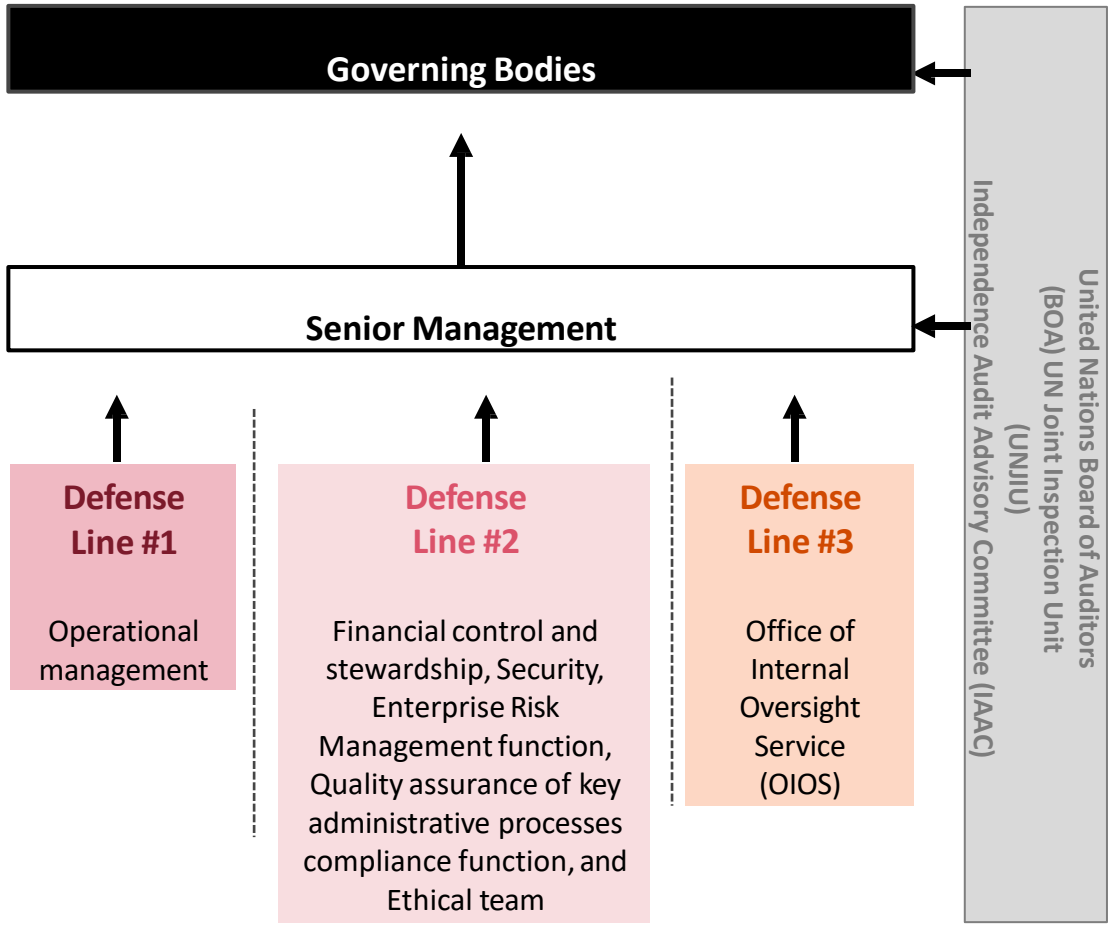
NDB's Three Lines of Defense Framework*



UN Three Lines of Defense**



Key Difference:

- NDB ➡ Framework to provide risk management without organisation subordination.
- UN ➡ Organisation structure with reporting lines.

* Please refer to Enterprise Risk Management and Risk Appetite Framework.
**Please see here.

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IAD Processes

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Lifecycle of Internal Audit

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The stages of Internal Audit are as follows:

Internal Audit Operating Processes

Plan

Risk Assessment → Multi-year Audit Planning

Perform Engagement

Engagement Planning → Fieldwork → Reporting

Monitoring → Quality Assurance

Annual Risk Assessment

Assessing the Bank's governance, risk management and control processes.

Continuous Risk Assessment

A formal half-yearly process which includes, but is not limited to, an analysis of risk metrics and a review of internal and external events, reports, and documents.

Proposed Engagements

Based on the result of risk assessment, resource allocation and frequency of audits.

Resource Planning

Including financial, HR and technological resource.

Engagement Risk Assessment

Assessing the inherent risks and the expected key controls to mitigate risks.

Work Programme

Recording scope, evaluation criteria, tasks to achieve the engagement objective, methodologies and tools to perform the tasks, resources allocation, etc.

Gathering Information

Obtaining and analysing data in comparison to the evaluation criteria.

Evaluation of Findings

Determine the significance of findings, and to collaborate with management to determine the root causes.

Recommendations and Action Plans

Developing recommendations or requesting action plans from management.

Developing Conclusion

Summarising the engagement results as relative to the engagement objectives and inclusion of the overall significance of the findings.

Issuing Audit Reports

Reports issued to the department/division under review and reported to the ARC in the next meeting.

Status Update for Findings

Ensuring action plans are addressed by auditees

Defined Internal and External Quality Assurance Program

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IAD Collaboration

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Outreach, Collaboration and Capacity Building

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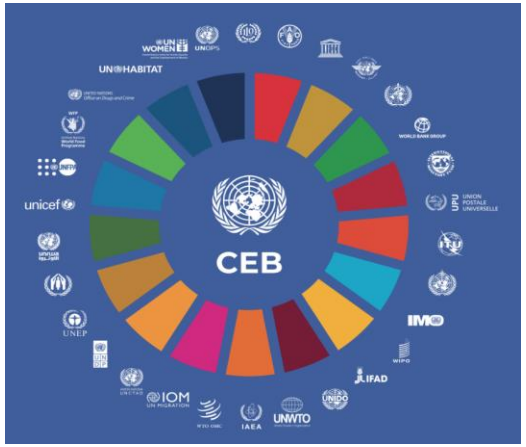
IAD is an active member of Internal Audit Networks

Multilateral Financial Institutions Chief Audit Executive (MFI-CAE) Group

UN Representatives of Internal Audit Services (UN-RIAS)



Active Working groups:

- Environmental, Social and Governance (ESG) working group
- Information Technology Audit Group (ITAG)
- Quality Assurance Audit Group (QAAG)
- Operations group

Regular Partners in Capacity-building:

- The Institute of Internal Auditors (IIA) Trainings & Conferences
- Knowledge-sharing with MFI Groups

Extending Partnerships:

- Stakeholder relations with the **National Audit Offices,** e.g. the Chinese National Audit Office (CNAO)
- Collaboration with universities for training and research, e.g. **Nanjing Audit University (China)** & **Nelson Mandela University (South Africa)**

New Global Internal Audit Standards (GIAS)

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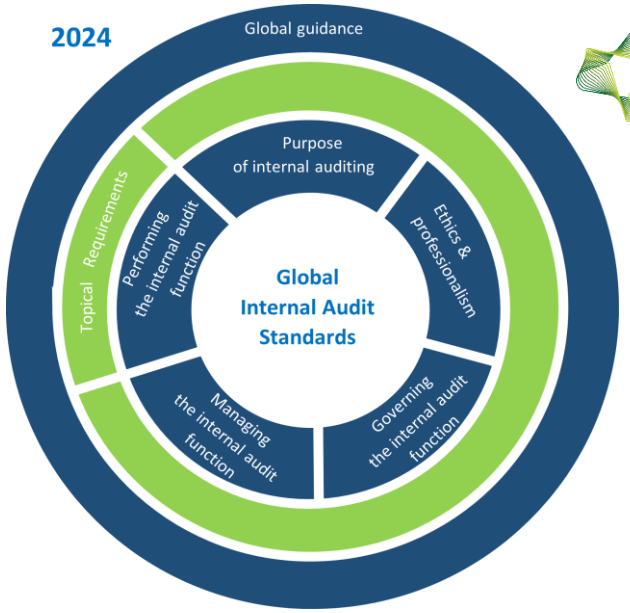
New Global Internal Audit Standards

- The Institute of Internal Auditors' Global Internal Audit Standards released the new Global Internal Audit Standards (GIAS) on January 9, 2024. These standards came into effect on January 9, 2025.
- Compared to the previous framework of the International Professional Practices Framework (IPPF), the new standards are organized into five distinct domains, demonstrating a clear alignment between the underlying principles and the standards themselves.
- The standards have 3 elements: (i) mandatory requirements; (ii) considerations for implementation; (iii) examples of evidence of conformance.
- This new structure is clearer, more concise, and user-friendly.

Key Benefits: Better stakeholder alignment, more effective auditing of important risks, increased efficiency and risk coverage and additional insights and value to the business, combined assurance, methodology and advisory, support for foresight, clarify R&R, professional guideline for upcoming risks.



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5 Domains, 15 Principles

Domain I: Purpose of Internal Auditing

Domain II: Ethics and Professionalism

1. Demonstrate integrity
2. Maintain objectivity
3. Demonstrate competency
4. Exercise due professional care
5. Maintain confidentiality

III. Governing the internal audit function

6. Authorized by the Board
7. Positioned independently
8. Overseen by the Board

IV. Managing the internal audit function

9. Plan strategically
10. Manage resources
11. Communicate effectively
12. Enhance quality

V. Performing internal audit services

13. Plan engagement effectively
14. Conduct engagement work
15. Communicate engagement conclusions and monitor action plans

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Combined Assurance

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Combined Assurance - introduction

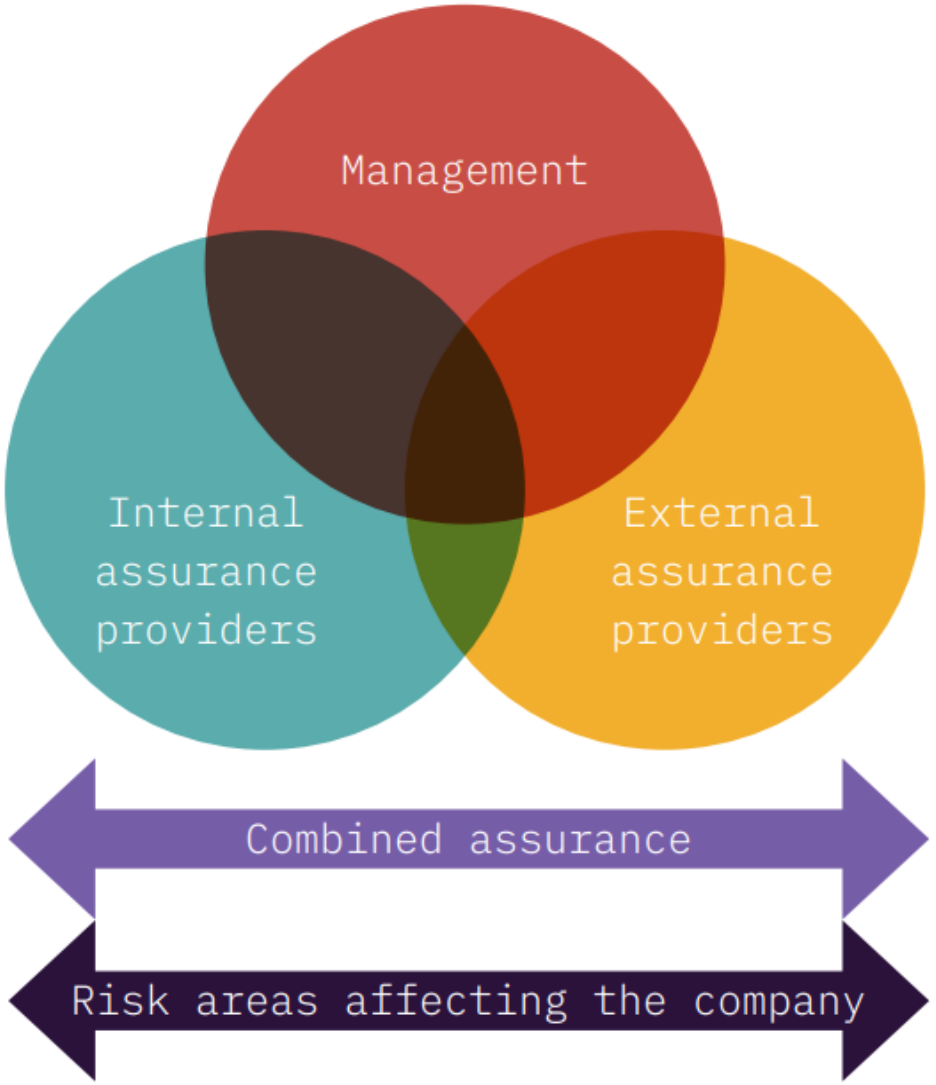
What is it?

- **The phrase "two heads are better than one"** can be said about the integration and alignment of plans, processes, and functions when each is focused on the same goal.

- Combined assurance is the result of organisational governance collaboration. It is the process of working together and coordinating activities to communicate the effectiveness of risk management to stakeholders. When implemented, it can improve risk and governance oversight and control efficiencies, resulting in the optimisation of overall assurance.

The **benefits** of combined assurance include:

- **Improved knowledge transfer between internal assurance providers.**
- **More efficient use of resources when eliminating overlapping effort.**
- **Focus on higher risk items.**
- **One message to management and the board.**



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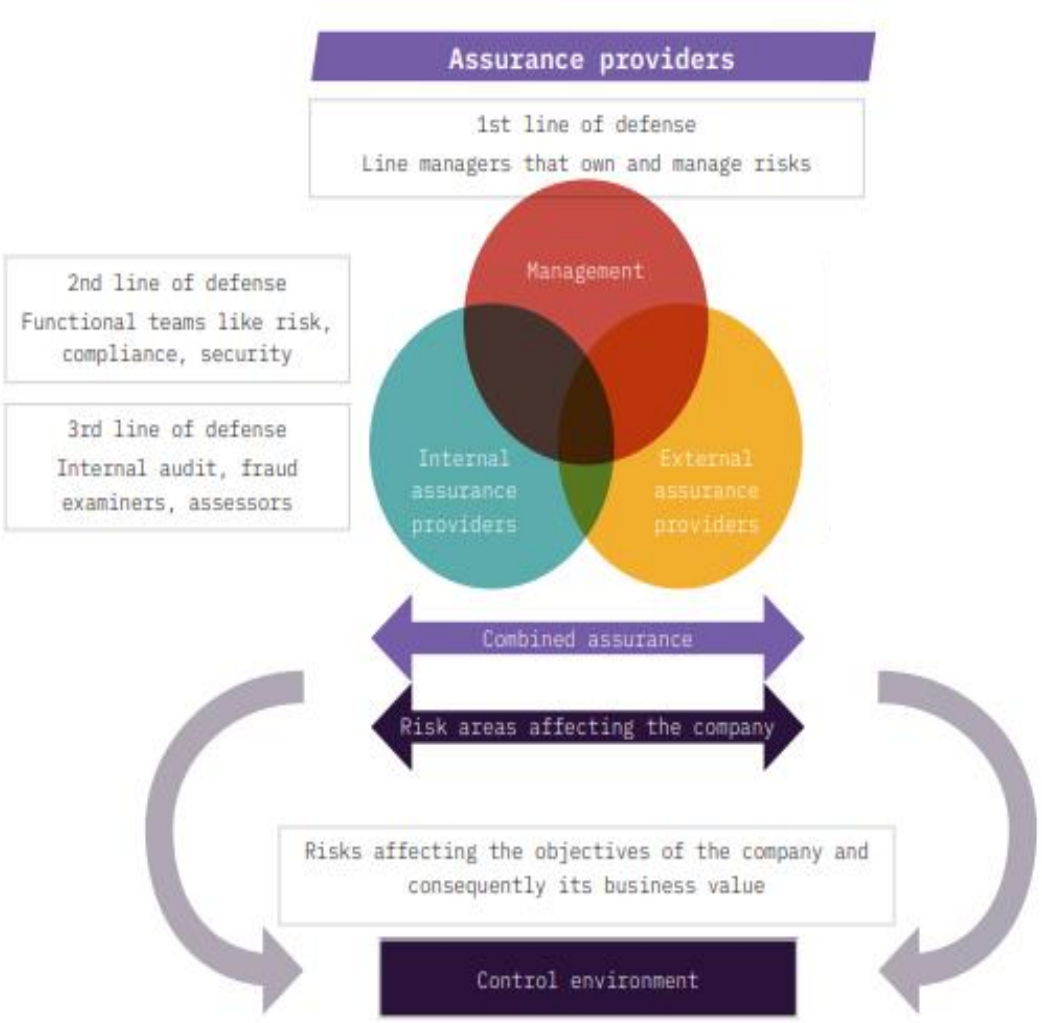
Combined Assurance – how it works



The assurance map

The assurance map identifies the owners of the activities, clarifies activity owner roles, demonstrates how monitoring activities apply to organizational requirements and goals, averts specific risks, and examines any gaps and overlaps in coverage. This exercise of discovery not only facilitates and elicits the conversation about risks, but helps stakeholders better execute risk management procedures. Assurance mapping creates an integrated document that can add to management's confidence in their oversight efforts and improves governance and monitoring practices and structures.

Exercising caution is key

While combined assurance is effective for organizational governance in identifying and managing risks, internal audit must take care when relying on the work of others to ensure independence, objectivity, parameters of quality, differences in view of risk understanding or severity and perception of stakeholders.

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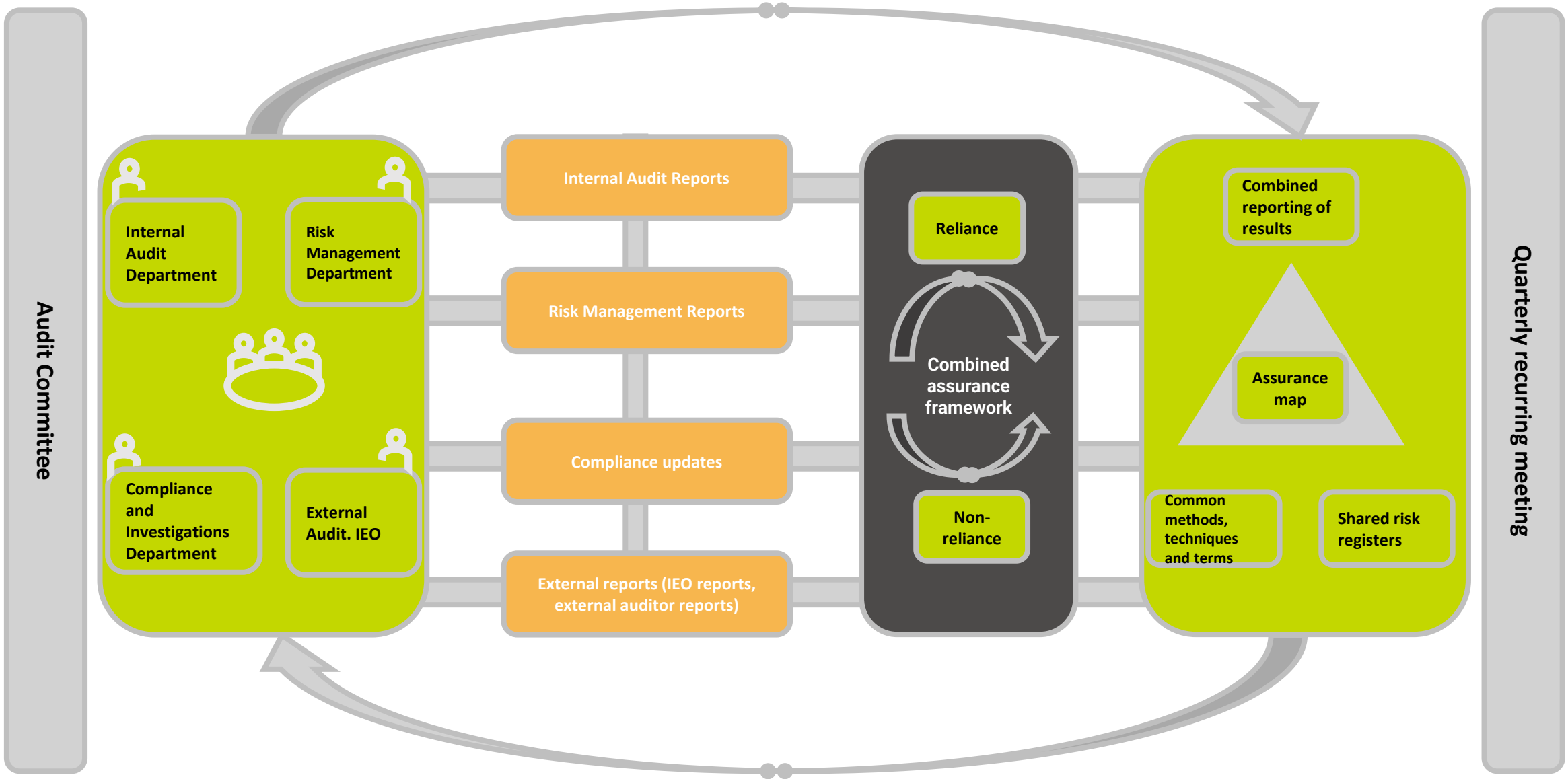
Combined Assurance – structure at NDB



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Combined Assurance – in the three lines of defense framework

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Objectives of Assurance activity	First line of defense				Second line of defense			Third line of defense			External fourth line	
	Policies	Control Framework	Management Review	Existing Level of Assurance	Risk Management	Compliance	Existing Level of Assurance	Internal Audit	Other assurance providers	Existing Level of Assurance	External auditor	Existing Level of Assurance
Auditable Units												
Function 1	L	H	H	M	H	L	M	H	None	M	L	L
Function 2	L	L	M	L	H	L	M	H	L	M	None	None
Function 3	M	L	M	M	L	M	L	H	M	M	H	H
Function 4	None	M	None	L	M	M	M	H	H	H	M	M

Key

Level of assurance

None	No assurance provided
L	Low amount of assurance provided
M	Moderate amount of assurance provided
H	High amount of assurance provided

For Demonstration Only

- Combined Assurance integrates activities across different lines of defense to provide a cohesive, efficient and comprehensive view of risk management and governance. The diagram shows how each line of defense contributes to different layers of assurance.

- First line of defense directly designs and implement controls to mitigate risks. This establishes the foundation of risk ownership and accountability. Second line of defense reviews the first line's controls to identify gaps and provide expertise and tools to strengthen risk mitigation. Third line of defense independently and objectively assesses the effectiveness of controls implemented by the first line and the oversight provided by the second line.

- The diagram demonstrates the combined assurance by structuring each line of defense, ensuring risks are systematically identified, managed, and validated across all auditable units. This approach maximizes coverage, minimizes gaps, and aligns with organizational objectives.

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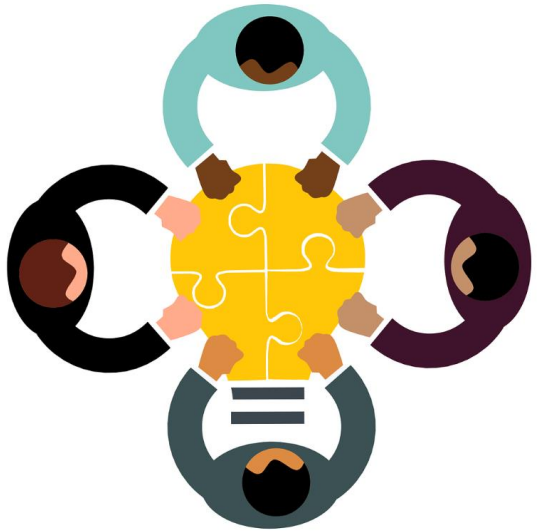
Combined Assurance – conclusion and action plan

Conclusion

Risk is complex – hence when implementing combined assurance, it is essential.

- Common understanding of risk.
- Setting of boundaries.
- Coordinating planning and processes.
- Aligning all monitoring activities.
- Alleviating audit fatigue.
- Eliminating duplication of efforts.

An organisation's approach to governance, risk, and control can strengthen when internal audit works closely with all assurance functions.



Action Plan

Periodic meeting of all second and third line of defense

- Sharing testing plans to avoid overlaps.
- Alignment in methodologies of inherent risk scores and residual scores to arrive at uniformity.
- Mapping of auditable units.
- Update risk register to develop a common risk register after comparing risks, and controls.
- Draft assurance map.

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Thank You

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