

When Crossing the Line Is a Good Thing: The Role of Compliance and Collaboration in the Three Lines Model

SCCE Compliance Auditing & Monitoring
Conference

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Presenter Bios



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Dhara Satija is the Director of Healthcare Consulting in the Life Sciences Consulting Group of Paul Hastings. Dhara has nearly 15 years of consulting experience serving healthcare and life sciences clients across an array of issues, including projects ranging from strategy and operations to regulatory and corporate compliance, risk management, and investigation and litigation support. In particular, Dhara has led projects related to: development and implementation of compliance programs (i.e., written standards, training, and monitoring/auditing); design and delivery of internal compliance audits, investigations, and corrective action plans; support for provider self-disclosures/voluntary refunds; government-initiated audits; litigation support services; and Corporate Integrity Agreement (CIA) requirements.

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Destin Harcus, CPA, PMP

Executive Director of Internal Audit
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Destin is an Executive Director with AdventHealth, a healthcare system with over 40 hospitals in nine states. He leads the Internal Audit function, a team of 15, to develop audits to address organizational risk. In his role, he actively works with several key stakeholders, such as Corporate Compliance, in taking a holistic approach to managing risk. Prior to joining AdventHealth, Destin was a Senior Manager with Deloitte, where he provided outsourced and co-sourced internal audit services to healthcare organizations.



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Matt serves as Divisional Corporate Responsibility Officer for the Central Florida Division of AdventHealth, one of the largest non-profit health systems in the country. He has large hospital system and management consulting experience in regulatory compliance, risk management, compliance program effectiveness, process improvement, internal investigations, and litigation support. Matt has worked in the healthcare compliance field for over 20 years and previously served in the Corporate Compliance Department of Atrium Health and as a compliance and investigations consultant at Huron Consulting Group, Navigant Consulting, and Arthur Andersen.

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Today's Objectives:

During this presentation, you can expect to:

1. Deepen understanding on the three lines model with focus on role and responsibilities of compliance
2. Discuss leading practices for auditing and monitoring across the three lines model
3. Learn from practical examples with key takeaways and tools

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Polling Question #1

Which of the following best describes my familiarity with the 3 Lines Model?

- A. I am an expert. I could be giving this presentation.
- B. I am familiar with the model but interested in learning more.
- C. I am a novice. I only remember something about 3 Lines that was a trick question on my driver's test.

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What is the Three Lines Model?



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The Three Lines Model

A model offering an opportunity for organization's three lines to align on activities through communication, coordination, cooperation, and collaboration

What is the Three Lines Model?

The Three Lines Model is comprised of the governing body, management, and internal audit, with differing levels and perspectives in confirming risks are appropriately managed within the enterprise

Three Line Goals:

- **Risk-based decision-making** – A considered process that includes analysis, planning, action, monitoring, and review, and takes account of potential impacts of uncertainty on objectives
- **Assurance** – Independent confirmation and confidence



Objectives of the Three Lines Model

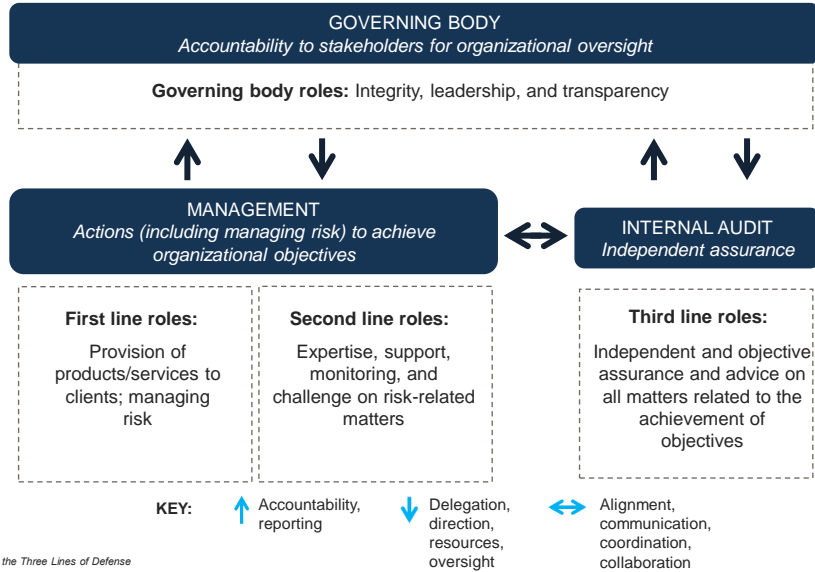
- Provide clarity on roles overseeing risk and controls within the Three Lines Model
- Alignment on risk management objectives to help achieve optimal assurance activities and a lower cost of compliance
- Help prevent over indexing on risk mitigation activities and focusing on value creation of controlled risk taking

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Three Lines Model Visualization

The Three Lines Model is comprised of the governing body, management (first and second lines of defense), and internal audit (third line of defense), with differing levels and perspectives in confirming risks are managed within the enterprise



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Source: "THE IIA's THREE LINES MODEL" An update of the Three Lines of Defense The Institute of Internal Auditors www.globaliaa.org [IIA]

The Three Lines Model Updates

By The Institute of Internal Auditors (IIA) in July 2022

What happened?

- The IIA has shortened the name to the "**Three Lines Model**" to de-emphasize the **defensive approach (formerly known as Three Lines of Defense)**
- This acknowledges that risk-based decision-making is as much about **seizing opportunities** as it is about **defensive moves**

Key points:

- Better identifies and structures **interactions and responsibilities** of those charged with governance (management, internal audit (IA))
- Emphasizes that the role of management, the board and the internal auditors is to **enhance the value of organizations, not just protect it**
- Recognizes **emerging risks far enough out to prepare** the organization to mitigate or address them
- Highlights the importance of **communication and collaboration**
- Confirms Internal Audit's work is relevant** and helps the organization both **strategically and operationally**

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Roles of Three Lines

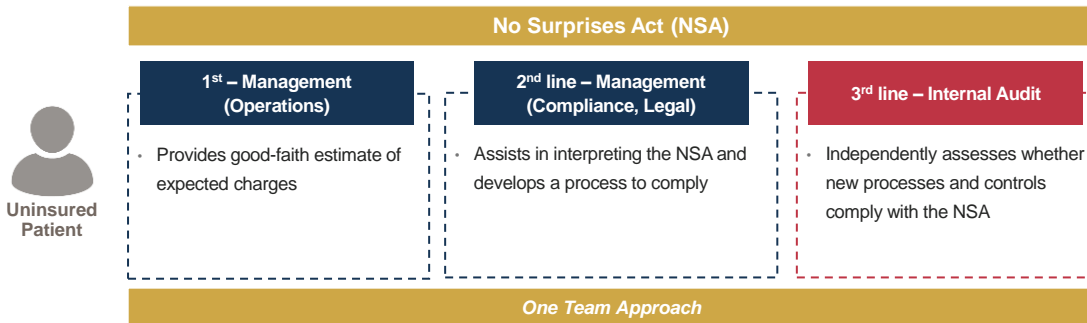


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Source: "THE IIA's THREE LINES MODEL" An update of the Three Lines of Defense The Institute of Internal Auditors www.iiainstitute.org [14]

No Surprises Act Example

Illustrative



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Third Party Contract Management

Illustrative



Company



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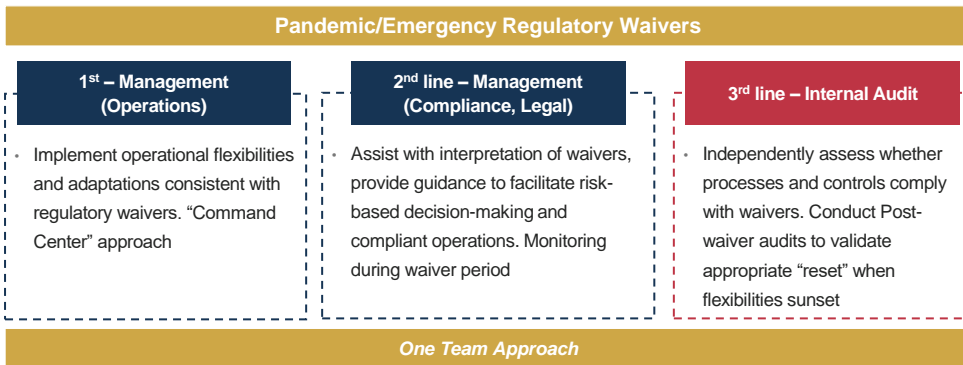


Pandemic/Emergency Regulatory Waivers

Illustrative



Organization



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Polling Question #2

How do your internal audit and compliance functions report up to the organization?

- A. Report to a common leader
- B. Report to different leaders
- C. We are one team!

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Collaboration in
Practice –
Practical
considerations for
internal audit and
compliance




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Opportunity Areas for Internal Audit and Compliance Collaboration

Increased coordination between IA and Compliance can often assist in increasing overall efficiency and evolving the capabilities of both teams

Based on the current roles and responsibilities for IA and Compliance, below are examples of areas where we typically see significant coordination/collaboration between these functions across the industry

- 
Planning risk assessment/universe

Coordinating key stakeholders to be included in risk assessment discussions to incorporate perspective, e.g., previous audits/issues
- 
Conducting risk assessment

Collaboration in identifying priority risks to include in yearly workplans based on external (trends) and internal (interviews) perspectives
- 
Developing workplan(s)

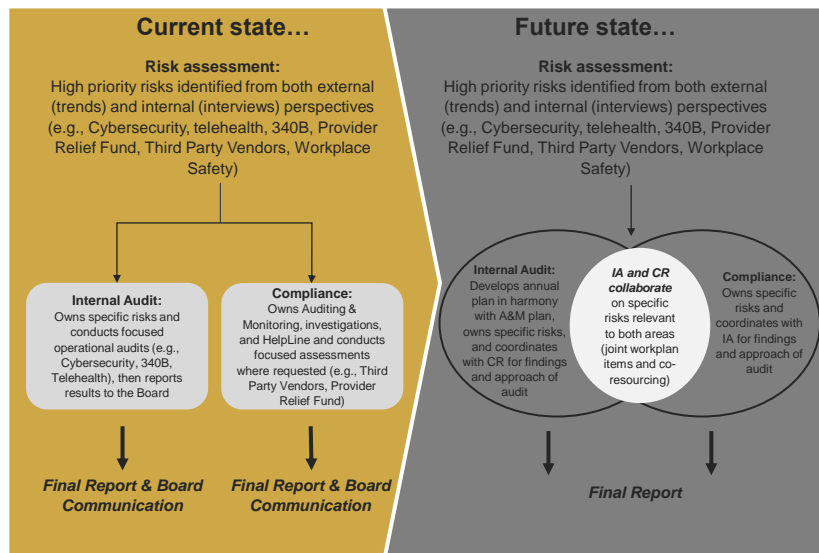
Collaboration in developing the scopes for audits / assessments for identified risks / focus areas; identifying possible "joint audits"
- 
Conducting audit(s)

Ongoing collaboration and communication during audits to provide feedback and guidance to both teams; shared resourcing of selected audits
- 
Monitoring & analytics

Coordination in monitoring and tracking status of management action plans until completion; Opportunity for teams to leverage data analytics for efficient monitoring

Harmonizing and Operationalizing Between Internal Audit and Compliance

Illustrative Example



Compliance Monitoring and Auditing Workplan

Illustrative

Compliance Monitoring

Audit ID:	
Steps	
1	Perform Compliance Risk Assessment
2	Identify Compliance Risk Areas
3	Conduct Workplan Risk Area Prioritization
4	Confirm Desired Monitoring Activities
5	Initiate Communication with Operational Stakeholders
6	Share Resources (Regulations/Rules/Expectations)
7	Confirm Overall Monitoring Goals & Scope
8	Identify Specific Monitoring Steps / Protocols / Sampling
9	Develop a Monitoring Tool for Results Documentation
10	Establish Communication, Reporting, and Trending Process
11	Collaborate to Review Monitoring Results
12	Identify Opportunity Areas / Advise on Potential CAPs
13	Monitor CAPs, recommend Auditing as necessary

Compliance Auditing

Audit ID:	
Steps	
1	Select Accounts
2	Issue RFP
3	Create Contract
4	Coordinate Remote Access
5	Kick-Off Meeting / Walk-Through
6	Conduct Audit Review
7	Validate Results
8	Gather Reviewer Feedback & Reconciliation
9	Conduct Workgroup Meeting, if needed
10	Prepare Data Summary
11	Draft Executive Summary and Corrective Action Plan (CAP)
12	Conduct Audit Findings Meeting and Agree on CAP
13	Monitor CAP implementation

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Polling Question #3

Which of the following answers best describes the relationship between the Compliance and Internal Audit functions at my organization?

- A. The functions meet regularly to share information and coordinate. They collaborate on risk assessment, auditing & monitoring, work plan, and reporting activities.
- B. The functions occasionally share information but remain mostly “siloe” as it relates to their activities and reporting.
- C. I am not sure how the functions collaborate at my organization.

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Leading Practices
to Help Strengthen
and Sustain
Collaboration
across Three Lines
Model



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*“The governing body, management, and internal audit have their distinct responsibilities, but **all activities need to be aligned with the objectives** of the organization. The basis for successful coherence is regular and effective coordination, collaboration, and communication.”*

Source: “THE IIA’s THREE LINES MODEL” An update of the Three Lines of Defense
The Institute of Internal Auditors www.gisbaia.org [IIA]

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Leading Practices and Common Pitfalls

As organizations move to implement or advance the Three Lines Model within their functions, keeping in mind the leading practices and common pitfalls can help further access the value of the model.

 Leading practices	 Common pitfalls
<ul style="list-style-type: none"> • “One team” culture and common understanding of risk, compliance and audit • Dynamic talent and experience, with innovative mindset • Unified approach and guiding principles • Effective stakeholder management, collaboration, and timely communication • Tools, digital assets, analytics, and automation • Knowledge sharing 	<ul style="list-style-type: none"> • Silo mentality, leading to a lack of coordination and duplication of risk areas and gaps • Misaligned or conflicting assurance opinions • Duplication of assurance activities between Three Lines • Duplicative testing, resulting in less time to focus on the business at hand • Over-fitting or over-strengthening of the second line

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Transforming Risk and Audits

Together we explored the value of the Three Lines Model, including these key takeaways:

One Culture
 The governing body, management, and internal audit have their distinct responsibilities, but all activities need to be aligned with the objectives of the organization

Both Proactive and Defensive
 Risk-based decision-making is as much about seizing opportunities as it is about defensive moves

Collaboration Benefits
 Increased coordination between IA and Compliance can often assist in increasing overall efficiency and evolving the capabilities of both teams

Enhanced Perspectives
 Sharing of risk for cross functional coverage which promotes the identification of risks from different perspectives

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Q&A



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Thank You!!!

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