



Practical Implementation of Combined Assurance



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"Do your little bit of good where you are; it's those little bits of good put together that overwhelm the world." - Archbishop Emeritus Desmond Tutu

Introduction



- Combined assurance, is a process of effective **co-ordination and collaboration between management and internal as well as external assurance providers** with the objective of ensuring that risks are well managed so that Institutions can achieve their strategic goals and objectives resulting in good performance.
- King III introduces combined assurance as a recommended governance practice in the following paragraphs:
- **"3.5. The audit committee should ensure that a combined assurance model is applied to provide a coordinated approach to all assurance activities";** and
- **"7.3.1. Internal audit should form an integral part of the combined assurance model as internal assurance provider."** "Integrating and aligning assurance processes in an organisation to maximise risk and governance oversight and control efficiencies, and optimise overall assurance to the Audit and Risk Committee, considering the organisation's risk appetite"
- **In terms of Principle 15 of the King IV** a combined assurance model which incorporates and optimises all assurance services and functions so that, *"taken as a whole, these should i) enable an effective control environment; ii) support the integrity of information used for internal decision-making by management, the governing body and its committees and iii) support the integrity of the organisation's external reports."*
- **2050 – Coordination and Reliance.** The chief audit executive should share information, coordinate activities, and consider relying upon the work of other internal and external assurance and consulting service providers to ensure proper coverage and minimize duplication of efforts.



Assurance Providers and Levels of defense

Assurance Providers and Levels of defense



Level 1

Management supervision

LPT

NT

COGHSTA



Level 2

PMS

Legal Services

Risk Management

Internal Controls

LPT

NT

COGHSTA



Level 3

Internal Audit

LPT

NT



Level 4

Auditor General

Audit Committee oversees the combined assurance process

Credibility of Assurance Providers



Credibility of Assurance Providers

- The assurance provided must be credible. This is **achieved by ensuring that the skill and experience levels of the assurance providers are appropriate for the work to be performed, and that the extent of the work performed will address the potential and actual exposures.**
- Management and the Audit Committee will need to ensure that the assurance providers, both external and internal – have the appropriate experience and skills and follow an acceptable approach/methodology.
- International Standard on Auditing (ISA) 620, “Using the Work of an Auditor’s Expert” should be read in conjunction with ISA 200, “Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing.”
- Below is the requirements in terms of the above standard:



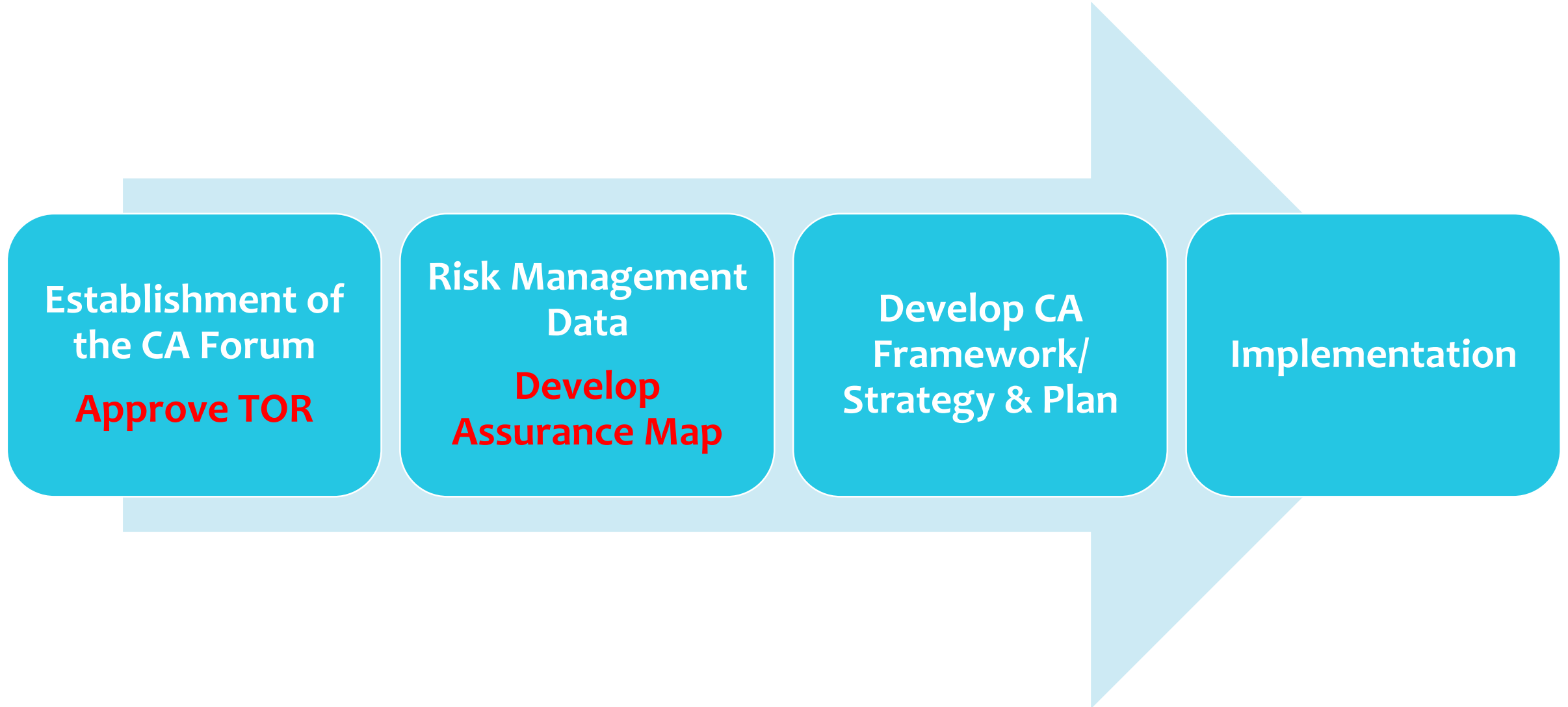
Credibility of Assurance Providers

Category	Requirements
Independence/Objectivity	Independent reporting lines, no recent direct involvement and/or work done in the area/aspects to be audited
Conflict of interest	In the areas/aspects in which assurance is to be provided, there should not be any conflict of interest (could require a declaration in this regard).
Skills and experience	The assurance provider should have the appropriate skills and experience to effectively conduct the assignment.
Qualification	The assurance provider should hold an appropriate qualification(s). <i>Certification would serve as an advantage</i>
Assurance methodology	A sound audit/review methodology should be adopted by the assurance provider. Ideally, a risk-based approach should be followed. The reported findings and opinions should be supported by adequately documented working papers/audit trails.
Accreditation body/Registration	<i>(non-core aspect)</i> Ideally, the assurance provider should be accredited or registered with a recognised accreditation body for the areas/aspects over which he/she is providing assurance. <i>NB: Consider the current SA Ethical Environment and risk??</i>



IMPLEMENTATION

Process of Institutionalisation of Combined Assurance



Step 1: Combined Assurance Forum

- Internal Audit or Risk Management are usually best placed to take on the combined assurance champion role. They have an overall understanding of the Municipality and are familiar with the assurance concepts and have a strong vested interest in making sure the approach is effective.
- **Standard 2050 encourages CAE to take a lead**
- The Combined Assurance Forum will comprise a minimum of a representative of the external auditors, internal auditors, legal services, representatives of the PMS, Risk and Compliance units.
- The members of the Combined Assurance Forum should represent the different assurance providers within the group and be of sufficient **seniority** to be able to make decisions on behalf of the assurance function.



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BPM Combined Assurance Forum

No	Position	Position in CAF	Comments
1	Chief Audit Executive	Chairperson	Internal Assurance Provider
2	Audit Manager	Secretariat	Internal Assurance Provider
3	Legal Manager	Member	Internal Assurance Provider
4	ICT Manager	Member	Internal Assurance Provider
5	Strategic Manager	Member	Internal Assurance Provider
6	PMS Officer	Member	Internal Assurance Provider
7	OHS Officer	Member	Internal Assurance Provider
8	Risk Manager	Member	Internal Assurance Provider
9	Auditor General	Member	External Assurance Provider

Terms of Reference - Contents

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- The next step will be to develop the terms of reference for the Combined Assurance Forum.
- Start with the internal assurance providers to get your house in order then involve the external Assurance providers especially the Auditor General.
- The Terms of Reference will ensure commitment from both the Municipality and External Assurance providers.

Step 2: Quality of Risk Management Information

- The foundation for combined assurance and the successful implementation of a combined assurance model rests on the quality of the risk management information.
- Poor risk definitions, missing critical risk information and poor control mitigation information will negatively affect the implementation of combined assurance.
- The first step in the process is completing the assurance map by indicating who assures what risk and to where this assurance is reported.



Scope of Risk Management audit

Organizational objectives support and align with the organization's mission;

Significant risks are identified and assessed;

Appropriate risk responses are selected that align risks with the organization's risk appetite; and

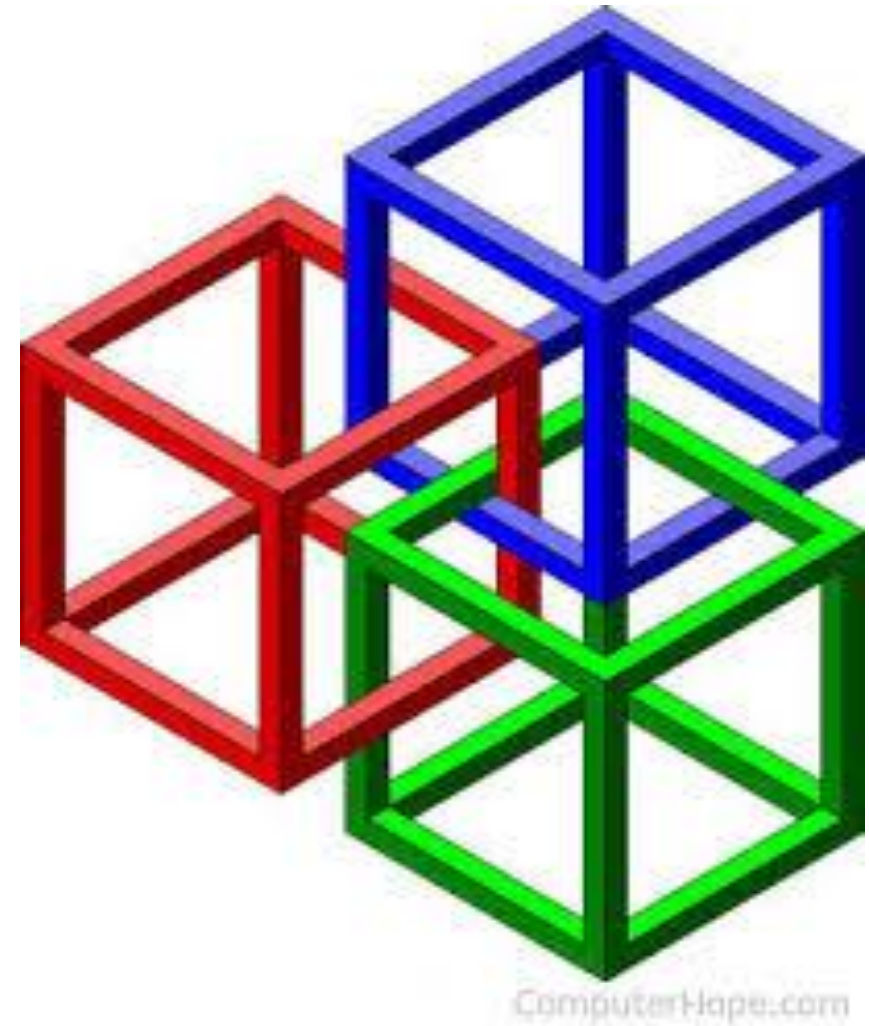
Relevant risk information is captured and communicated in a timely manner across the organization, enabling staff, management, and the board to carry out their responsibilities.

Assurance Map

Risk	1 st Level		2 nd Level		3 rd Level		4 th Level	
	Act	Prop	Act	Prop	Act	Prop	Act	Prop
Outdated LUMS and SDF	Planning SM							
Ageing Infrastructure (Roads & Storm water, water & sanitation networks, Electrical Networks)					IAA Plan Infrastructure Audit			
Loss of assets			Risk Management Investigations		IAA Plan Loss Control Audit			
Misalignment of MSCOA segments					IAA Plan MSCOA Audit			
Non-compliance to Supply Chain processes which results in irregular expenditure	CFO/ SCM Manager				IAA Plan SCM Audit		AG Audit	
Inadequate performance reviews	MM		PMS Officer Review of Performance Reports		IAA Plan PMS Audit		AG Audit AOPO	

Step 3: Combined Assurance Framework

- The 3rd step will be to develop a Combined Assurance Framework which will provide a clearly defined and documented approach and principles for integrating and aligning assurance processes and control systems to achieve optimal assurance taking into consideration risk appetite, to enable appropriate risk and governance oversight.
- The framework will also outline the key role players and the scope. Awareness should be made to the key stakeholder to ensure buy in and smooth implementation thereof. The Combined Assurance Framework should be presented to Senior Management, Audit Committee, External Assurance Providers and finally to Council for adoption.
- Obtain approval for the combined assurance framework which will cater for the identification of sources of assurance on internal financial controls, systems of control and risk management aligned to processes, controls and risks, identification of gaps and duplication of resources within the combined assurance framework.



CA Plan and Strategy

- The next step will be to develop a Combined Assurance Plan, Strategy and meeting dates aligned to the Municipality's corporate diary.
- The strategy and plan should outline the responsibilities of key role players, and implementation of such responsibilities.
- It is critical that a plan of when the Combined Assurance Forum meets is developed and adhered to.
- The plan of meetings should be aligned to the Municipal Finance Management Act and Municipal approved calendar to ensure successful implementation.
- The forum will address matters pertaining to combined assurance with regards to all corporate assurance providers and stakeholders.

Duties of the Combined Assurance Forum

The Combined Assurance Forum will be responsible for the following:

1. Prioritise the risk registers of the Municipality to assess the level of assurance provided by each assurance provider.
2. This will assist the forum to reduce assurance fatigue.
3. Provide Assurance on the AC Packs prior AC meetings.
4. This will be implemented on a phase basis given the challenges the Municipality has on preparation of AC reports on time.
5. Share assurance reports in order to ensure adequate planning for all assurance providers
6. Review progress reports on each risk register prioritised on a quarterly basis.
7. Quarterly Reports will be presented by the Chief Audit Executive to Senior Management, Risk Management Committee and Audit Committee on the execution of the duties outlined above.

Step 4: Implementation – Current Risk Register

The fourth step will be to implement the Combined Assurance. The forum should use the Municipal Risk register as a starting point. The forum should utilise a five stage process for implementation:

Identifying processes (financial as well as non-financial);

Ascertain who provides assurance;

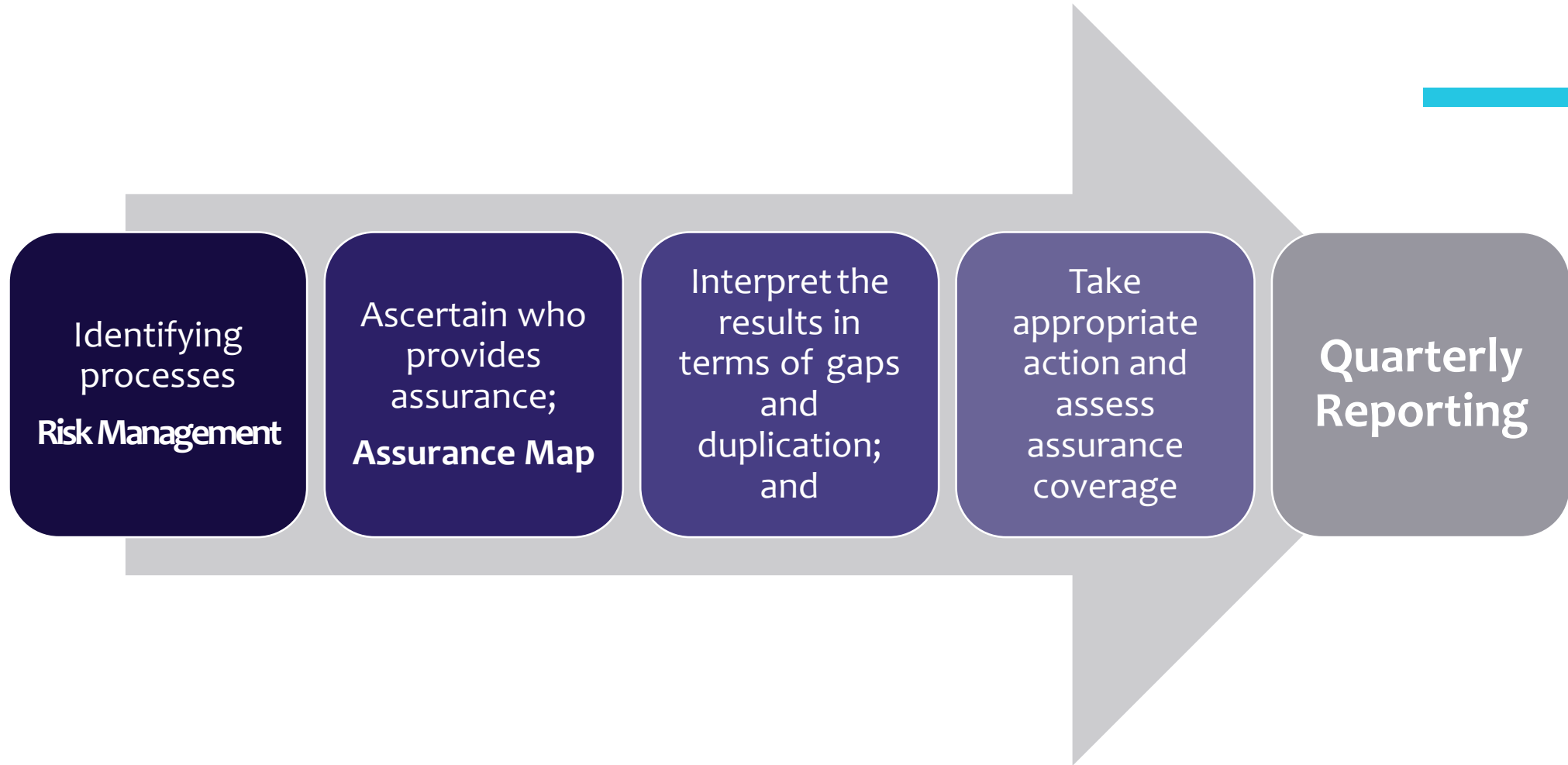
Interpret the results in terms of gaps and duplication; and

Take appropriate action and assess assurance coverage.

Reporting

Reporting which should be done quarterly to the Risk Committee, Audit Committee and finally to Council. [See Report to RMC and AC](#)

Implementation – Process



Combined Assurance Benefits

Combined assurance offers tangible benefits that extend well beyond proving compliance, including:

- Co-ordinated and relevant assurance efforts focusing on key risk exposures across the Municipality
- Comprehensive and prioritised tracking of remedial action on identified improvement opportunities/weaknesses;
- Improved reporting to the AC and Council, including reducing the repetition of reports for review by the different committees;
- Possible reduction in assurance costs;
- Optimised assurance spend in that auditors are assisted in giving opinions on residual risk status, prevention of assurance fatigue, minimised overlap between the lines of defence, and the prevention of possible 'blind spots';
- The use of combined assurance to support the audit committee in Annual Reporting
- A comprehensive and prioritised approach to the tracking and testing of remedial actions on identified improvement opportunities, control weaknesses or significant inherent risk mitigations.

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**“The greatness of a man is not how much wealth he acquires,
but in his integrity and his ability to affect those around him
positively.” Bob Marley**



Thank You

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