

MSUKALIGWA LOCAL MUNICIPALITY



COMBINED ASSURANCE POLICY

2025/26

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1. INTRODUCTION

The Combined Assurance Model aims to inform, in a simple manner, on the effectiveness of assurance providers and to create confidence in the assurance provided over key organizational risks.

Combined assurance seeks to reduce duplications in audit processes and prevent any key controls from being missed by assurance providers. This approach to assurance normally has a risk foundation. Combined assurance model is designed and implemented to effectively cover the significant risks and material matters of the municipality through a combination of assurance providers.

Assurance should be designed on an integrated basis, integrating processes in order to maximise risk, governance oversight and control efficiencies, optimise overall assurance to the audit and risk committee and considering the organisations risk appetite.

As assurance providers perform assurance activities in isolation, auditees, management and the board can suffer from assurance fatigue and assurance gaps that lead to inefficient reporting to governing structures. Combined assurance model ensures continuous monitoring to identify and close gaps, ineffective internal control and eliminate excessive assurance. It is a process that assesses and provides assurance over the adequacy and effectiveness of the control environment to manage risks resulting from the overall organisation strategy.

2. DEFINITION OF COMBINED ASSURANCE

King III introduced combined assurance and in King IV the combined assurance model evolved. King IV recommends that internal audit should form an integral part of the combined assurance model as internal assurance provider.

A combined assurance model incorporates and optimizes all assurance services and functions so that, taken as a whole, these enable an effective control environment; support the integrity of information used for internal decision-making by management, the governing body and its committees.

3. OVERVIEW

The audit committee should ensure that a combined assurance model is applied to provide a coordinated approach to all assurance activities. The combined assurance model is a recommended governance model.

The International Standards for Professional Practice of Internal Auditing prescribes that the Chief Audit Executive should share information and co-ordinate activities with other internal and external providers of relevant assurance and consulting services to ensure proper coverage and minimize duplication of efforts.

The combined assurance approach therefore co-ordinates the efforts of management, internal assurance providers and external assurance providers in a manner that ensures collaboration, and assists in bringing about a holistic view of an organisation's risk profile and assurance activities.

King IV suggests that the Municipal Council should assume responsibility for assurance by setting the direction concerning the arrangements for assurance services. It should also

oversee that a combined assurance model is designed and implemented to effectively cover the significant risks and material matters of the municipality through a combination of assurance providers.

A combined assurance model provides oversight structures of an organisation with a dashboard of key risks and the assurance provided on those risks.

3.1. COMBINED ASSURANCE MODEL AS PER KING IV

As per King IV, a Combined Assurance model is designed and implemented to cover significant risks and material matters through a combination of assurance service providers and functions:

- Organisation's line functions that own and manage risks
- Organisation's specialist functions that facilitate and oversee risk management and compliance
- Internal auditors, internal forensic fraud examiners and auditors, safety and process assessors and statutory actuaries
- Independent external assurance service providers such as external auditors
- Other external assurance providers such as external auditors
- Other external assurance providers such as sustainability and environmental auditors, external actuaries and external forensic fraud examiners and auditors
- Regulatory inspectors

3.2. GOVERNANCE/ OVERSIGHT

The governance/ oversight function at Municipality is provided by the following:

- Municipal Council
- Executive Committee
- Portfolio Committees of Council
- Municipal Public Accounts Committee
- Audit and Performance Audit Committees

3.3. ASSURANCE

This section covers independent assurance providers for the Municipality, which include the following:

- Internal Audit,
- Auditor General/ External Audit,
- Provincial Treasury
- Cooperative Governance and Traditional Affairs

3.4. THE ROLE OF THE AUDIT COMMITTEE IN TERMS OF COMBINED ASSURANCE

The Audit Committee is an independent committee responsible for oversight of the municipality's governance, risk management and control, and should provide an independent and objective view of the municipality's risk management effectiveness.

Responsibilities should include reviewing and recommending disclosures on risk in the annual report, providing feedback on the adequacy and effectiveness of risk management, including

recommendations for improvement, ensuring internal and external plans are aligned to the municipality's risk profile, and satisfying itself that financial reporting risks, internal financial control and information technology risks are appropriately addressed.

With combined assurance the Audit Committee will be able to fulfil the oversight function much more effectively and efficiently. Combined assurance can be used to provide the Audit Committee with the comfort that significant risks, including strategic risks, and the actions to mitigate the risks, have been subjected to assurance procedures.

The audit committee should ensure that a combined assurance model is applied to provide a coordinated approach to all assurance activities. The audit committee should ensure that the combined assurance received is appropriate to address all the significant risks facing the municipality. The relationship between the external assurance providers and the municipality should be monitored by the audit committee.

3.5. THE ROLE OF THE INTERNAL AUDIT IN TERMS OF COMBINED ASSURANCE

The Chief Audit Executive (CAE) should share information and coordinate activities with other internal and external providers of assurance and consulting services to ensure proper coverage and minimize duplication of efforts, which include providing assurance by;

- Verify the capability of the assurance providers and the reliability and appropriateness of the risk assessment and reporting of the risk and control status.
- Giving assurance on the design and adequacy of the risk management processes;
- Management of the top risks including the effectiveness of the controls and other responses; and
- Reporting to the other assurance provider and Audit Committee.
- The assurance provider should have the appropriate skills and experience to effectively conduct the assignment.
- Independent assurance provided by Internal and External Audit to the Council through its Audit Committee and senior management concerning the effectiveness of the management of risk and control.

4. COMBINED ASSURANCE MODEL

The audit committee should ensure that a combined assurance model is applied to provide a coordinated approach to all assurance activities. The model is based on risk identified for that organisation.

The diagram below illustrates the combined assurance model.



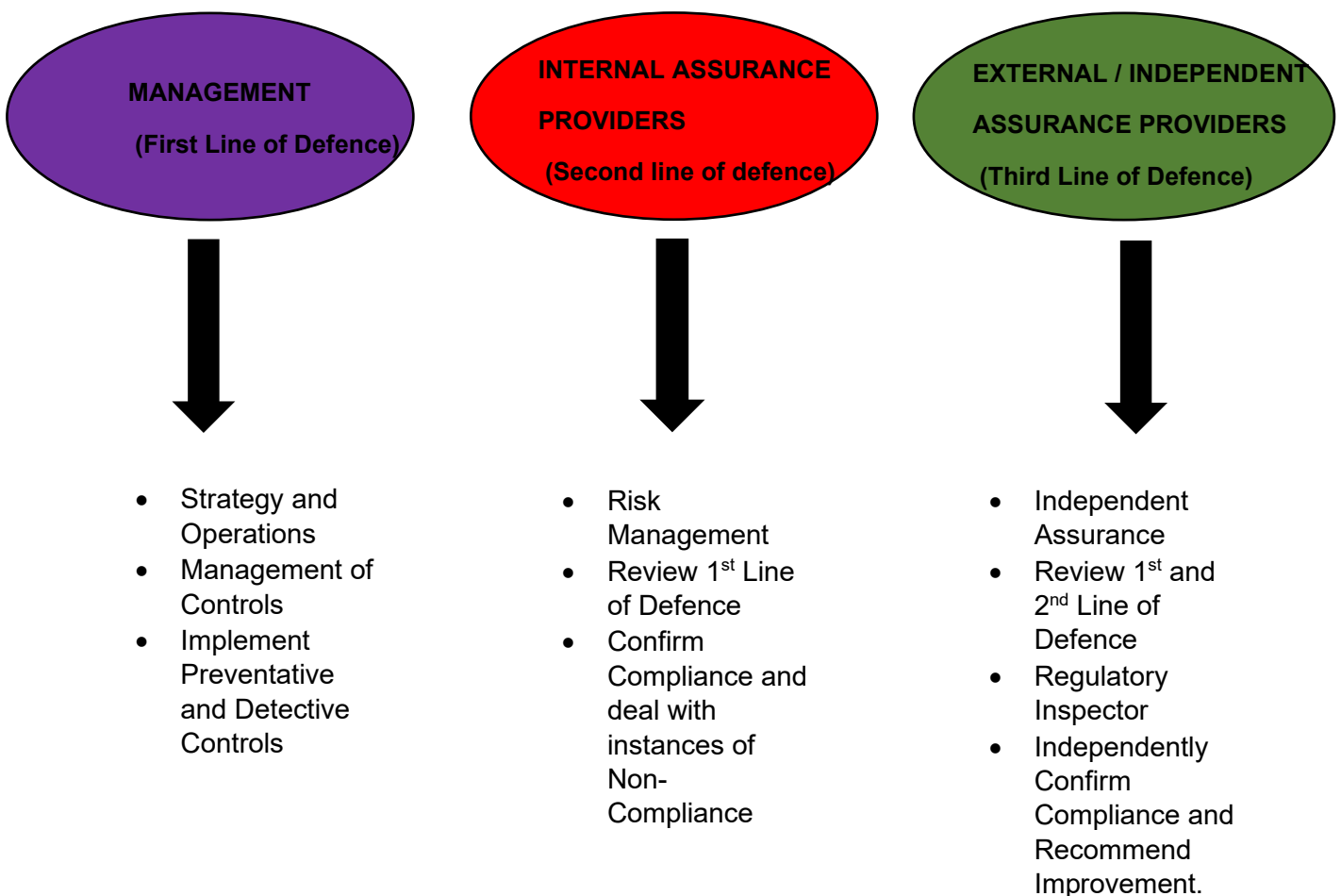
5. BENEFITS OF COMBINED ASSURANCE

By effectively implementing combined assurance, a number of tangible benefits that extend well beyond proving compliance can be realised, including among others:

- More coordinated and relevant assurance efforts focusing on key risk exposures;
- Minimising business/operational disruptions;
- A comprehensive and prioritised approach in tracking of remedial actions on identified improvement opportunities/weaknesses;
- Improved reporting to the Council/ Accounting Authority and committees, including reducing the repetition of reports being reviewed by different committees;
- A possible reduction in assurance costs; and
- Support the audit and risk committee and the accounting officer in making their control statements in the integrated report.

6. UNDERSTANDING THE LINES OF DEFENCE

In order to minimise risk, the combine assurance model incorporates the following lines of defence. The lines of defence assist in identifying, controlling and mitigating risk in a systematic manner.



In order to identify and assign risk responsibility, the municipality will implement a risk identification or risk register based on the table illustrated below through conducting of an annual risk assessment. The table illustrate the type of risk, be it strategic or operational and the level of assurance required or recommended for each line of defence.

RISK	LINES OF DEFENCE						
	FIRST LINE OF DEFENCE		SECOND LINE OF DEFENCE		THIRD LINE OF DEFENCE		
	MANAGEMENT OF CONTROLS		MANAGEMENT OF RISKS		INDEPENDENT ASSURANCE		
	Control self-assessment	Management review	Risk management	Compliance	External auditors	Internal auditors	Consulting engineers
STRATEGIC							
Finance	Red	Red	Red	Red	Red	Yellow	
Funding		Red	Red	Red	Red	Red	
Sustainability		Red	Red	Red	Yellow	Blue	Blue
Information Technology	Red	Red	Red	Red	Red	Red	
OPERATIONAL							
Financial	Red	Red	Red	Red	Red	Red	
Human Resource	Red	Red	Red	Red	Yellow	Yellow	
Supply Chain Management	Red	Red	Yellow	Yellow	Red	Red	
Performance Management (Service Delivery)	Red	Red	Red	Yellow	Red	Red	

KEY

Extensive assurance	Red
Moderate assurance	Yellow
Low /limited assurance	Blue
Not applicable	

Extensive assurance:

- Scope of work covers entire process area
- Period of the work performed covers more than half the year
- Positive opinion or certification is provided
- Procedures include audit plans that incorporate an assessment of risk.

Moderate assurance:

- Scope of work does not cover all parts of the business process
- Work performed does not cover entire period under review
- Limited assurance statement provided

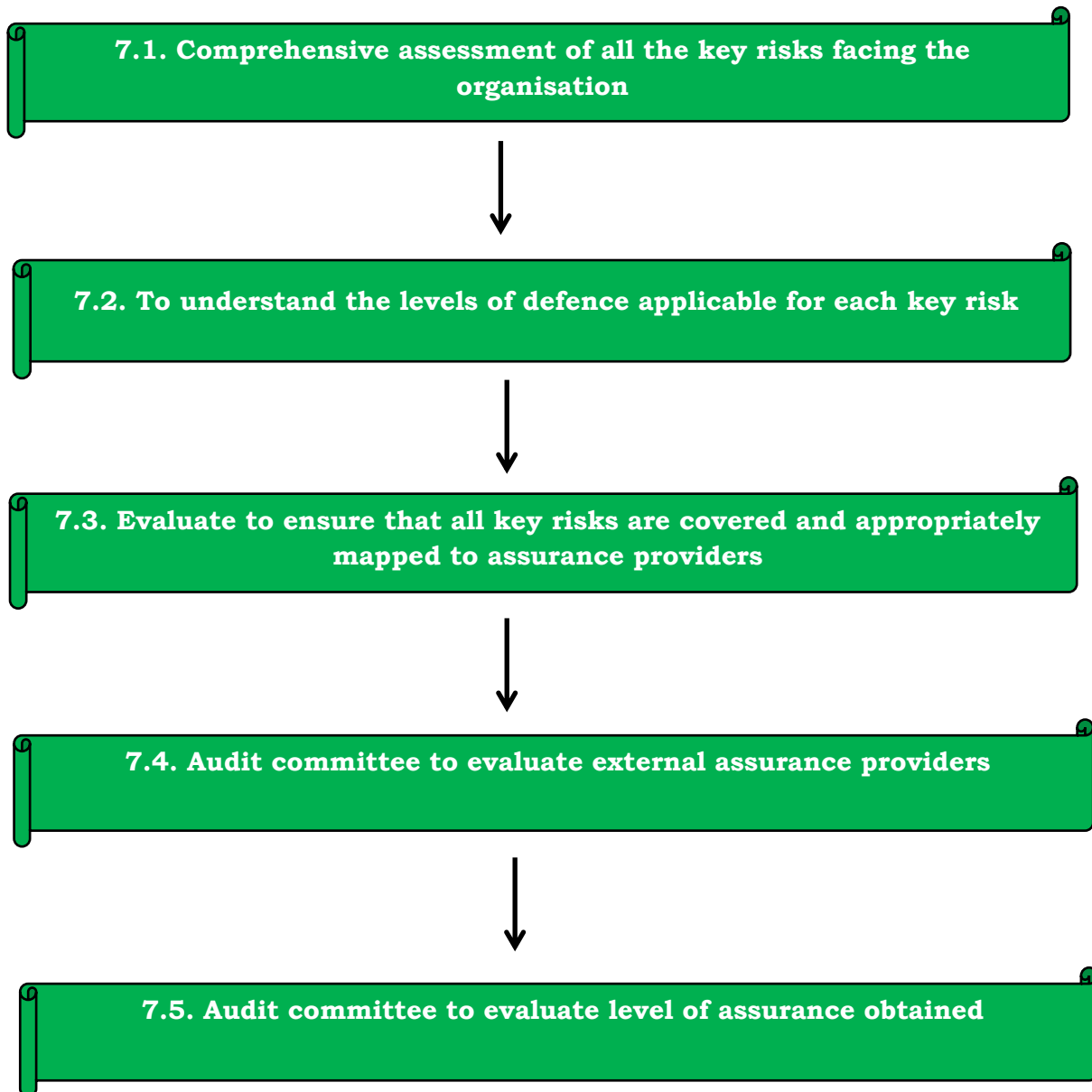
Low/limited assurance:

- Scope of work covers a very specific part of the business process
- Scope of work does not cover all parts of the business process
- No certification or assurance statement provided (negative report)

The above can be used to assess the potential for combined assurance. The audit committee should use this profile to commission further work on establishing combined assurance.

The strategic, key operational and business unit-level risk profiles should be used to establish what risks are assured and by whom and what risks should be assured and by whom. In the above analysis, the different lines of defence are mapped and identified in terms of work actually performed and the assurance expected. The above table illustrates the details required to make a realistic assessment of the actual and desired assurance. The internal audit department is well placed to lead this analysis as it has training and experience to understand the risks and associated controls/ risk mitigation measures and how the assurance relates to these profiles.

7. STEPS TO ENSURE COMBINED ASSURANCE



THE ABOVE-MENTIONED STEPS TO ENSURE COMBINED ASSURANCE ARE EXPLAINED BELOW;

7.1. COMPREHENSIVE ASSESSMENT OF ALL THE KEY RISK FACING MSUKALIGWA LOCAL MUNICIPALITY

- A comprehensive risk register drawn from the risk assessment is to be developed, ensuring that each and every department and sub-department officials are interviewed and given the opportunity and express their concerns regarding potential risk areas within their department.
- The risk register should be comprehensive, clear, concise, accurate, complete and thorough. The steps to mitigate the risk as well the person in charge should be included in the risk register.
- The focus should be on the risk that will affect the organisation.

7.2. TO UNDERSTAND THE LEVELS OF DEFENCE APPLICABLE FOR EACH KEY RISK

For each risk the applicable level of defence should be identified

The first level of defence focuses on (Management Oversight);

- Preventative and detective controls
- Management oversight
- Control self-assessment

In the first level of defence, line management is accountable and responsible for the management of risk and performance. The key element is management's reviews and actions that follow. Management can establish a self-assessment and or audits to inform them on the adequacy of risk management activities.

The reporting lines for the first line of defence include executive management committees and operational committees, providing direction and guidance and oversight over the focus areas.

The second level of defence focuses on (Internal Assurance Providers)

- Compliance functions
- Health and safety
- Fraud risk management

In the second level of defence, corporate functions provide support to line management in executing their duties. These include functions such as human resources, procurement, compliance, risk management, quality assurance, health and safety, engineering and forensics.

The reporting lines for the second line of defence include risk committees, audit committees, regulatory forums, human resources forums and health and safety briefings.

The third level of defence focuses on (External /Independent Assurance);

- Independent internal auditors
- External auditors

- Regulatory Inspectors
- Sustainability assurance

In the third line of defence, internal audit, certifications, regulatory reviews, external audits, forensic investigation, external asset management reviews and valuers.

7.3. EVALUATE TO ENSURE THAT ALL KEY RISKS ARE COVERED AND APPROPRIATELY MAPPED TO ASSURANCE PROVIDERS

Each risk should be mapped to the appropriate service provider on the various lines of defence. The audit committee should ensure that management and the respective service providers are accountable for lack of governance structure for some risk, lack of detective control for key risks, lack of management oversight and lack of internal audit assurance on information security.

7.4. AUDIT COMMITTEE TO EVALUATE EXTERNAL ASSURANCE PROVIDERS

The audit committee should ensure that the external assurance providers possess the adequate qualification, skills and expertise and that they maintain their independence and objectivity at all time. The committee should evaluate the assurance methodology used by external assurance service providers. This step is not applicable in the case of a municipality as external audit is regulated.

7.5. AUDIT COMMITTEE TO EVALUATE LEVEL OF ASSURANCE OBTAINED

The assurances to be provided are extensive, moderate or limited. Extensive assurance covers the entire required process and the period of work is for more than six months, services being provided by accredited assurance providers. Moderate assurance covers part of the process under review or investigation. The work performed is for less than six months of the period under review and a limited assurance statement is provided. Limited assurance is conducted for a period of less than three months; work performed is for a specific part of the process and no assurance statement is provided.

Combined assurance plays a key role in assisting council and audit committees to discharge their governance responsibilities and should not be taken simplistically and lightly.

8. COMBINED ASSURANCE RESPONSIBILITIES

8.1. Accounting Officer

The accounting officer is responsible to publish an assessment of the organisations risk management and internal controls on the recommendations of the audit committee.

8.2. Audit Committee

The audit committee is responsible to provide the oversight for combined assurance and will provide the accounting officer with a written assessment on the state of risk management. The audit committee will provide approval of the combined assurance scope and coverage, provide oversight of the monitoring and consider the assurance provided.

8.3. Risk Management Committee

The risk committee will approve the risk management plan and risk register. This committee should make recommendations to the audit committee on the combined assurance proposed scope and coverage and deliberate the assurance provided in conjunction with the audit committee to cover overlaps and gaps.

8.4. Risk Owner

It is the role of the risk owner to ensure that the first line of defence is effective.

8.5. Chief Risk Officer

The Chief risk officer will be supported by a combined assurance forum.

9. COMBINED ASSURANCE FORUM

The purpose of the combined assurance forum is to implement and embed the combined assurance framework principles as approved by the audit committee.

9.1. Objectives of the Combined Assurance Forum

- Engage with the accounting officer, through the audit committee, to determine the desired level of assurance required in each area;
- Review all assurance activities on a quarterly basis;
- Highlight and review the current areas of concern (emerging and/or existing risk) for management;
- Ensure coordination, reporting and communication to stakeholders;
- Develop a common view of the risk themes; and
- Agree on the future assurance activity to ensure broad and efficient coverage.

10. CONCLUSION

The right amount of assurance depends on the risk appetite of the organisation. There should be alignment of control validation/assurance approaches and efforts across the organisation, driving efficiency and the right levels of comfort. Risk management is the foundation of the combined assurance process and organisations should establish risk-based criteria for dealing with control failures on a consistent and strategically aligned basis to ensure organisational objectives and goals are achieved.

The audit committee should ensure that a combined assurance model is applied to provide a co-ordinated approach to all assurance activities and ensure that a combined assurance model exists within the municipality. Ultimately the responsibility of the internal audit is driving the implementation of the combined assurance approach in a number of organisations.

11. REVIEW OF THE PLAN/MODEL

The Combined assurance policy will be reviewed every 5 years (with alignment to the political term) or as and when required to incorporate changes in the prescribed norms and standard governing its existence to ensure that it remains current and relevant to all legislature and Combine Assurance guidelines in the Public Sector.

12. APPROVAL

Authority	Date	Signature
Recommended by Chairperson of Risk Management, Anti-Fraud and Corruption Committee:		
Approved by Municipal Manager: Mr M Kunene		
Approved by Council:	Council resolution number	LM 899/07/2025