



GEORGE MUNICIPALITY

COMBINED ASSURANCE POLICY

Contents

1. INTRODUCTION.....3

2. PURPOSE.....3

3. SCOPE3

4. DEFINITION OF COMBINED ASSURANCE.....3

5. DEFINITION OF COMBINED ASSURANCE MODEL3

6. BACKGROUND.....4

7. BENEFITS OF COMBINED ASSURANCE4

8. ROLEPLAYERS.....4

9. APPROACH.....5

10. POLICY DIRECTIVE8

11. ROLES AND RESPONSIBILITIES9

12. REVIEW9

13. VERSION9

14. APPROVAL9

1. INTRODUCTION

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

2. PURPOSE

A framework is defined as a conceptual structure intended to serve as a guide for the building of something that expands the structure into something useful.

The Combined Assurance Framework is a guide that informs the development of the annual Combined Assurance Model for the George Municipality.

The illustrated Model will be based on the annual risk assessment and on the Institute of Internal Auditors (IIA) Updated Lines of Defence - Three Lines Model which is adopted by the Municipality.

3. SCOPE

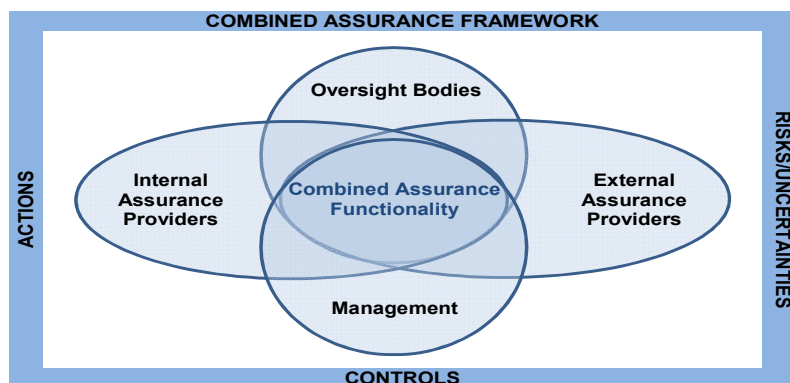
This Policy applies throughout the Municipality, subsequent to the approval by Council and is implemented over-time through a phased approach as detailed and approved in the Combined Assurance Framework and Implementation Plan.

4. DEFINITION OF COMBINED ASSURANCE

Combined assurance can be defined as “Integrating, coordinating and aligning the risk management and assurance processes within the Municipality to optimise and maximise the level of risk, governance and control oversight over the Municipality’s risk landscape.”

5. DEFINITION OF COMBINED ASSURANCE MODEL

The Combined Assurance Model can be defined as “The planned approach to assess the extent and adequacy of assurance coverage on key organisational risks and reporting thereon to the Risk Management Committee, Audit Committee and Municipal Council.”



6. BACKGROUND

There are various assurance providers that either directly or indirectly provide certain assurances over the effectiveness of the controls that mitigate the risks identified during the risk assessments.

The concept of combined assurance is supported by the King IV Code (principle 15) which states that the governing body should ensure that assurance services and functions enable an effective control environment, supporting the integrity of information for internal decision-making and of the organisation's external reports.

7. BENEFITS OF COMBINED ASSURANCE

- Identifying all direct and indirect assurance providers.
- Agreement on standards and a coordinated approach by all role players involved in providing assurance.
- Better understanding of the key risks.
- Understanding who provides assurance over key risks.
- Aligning assurance to the key risks, resulting in coordinated and relevant assurance efforts focusing on the key risks.
- Comprehensive and prioritised tracking of remedial actions.
- Reducing repetition of reports reviewed by different committees and overall improved reporting.

8. ROLEPLAYERS

Role players in combined assurance include the following:

- Risk Management Committee (RMC)
- Fraud Management Committee (FMC)
- Audit and Performance Audit Committee (APAC)
- Risk Management
- Internal Audit
- External Auditor / Auditor-General
- Performance Management Unit
- Legal Services
- Information and Communication Technology Function
- Management
- Occupational Health and Safety Function
- Government departments, entities and regulators
- Municipal Council
- Other Assurance Providers

9. APPROACH

A five-stage process should be employed in ensuring the success of a combined assurance model.

Step 1: Identifying the Drivers

Step 1 entails the Municipal Manager identifying and assigning a Combined Assurance Champion. The Chief Risk Officer will be the Combined Assurance Champion, who will coordinate the process and ensure process continuity.

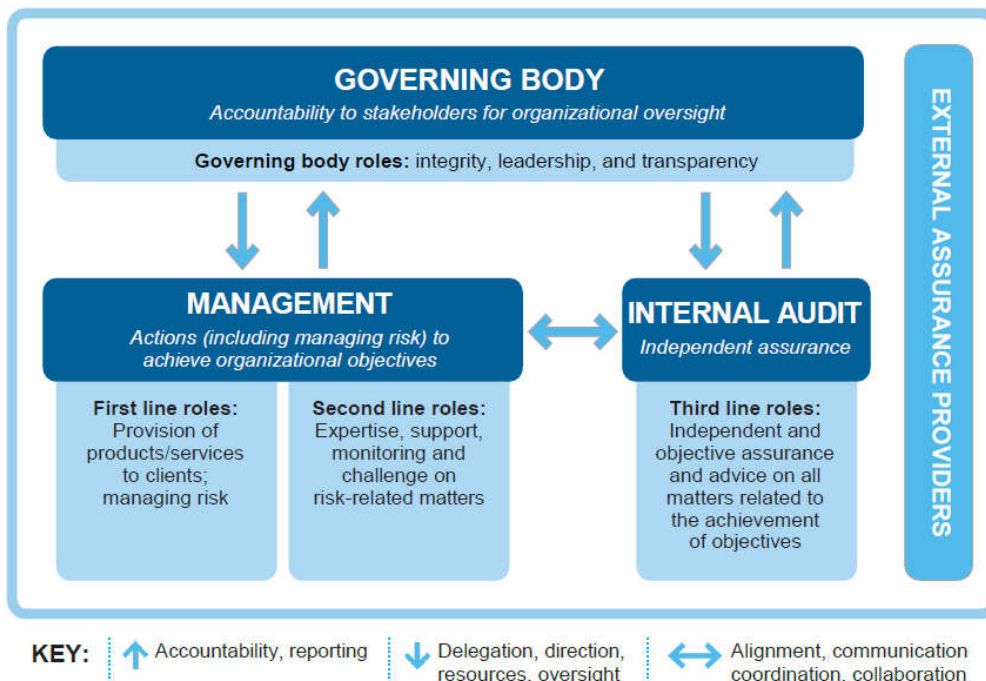
Step 2: Assess Potential for Combined Assurance

The second step entails establishing a high-level understanding of who the Assurance Providers are for the risk exposures facing the Municipality, i.e., an assurance profile should be documented.

Ideally, Assurance Providers should be separated in terms of first, second and third lines of assurance i.e., management-based assurance, risk and compliance-based assurance and independent assurance and oversight respectively.

The three lines of assurance are illustrated below, and elaborated as follows:

The IIA's Three Lines Model



First line of assurance (Management based assurance):

- Management must lead and direct actions (including managing of the risk) and application of resources to achieve the objectives of the organisation.
- Management must maintain a continuous dialogue with the governing bodies of Council, and reports on planned, actual, and expected outcomes linked to the objectives of the organisation and risk.
- Establish and maintain appropriate structures and processes for the management of operations, risks and internal controls and must ensure compliance with legal, regulatory and ethical expectations.
- The first line of assurance is best suited to offer broader assurance coverage.

Second line of assurance (Risk and compliance-based assurance):

- The second line of assurance provides complementary expertise, support, monitoring, and challenge related to the management of risk.
- The second line of assurance also provides analysis and reports on the adequacy and effectiveness of risk management and internal control.
- These lines of assurances normally comprise but are not limited to corporate functions such as Risk Management, Strategic Services (IDP), Performance Management (SDBIP), Occupational Health and Safety, Legal Services, Information and Communication Technology, Contract Management and Asset Management (insurance).

Third line of defence (Independent Assurance and Oversight)

- The third line of assurance provides independent assurance and oversight on the functioning of the governance, risk and control environment maintained by the first and second lines of assurance.
 - External Assurance Providers:
 - ✓ Provide additional assurance to satisfy legislative and regulatory expectations that serve to protect the interest of the public and satisfy requests by management and Council (Council governing bodies) to complement internal sources.
 - ✓ May include the Auditor-General of South Africa. National, Provincial and District government departments, entities and regulators that independently perform their functions may also be classified as third line assurance providers. (e.g., Blue Drop Certification by Department of Water and Sanitation)
 - Council and Council Governing Bodies:
 - ✓ Sets the direction of the by defining the vision, mission, values and the risk appetite of the Municipality.
 - ✓ Accepts accountability to the public for oversight of the Municipality and delegates responsibility to management with the necessary resources.

- Oversight bodies:
 - ✓ Consist of governing bodies such as the Audit and Performance Audit Committee, Municipal Public Accounts Committee etc.
 - ✓ The preceding list is currently utilised within the Combined Assurance Model. However, this is not static in nature or fully exhausted, hence the annual review of this policy framework.

Step 3: Application of Residual Risk Exposure

In the third stage a full understanding is established of what assurance is currently being provided and what needs to be provided based on all risk levels (strategic, operational, project, incident, emerging) of the Municipality. This step is informed by a comprehensive risk assessment which informs the next step in the process.

Here, the different lines of assurance will respond to the identified risks (as per selection above risk appetite) and detail work actually performed and the expected assurance. It becomes imperative for the risk actions to be relevant to and address the most important risks of the Municipality which should be managed on a consistent basis.

Risk information should be regularly and centrally maintained.

It is not feasible to consider all identified risks in the Combined Assurance Model. It is recommended that the limit is set in terms of the residual risk rating. The residual risk rating will therefore be the criteria for incorporation in the Combined Assurance Model. This approach will simultaneously ensure that the assurance is worth the cost.

Step 4: Determination of the Coverage of Assurance

The fourth stage in the process is to update the coverage of assurance. Although it is formally reported on a quarterly basis, monthly interventions are required through interaction with recipients and assessment of reports to establish what is being done, how often it is being done and for what reasons. This will ensure coordination of efforts and eradicate duplication.

Step 5: Combined Assurance Application

The final stage requires stakeholder acceptance of the approach and respective responsibilities through identifying the recommended area of assurance and articulating the nature of the assurance activities.

The detailed analysis should highlight areas of extensive assurance, adequate assurance, inadequate assurance and no assurance.

The assurance coverage is defined as follows:

Coverage	Definition
Extensive assurance	All lines of assurance are responding to the risk to the extent that coverage is duplicated.
Adequate assurance	There is a balance between risk severity and assurance coverage.
Inadequate assurance	The assurance coverage is insufficient to ensure effective risk management.
No assurance	The risk has eluded all lines of assurance and action is needed to respond to the risk.

The assurance provided must be credible. The independence, objectivity, conflicts of interest, skills, experience and qualifications of the assurance provider must be considered holistically to determine whether the assurance provided is credible.

Attribute	Description
Independence/objectivity	Independent reporting lines, no recent involvement and/or work done in the area/aspects requiring assurance.
Conflict of interest	In the areas/aspects in which assurance is to be provided there should be no conflict of interest.
Skill and experience	The assurance provider should have the appropriate skills and experience to effectively conduct the assignment.
Qualifications	The assurance provider should hold appropriate qualifications.

Management and Council should ensure that both internal and external assurance providers are appropriately skilled and experienced to follow an adequate approach.

Lastly, an annual process must be developed to evaluate and report to the Fraud and Risk Management Committee on the adequacy, effectiveness and efficiency of the development and implementation of the Combined Assurance Policy Framework.

10. POLICY DIRECTIVE

The aforementioned process must be documented and reflected in a Combined Assurance Model. The Model details the three lines of assurance which should be responded to in terms of risk actions as per risk formulation and assessment processes. The cross reference will then detail the assurance coverage. The Model will be used for quarterly reporting processes (monthly interventions still required).

The quarterly process institutes the platform to evaluate and report to management on the adequacy, effectiveness and efficiency of the development and implementation of the combined assurance policy framework.

Internal Audit must, on a bi-annual basis, express an opinion on the overall assurance coverage and recommend the adjustment of coverage (in terms of structures and processes of the Combined Assurance Model), if necessary, to the Combined Assurance Champion.

11. ROLES AND RESPONSIBILITIES

The table below summarises the roles and responsibilities:

Role player	Roles and responsibilities
Accounting Officer	Appoints the Chief Risk Officer as champion of the combined assurance function.
Combined Assurance Champion	Obtain annual input from assurance providers. Complete the Combined Assurance Model in terms of risks facing the Municipality and identifying the assurance providers.
Internal Audit	Express an opinion on the overall assurance coverage. Recommend the adjustment of coverage, if necessary, to the Combined Assurance Champion. Report to the APAC.
FARMCO	Ensure and monitor the application of combined assurance and report to the Accounting Officer and/or Council. Review and approve the Combined Assurance Policy Framework on a regular basis.
APAC	Monitor the coordination and effectiveness of combined assurance activities and provide recommendations for improvement.

12. REVIEW

The Combined Assurance Policy must be reviewed annually. Any significant changes must be approved by Council.

13. VERSION

Version	Date
Approved	30 June 2022

14. APPROVAL

As approved by Council at the Ordinary Council Meeting which was held on 30 June 2022.

Municipal Manager: Dr M Gratz