



Steve Tshwete  
Local Municipality

CORPORATE SERVICES  
Legal & Administration

Reference: 3/2/4/1/17 (M Motha)

Chief Risk Officer

**COMBINED ASSURANCE POLICY FRAMEWORK 2021-2022 FINANCIAL YEAR**

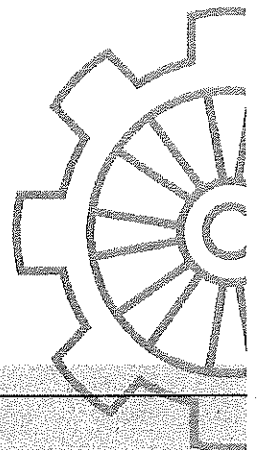
With reference to the above matter, it was resolved on 27 July 2021 per Resolution C11/07/2021 as follows:

- " 1. **THAT** the Combined Assurance Policy Framework for 2021/2021 financial year be approved as a policy document by the Council."

You are kindly requested to take note and implement the above resolution.

Yours faithfully

**MUNICIPAL MANAGER**  
**B KHENISA**  
29 JULY 2021



**Steve Tshwete Local Municipality**



**COMBINED ASSURANCE POLICY FRAMEWORK**

**2021/2022**

**FINANCIAL YEAR**

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## **1. Introduction**

A key principle of good corporate governance is that a Combined Assurance model should be applied to provide a coordinated and integrated approach to all assurance activities, thereby ensuring proper coverage minimising duplication of efforts. Combined Assurance must be sufficient to satisfy the Audit & Performance Committee that significant risks facing the Municipality had been adequately addressed.

The process of combined assurance allows visibility over what assurance is provided and by whom within the Municipality. The process also involves an assessment as to whether or not the assurance provided is adequate.

## **2. Purpose of the Document**

The purpose of this document is to provide a framework for the Combined Assurance Plan to ensure optimal overall assurance to Senior Management, the Accounting Officer, the Audit & Performance Committee and the Council and its oversight bodies. It details key assurance providers, roles and responsibilities, as well as the type, level and frequency of interaction required to ensure combined assurance.

## **3. Definition of Combined Assurance**

A Combined Assurance model incorporates and optimises all assurance services and functions to enable an effective control environment; supports the integrity of information used for internal decision making by management, the governing body and its committees; and support the integrity of the organisations external reports.

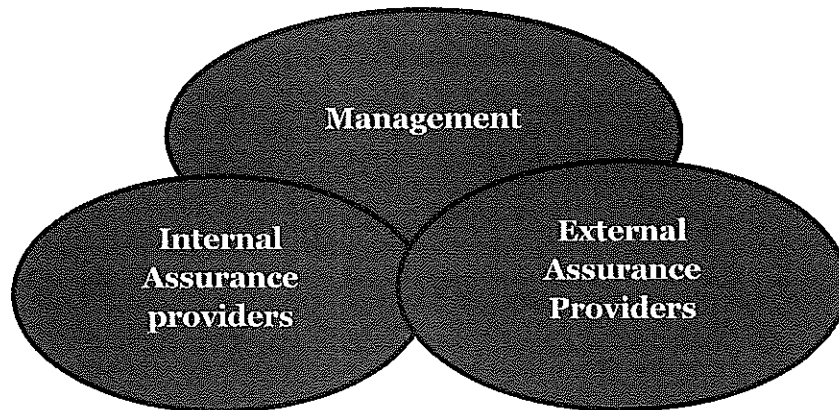
Combined assurance is about assurance providers (internal and external) working more closely together to ensure the following:

- Key outcomes of combined assurance
- Assurance in the right areas is obtained
- Assurance is obtained from the right resources
- Assurance is obtained in the most cost-effective way possible

The 'right amount of assurance' depends on the risk appetite of the organisation. 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.

These assurance providers, amongst others includes the following:

- Management– responsible for ensuring that a robust risk and control framework is in place so that deviations are identified timely and adequately remedied;
- Internal assurance providers – responsible for supporting management, such as risk management, compliance and legal services, and internal audit etc.;
- External assurance providers – responsible for independent external assurance such as Auditor General, etc.



#### 4. Background

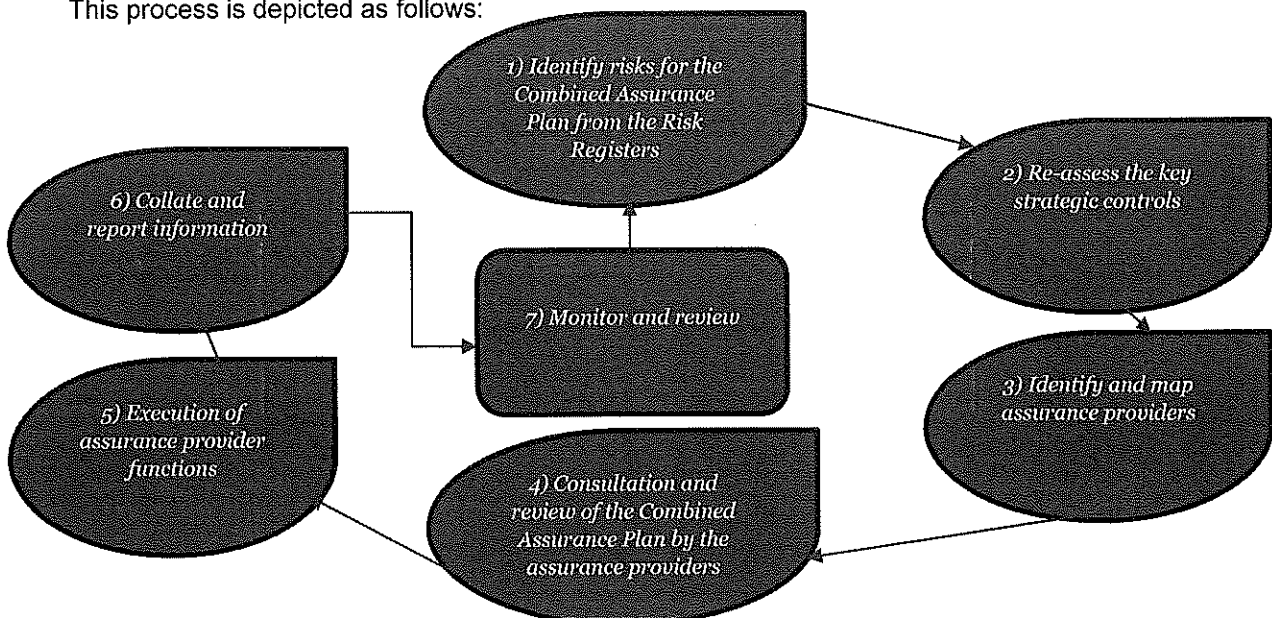
Standard 2050 of the International Standards for the Professional Practice of Internal Auditing prescribes that the Chief Audit Executive should share information and co-ordinate activities with other internal and external providers of relevant assurance and consulting services to ensure proper coverage and minimize duplication of efforts.

Principle 3.5 of the King III Report introduced combined assurance as a recommended governance practice. The recommendation was made following a general understanding that more can be done to improve assurance coverage and quality through better coordination of assurance providers.

Principle 15 of the King IV report expands on this concept by indicating that the Governing Body should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision-making and of the Municipality's external reports. In this regard the Audit Committee is delegated to oversee the combined assurance arrangements are effective in achieving its objectives.

#### 5. Process

The following process should be employed in ensuring the success of a combined assurance model. This process is depicted as follows:



## 6. Benefits

The following are some of the benefits which are anticipated to be derived from implementing the combined assurance model:

- Efficient and effective usage of the municipal resources;
- Improved reporting to Council and other committees, including reducing the repetition of reports being reviewed by different committees;
- Comprehensive and prioritise tracking of remedial action on identified improvement opportunities/weaknesses;
- Assurance activities produce valuable, integrated data, based on collaboration and not silos;
- No risks "falls through the cracks" i.e. fewer surprises and those that occur will be identified sooner;
- Reduction in assurance costs through elimination of duplication in assurance efforts;
- No risk will be over controlled/over audited leading to cost of control being excessive;
- Prevention of audit fatigue;
- Assurance providers will remain focused on identifying and mitigating risks – "talking to one another";
- Enhanced internal control assessments; and
- Managers to become more responsive, flexible and more proactive

## 7. Implementation of Combined Assurance

Assurance will be provided by the following lines of defence:

- *First Line of Defence:* management will provide assurance on all areas within their span of control. Management is ultimately responsible for establishing, maintaining and assuring proper governance, risk management and internal control processes. Management must assess risks, determine how much risk is acceptable and strive to maintain risk within those levels, using various management tools, including self-assessments.

Assurance Providers	Activity
Management	Set the appropriate tone at the top with regards to governance, controls and risk management.
	Implement, monitor and abide by an appropriate staff code of conduct.
	Design, implement and maintain efficient internal controls, governance and risk management to manage operations. This can be achieved through the following: <ul style="list-style-type: none"> <li>• Identifying risks and disclosing these;</li> <li>• Assessing the control processes that reduces and manages those risks; and</li> <li>• Developing action plans to reduce risks to an acceptable level.</li> </ul>
	Provide reasonable assurance that: <ul style="list-style-type: none"> <li>• The Municipality's resources (including its people, systems, data/information bases, and customer goodwill) are adequately protected;</li> <li>• Data and information published either internally or externally is accurate, reliable and timely;</li> <li>• Resources are procured and utilised in an efficient, effective, economical and sustainable manner, in the best interest of the Municipality;</li> <li>• The Municipality's plans, programs, goals, and objectives are achieved; and</li> <li>• Quality business processes and continuous improvement are emphasised.</li> </ul>
	Disclose all known instances of non-compliance or suspected non-compliance with laws and regulations. The potential impact thereof must be considered.
	Account for and disclose all <ul style="list-style-type: none"> <li>• Fruitless, wasteful and irregular expenditure;</li> </ul>

	<ul style="list-style-type: none"> <li>• Related party relationships and transactions; and</li> <li>• Fraud, corruption and financial misconduct.</li> </ul>
	Providing access to all information that is relevant to the preparation of the financial statements and performance evaluation, such as records, documents and other matters. Maintaining an adequate audit trail.
	Give inputs into the Combine Assurance Framework and Implementation Plan.
	Liaise with assurance providers on findings, risks, root causes, impact and action plans. In order to ensure risks are not over or under controlled, impact must be considered to ensure corrective actions are implemented in a cost-effective and efficient manner.

- *Second Line of Defence*: is made up of risk control and compliance assurance providers. They provide assurance or corroborative assurance that management is indeed sufficiently in control of the regulatory, statutory, environmental, ethical and quality requirements and associated risks critical to the on-going success of the Municipality and ensure the elimination of gaps and duplications and the resulting unmanaged risks or waste of resources. Their role is to confirm compliance and deal with instances of non-compliance.

<b>Assurance providers</b>	<b>Activity</b>
Risk Management, Performance Management and Compliance Management (Legal Services and OHS)	<ul style="list-style-type: none"> <li>• Review and recommend approval of risk management policies, strategies, plans and risk appetite</li> <li>• Evaluate the extent and effectiveness of integration of risk management within the municipality</li> <li>• Assess the implementation of the risk management policy and strategy including the risk management plan</li> <li>• Evaluate the effectiveness of the mitigating strategies implemented to address the material risks of the municipality</li> <li>• Review the material findings and recommendations by assurance providers on the system of risk management and monitor the implementation of such recommendations</li> <li>• Interact with the Audit Committee and share information relating to material risks of the municipality</li> <li>• Provide timely and useful reports to the Municipal Manager on the state of risk management, together with accompanying recommendations to address any deficiencies identified by the Committee</li> <li>• Ensure that the institution is in compliance with all the applicable legislations</li> <li>• Ensure the health and safety of employees and the public through implementing health and safety mechanism.</li> </ul>

- *Third Line of Defence:* includes risk assurance providers who have greater independence, such as internal audit and external audit, who report to oversight bodies. They provide assurance through the evaluation of adequacy and effectiveness of risk management, governance and internal control.

Assurance providers	Activity
Internal Audit	<ul style="list-style-type: none"> <li>• Provide independent objective assurance on the effectiveness of risk management recommendations for improvement</li> <li>• Develop an audit plan based on the risks</li> <li>• Assess whether the risk response of management is appropriate to limit risk</li> <li>• IA shares information and co-ordinates its work with that of other assurance providers to ensure proper coverage and minimise duplication of efforts.</li> <li>• Without compromising independence strive to reach agreement with management on the accuracy, validity and impact of findings, risk, root cause and recommendations, in order to ensure that recommendations are value-adding, implementable, and cost-effective and that management has an intention to implement these.</li> <li>• Quarterly report to the Audit Committee on significant findings, risks, root causes and recommendations</li> </ul>
External Audit	<ul style="list-style-type: none"> <li>• They are focused on the financial accounts or risks associated with finance.</li> <li>• They perform annual statutory audit of the financial accounts, providing an opinion on whether they are a true and fair reflection of the financial position.</li> <li>• Examine and evaluate internal controls put in place to manage the risks which could affect the financial accounts, to determine if they are working as intended.</li> </ul>

- *Fourth line of defence:* The municipality has various independent oversight bodies and bodies who advise them, functioning as a fourth line of defence. The oversight bodies ultimately provide assurance to the inhabitants of the municipality and related activities and governance issues. They include but are not limited to:
  - Audit & Performance Committee
  - Council Committees (Section 79 and 80)
  - Provincial Treasury
  - National Treasury (NT)
  - MPAC
  - MEC
  - COGTA

Assurance providers	Activity
Audit & Performance Committee	<ul style="list-style-type: none"> <li>• Review and analyze IDP as to whether it is aligned to the budget, approved organogram, WSP, SDF, ICT Strategy, Financial Plan, Disaster Management Plan, Performance Management Framework and Policy, and all the other NT and Provincial related strategies.</li> <li>• Review and advice on the Performance Management Framework and Policy, and strategies of the municipality.</li> <li>• Review and analyses the implementation of the SDBIP.</li> <li>• Review municipality's mid-year level of performance against targets and available resources to advise Accounting Officer on areas that require adjustments.</li> </ul>



Assurance providers	Activity
	<ul style="list-style-type: none"> <li>• Evaluate the implementation of regulation 805 performance of the section 56 employees at year end and report the results to Council Remuneration Committee.</li> <li>• Review the municipality's level of annual performance report and present the Performance Audit Committee opinion in this regard to Council.</li> <li>• Review the Annual Report per circular 63 and advice Accounting Officer for its submission to Council for audit purpose.</li> <li>• Review performance of the service providers as assessed by management.</li> <li>• The Council, Speaker, Executive Mayor, Accounting Officer, Senior Management Risk Management, Governance and Internal control processes.</li> <li>• Review as to whether the risk registers are aligned to the risk based internal audit plans to address on the risk profile of the Municipality.</li> <li>• Evaluate the extent and effectiveness of risk management in the municipality.</li> <li>• Approve the risk based internal plan, Internal Audit Charter including the Strategy of AG(SA)</li> <li>• Review and recommend actions on recommendations by other assurance providers.</li> <li>• Provide timely and useful reports to address deficiencies Review and recommend actions on risk management.</li> <li>• Review as to whether management has fully implemented the audit findings and actions of Internal and External Audit.</li> </ul>
MPAC	<ul style="list-style-type: none"> <li>• Assist Council with the implementation recommendations of the Audit Committee and External on risk management, governance and internal control processes.</li> <li>• Assist Council to investigate the unauthorized, irregular, fruitless and wasteful expenditures.</li> <li>• Consider the annual report and prepare a draft oversight report to be submitted to the council for purposes of adopting the oversight report.</li> <li>• Prepare the draft oversight report, the MPAC must consider all representations in connection with the annual report received from the local community.</li> </ul>

### 8. Review and Approval

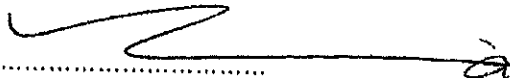
This policy shall be reviewed on an annual basis or when the need arises.

Prepared by:

  
 Chief Audit Executive  
 Mr. L Dolo

30/06/2021  
 Date

Recommended by:

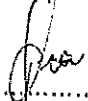


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**Municipal Manager**  
Mr. B. Khenisa

21/07/2021

.....  
Date

Supported by:



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**Audit and Performance Committee Chairperson**  
Ms. J Masite

30/06/2021

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Date

Approved by:

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Speaker of Council  
Cllr A Mabena

.....  
Date

## 9. Glossary of Terms

Terminology	Definition of terminology
Assurance	Assurance is an objective examination of evidence for the purpose of providing an assessment on governance, risk management and control purposes for the organisation.
Combined Assurance	The integration and alignment of assurance processes within the municipality to maximise risk and governance oversight and control efficiencies, and optimize overall assurance considering the organization's risk appetite
Controls	Internal controls are any actions (such a reviews, checks and balances, methods and procedures) taken by personnel, management, Accounting Authority and other parties to manage risk and increase the likelihood that the established objectives and goals will be achieved.
Risk	Risks are uncertain future events (threats and opportunities) that could influence the achievement of the goals and objectives of the institution.
Risk acceptance Level	The amount of risk taken in pursuit of value/ The amount of residual risk that the municipality is willing to accept.
Risk Management	Risk management is a systematic approach to setting the best course of action under uncertainty by assessing, understanding, acting on and communicating risk issues and opportunities.
Council	The Council referred to in Section 157( 1) of the Constitution or Section 18 of the Municipal Structures Act
Municipal Public Accounts Committee & other Council Committees	Committees referred to in Section 79 and 80 of the Municipal Structures Act
Municipal Manager	A person appointed in terms of Section 82 of the Municipal Structures Act

<b>Terminology</b>	<b>Definition of terminology</b>
Audit Committee	The Committee referred to in Section 166 of the Municipal Finance Management Act
RMC	The Risk Management Committee appointed by the Municipal Manager to review the municipality's system of risk management.
Management	Municipal Manager and the Manager(s) referred to in Section 56 of the Municipal Systems Act
Internal Audit	The function referred to in Section 165 of the Municipal Finance Management Act
Auditor-General of SA/External Auditors	A chapter 9 institution established in terms of the Constitution of South Africa
Lines of defence	Line of defence means the various levels on which assurance providers provide assurance to various stakeholders; these levels are directly linked to the assurance providers' level of independence from the activity on which assurance is required.