

# Factsheet: Combined Assurance

## What is combined assurance?

Combined assurance is a way for internal audit and other assurance providers to work together to align their assurance processes so the audit committee and senior management are given insights on governance, risk management and control arrangements from a comprehensive holistic perspective. This helps to provide consistent messaging, is more efficient, provides a common view of risks, and delivers more effective oversight.

## How widely is combined assurance used?

The Internal Audit Foundation common body of knowledge (CBOK) study reported in 'Combined Assurance: One Language, One Voice, One View' (2015) that:

- › 59% of respondents were aware of combined assurance.
- › 40% of respondents (global average) say their organisations have implemented the model so far, and it was deduced that, of these, about 60% have issued a written combined assurance assessment.
- › About 3 out of 10 respondents where their organisations have not adopted combined assurance say they expect to do so in the next two to three years.

## What is the connection to the 3 lines of defence and assurance mapping?

A lot has been written about the '3 Lines of Defence'. Many organisations undertake an assurance mapping exercise where its use is generally confined to aiding internal audit planning. But internal audit is only one assurance mechanism in a suite of assurance mechanisms. Ideally, all assurance activities and their effectiveness should be visible to the board of directors, audit committee and senior management. And potential improvement activities should not be limited to 3rd Line internal audit – there are opportunities for the 1st Line and 2nd Line to have identified improvement activities encapsulated in formal plans that can then be monitored by senior management.

## What's the opportunity?

Where assurance coverage is sufficient, there is less chance of significant risks being overlooked or misjudged. By co-ordinating and aligning holistic risk coverage, assurance providers build a robust assurance framework to eliminate assurance gaps and ensure effective assurance coverage of all significant risks illustrated in an assurance map.

## What's the problem?

An assurance map is generally a one-dimensional approach to assurance. While it is useful to identify strengths and weaknesses in the '3 Lines of Defence', a valuable opportunity has been lost if that information is purely used to inform internal audit planning. Not every action to come out of an assurance mapping exercise can be solved by an internal audit engagement or activity, but that is the general application of assurance maps. The result is that internal audit will then perform an audit and tell management that it needs to do things to improve assurance – the problem is these things have already been identified by the assurance mapping exercise and should be implemented by 1st Line and 2nd Line management. An audit is unnecessary and the cost of the audit has been wasted. A more sensible approach would be to assign improvement actions to 1st Line and 2nd Line management immediately following the assurance mapping exercise.

## How does combined assurance support organisational objectives?

The CBOK study reflected on 10 ways that combined assurance supports organisational objectives:

1. Eradication of assurance fatigue; resources are no longer wasted on unnecessary duplication.
2. Assurance efforts are directed to the risks that matter most and resources can therefore be freed-up for more productive tasks.
3. A common view of risks and issues across the organisation is created.
4. Escalation of information to governance committees is more precise and insightful.
5. Assurance activities produce valuable, relevant data based on collaboration to facilitate better decision-making.
6. Use of a common language and consistency helps to facilitate value-added discussions.
7. Efficiencies are enhanced by sharing lessons learned.
8. Cost savings are realised through better resource allocation and greater coverage.
9. Commitment to enhancing controls is demonstrated.
10. Ultimately, fewer unpleasant surprises will occur.

## What is an assurance strategy?

Audit committees and senior management rely heavily on the daily application of internal controls that reduce the

residual risk to an acceptable level within the organisation’s risk appetite. It is the collective insights delivered by those charged with providing assurance, including internal audit, which audit committees and senior management expect to identify weaknesses in controlling risks. Assurance maps are generally the first step in an assurance strategy process and provide comfort that key organisation risks are adequately covered by assurance activities. An assurance strategy goes further, identifying strengths and potential improvements for all ‘3 Lines of Defence’, not just topics for the internal audit plan. An assurance strategy is therefore a holistic approach to assurance across an organisation.

**What is the purpose of an assurance strategy?**

The purpose of an assurance strategy is much the same as assurance mapping but seeks to allocate potential assurance improvement activities to all the ‘3 Lines of Defence’. Benefits include:

- › Assess assurance coverage against key organisation strategies, risks and assurance requirements.
- › Ensure there is a comprehensive risk and assurance process.
- › Minimise duplication of effort.
- › Identify assurance gaps.
- › Minimise assurance cost.
- › Provide comfort to stakeholders about the level of assurance.
- › Help to understand where overall risk and assurance roles and accountabilities reside.
- › Identify skills required to deliver assurance, as a guide to resourcing.

Advantages of this approach are better understanding of the overall assurance environment, together with targeted plans to enhance assurance in the 1st Line and 2nd Line without direct internal audit intervention.

**Key components of an assurance strategy**

The key components of an assurance strategy are:

- › The ‘3 Lines of Defence’ showing assurance activities for the specific organisation.
- › An assurance map to assess effectiveness of the ‘3 Lines of Defence’ and identify where improvements can be made.
- › Assurance and audit plans that assign responsibilities for assurance and audit activities to improve the control environment – these may be 1st Line or 2nd Line assurance activities, or audit services from internal audit.
- › An assurance plan, most likely for one year.
- › An internal audit plan for one year or a number of years.

**An assurance strategy approach**

Step 1	→	Identify the ‘3 Lines of Defence’ and rate effectiveness in relation to risk appetite.	Seek audit committee endorsement to approach and then report progress and outcomes after implementation.
Step 2	→	Prepare an assurance map collaboratively.	
Step 3	→	Validate and rate the assurance map with business units; develop improvement actions.	
Step 4	→	Develop an assurance plan collaboratively. Develop an internal audit plan.	
Step 5	→	Monitor management’s improvement actions.	
Step 6	→	Periodically review and update the assurance strategy.	

**Summary**

Assurance is a positive declaration intended to give confidence designed to improve the quality of information to aid informed decision-making. It needs to be recognised that internal audit is not the only way to improve the assurance environment and that a holistic assurance strategy has a lot to offer organisations.

**Guidance**

- IIA–Australia Fact Sheet ‘The 3 Lines of Defence Combined Assurance Model’
- IIA–Australia ‘Combined Assurance Maturity Model’
- Internal Audit Foundation CBOOK study ‘Combined Assurance: One Language, One Voice, One View’
- IIA–Global Position Paper ‘The Three Lines of Defense in Effective Risk Management and Control’
- IIA–Global Practice Guide ‘Internal Audit and the Second Line of Defense’
- IIA–Global Practice Guide ‘Coordination and Reliance: Developing an Assurance Map’
- IIA–Netherlands White Paper ‘Combining Internal Audit and Second Line of Defense Functions’
- IIA–Global GTAG ‘Assessing Cybersecurity Risk – Roles of the Three Lines of Defense’

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