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EDUCATION LABOUR  
RELATIONS COUNCIL

# **Combined Assurance Framework**

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## DEFINITIONS

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For purpose of this framework, unless otherwise stated, the following definitions shall apply:

**Combine assurance:** integrating and aligning assurance processes in a organisation to maximise risk and governance oversight and control efficiencies, and optimise overall assurance to the audit and risk committee, considering the company's risk appetite.

**Combined assurance framework:** a mechanism through which the ELRC can monitor, review and comply with legislation, regulations, statutes, codes, standards, policies and procedures.

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## **1. INTRODUCTION**

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- 1.1 The combined assurance strategy has been compiled to provide a coordinated approach to all assurance activities to ensure that assurance provided by the various assurance providers adequately address significant risks facing the Education Labour Relations Council and that suitable controls exist to mitigate and reduce these risks. These assurance providers, amongst others, are as follows:
- management;
  - internal assurance providers (such as internal audit, SHE committee and risk management committee); and
  - external assurance providers (such as external audit or sustainability assurance providers).
- 1.2. Integrating and aligning assurance processes in the Council will enable maximising risk and governance oversight and control efficiencies, and optimise overall assurance to the Audit Committee, considering the organisation's risk appetite. This will enable management to assign resources efficiently to mitigate the risks to an acceptable level and to identify who is responsible for each risk.
- 1.3. Combined assurance offers tangible benefits that extend well beyond proving compliance, including:
- Coordinated and relevant assurance efforts focusing on key risk exposures;
  - Minimised business/operational disruptions;
  - Comprehensive and prioritised tracking of remedial action on identified improvement opportunities/ weaknesses;
  - Improved reporting to the Executive Committee and sub-committees, including reducing the repetition of reports being reviewed by the different committees;
  - Possible reduced assurance costs; and
  - The use of combined assurance to support the Audit committee and Executive Committee in making their control statements in the integrated report.

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## **2. VISION AND MISSION**

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### **Vision**

- 2.1. To improve the quality of teaching and learning through labour peace.

### **Mission**

- 2.2. Quality services for excellence in teaching.

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## **3. OBJECTIVES**

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The objectives of the combined assurance strategy are mainly to:

- 3.1. Identify and specify the sources of assurance over the ELRC's risks;
- 3.2. Provide Top Management, Audit Committee and the Executive with a framework for combined assurance;

- 3.3. Link risk management activities with assurance activities. This will also assist the Executive Authority / General Secretary to review the effectiveness of the risk management system;
- 3.4. Provide a basis for identifying any areas of potential assurance gaps and duplication of resources within a combined assurance framework; and
- 3.5. To enable Internal Audit to provide a written statement to enable the Audit Committee to report on the effectiveness of controls and risks.

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#### **4. REQUIREMENTS FROM INTERNAL AUDITOR**

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In terms of King III the following is required of Internal Audit:

- 4.1. A statement on the effectiveness of internal financial controls (IFC's), supported by a formal documented annual review of IFC's by the Audit Committee;
- 4.2. A statement in the Integrated Report that confirms formal policies and frameworks are established for the design and implementation of IFC's; and
- 4.3. Principle 7.3 of the Code states that internal audit should provide a written assessment of the effectiveness of the company's system of internal control and risk management. Paragraph 7.3.6 of the Code recommends that the assessment regarding internal financial controls should be reported specifically to the Audit Committee.

Therefore, the written assessment from internal audit provides the Executive and Audit Committees with the assurance to be able to report as recommended.

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#### **5. COMBINED ASSURANCE MODEL**

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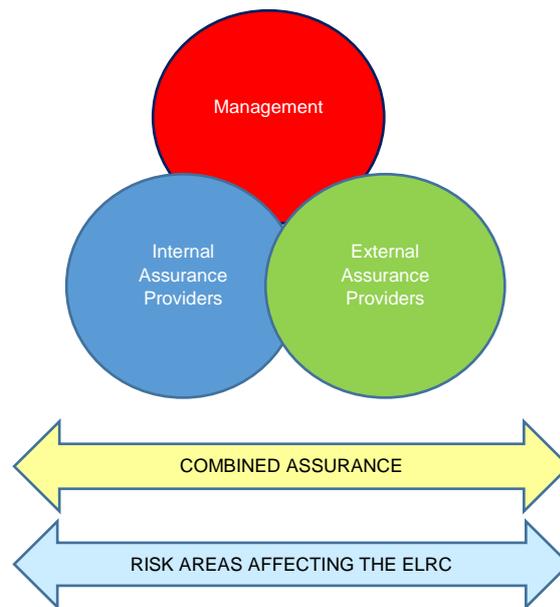
King III introduces combined assurance as a recommended governance practice in the following paragraphs:

*"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 Management Committees, considering the organisation's risk appetite"*

This will enable management to assign resources efficiently to mitigate the risks to an acceptable level and to identify who is responsible for each risk.

**Figure 1: Combined Assurance Model**



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## **6. WHO ARE ASSURANCE PROVIDERS**

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- 6.1. Those with sufficient independence from the business activities
- 6.2. Those that do objective examination of evidence
- 6.3. Assurance providers usually include:
  - Internal audit
  - Compliance
  - Risk Control
  - SHE committee
  - Information security
  - Ethics and integrity
  - External audit
- 6.4. The Institute of Internal Auditors defines assurance as an
  - **“objectives examination of evidence for the purpose of providening an independent assessment on governance, ris management and control processes”**
- 6.5. The audit of the assurance providers is essential to establish what is being done and for what reasons. This also identifies the assurance sponsors that need to be consulted to make combined assurance a reality. This co-operation may need to be prioritised by executive management to address vested interests.

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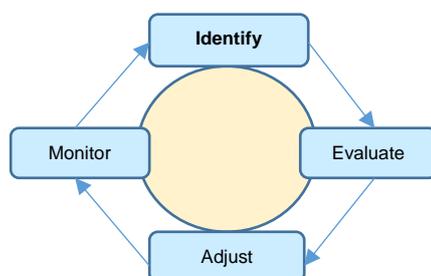
## **7. A PROCESS OF RELYING ON/USING THE WORK OF OTHERS**

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- 7.1. **Identify** internal (and external) co-assurance providers and map scope of work and priority
- 7.2. **Evaluate** and determine the level of indirect reliance on the most important co-assurance providers

- 7.3. **Analyze** and, if possible, modify audit plans and scope to eliminate unnecessary duplicative testing and increase assurance precision
- 7.4. **Monitor** the level of maturity (and reliance that can be placed) on co-assurance providers and maintain close communication, and share risk assessments, audit plans and results.
  - A systematic and cyclical approach can be applied

**Figure 2:**




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## 8. BENEFITS OF COMBINED ASSURANCE

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The following are some of the benefits which can be derived when implementing an effective combined assurance model:

- 8.1. The high risk areas which require assurance will be identified (completeness),
- 8.2. The assurance outputs will consistently meet the required standards (quality);
- 8.3. Optimal use of the company resources, by not duplicating assurance efforts (efficiency);
- 8.4. Interruptions to the business processes or activities are minimised; and
- 8.5. Co-operation between assurance providers will enhance the quality, cost effectiveness and value-add of the assurance provision.

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## 9. APPROACH FOR COMBINED ASSURANCE

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- 9.1. The combined assurance strategy has been designed to highlight the relevant high-risk areas and the assurance to be provided by management, external audit and internal audit or service providers in order for the Executive to be appraised of the risk management efforts undertaken to manage the risks to an acceptable level.
- 9.2. The ELRC risk analyses should be performed to form the basis for determining the combined assurance strategy for the ELRC. The combined assurance strategy has been developed taking into account the following four phases:

**Phase 1 – Commitment:** Obtain buy-in from General Secretary, Top Management and Executive.

**Phase 2 – Combined Assurance Strategy formulation and approval:** Obtain approval for the combined assurance strategy 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.

**Phase 3 – Structure:** Forums that will address matters pertaining to combined assurance with regards to all corporate assurance providers and stakeholders such as Operational Risk Management Committee, Executive Committee, Audit Committee and SHE Committee.

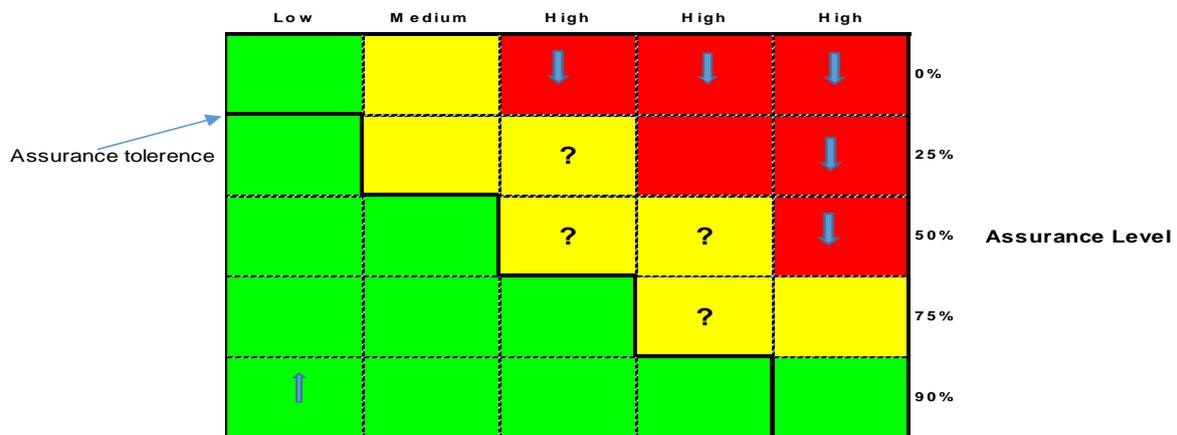
**Phase 4 – Implementation:** Internal Audit planning methodology to be updated regarding identification and inclusion of key controls based on risks and audit report opinion to include assessment of risk management and internal financial controls. IA to update audit universe and continue participation in forums. EXCO to continue with business process review with standing agenda items on combined assurance, risk management and internal financial controls. Quarterly updates and feedback to the Audit Committee.

9.3. Optimising efficiency in the ELRC effort for delivering combined assurance. Using a five stage process for implementation:

- Identifying processes (financial as well as non-financial);
- Overlay risks to processes including risk profile;
- Ascertain who provides assurance;
- Interpret the results in terms of gaps and duplication; and
- Take appropriate action and assess assurance coverage.

In terms of optimising our effort the coverage will follow one of the under-mentioned strategies shown in **Figure 3:**

**Figure 3: Assurance level vs. risk**



**Legend**

↓ - Immediately identify and concentrate on the processes identified within “Medium” and “High” risks where there is little or no assurance and raise this to a tolerable level.

? – Consider raising assurance levels for processes in the yellow area

↑ - Downscaling high assurance on low risk processes

**Rating Guide for Perceived Control Effectiveness**

Control Rating	Control Strength	Description	Control Weight
5	No controls/ Very weak	Controls/ management activities not existing and/or major deficiencies and don't operate as intended.	0%
4	Weak	Limited controls and/or management activities are in place.	25%
3	Moderate	Controls and/or management activities are in place with significant opportunities for improvement.	50%

2	Strong	Controls and/or management activities are properly designed and operating with limited opportunity of improvement.	75%
1	Very strong	Controls and/or management activities are properly designed and operating as intended.	90%

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## 10. ROLES AND RESPONSIBILITIES

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- 10.1. A combined assurance champion must be identified to implement the approach. Ideally, there should be an executive sponsor who is able to provide the required authority for the project. The executive sponsor should be the person to whom the champion functionally reports.
- 10.2. Internal audit or risk management is usually best placed to take on the combined assurance champion role. They have an overall understanding of the business and are familiar with the assurance concepts and have a strong vested interest in making sure the approach is effective.
- 10.3. The Internal Auditor is the Combined Assurance owner:
- Facilitates the process on behalf of the Audit Committee
  - Best positioned to be the Coordinator of the Process
  - Establish the Risk Assessment Report with input from other Assurance Providers.
- 10.4. Combined assurance drives the Audit Plan, Compliance and Risk Plan.
- 10.5. The diligence and effort in establishing an effective combined assurance approach must be matched by ongoing efforts to ensure the approach provides the value it is designed to provide.

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## 11. COMBINED ASSURANCE STRATEGY

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### Risk Assessment

- 11.1. Based on the results of the risk assessment and discussions with Management as well as our experience and understanding of the underlying risk and its occurrence, certain risks identified may require independent assurance.
- 11.2. The General Secretary will ultimately decide on the most appropriate assurance provider for the identified risks. Where internal audit is identified as the most appropriate assurance provider, the Audit Committee must approve the scope of coverage and audit strategy. Similarly, if external audit is to be relied upon for assurance, the General Secretary should inform them of this reliance to determine from the external auditors whether or not such reliance is appropriate from their work performed or will be performed.
- 11.3. Management may be engaged as assurance providers as part of its ongoing activities or part of an identified special project.

### Combined Assurance Plan

- 11.4. The facilitated risk assessment shall identify risks, which if it materialises, may have an adverse impact on the ELRC as a whole. In order to ensure that this exposure is appropriately mitigated, a combined assurance strategy will be developed to allocate responsibility and accountability for the risks to Senior Management, External Audit, Internal Audit, or a combination thereof. Due to the nature of risk management,

Management is ultimately responsible for all risks within the Council and hence assumes overall responsibility and accountability for all strategic risks.

11.5. Interanal Audir shall confirm key controls and the frequency of intervention taken by the relevant assurance provider through work-shops. In addition, the identification of duplication and gaps in assurance effort shall be performed through these workshops.

**Extract of Combined Assurance Strategy**

11.6. The combined assurance strategy based upon the key business risks identified shall be documented in terms of the current frequency of the control intervention:

Process	Three Lines of Defence						
	First Line of Defence: Management Based Assurance			Second Line of Defence: Risk Based Assurance	Third Line of Defence: Independent Assurance Providers		
Processes Linked to Identified Business Risks	Reporting	Sign-Off	KPIs	Risk Management	External Audit	Internal Audit	Compliance
Internal Financial Controls	A	A	A	Q		C	
Asset Management	B	A	A	Q	A	C	M
Performance Management	Q	Q	Q	Q		A	M
Information Technology General Controls	A	A	A	Q	A	C	
Financial Statements	A	A	A	Q	A	B	Q
Dispute Resolution Services				Q		A	
Performance Information	Q	Q	Q	Q	A	A	
Payroll	M	M		Q	A	C	M
Management requests						AH	

Legends

- A - Annually
- B - Bi-annually
- Q – Quarterly
- M - Monthly
- C – Cyclical
- AH – Ad-Hocs

**Audit Universe**

Auditable Entity/Activity/Area							
Finance	Supply Chain Management	Human Resources	Information and Communication Technology	Executive Services	Dispute Management Services	Collective Bargaining Services	Research and Media
Internal Financial Controls	Asset Management	Recruitment, Selection and Termination	General Controls	Performance Information: Predetermined Objectives and Reporting	Dispute Resolution Services	National Office	Records Management
Budget Management	Procurement and Contract Management	Training, Development and Career Management	System Application Controls	Corporate Governance		Provincial Chambers	Communication Services
Quality Review of Financial Statements	Inventory Management	Performance Management		Review of Risk Management Process			
Payroll	Administrative and Maintenance	Leave of Absence, Time and Attendance Administration		Compliance Management			
		Employee Relations					

## Appendix I: Lines of Defence

International corporate governance trends and best practices are highlighting the importance of effective combined assurance across the following lines of defence:

### First line of defence:

Management oversight including strategy implementation, performance measurement, risk management, SOX internal control, company control; and other control and governance processes, including, control self-assessment, and continuous monitoring mechanisms and systems.

### Second line of defence:

Enterprise risk management operating a formal, robust and effective risk management framework within which the entity's policies and minimum standards are set, with objective oversight and ongoing challenging of risk management performance and reporting being achieved across the entity. Legal, compliance, health and safety, and quality assurance are often included in this line of defence.

### Third line of defence:

Independent and objective assurance of the overall adequacy and effectiveness of risk management, governance, and internal control within the entity as established by the first and second lines of defence. This is predominately the role of the audit committee, supported by internal audit, external audit and other credible assurance providers.

## Appendix II: Example assessment of an assurance provider

Assurance Provider	Safety, Environment and Health Committee
Assurance lead contact	SHE Committee Chairperson
Nature of Assurance	To provide reasonable assurance that: <ul style="list-style-type: none"> <li>An effective SHE management system has been defined, set up and implemented;</li> <li>The SHE management system is actually operative within the organisation;</li> <li>The SHE management system performance, at corporate and business unit levels, is measured and necessary remedial actions are identified, undertaken and monitored.</li> </ul>

How is Assurance Provided	Risk Category	Scope and Approach	Planned Review	How is assurance Measured
Corporate Services organise quarterly meetings to address all SHE related issues	Compliance, Legal and Financial	The Council has adopted an SHE policy and management system that has to be implemented deep into the organisation. SHE committee monitors the effectiveness of the SHE management system.	Quarterly	Number of meetings convened
Reporting of accidents as a measure of the actual SHE management	Compliance, Legal and Financial	Sharing information about losses experienced is essential to monitoring the risk of accident.		<ul style="list-style-type: none"> <li>Number of reports published; and</li> </ul>

How is Assurance Provided	Risk Category	Scope and Approach	Planned Review	How is assurance Measured
system performance				<ul style="list-style-type: none"> <li>• Number of visitors to the platform to read these reports.</li> </ul>