OVERBERG DISTRICT MUNICIPALITY

COMBINED ASSURANCE POLICY FRAMEWORK

Review

1. Introduction

The Combined Assurance Policy 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 of the Document

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 Policy Framework is a guide that informs the development of the annual Combined Assurance Model for the Overberg District Municipality (ODM).

3. The 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.”

3.1 Definition of the 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 Fraud and Risk Management Committee (FARMCO), the Audit and Performance Audit Committee as well as to Council.

4. Background

For Overberg District Municipality 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 V 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.

5. Benefit of the 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 prioritized tracking of remedial action;
- Reducing repetition of reports reviewed by different committees and overall improved reporting.

6. Role Players in Combined Assurance

Some of the role players in combined assurance include the following:

- Fraud and Risk Management Committee
- Audit and Performance Audit Committee
- Risk Management Unit
- External Audit / Auditor-General
- Municipal Council and Portfolio Committees
- Information and Communication Technology Function
- Management and staff
- Occupational Health and Safety Function
- Government Departments, entities and regulators
- Other Assurance Providers

7. Approach

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

Step 1: Identifying Role Players

Step 1 entails the Municipal Manager (as Executive) identifying and appointing a combined assurance champion.

The Chief Risk Officer (CRO) has been identified and appointed as the combined assurance champion.

The Champion will coordinate the process and ensure process continuity. Executive must be appointed to provide the authority, oversee the process and ensure that cooperation is provided throughout the initiative.

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.

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 elaborated as follows:

First line of assurance (Management base assurance):

Managers and risk owners are responsible for ensuring the managing of the risk and are termed the “first line” assurance provider to achieve the objectives of the organisation.

The first line of defence is best suited to offer broad assurance coverage.

The second line of assurance (Risk and compliance-based assurance):

The second line of assurance provides complementary expertise, support, monitoring and challenges related to the management of risks.

These lines of assurance normally comprise but are not limited to corporate functions such as:-

- Risk Management,
- Performance Management (SDBIP),
- Strategic Services (IDP),
- Compliance,
- Occupational Health and Safety,
- Legal Services,
- Information and Communication Technology, and
- Supply Chain Management (Contract Management).

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.

These are mainly support functions that should be pivotal in coordinating and mitigating the pre-identified risks above the risk appetite with their specialised focus where applicable.

The third line of assurance (Independent Assurance):

The third line of defence provides independent assurance and oversight on the functioning of the governance, risk, and control environment maintained by the first and second line of assurance.

The Internal Audit and Audit-General, Council, Fraud and Risk Management Committee are independent Audit and Oversight assurance providers. National/Provincial Departments and district government department, entities and regulators that independently perform their functions, may also be classified as third line assurance providers.

Council and Council Governing Bodies

Oversight bodies consist of internal and external bodies. Internal oversight bodies include the Fraud and Risk Management Committee, Audit and Performance Audit Committee, Municipal Council (including Council Committees), and Municipal Public Accounts Committee, etc. External oversight bodies can include National, Provincial government departments, entities and regulators and applicable chapter 9 institutions, e.g. Auditor-General.

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.

Oversight, direction and support with regards to intervention on these risks with a high-risk exposure, requires immediate strategic planning and effective execution of action plans.

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 and Fraud) 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 defence 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 and to address the most important risks of the Municipality which should be managed on a consistent basis. Risk information should be regularly and centrally maintained by the CRO.

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 risk severity. The 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 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 and recommending the area of assurance and articulating the nature of the assurance activities.

The Senior Manager Internal Audit must 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.

The analysis by the Senior Manager Internal Audit should highlight areas of extensive assurance, moderate assurance, inadequate assurance, no assurance.

The assurance coverage is defined as follows:

Coverage	Definition
Extensive assurance	All lines of defence are responding to the risk to the extent that coverage is duplicated.
Moderate 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 defence and action is needed to respond to the risk.

Inadequate assurance coverage must be addressed by the Combined Assurance Champion. The Senior Manager Internal Audit will then be responsible for reporting on the adequacy of assurance provided by the implementation of combined assurance.

The assurance provided must be credible. It is recommended that management and Council ensure that both internal and external assurance providers are appropriately skilled and experienced to follow an adequate approach.

8. Policy Directive

The aforementioned process can be documented and reflected in a Combined Assurance Model. The Model details the three lines of defence which is mapped to the risk profile of the organisation. 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.

9. Roles and Responsibilities

The table below summarizes the roles and responsibilities as discussed throughout the framework:

Role-player	Roles and responsibilities
Accounting Officer	Appoints the CRO as champion of the combined assurance function.
Combined assurance Champion	It is recommended that the champion be selected from the 2nd line of defence (Chief Risk Officer). Obtain quarterly 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. Reporting to the Audit and Performance Audit Committee.
Fraud and Risk Management Committee (FARMCO)	Ensure and coordinate the application of combined assurance and report to Council and the Audit and Performance Audit Committee. Review and approve the Combined Assurance Policy. Framework on an annual basis with quarterly reviews of the Combined Assurance Model.
Audit and Performance Audit Committee (APAC)	Monitor the coordination and effectiveness of combined assurance activities and provide recommendations for improvement

10. Review and Approval

The Combined Assurance Policy Framework should be reviewed and approved by the Fraud and Risk Management Committee on an annual basis. Any significant changes must be approved by Council.

Date of last approval

Fraud and Risk Management Committee	29 March 2017, Item R72
Approved by Council	30 June 2017, Item A109
Fraud and Risk Management Committee	27 March 2018, Item R121
Approved by Council	18 June 2018, Item A265
Fraud and Risk Management Committee	19 June 2020, Item R208
Fraud and Risk Management Committee	20 May 2022, Item R271
Approved by Council	22 August 2022, Item A8
Fraud and Risk Management Committee	7 June 2024, Item R366
Approved by Council	28 October 2024, Item A21
Fraud and Risk Management Committee	14 May 2025, Item R412
Audit and Performance Audit Committee	25 June 2025, Item O28
Approved by Council	8 December 2025, Item A25
Fraud and Risk Management Committee	11 September 2026, Item R479
Audit and Performance Audit Committee	30 September 2026, Item O9
Approved by Council	26 October 2026, Item A21