



Combined assurance

Aligning assurance for effective risk management



The Institute of
Internal Auditors

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Introduction

A need for collaboration

The title Chief Audit Executive, while appropriate and accurate, does not necessarily convey all that can encompass the internal audit leadership role. For example, according to the 2022 North American Pulse of Internal Audit, 52% of CAEs who responded to the survey said they were responsible for fraud investigation, 32% said they managed the ethics or whistleblower program in their organization, and 27% managed the enterprise risk management (ERM) program.¹ Although these duties vary based on industry (60% of CAEs in publicly traded companies were responsible for SOX program management, compared to 4% in nonprofits and 1% in the public sector, for example), the fact that such varying responsibilities fall to the purview of the internal audit function indicate the window for internal audit to provide value to the organization is quite wide, indeed.

Such data, however, can be misleading. While it is true most internal audit functions do have some additional responsibilities outside of the traditional audit role, no additional role (outside of fraud investigation, which according to Pulse is barely over half) is handled by the majority of internal audit functions. CAEs can and have managed whistleblower programs and compliance functions, but in most cases organizations have dedicated teams — internal or external — to handle these responsibilities.

In this reality, to maintain a high standard of excellence in their primary duties of providing objective assurance independent of management, CAEs should strive to become familiar with and embrace the elements of “combined assurance”. When done effectively, combined assurance practices can promote alignment and transparency across the organization, improve efficiency by eliminating duplication efforts, and even minimize the inevitable effects of “audit fatigue”. This knowledge brief provides an overview of the elements of combined assurance, as well as some methods of how to best implement its core principles.

1. The IIA's North American Pulse of Internal Audit survey, Oct. 5 to Nov. 9, 2021. Q36: In addition to your role as head of internal audit, for which areas are you responsible? (Choose all that apply.) n = 122 for publicly traded; n = 162 for financial services; n = 109 for public sector; n = 42 for privately held; n = 51 for nonprofit; total n = 495.

Combined Assurance Explained

A tested model for a new risk landscape

What is it?

The phrase “two heads are better than one” refers to the idea that two (or more) collaborating minds can solve a problem, complete a task, or create something much better than just one mind alone. The same can be said about the integration and alignment of plans, processes, and functions when each is focused on the same goal.

Combined assurance is the result of organizational governance collaboration. It is the process of internal (and potentially external) parties working together and coordinating their activities to communicate the effectiveness of risk management to stakeholders. When properly implemented, it can improve risk and governance oversight and control efficiencies, resulting in the optimization of overall assurance. In fact, these benefits align perfectly with the expectations outlined in the *International Professional Practices Framework (IPPF)*, as can be seen in *IIA Standard 2050: Coordination and Reliance*.

The benefits of combined assurance include:

- **Improved knowledge transfer between internal parties.** Everyone benefits from the knowledge, judgement, and approach of other internal parties.
- **More efficient use of resources when eliminating overlapping effort.** Opportunities to share the work improves the efficiency of the work.
- **Focus on higher risk items.** Internal audit is free to focus on the more immediate and significant risk items.
- **One message to executive management and the board.** It is easier for management and stakeholders to synthesize the messages they receive.

Audit Focus

IIA Standard 2050: Coordination and Reliance

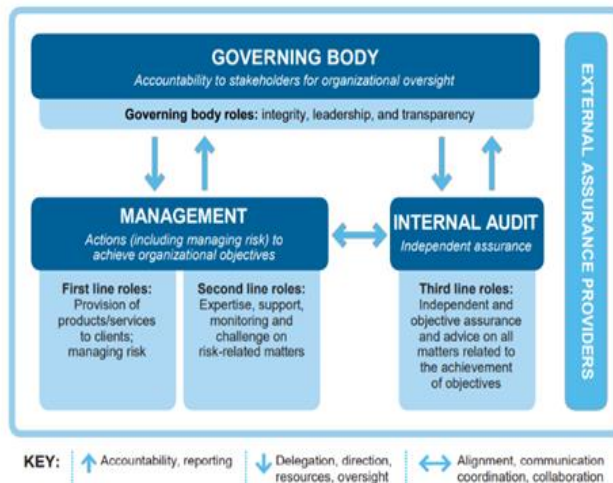
The chief audit executive should share information, coordinate activities, and consider relying upon the work of other internal and external assurance and consulting service providers to ensure proper coverage and minimize duplication of efforts.

An expanding second line

Although combined assurance is not a new concept and the benefits are well known, in today's complex risk environment it has become less of a luxury and more of a necessity. This is in part due to the rapid expansion of second-line roles within organizations across the industry landscape. Compliance and oversight of control functions such as legal, human resources, and more recently ERM have fallen to the second line, but today these control functions also include cybersecurity; data privacy; social and environmental sustainability through environmental, social, and governance (ESG) reporting; and much more.

These rising areas of focus are consistent with the evolving risk landscape, as can be seen in [OnRisk 2022: A Guide to Understanding, Aligning, and Optimizing Risk](#), and in order to provide adequate assurance, organizations are coming to understand that higher, more specialized levels of subject matter expertise are required. These topics are complex by nature, and to ensure that risk areas are covered, risk management has in itself expanded to include elements found within all three lines. Organizations, for example, may assign second-line roles to cybersecurity specialists to provide support and expertise to first-line employees, or even seek the services of external service providers with a cybersecurity specialty. To put it another way, risk management, now more than ever, is a shared responsibility.

The IIA's Three Lines Model



The Three Lines Model

This new risk management reality in part led to the update of The IIA's Three Lines of Defense Model in 2020. The new [The Three Lines Model](#) more accurately reflects the flexibility and collaboration required within organizations to identify, monitor, communicate and manage risk in all its forms. Recognizing that needs and resources are different for each organization, the model does not recommend how an organization should structure its risk management functions. Rather, it establishes a series of key principles a risk function, regardless of size or design, should adhere to in order to ensure communication, alignment, and efficiency in the provision of quality assurance.

Audit Focus

Standard 1100 — Independence and Objectivity

The internal audit activity must be independent, and internal auditors must be objective in performing their work.

For internal audit, the new model encourages increased collaboration, coordination communication, and alignment with management in its duties. Although internal audit's independence from managerial duties is still paramount for maintaining objectivity and independence as required by *IIA Standard 1100 — Independence and Objectivity*, there need not be a conflict when striving to provide additional value to the organization, such as acting in an advisory role.

Employing such a flexible approach creates a collaborative environment that is ripe with possibilities, and it is within this structure that the value of combined assurance can reach its full potential. When all parties work together, communicate with each other, coordinate reporting, and integrate services and processes where possible, the organization can achieve:

- One voice and taxonomy across all governance bodies and functions.
- Efficiency in collecting and reporting information.
- A common view of risks and issues across the organization.
- More effective governance, risk, and control oversight.

Embracing combined assurance

Strategies for implementation

The assurance map

Combined assurance does not just happen. To avoid overlap and duplication of efforts, which can also result in conflicting messaging, it must be a coordinated effort. An effective and fairly easy starting point — and somewhere where a CAE can take a leadership role — is to create and use an assurance map. An assurance map provides an overview of all of the key risk areas in the organization, who provides monitoring over those areas, helps to identify and address any gaps in the risk management process, and provides stakeholders with the confidence that risks are being addressed and monitored by the appropriate party.

An assurance map is a structured visual aid, which can be as shallow or deep as needed to graphically identify all of the monitoring activities that are in play. The assurance map identifies the owners of the activities, clarifies activity owner roles, demonstrates how monitoring activities apply to organizational requirements and goals, averts specific risks, and examines any gaps and overlaps in coverage. This exercise of discovery not only facilitates and elicits the conversation about risks, but helps stakeholders better execute risk management procedures. Assurance mapping creates an integrated document that can add to management's confidence in their oversight efforts and improves governance and monitoring practices and structures.

Exercising caution is key

While combined assurance is effective for organizational governance in identifying and managing risks, internal audit must take care when relying on the work of others. Relying on the work of others could negatively impact internal audit's independence or objectivity due to:

- Poor quality of work produced by others.
- Differences in view of risk understanding or severity.
- Lack of objectivity of other providers.
- Negative perceptions of internal audit.

Also of note, internal audit's independence can be impaired if it has responsibility for first or second-line functions.

If internal audit expresses an opinion on a risk area, including the work of others, it remains ultimately responsible for the adequacy of the supporting work. Internal audit needs to be comfortable with the scope and quality of the work of other parties. That comfort level can be established by internal audit taking a leadership position with internal providers to discover if they share the same level of quality. Additionally,

internal audit should discover what factors other parties consider when they are looking at the severity of risks and leverage their expertise accordingly. Regular discussion with management and stakeholders about what is being done, why it is being done, and about the risk owners' roles, responsibilities, and scope of work will also help maintain safeguards to internal audit independence and internal auditor objectivity.

Action items for the CAE

- Evaluate where you are today in regard to:
 - Conformance to the *Standards*.
 - Communication and coordination.
 - Reporting.
 - Second-line provider relationships.
- Discuss expectations and views to:
 - Management.
 - Board.
 - Stakeholders.
- Establish an understanding of how risk is defined, evaluated, and communicated in order to:
 - Create a common understanding of impact and risk.
 - Acknowledge conflicting information or analyses among parties where applicable.

Conclusion

Shared responsibility and success

A way forward

Risk is complex. Before relying on the work of other parties, a common understanding of risk is needed. The principal challenge with relying on others' work is the setting of boundaries and ensuring a common understanding of definitions. Combined assurance is not to be rushed into. For sound results, take the time to navigate it and achieve an effective way of identifying and verifying the monitoring activities of all providers. Count on the combined assurance approach to help with:

- Coordinating planning and processes.
- Aligning all monitoring activities.
- Alleviating audit fatigue.
- Eliminating duplication of efforts.

Internal audit plays a key role in organizational governance and process improvement. An organization's approach to governance, risk, and control can be strengthened when internal audit works closely with the second line. Embracing this philosophy can be extremely beneficial to the work required, and makes good business sense.

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The Institute of Internal Auditors (IIA) is the internal audit profession's most widely recognized advocate, educator, and provider of standards, guidance, and certifications. Established in 1941, The IIA today serves more than 200,000 members from more than 170 countries and territories. The association's global headquarters is in Lake Mary, Fla., USA.

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The Institute of
Internal Auditors

Global Headquarters

The Institute of Internal Auditors
1035 Greenwood Blvd., Suite 401
Lake Mary, FL 32746, USA
Phone: +1-407-937-1111
Fax: +1-407-937-1101