Implementing combined assurance: insights from multiple case studies

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Abstract

Purpose – This purpose of this paper is to investigate how to implement a combined assurance program.

Design/methodology/approach – This paper uses qualitative data obtained through semi-structured interviews with six multinationals at different stages of combined assurance implementation maturity.

Findings – The paper finds that organizations are still learning through combined assurance implementation because no organization seems to have attained a mature combined assurance program. Nevertheless, our descriptive findings reveal that a successful combined assurance implementation follows six important components.

Research limitations/implications – One limitation of this study is that, as the organizations studied are at different stages of combined assurance program implementation, data may have comparability issues. Another limitation is that different interviewees were studied from one case to another.

Practical implications – The results have implications both for organizations that do not yet have a combined assurance program in place and for those currently at the implementation stage. It has also implications for chief audit executives who are good candidates to lead a combined assurance implementation and for regulators, as the study describes combined assurance as an important accountability mechanism that helps boards and audit committees exercise their oversight role properly.

Originality/value – The study is the first to address combined assurance implementation. It complements the study of the Institute of Internal Auditors UK and Ireland (2010), which identifies the reasons for failed attempts to coordinate assurance activities, by illustrating combined assurance implementation through six international case studies of organizations at different combined assurance implementation stages.

Keywords Multiple case studies, Risk management, Assurance activities, Combined assurance implementation, Internal control system, Organizational governance, Oversight role

Paper type Research paper

Introduction

If risk is everywhere, why is not assurance? How can directors comment on the effectiveness and appropriateness of risk management and internal controls systems without a more holistic assurance approach?

Combined assurance is a relatively new phenomenon but could well become a significant area of research owing the requirement for boards of directors (boards, hereinafter) to comment on the effectiveness of their risk management and internal control systems for all kind of risks (Chambers, 2009; Ruud, 2003; Sarens and De Beelde, 2006; Shortreed *et al.*, 2012; Soh and Martinov-Bennie, 2011; Spira and Page, 2003). In a nutshell, combined assurance aims to provide holistic assurance to the board on the effectiveness of risk management and internal control systems by coordinating assurance activities from various sources of assurance.

Organizations have traditionally used a multitude of assurance providers to help their boards fulfill their monitoring duties and apply effective governance practices – legal departments, quality assurance, compliance, health and safety, corporate social responsibility and internal and/or external audits, to name but a few. As assurance providers perform assurance activities in isolation, auditees, management and the board can suffer from assurance fatigue and assurance gaps that lead to inefficient reporting to governing bodies (Sarens *et al.*, 2012). By receiving multiple opinions, boards are therefore not in a position to exercise their oversight role appropriately (Sarens *et al.*, 2012).

As a result, coordination among these various assurance providers is necessary. Bringing many assurance providers together to perform assurance activities allows for immediate rationalization and efficiency gains (Sarens *et al.*, 2012). The Institute of Internal auditors (IIA, 2009a), the global internal auditing authority, recently released standards, guidance and practice advisories on this matter (see IIA, 2012a; IIA, 2012b, IIA, 2010; IIA, 2009b; IIA UK and Ireland, 2010). The IIA standard 2050 on coordination requires that the:

Chief audit executive (CAE) should share information and coordinate activities with other internal and external providers of assurance and consulting services to ensure proper coverage and minimize duplication of efforts (IIA, 2012b, p. 10).

Combined assurance is also required by the third version of the South African code of corporate governance, known as "King III", effective since March 2010, which recommends the application of a combined assurance program. Formally, the Institute of Directors in South Africa (IoD) defines combined assurance within King III as the process of:

Integrating and aligning assurance processes in a company to maximize risk and governance oversight and control efficiencies, and optimize overall assurance to the audit and risk committee, considering the company's risk appetite (IoD, 2009, p. 50).

Despite the lack of relevant research, studies conducted by professional bodies suggest that combined assurance implementations are rare (European Confederation of Institutes of Internal Auditing (ECIIA, 2009; Paterson, 2011; IIA UK and Ireland, 2010; IIA UK and Ireland, 2008) because organizations have encountered difficulties with the implementation. Combined assurance as a business paradigm is new and as a result there is little research about how organizations are implementing combined assurance approaches. This study contributes to the literature by being one of the first to provide

initial insights about factors affecting the launch of combined assurance. Doing so will hopefully provide insights to organizations seeking to embrace combined assurance as a governance tool and it will hopefully provide a foundation for future research once the embrace of combined assurance grows.

We use data from six multinationals at different stages of combined assurance implementation to provide guidance on effective implementation. In total, 23 semi-structured on-site interviews took place between September 2011 and February 2012 with key participants in the combined assurance program. Internal documents were collected where possible to triangulate data.

The descriptive findings show that combined assurance implementation requires six important components:

(1) Establish a mature risk management framework.

(2) Create awareness around combined assurance.

(3) Identify a combined assurance championl.

(4) Develop an assurance strategy.

(5) Map assurance providers to their assurance activities.

(6) Report combined assurance findings.

By undertaking these six important components, combined assurance implementation helps the board and audit committee to exercise their oversight roles properly.

The rest of this paper is structured as follows. The next section reviews the relevant literature and formulates the research question (RQ). The third section describes the methodology used. The fourth section reports the descriptive findings, while the final section concludes by highlighting this paper's limitations and opportunities for future research.

Literature review and RQ

Background to the study

In reviewing the causes of the 2008 global financial crisis, many have pointed to risk management failures (Baker, 2009; Brown *et al.*, 2009; Conyon *et al.*, 2011; Financial Stability Board, 2009; Lenz and Sarens, 2012; Magnan and Markarian, 2011; Paape and Speklé, 2012). Baker (2009) argues that risks were either discovered too late or not adequately mitigated because of identification or assessment inefficiencies. Pirson and Turnbull (2011) explain that boards either lacked access to risk-related information to perform their oversight role properly or were unable to process the available risk-related information. According to Shortreed *et al.* (2012) inadequate functioning is rather explained as inadequacy of controls versus effectiveness of functioning. Similarly, a recent study from PwC (2012) revealed that, of the 74 per cent of organizations with formal enterprise risk management (ERM) frameworks, only 45 per cent were comfortable with their management of significant risks. Some have thus recommended that the focus of monitoring and control functions must move from assuring the effectiveness of internal controls to assuring the effectiveness of risk management processes (Fraser and Henry, 2007; Sarens and De Beelde, 2006; Shortreed *et al.*, 2012; Spira and Page, 2003). Simply put, internal controls are part of risk management; they are ways to manage risks, but risk management takes a broader perspective, linking

with the strategic side of business, whereas internal controls focus on the operational side of business and sometimes lack a connection with higher objectives and strategies.

In this context of crisis recovery, worldwide regulators are searching for new ways to improve organizational governance. Some have argued that effective organizational governance occurs when boards receive assurance on the effectiveness of risk management and internal control systems (e.g. Chambers, 2009; Shortreed *et al.*, 2012; Soh and Martinov-Bennie, 2011). As suggested by the IIA UK and Ireland (2010, p. 1):

> Thought given to assurance is partly being driven by the need to manage costs during difficult economic conditions, but the growing interest also comes from the pressure upon organizations to improve the effectiveness of their governance in the wake of the financial crisis.

In Europe, the 8th Directive article 41, released after the crisis by the ECIIA and the Federation of European Risk Management Associations (FERMA), encourages boards and audit committees to monitor the effectiveness of risk management and internal control systems because it has been recognized that investors are becoming increasingly aware of risk and are therefore demanding information on all the risks an organization is facing and how those risks are being mitigated down to an appropriate level (ECIIA and FERMA, 2010). In the UK, the accountability section of the new code of corporate governance suggests that boards should maintain sound risk management and internal control systems:

> The board should, at least annually, conduct a review of the effectiveness of the company's risk management and internal control systems and should report to shareholders that they have done so (Financial Reporting Council, 2012, p. 18).

In the USA, principle A. 2 of the report of the New York Stock Exchange (2010, p. 27) Commission on Corporate Governance asserts that a "board should also ensure that appropriate risk management systems are in place so that excessive risk taking is avoided" in order to be totally transparent about their risks. Finally, South Africa's King III requests that organizations place a much stronger focus on risk management activities (IoD, 2009). By recognizing that sustainability will become the imperative of the 21st century and that organizations must consider the expectations of a broader range of stakeholders, principle 4.9 of King III states that boards will need to comment on the adequacy of the internal control system, in consideration of many kinds of risks, and receive assurance on the effectiveness of the risk management process (IoD, 2009). King III also recommends the application of a combined assurance framework to help organizations with that process.

Assurance activities as an aspect of organizational governance
As stakeholders' representatives, boards have two main responsibilities: providing strategic direction to the organization and overseeing activities (Daugherty and Anderson, 2012; Hermanson and Rittenberg, 2003; Reding *et al.*, 2009; Ruud, 2003). The oversight role aims to ensure that organizations achieve their objectives, which both risk management and assurance services facilitate in complementary ways (Daugherty and Anderson, 2012; Hermanson and Rittenberg, 2003). On the one hand, organizations traditionally apply ERM to receive reasonable assurance on the achievement of objectives. The Committee of Sponsoring Organizations of the Treadway Commission (COSO) defines ERM as a:

Process, effected by an entity's board of directors, management, and other personal, applied in strategy setting and across the enterprise, designed to identify potential events that may affect the entity, and manage risk to be within its risk appetite (COSO, 2004, p. 2).

On the other hand, the last step of ERM recommends monitoring the effectiveness of the whole risk management system. As such, the Glossary to the IIA Standards defines assurance as an "objective examination of evidence for the purpose of providing an independent assessment on governance, risk management, and control processes for the organization" (The IIA, 2013a).

Organizations will often use an army of assurance providers, since different stakeholders may have different needs and interests regarding information and assurance (Ruud, 2003). Because stakeholders and their representatives cannot perform monitoring and assurance activities themselves, they will rely on these assurance functions to provide them with the relevant information (Hermanson and Rittenberg, 2003; ECIIA and FERMA, 2010). Relying on these assurance providers helps the board to fulfill its oversight responsibilities with respect to risk management and internal control processes. Traditionally, these assurance providers work in isolation rather than through coordination, leading to inefficiencies such as assurance fatigue, assurance gaps or inadequate reporting that negatively impact governance because these inefficiencies hinder boards' exercise of their oversight role (KPMG, 2012a; The IIA, 2012a; The IIA, 2009b; Sarens et al., 2012).

Combined assurance and the "Three lines of defense" model

Risk management and control functions are frequently described as comprising three lines of defense (Daugherty and Anderson, 2012; ECIIA, 2012; ECIIA and FERMA, 2010; KPMG, 2007; IIA, 2013b). The IIA (2013b, p. 4) states that:

In a perfect world, perhaps only one line of defense would be needed to assure effective risk management and internal control systems. In the real world, however, a single line of defense can prove inadequate. Moreover, KPMG (2007, p. 15) argues that "having in place a strong set of defenses is crucial, but equally important is the need to coordinate these activities".

All three lines play a role in the governance framework by helping organizations manage risk. In addition to their respective activities in risk management, the three lines of defense also provide monitoring and assurance activities that give comfort to senior management, board and boards' committees that risk and control processes operate as intended. However, the accountability framework must be accurately defined so that each line of defense understands its responsibilities; otherwise, duplication and assurance gaps will persist.

Coordination among the three lines of defense is the ultimate objective of combined assurance, with each line of defense playing a role in ensuring that risks are efficiently and effectively managed and monitored, as required by the board and executives (Daugherty and Anderson, 2012; ECIIA, 2012; ECIIA and FERMA, 2010; KPMG, 2007; PwC, 2012; IIA, 2013b; IIA, 2012a; IIA, 2009b; IIA UK and Ireland, 2010; Sarens et al., 2012). Accordingly, the three lines of defense model can serve as the starting point for improving assurance provider coordination (IIA UK and Ireland, 2010). The first line of defense usually groups together the functions that own and manage risks on a daily basis. They are responsible for the identification, assessment and mitigation of risks. As a first line, they also provide management assurance, through risk control

self-assessments, for example. Ruud (2003, p. 77) describes control risk self-assessment as "one method for providing assurance by putting more emphasis on self-evaluation on the part of managers and employees as process-owners". The second line of defense comprises all the functions that oversee the risks, e.g. risk management, compliance, health and safety, environmental and/or quality functions, to name but a few. These functions help the first line implement the policies and procedures set by the board after it has defined the organization's strategic direction and risk appetite by proposing frameworks and guidance. As a matter of fact, the second line of defense provides assurance activities by monitoring the first line of defense and the way it has implemented effective risk management practices. It is essential to note that the first and second lines of defense provide non-audit assurance activities. Finally, the third line of defense comprises all independent assurance providers required in order to help the board fulfill its oversight responsibilities. The internal audit function (IAF) is probably the best known independent assurance provider. Particularly, the IAF provides independent assurance activities that the risk management system is effective and significant risks are being managed appropriately through an effective internal control system (IIA, 2012a; IIA, 2009a). Other assurance providers such as the external auditor, specialist reviews, external credit agencies and/or regulators also belong to the third line. These functions provide independent assurance services to the board if the IAF lacks competences and skills or if the risk area falls beyond the risk-based internal audit plan (IIA, 2010).

Kaplan and Mikes (2012) recognize three risk categories that require different approaches for managing risks: preventable, strategic and external risks. The objective of the risk management system for preventable risks is to avoid and eliminate the occurrence in a cost effective way (Kaplan and Mikes, 2012). Therefore, assurance activities have to demonstrate the effectiveness of the risk management system to avoid and eliminate occurrence cost-effectively. On the other hand, the objective of the risk management system for strategic risks is to reduce likelihood and impact in a cost-effective way, whereas for external risks it is to reduce the impact cost-effectively if the risk event occurs (Kaplan and Mikes, 2012). As a result, assurance activities for these two risks have to ensure that the risk management system is built adequately for the purpose of reducing likelihood and impact cost-effectively. As a matter of fact, notwithstanding the risk, some assurance activities can be provided by using assurance providers from different lines of defense.

The literature on combined assurance is not extensive. No scholarly paper on the issue seems to have been published, except for those on the coordination between the IAF and external audits. Hay et al. (2008) and Goodwin-Stewart and Kent (2006) argue that internal control mechanisms such as the IAF and external audits are complementary assurance mechanisms rather than substitutes because, according to Hay et al. (2008, p. 11):

> It seems unreasonable that a company that is in need of greater controls would achieve this by utilizing just one control dimension – it is more likely to make a broader investment in a range of mechanisms for control.

Importantly, this view could well be extended to other assurance providers and provides a foundation for understanding the usefulness of combined assurance.

In fact, many organizations have already tried to implement a combined assurance program, but many have run into difficulties when executing (ECIIA, 2009). Though IIA (2009b) and IIA (2012a) suggest performing an assurance mapping exercise as a "valuable tool for coordinating risk management and assurance activities" (IIA, 2012a, p. 1), Paterson (2011) states that organizations find it difficult to do that. In 2008, the IIA UK and Ireland suggested in a study that most of those responsible for governance have only an incomplete picture of assurance. The study's results revealed that:

- Only half of the organizations said they were successful in organizing control and assurance activities for significant risks.
- A third had difficulties with their assurance mapping exercises for significant risks.
- A fifth were unclear about to which significant risks assurance activities relate.
- The interactions between IAF and certain assurance providers were limited (IIA UK and Ireland, 2008).

More recently, the IIA UK and Ireland (2010) revealed that only 8 per cent of organizations have a combined assurance program. The reasons for failing to coordinate assurance activities included (in order):

- The different taxonomies and methodologies among assurance providers (40 per cent).
- The immature ERM (39 per cent).
- The difficulty of identifying the process coordinator (34 per cent).
- The self-interest of the assurance providers (27 per cent).
- The lack of an executive and board buy-in (26 per cent).
- The assurance providers' lack of competence and skills (21 per cent) (IIA UK and Ireland, 2010, p. 5).

As a result, coordinating assurance activities seems to be the exception rather than the rule (KPMG, 2012b). This study contributes to the literature by providing initial insights about factors affecting the launch of combined assurance. Our RQ aims to identify the important components in successful combined assurance implementation:

RQ. What are the important components for implementing a combined assurance program?

Research method
Given the paucity of literature on combined assurance, we naturally assume that exploring this topic through a case study is preferable, for several reasons. First, according to Yin (2009, p. 17):

The essence of a case study […] is that it tries to illuminate a decision or a set of decisions: why they were taken, how they were implemented, and with what results.

For example, Fraser and Henry (2007) use interviews to explore risk management structures and approaches. Semi-structured interviews are particularly useful for gaining insight into interviewee perceptions and developing a better understanding of organizational governance practices (Soh and Martinov-Bennie, 2011). Second, there are

no publicly available data on combined assurance. Three, combined assurance is a purely internal phenomenon driven by internal actors. Finally, the literature suggests that actual combined assurance implementations are few. Researchers must thus speak with the internal actors involved.

This paper adopts a multiple case study approach since, as it aims to identify the important components in combined assurance implementation, it is much more appropriate and reliable than a single case study approach (Yin, 2009). We collected evidence from six multinationals, a sufficient number in terms of data saturation and the emergence of new thematic insights (Guest *et al.*, 2006).

Following Yin (2009), several steps were followed to improve the validity and reliability of our data during the design and execution of the research. A case study protocol for data collection was developed in order to replicate the study at different organizations. All interviews took place on-site in English, as it is universal for business matters. After having explained the objectives of the study, we sent the research protocol to each organization 1 week before the interviews. Afterward, semi-structured interviews were used to collect data. In addition to a small number of open questions asked in each case, specific questions were raised during the interviews, depending on participants' reactions.

Several key participants were used in each case to increase construct validity. The contact person (usually the CAE) scheduled interviews with people working on the combined assurance program. These interviews were face-to-face, except in cases A and D, where three and two participants were present, respectively. To mitigate the potential for response bias, we sometimes repeated our questions in another way to enrich our data or clarify confusing findings (Soh and Martinov-Bennie, 2011).

A total of 23 interviews lasting approximately 60 minutes took place with participants involved in combined assurance between September 2011 and February 2012. We tried to enhance the reliability of the research by using multiple sources of information. Most of the participants interviewed belong to internal audit, not all of them. In addition to interview data, we collected internal documents wherever possible with which to verify the findings from the interviews. These internal documents consisted mainly of internal presentations related to the combined assurance program, group risk management and audit committee meeting reports. Data confidentiality was guaranteed both inside and outside the organization, and all participants were aware that the interviews were recorded and transcribed for analysis. To ensure accurate and complete data, a copy of the transcription was sent to all interviewees for their approval and clarification where necessary; they were also asked to respond to the material (Patton, 2002). Table I provides the summary of interviews.

The sampled organizations operate in three sectors – mining, banking and communications. The choice for these six organizations is theoretically driven not by a concern of representativeness. We were looking for organizations that had already implemented combined assurance or that would like to implement the approach in the future. Furthermore, sampled organizations are at different stages of combined assurance implementation maturity. These organizations come from different regions of the world but they have operations in various places:

- Two are European organizations (Case A and Case D).
- Two are South African organizations (Case B and Case C).
- Two are Australian organizations (Case E and Case F).

Case	First interviewee	Second interviewee	Third interviewee
A	Vice-President (VP) & Head of Internal Assurance (CAE)	Head of Risk Management	Senior Auditor
B	Chief Audit Executive (CAE) Chief Risk Officer (CRO) Head of Regulatory Risk Management Big-4 External Audit Partner		
C	Head of Risk Management Senior Audit Manager – Group Internal Audit Senior Audit Manager (SOX Compliance) – Group Internal Audit External Partner for IT VP Group Internal Audit (CAE) Big-4 External Audit Partner Senior Audit Manager (Sustainability) – Group Internal Audit		
D	Associate Director Group Internal Audit	Senior Audit Manager – Group Internal Audit	
E	Head of Risk Assessment & Assurance – Group Risk Assessment and Assurance VP Risk and Health, Safety, Environment and Community Assurance – Group Risk Assessment and Assurance VP Assurance Planning & Development (CAE) – Group Risk Assessment and Assurance VP Compliance		
F	Director Health Safety and Environment, Human Resources General Manager, Enterprise Security and Resilience, Corporate Security and Investigations Group Manager – Assurance and Advisory, Risk Management & Assurance Group Manager – Risk Advisory, Risk Management & Assurance Senior Business Specialist, Finance Support and Governance and Compliance Executive Director, Risk Management & Assurance		

Table I.
Organization
interview summary

The country of residence for the six case studies corresponds with the region where the interviews have been realized. These localizations also correspond with the headquarters for each case study. Table II outlines the characteristics of each organization.

Case A was selected because of practical experience. Actually, Case A has a subsidiary in South Africa, where combined assurance is becoming recommended practice, and the organization wants to capitalize on these pilot results globally. In 2009 an assessment of the Case A's IAF was carried out by a Big-4 company including a benchmarking of the corporate governance and the assurance practices with a number of selected Fortune500 organizations. The review noted that there was only limited

coordination and no communication between assurance providers. On the basis of these results, Case A started looking at combined assurance.

Case B and Case C were suggested by a panel of experts from the IIA Research Foundation. Owing to the listing requirements, these South African organizations are well-advanced in the implementation of the combined assurance program, but they are still learning. Both organizations started combined assurance implementation with several pilots at different business units even before the release of King III. Their main challenge nowadays is to formalize a combined assurance report to be submitted to the audit committee and to the board as required by King III. At the time of the interviews, Case B was still rolling out combined assurance to achieve full maturity and to make it as holistic and all-inclusive as it is supposed to be. On the other hand, combined assurance was implemented in all Case C's business units in 2012 as a system which aims to effectively avoid the element of surprise in risk management. Formerly, combined assurance implementation started in 2006 when group internal audit began using a combined assurance approach for providing assurance on capital and sustainability projects.

Case D was identified as a relevant case study to be examined during a round-table discussion about the internal audit profession. The decision to implement the combined assurance approach came from the audit committee asking the IAF to work on synergies with all relevant assurance providers in order to make assurance activities much more efficient. By coordinating all assurance activities within the bank, Case D sees combined assurance as an opportunity to reduce assurance costs, through the decrease in external audit fees.

Like South African organizations, Case E was also suggested by the experts from the IIA Research Foundation. Given the wide range of risks and activities this mining company encounters, Case E recognized that combined assurance could be useful. Case E started by merging the internal audit and sustainability departments in the Group Risk Assessment and Assurance. In the future, Case E wants to continue the integration with other assurance providers.

Finally, Case F was recommended by word of mouth from Case E because both organizations have their headquarters on the same location. Case F admitted that it would be useful to implement combined assurance in the future as a way to improve assurance activities, but continues to struggle with this decision due to certain barriers and challenges.

We adopted a thematic analysis approach. Daly *et al.* (1997), p. 3 state that "thematic analysis is a search for themes that emerge as being important to the description of the phenomenon". We did not have preconceived codes. All *a posteriori* codes emerged during the analyses of interviews and internal documents. A matrix was used for each

Case	Sector	Turnover (2011)	Employees (2011)	Country	
A	Natural Resources	$90 billion	260,000	Europe	
B	Banking	$6 billion	30,000	South Africa	
C	Natural Resources	$5 billion	60,000	South Africa	**Table II.**
D	Banking	$5.5 billion	35,000	Europe	Characteristics of the
E	Natural Resources	$70 billion	100,000	Australia	case study
F	Communication	$25 billion	35,000	Australia	organizations

case for comparability and cross-case analysis (Miles and Huberman, 1994). The codes related to the important components in the combined assurance implementation are discussed in the next section.

Results

The six case studies correspond to six combined assurance stories. Not all organizations are at the same level of combined assurance implementation maturity, but common important components emerge from the analyses.

ERM maturity

During our interviews, the majority of organizations agreed that there is a clear link between the risk management system and the combined assurance program but that "to put the cart before the horse" is a mistake. A well-developed risk management process is the antecedent to combined assurance; otherwise, what are assurance providers going to assure? Case D uses the analogy of the external auditor relying on the work performed by the IAF to explain that:

> The external auditors must have confidence that we [internal auditors] can do the job and that they can be based on our work. It's the same for us that the risk and control units are doing their work right. […] If they are not mature, we cannot take the output of their work (Associate Director Group Internal Audit, Case D).

Without a proper and mature risk management system, combined assurance is a worthless exercise, and organizations will struggle with its implementation. According to the Vice-President (VP) Group Internal Audit in Case C, the risk management system is now certainly approaching a level of maturity that will help in combined assurance implementation. The mining company initiated a discussion on combined assurance in 1997, but it has taken 14 years to move to the next step because risk management was not mature. Risk management in the mining company was limited to the identification of risks. Nowadays, the organization has really started managing risk on a daily basis with all the steps required by ERM. The difference is that the information on risks is now reliable, whereas it was once less accurate and up-to-date. In fact, the more mature the risk management, the better the combined assurance:

> I've seen a lot of examples where when we come to do combined assurance, the risks are so poorly articulated that there is no way of being able to assure them. You've actually to fix your risk management first before you can fix your combined assurance framework (External Audit Partner, Case C).

According to Case F's Executive Director, Risk Management and Assurance, if an organization is still struggling with the implementation of combined assurance, it is mainly because its risk management is not yet mature. In terms of identification of risks, which is important in terms of developing an assurance program, it is fairly good. But it is not so good at the monitoring and management of risks on a regular basis.

Combined assurance awareness

The second important component in laying the foundation for implementation is educating people about and creating awareness of combined assurance. Organizations need to be ready for and want to do this: having a well-defined concept and common understanding drives the rest of the implementation. First of all, organizations must

understand that there is value in this combined assurance approach. As expressed by Case D's Associate Director Group, Internal Audit:

> Why some fail to implement combined assurance? Because they haven't understood the benefits yet. […] They are still afraid that the one is going to steal the work of the other one, which is not the concept.

Many respondents observed that preliminary meetings are used to develop the appropriate mindset. In time, discussions become much more detailed about what organizations were experiencing in their combining assurance. In Case B, the CAE issued a guidance document on combined assurance to the whole organization in order to define the concept and demonstrate the benefits of the approach:

> The biggest aspect for me was to get executive buy-in and that's why in earlier presentations it's quite important that the first thing we did was to create that buy-in from executives on this concept and what it entails. […] The feedback we're getting is that it's very positive. It's "beneficial discussions", to quote our Chief Financial Officer. He says that these discussions are riveting. We've never had this type of discussions before across the globe (CAE, Case B).

At this stage, the tone and support of top management are important, because, once buy-in is obtained, executives will dedicate resources to it. Case E suggests that combined assurance is probably not something that a risk or audit function can do on its own; it requires a tone or culture in the organization and some level of support for the concept that risks are significant and need to be overseen. The following statement also illustrates the importance of buy-in at Case C:

> When I wanted to stop talking about combined assurance, our CEO started talking about combined assurance. So the board and the executive management are fully bought into this concept, and they see the benefits to management, to the mine, and also to the assurance process (VP Group Internal Audit, Case C).

If Case F is still struggling with the implementation of its combined assurance program, this is also due to the lack of internal risk management culture:

> If you want this coordination between assurance providers, it needs to come from the CEO because it needs to be seen that it comes from the highest level of the company and they're deadly serious about it. […] The tone at the top is reasonable in this company but it hasn't been communicated […] it's not in our DNA yet (Group Manager, Case F).

Combined assurance champion
The third important component is deciding who will be the single point of coordination during the combined assurance process. As discussed above, 34 per cent of organizations fail to coordinate assurance activities because there is no combined assurance coordinator in place (IIA UK and Ireland, 2010). Organizations should identify a champion who will steer the initiative. As illustrated by several cases, the CAE/IAF could fulfill this role effectively. Interestingly, this is recognized both by internal auditors and other participants in the combined assurance program.

In 2010, Case A brainstormed on the future roles of the CAE. When facing a problem at a site, the chief executive officer (CEO) will certainly ask different assurance providers for their opinions on key risks and, ideally, collect these into a single report. A consulting firm reengineered the assurance process, and, naturally, the CEO then asked the Head of Internal Assurance to initiate this combined assurance program.

Relevantly to the South African organizations (cases B and C), principle 3.5 of King III suggests that the audit committee should ensure that assurance activities are coordinated into a combined assurance program, making the audit committee the driver of combined assurance. However, someone must be accountable to bring all of this together:

> Ultimately I think it's the governance structure that should drive the initiative. It should probably be the chairman of the audit committee. In fact, in our model, it's really the chairman of the audit committee that ensures and that basically signs off the combined assurance model. [...] That must be distinguished between who coordinates, who takes a leading role in terms of coordinating the activities (Head of Regulatory Risk Management, Case B).

King III requires that the CAE comprehensively assesses the effectiveness of risk management and internal control systems. This should be enough to give this function the leading role. Among the reasons why the CAE should take the lead at Case B:

> I must admit internal audit played a significant part in terms of facilitating the whole combined assurance process through the preliminary meetings. [...] We drove it obviously because of the fact that we changed our approach to a risk-based approach. [...] One of the biggest reasons is also because of our knowledge of the entire organization (CAE, Case B).

> I think the internal auditors are in the best position to endorse the combined assurance almost by default. I think in terms of external audit, I don't think we should. It's almost a management function, so I don't think we should play a management function because it is in contradiction of what we do and what we should be doing. Is it compliance? Compliance people are more legally oriented. If you look at the risk, risk management could do that, but you need someone who is independent from management. From that perspective and in my mind it makes sense that internal auditors take the lead (External Auditor, Case B).

This is the same story for Case C where the internal audit and ultimately the CAE must become the custodian of combined assurance because they understand standards and ways in presenting reports to the board, the audit committee and management.

Case D's audit committee asked the internal assurance department to work on synergies among assurance providers to reduce the external audit fees. The Associate Director Group Internal Audit consequently drove the combined assurance initiative.

Finally, in Case E's initialization of combined assurance, the internal audit department merged with the sustainability department to create a unique assurance department. In fact, assurance used to be focused on financial controls in this mining company, but that scope has broadened into other business areas requiring implementing combined assurance.

Assurance strategy
The fourth important component in developing combined assurance requires agreement at the top about significant risks, so that efforts can be properly focused. As recognized by the chief risk officer (CRO) of Case B "it's almost don't start at the risk, start at the business strategy and at business objectives". Thus, organizations need to obtain a policy statement from the board and the executives that sets the tone. In doing so, organizations identify the significant risks that will prevent them from achieving their objectives. According to Case C's external audit partner:

That is why I've seen a lot of executives really liking combined assurance because what they are saying is for at least I get a sense that we're looking at the real issues in the business, about how we get assurance as opposed to just what the auditor thinks.

In fact, all that risk management does is to provide a view of what is the universe that needs to be assured through a combined assurance program. This universe groups together all areas where persons like the CEO or the board are looking for assurance, as suggested by the Head of Risk of Case A:

For example, quality of the product, make sure that we deliver products of the expected quality is an area where we believe the top management is looking for assurance […] even if we knew since the beginning that no line of defense is in charge of delivering quality assurance in this group.

This is confirmed by Case B:

Before I set the agenda for the combined assurance meetings, I had a discussion with my audit committee chairman and I had a discussion with the CEO and CFO. […] I asked them "Tell me what are your top of mind issues, what is it that concerns you from a board perspective, from a non-executive perspective". […] That's how we set the agenda for combined assurance. […] I need to get feedback on those top of mind issues (CAE, Case B).

Furthermore, the external audit partner of Case C argues that if management in the processes of risk management have assessed that a particular risk is well-managed, this particular risk must become an area for assurance "because you want to know that management is not in some dreamland".

In undertaking this step, Case A and Case B have developed a combined assurance plan. One of Case A's internal documents suggests that:

[…] the combined assurance plan is designed to highlight the relevant high-risk areas and the assurance to be provided by management, IAF, external audit, and other consultants or assurance providers, in order for Board, the risk management committee, CEO, General Management Board, and executive management, to be appraised of the risk management efforts undertaken to manage the risks to an acceptable level.

Cases B, C and E suggest two approaches for identifying areas that need assurance: the top-down approach and the bottom-up approach. The former aims to link combined assurance directly to the objectives or values of the organization, whereas the bottom-up approach assesses the processes at risk in all business units. In other words, the top-down approach assumes that boards and/or executives communicate their assurance needs; in the bottom-up approach, however, line management, as the risk owner, defines the areas of risk and assurance based on its own experience. In practice, these three organizations have a hybrid structure that combines both approaches. In an exclusively top-down approach, organizations might miss some of the basic areas that must be covered; therefore, a combination of both approaches should provide the right balance.

About the added-value of each approach, two persons from case C have different points of view:

I think the top-down approach makes a lot of sense […] but a lot of companies are actually doing the bottom-up […] they're throwing their nets trying to catch everything that they can […] but I think it's a difficult way to start, especially if you are a multinational company (Senior Audit Manager).

By contrast, the external audit partner defends the bottom-up approach, observing that the ERM is not always mature:

> The process view is the best approach mainly because risk management has not identified risks properly in the past […] therefore to provide assurance on such risks is very difficult. […] However, in a process view, the transaction starts and it ends […] so you got better understanding of the areas of risks that need to be assured. […] You've got at least better chance of covering everything.

Assurance mapping

Having a clear accountability model is essential. This is the objective of the fifth important component, and this is where the "three lines of defense" model can help. In most cases, combined assurance implementation continues by listing all assurance providers and mapping them, in their respective line of defense, besides significant risks. Undoubtedly, difficulties occur as organizations bring more areas and more assurance providers within their scope, making it difficult to formulate an integrated view:

> You need excellent clarity of roles and responsibilities within a control framework. If that's not clear, you run the risk of people sort of getting in each other's way and duplicating or overstepping their responsibilities (Executive Director, Risk Management and Assurance, Case F).

The three lines of defense ensure that everybody takes responsibility for their roles in the control framework. It is thus essential that each line understands its role and responsibilities and the only way to reinforce that is by having regular discussion between assurance providers to remind people of their responsibilities and accountabilities. For example, Case D has managed open doors and communication between assurance providers in order to discuss all the matters that these assurance providers are concerned with.

Organizations cannot just assign assurance providers for each key risk. They must also perform a "status quo" to understand who is doing what and stay informed about the assurance activities of each provider:

> The combined assurance should not only give a sort of a general view of the assurance provided by the assurance providers, but also an indication in terms of scope […] scope in quantity and in quality. […] We address that for each assurance provider in order to be more strict and more precise in terms of quantity and quality of assurance provided by the different assurance providers (VP and Head of Internal Assurance, Case A).

At this stage, organizations must enjoy support from assurance providers, which is even more important than that from the top (i.e. the second important component). This is confirmed by cases C and E:

> You need to have the buy-in first of all right at the top that cascaded down into the different assurance providers. […] The moment you start driving the project and you haven't got the buy-in [from assurance providers], you're going to hit a dead end. […] Your assurance providers aren't going to want to work with you, so you're going to lose a lot of benefits that you can actually get out of it (Senior Audit Manager, Case C).

> There are more interfaces, more touch points, more stakeholders to engage with. […] You need to engage a lot more with the broader community within the company […] different assurance

providers to coordinate with. So the complexity goes up. I think the benefit is there in the end but if you don't invest more in planning and that engagement early, you can run into difficulty down the tract when you actually try to execute (Head of Risk Assessment and Assurance, Case E).

Moreover, a clear description of the mission of each assurance provider is essential; otherwise, the benefits of the combined assurance will not be achieved. The Head of Risk Management of Case A observes the following:

We believe that the assurance objectives of each of these functions should be clearly defined, precise in the job description, understood and validated […] otherwise if you don't say since the beginning that they have to contribute to global assurance […] you will never receive something.

In the majority of cases, both audit functions, internal and external, are probably the only ones with the methodology to perform assurance services. Other functions that deliver assurance are more pragmatic but sometimes they miss what it means providing assurance in terms of testing, scoping, reporting and opinion. This view is shared by the VP Assurance Planning and Development of Case E, who believes it is important to understand that some of the assurance providers brought into a combined assurance team during a project are not auditors and lack an auditor's level of skepticism when looking at a process:

There is inherent bias in the way these persons look at things especially if they have been within the organization for 20 or 25 years. For these various guest auditors who join the audit teams, we [internal auditors] have to understand that a geologist is not an auditor, by its training, its background and its natural motivation. […] So when he comes and participates on a combined assurance project, he brings the very valuable skills set due to its subject matter expertise, but we need to understand that he's not an auditor.

There, it seems that a common assurance methodology is required to ensure consistency among assurance providers. Once the areas needing assurance have been identified (i.e. the fourth important component), integrating into a combined assurance program requires that assurance providers agree on common methodologies to provide assurance activities in these areas. The Head of Risk Management of Case A says this:

I don't dream and I don't think it's relevant that it will be necessary that all assurance providers use absolutely the same discipline, the same rigor of the IAF to perform assurance activities. […] At least the main steps of a methodology, yes […] to make sure that opinions are consistent between the safety auditor A and the safety auditor B working in another plant.

This is also illustrated in Case C where:

[…] in one pilot project we did, we actually had two teams together doing their own things […] they didn't work together but they were there at the same time and the end product was different. […] The one said it was good and the other one said it was okay but there were issues (Senior Audit Manager, Case C).

During the merger between the internal audit and sustainability departments in Case E, the two assurance providers had their own history of providing assurance, but combined assurance required them to align with each other:

Let's get the methodology the same, let's get the reporting the same, let's get the way we write findings all the same. […] So we got the two sides together to agree on the best practices. The

benefit of that was you're actually improved because you picked the best practice from the different activities that previously were isolated (Head of Risk Assessment and Assurance, Case E).

Combined assurance report

Combined assurance implementation should end with the regular delivery of a combined assurance report. Importantly, no organization has already achieved formal reporting. Even more surprisingly, none of Cases D, E and F has already thought about the reporting aspect of combined assurance.

For Case A, the combined assurance report should give not only a general view of the assurance provided by the assurance providers but also an indication of each assurance provider's contribution to the areas where executive management and the board are looking for assurance. To this end, the organization uses a radar for each assurance provider with different levels alongside all areas that need assurance, ranging from zero (no assurance activities being performed) to five (when a systematic, detailed and in-depth audit exists). Based on these radars, the combined assurance report provides an overview to the board and/or executives on the situation as well as regular feedback and recommendations designed to help reengineer the assurance activities in the group.

Ultimately, since Case B is a South African organization, its audit committee has to sign off on the combined assurance. Case B has created a new governance committee, a combined assurance forum, in order to go through various aspects of the combined assurance report. This new governance structure ensures that the organization receives the right amount of assurance in the right areas from assurance providers with the best and most relevant expertise and skills as cost effective as possible (Internal Document, Case B). During the forum, participants go through various aspects of combined assurance, such as the assurance providers' views, the assurance activities being done, the assurance activities being planned and the areas of concern. Formally, the group's combined assurance forum duties and responsibilities are to:

- Report on the combined assurance activities to the audit committee in order to provide assurance to the board and other stakeholders that an appropriate combined assurance process exists.
- Define a framework and consistent reporting requirements for combined assurance as well as the taxonomy to be used.
- Communicate combined assurance activities and impacts to the stakeholders.
- Provide guidance and direction regarding combined assurance activities.
- Escalate when combined assurance activities are not progressing as intended (Internal Document, Case B).

Case B's next most urgent goal is obtaining the formalized combined assurance report:

We're trying very hard to get it done […] our first attempt was during the last August audit committee meeting but still the packs are quite thick […] so we need to do a lot more cleaning up at the top when we start filtering information through to the main audit committee (CAE, Case B).

Delivering the final outcome, the combined assurance report, is easier if assurance providers share a common language and thus report more efficiently. Because there is value for working together, assurance providers should also agree on a common language. As suggested by the CRO of Case B the biggest thing in the bank was to change and create a standard terminology in the organization to be used between all assurance providers. Traditionally, each assurance provider used to report to the audit committee or to the risk committee or to the board itself using different language for the same issue.

As for Case B, the current issue for Case C is reporting the combined assurance findings. Similar to Case A, the last important component of the combined assurance program is assessing the degree of reliance that can be placed on the activities performed by each assurance provider and relate it back to the risk register:

What we've done is that we have developed our own tool to actually assess assurance providers. Our assessment is meeting up with the assurance providers and talking them through that list of questions that we've got. […] We look at independence, objectivity, skills, knowledge, reporting, methodology […] and then we conclude and say can we actually place reliance on them or not? […] We know all these assurance providers, let's now start working through the reports and the scope of the work that they've done and make sure that they actually did cover our risks. […] Because it could be that you've got the assurance provider that do wonderful work but in terms of the top ten risks, he actually doesn't address your risk at all (Senior Audit Manager, Case C).

Table III illustrates a combined assurance matrix, adapted from Case C, in the form of a formal document being presented to the audit committee, which must sign off on the combined assurance report. The organization uses different colors to assess the degree of reliance felt by each assurance provider from the three lines of defense.

This combined assurance matrix illustrates the kind of documents that can be integrated into the combined assurance report in order for boards to discharge their duties properly, by evaluating the effectiveness of the risk management and internal control systems. This combined assurance matrix also provides a global assurance picture to the boards, helping them to eventually reengineer their organizations' assurance activities.

Table IV presents a summary of all important components for each case.

Conclusion
This study has identified the important components in implementing a combined assurance program by investigating the implementation processes of six multinationals. Our descriptive findings reveal the importance of six components. First, organizations must understand that combined assurance is not a silver bullet for effective ERM but, rather, that the success of combined assurance implementation will depend on ERM's maturity. Second, organizations must understand the concept of combined assurance and the benefits of implementing such an approach by creating awareness of the concept. The tone at the top is particularly important. If boards understand that combined assurance is not only an efficient approach to assurance activities but also helps them exercise their oversight role appropriately by providing assurance on the effectiveness of risk management and internal control systems, they will see the value of this approach concretely. Third, a combined assurance coordinator has to be appointed, who will take responsibility for the project. Ultimately, the board,

Objectives	Critical risks	Accountable Persons	Pre-treatment rating	Control Strategies	Responsible persons	Post-treatment rating	Post-treatment rating	Assurance Provider			Assurance Rating
								Line 1	Line 2	Line 3	

Definitions

Assurance: Assess compliance level with relevant legislation and/or policies and/or standards and whether it is adequate and/or effective in terms of significant risks.

Line 1: Direct management oversight of day-to-day operations, for example control self-assessment and continuous monitoring mechanisms and systems.

Line 2: Management once removed oversight from a more strategic/region/group point.

Line 3: Independent and objective assurance of the overall adequacy and effectiveness of risk management, governance, and internal control within the company as established by the first and second lines of defense.
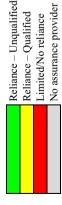
Assurance Provider Adequacy Process Assessment

Reliance – Unqualified
Reliance – Qualified
Limited/No reliance
No assurance provider

Table III.
Combined assurance
matrix (adapted from
case C)

through the audit committee, is the driver of combined assurance since it helps in oversight activities; in practice, however, the CAE/IAF could well become the custodian or champion of daily combined assurance. Four, it is important to identify areas that need assurance based on board, executive, and stakeholder priorities. The combination of top-down and bottom-up approaches ensures that no significant risk will be missed. The fifth important component requires that organizations recognize and list all assurance providers besides areas that need assurance in an assurance mapping. Based on the significance of a risk, organizations will use one of their three lines of defense or some combination of them if the risk justifies it. The assurance mission for each assurance provider must be clearly defined to avoid duplication or gaps. Finally, the implementation ends with the release of a combined assurance report presenting a global picture of assurance coverage to the board and the audit committee in order to allow them to exercise their oversight role appropriately. For the sake of consistency among assurance providers, a common language and an agreement on methodologies are vital; otherwise, inefficiencies will persist, making it impossible for boards and/or audit committees to exercise their oversight role appropriately.

This study offers several contributions. Combined assurance as a business paradigm is new and as a result there is little research about how organizations are implementing combined assurance approaches. First, this study contributes to the literature by being one of the first to provide initial insights about factors affecting the launch of combined assurance. It complements the study from the IIA UK and Ireland (2010) by illustrating combined assurance in six multinationals from three sectors, each at a different combined assurance implementation stage. Doing so will hopefully provide insights to organizations seeking to embrace combined assurance as a governance tool and it will hopefully provide a foundation for future research once the embrace of combined assurance grows.

Because combined assurance is still in its infancy, there is much room for improving its relevance. Therefore, this study's second contribution is its timing, since it will be appreciated particularly highly by organizations struggling with this kind of implementation. The many organizations trying to recover from the global financial crisis are looking for new standards and practices to apply in order to improve their governance. This study promotes combined assurance to be particularly useful for boards in exercising their monitoring role properly, as they face a multitude of risks and stakeholder interests.

Important component\organization	Case A	Case B	Case C	Case D	Case E	Case F
ERM maturity	✓	✓	✓	✓	✓	×
Combined Assurance Awareness	✓	✓	✓	–	✓	×
Combined Assurance Champion	✓	✓	✓	✓	✓	–
Combined Assurance Strategy	✓	✓	✓	–	✓	–
Assurance Mapping	✓	✓	✓	✓	✓	✓
Combined Assurance Report	✓	✓	✓	–	–	–

Notes: "✓" means the important component has been formally identified by the organization; "-" means the organization has not commented on this important component; and "×" means the important component has not been taken by the organization

Table IV. Important components summary

Our descriptive findings also have implications for regulators, policymakers and the CAE/IAF. This study reveals how assurance activities can meet the challenge of providing holistic assurance about the effectiveness of risk management and internal control systems, as is required by many recent regulatory changes. Until recently, only South Africa, through King III, had recommended combined assurance implementation for listed organizations. However, our case studies reveal that organizations in other nations have already observed South African improvements in organizational governance. Moreover, the multiple standards and guidance and/or practice advisories recently released by the IIA provide evidence on the usefulness of combined assurance for worldwide regulation. This study also has managerial implications for the CAE/IAF, who may be in the best position to steer combined assurance implementation. Because internal auditors need to add value in governance, risk and control processes, this combined assurance approach can well become the role model of an effective IAF in order to raise internal auditors' profiles in organizational governance.

Nevertheless, this study has several limitations. The first is its use of the qualitative approach to collecting data; its descriptive findings are thus not widely generalizable. However, given that the aim of the study was to provide insights into the important components in combined assurance implementation, using qualitative data was considered the most appropriate approach. Second, the maturity levels of the cases' combined assurance implementations differ; this may be one strength but also limits comparability. The number of interviews and the functions interviewed in each case could raise further comparability issues. Third, all cases are still learning through their combined assurance implementation processes; none has yet attained full maturity. Therefore, it is impossible to describe what a mature combined assurance program looks like. On the other hand, this study has potentially addressed some, but not all, of the key ingredients of combined assurance implementation. Finally, case studies were recruited on a voluntary basis and may reflect more active and engaged organizations than is typical with respect to combined assurance.

There are many opportunities for future research. First, a follow-up study after the organizations have attained full combined assurance implementation maturity would be interesting. Second, it would also be interesting to explore in more details the role, ideally the leading role, of the CAE/IAF within this combined assurance program as suggested by the third important component. Third, combined assurance implementations may also be rare because individuals will have different views on the concept. As such, future research could address the understanding(s) and/or drivers of adopting such program. Further quantitative studies could also generalize the descriptive findings of this exploratory study. As recognized by Vinten (1996), qualitative and quantitative studies are not mutually exclusive. Future research could investigate the variables associated with the implementation of a combined assurance program. For example, this study finds that a key success factor is having a formal ERM in place. There might also be influence from regulation on the maturity of assurance in different types of industries. Other characteristics such as the organization size could also affect the establishment of a combined assurance program.

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