The Champion Role of the Internal Audit Function in Combined Assurance

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Summary

This paper focuses on the roles of the internal audit function (IAF) into combined assurance. Combined assurance is a recent accountability mechanism that suggests the coordination of assurance activities, from the IAF and other assurance providers, in order to provide an indication about the effectiveness of risk management and internal control systems to the board and its committees. We use qualitative data from five case studies that have implemented the combined assurance approach. Our findings reveal that, in order that IAFs provide an independent assessment about the effectiveness of risk management and internal control systems that are encompassing all risks, they need to follow a champion role in combined assurance. This champion role consists in facilitating, coordinating and reporting combined assurance activities. Theoretically, this study participates in the conversation on the role of the IAF in organizational governance. More specifically, it builds on the internal audit literature in risk management. It has also managerial implications for IAFs who are good candidates to lead the combined assurance process.

Keywords: combined assurance, internal audit function, internal control, organizational governance, risk management
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Abstract

This paper focuses on the roles of the internal audit function (IAF) into combined assurance. Combined assurance is a recent accountability mechanism that suggests the coordination of assurance activities, from the IAF and other assurance providers, in order to provide an indication about the effectiveness of risk management and internal control systems to the board and its committees.

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1. Introduction

“The IAF has a unique opportunity to serve an important role in acting as a resource to the other parties charged with monitoring, maintaining, and enhancing the quality of an entity's corporate governance” (Gramling et al., 2004, p. 240)

Nowadays, many countries have reformed their corporate governance codes in the line of the last global financial crisis (see e.g., Australia (Australian Stock Exchange Corporate Governance Council, 2010); UK (Financial Reporting Council, 2012); USA (New York Stock Exchange Commission on Corporate Governance, 2010);

3 Corresponding author.
Europe (European Confederation of Institutes of Internal Auditing and Federation of European Risk Management Associations (ECIIA and FERMA, 2010)) and South Africa (Institute of Directors (IoD), 2009)). During this period major organizational failures were mainly caused due to failures in risk management (Baker, 2009; Brown et al., 2009; Conyon et al., 2011; Magnan and Markarian, 2012; Paape and Speklé, 2012; Pirson and Turnbull, 2011; Shortreed et al., 2012). New regulation has insisted on the oversight of risk management processes, and has required organizations to demonstrate that they apply effective and efficient governance procedures. Among these procedures, risk management and internal control systems are particularly useful to help organizations reach their objectives. As a result, these organizations ask for assurance services to be provided on these governance processes. Assurance activities provide comfort that what should be in place is in place, and is working effectively. Besides risk management activities, assurance activities provide assurance that all the risks that are applicable in an organization are managed adequately. According to many, one of the key requirements of the board is to gain assurance that risk management processes are working effectively and that key risks are being managed to an acceptable level (The Institute of Internal Auditors (IIA), 2009a, 2012; IoD, 2009; Reding et al., 2009). However, Chambers (2008) explains that boards are generally exposed to a partial “assurance vacuum” that needs to be filled. In practice, how can the board receive such holistic assurance?

Traditionally, the internal audit function (IAF) is the “go-to group” when it comes to governance (McCollum, 2006). By providing assurance services to the board, IAF contributes to enhance organizational governance (Ramamoorti, 2003; Ruud, 2003). Nevertheless, the profession has been “marginalized” after the last global financial crisis, neither being part of the problem nor as part of the solution (Lenz and Sarens, 2012). In fact, the IAF is still searching for one unique selling proposition to raise its profile (Lenz and Sarens, 2012). According to Shortreed et al. (2012) one of the lessons from the last global financial crisis is that internal auditors need to develop new techniques for monitoring, reviewing and communicating to the board about the effectiveness of risk management and internal control systems in order to improve risk management and governance ultimately.

As such, the release of the new South African code of corporate governance – known as King III – suggests one new approach. As from March 2010, organizations are strongly recommended to adopt a combined assurance approach that insists on the coordination of assurance activities to help boards with their oversight responsibilities when it comes to assess the effectiveness of risk management and internal control systems (IoD, 2009). Similarly, the IIA standard 2050 on coordination states 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). Even if the IAF is an important assurance provider, it cannot provide holistic assurance on its own. The IAF may rely and/or use the work of other internal and/or external assurance providers in providing governance, risk management, and control assurance to the board (IIA, 2010). However, the practice shows that there are only a few combined assurance programmes. Mainly, because no one takes responsibility for running combined assurance (The IIA UK and Ireland, 2010).

The aim of this paper is to build on the combined assurance approach. Using qualitative data from five organizations, we look at the roles of the IAF within combined assurance. Our findings suggest that the combined assurance approach offers opportunities for the IAF to raise its profile. Both IAF effectiveness and added value of internal audit activities have been questioned in the aftermath of the most recent financial crisis. Our empirical findings suggest that the champion role of the IAF within combined assurance may help to increase the effectiveness and added value of the IAF.

The rest of the paper is structured as follows. The next section reviews the literature on the role of IAF within organizational governance through its involvement in the risk management process, and it reviews the limited literature on combined assurance. The third section describes the methodology used. The fourth section reports insights about the roles of the IAF within combined assurance, while the final section concludes by highlighting paper’s limitations and opportunities for future research.
2. Literature Review

2.1 The role of IAF within organizational governance

A growing body of literature suggests that the IAF has an important role in organizational governance (Daugherty and Anderson, 2012; Gramling et al., 2004; Hermanson and Rittenberg, 2003; Paape et al., 2003; Ramamoorti, 2003; Ruud, 2003; Sarens et al., 2012). Historically, the IAF has been described as a monitoring mechanism in order to align the interests of manager (agents) with those of shareholders (principals) (Adams, 1994; Anderson et al., 1993; Cohen et al., 2002; 2004). By considering the nature of the work it performs, Cohen and colleagues suggest that the IAF is an integral part of the “corporate governance mosaic” (Cohen et al., 2002; 2004; 2010) and the function is therefore considered as a pillar of good governance (Daugherty and Anderson, 2012; McCollum, 2006; Ruud, 2003). Otherwise, Sarens (2009) suggests that the effectiveness of an IAF should be considered in line with the impact it has on the quality of governance. Precisely, in a recent survey of Australian CAEs, Leung et al. (2011) have found that IAFs contribute to good governance by undertaking a proactive role in risk management and internal control activities.

However, it is not a surprise that the profession is pointed out when things go wrong. At the beginning of the 21st century, large corporate scandals, at companies such as Enron and WorldCom, which led to the passing of the Sarbanes-Oxley Act (SOX), asked the IAF to enhance the focus on internal controls and to develop assurance services accordingly to test the effectiveness of internal control systems (Abbott et al., 2010; Carcello et al., 2005a; Cenker and Nagy, 2004; Gramling et al., 2004; Krishnan, 2005; Ramamoorti, 2003). SOX and similar laws in other countries have made that the IAF had to focus extremely on the quality of the internal control system so that chief executive officers and board could issue a formal opinion on that. This meant a boost in the popularity of the IAF as suddenly all big companies needed large internal audit departments to comply with SOX (Abbott et al., 2010; Carcello et al., 2005a, 2005b).

By only considering this compliance-role with respect to internal controls, the value proposition of internal auditors has rapidly become an issue, and, further, internal auditors have started to extend their areas of involvement in order to add more value to an organization, by developing consulting activities (Anderson, 2003; Hermanson and Rittenberg, 2003; Ruud, 2003). At that time, even if good governance implied that boards received assurance about the effectiveness of internal controls, some suggested that internal auditors consult about the appropriateness and adequacy of risk management processes (Crawford and Stein, 2002; Kinney, 2003; Spira and Page, 2003). As such, two or three years before the global financial crisis, IAFs focused again more on consulting as it turned out that SOX had exaggerated way too much by putting too much focus on the quality of internal controls. SOX had costed billions to comply without any formal prove that companies were doing better in terms of internal control and risk management systems.

Then, the financial crisis came in 2008 were again the role of the IAF was questioned. Why didn’t they see all the big risk management issues? Why didn’t they warn the board and management? This has let to the “marginalization” of the internal audit profession (Lenz and Sarens, 2012). Because of the crisis, a lot of companies are forced to cut costs. Support functions such as the IAF are still on the list for downsizing and cost cutting. Therefore, internal auditors are very strongly pushed to proof their added value in order to guarantee their own existence. There is still no clear path for internal audit, and the discussion on the added value of an IAF is still going on (Lenz and Sarens, 2012). As a result, many suggest that assurance services around the effectiveness of risk management is probably the future of the internal audit model (De Zwaan et al., 2011; Leung et al., 2011; PwC, 2012b; Shortreed et al., 2012).

2.2 The IAF and its involvement in risk management

Risk management is fundamental to organizational governance (Daugherty and Anderson, 2012; Hermanson and Rittenberg, 2003; Reding et al., 2009). In order to ensure that organizational objectives are met, organizations run risk management activities to help boards exercise their oversight role appropriately. As part of their risk management strategies, organizations have started to embrace holistic approaches for the management of their risks. One widespread approach is the enterprise risk management (ERM) framework developed by the
Committee of Sponsoring Organization of the Treadway Commission (COSO) in 2004. COSO (2004) defines ERM as “a process, effected by an entity’s board of directors, management, and other personnel, 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, to provide reasonable assurance regarding the achievement of entity objectives” (COSO, 2004; p.2). With this definition, internal control is one component of risk management, particularly it is seen as one way to manage risks, but risk management is a broader concept linked to the strategy of an organization (COSO, 2004; Sarens, 2009; Spira and Page, 2003). Specifically, the last step of ERM requires to monitor the whole framework. Part of this step is the need for board to receive assurance about the effectiveness of risk management in reducing risks to a low level.

Today, one important issue surrounding ERM is the role of the IAF in risk management activities. Particularly, the IAF has been appointed as the usual function to monitor the effectiveness of ERM. On the one hand, COSO (2004) stated that the role of IAF was to “assist management and the board of directors or audit committee by examining, evaluating, reporting on and recommending improvements to the adequacy and effectiveness of the entity’s enterprise risk management” (p. 88). Saying that, it is suggested that the IAF is an important provider of independent evaluations of the risk management around all components within the framework (COSO, 2004; Crawford and Stein, 2002; Hermanson and Rittenberg, 2003; Kinney, 2003). On the other hand, the IIA also provided directions about the role of IAF within ERM. According to the IIA Position Paper (2009a), the core activities that the IAF can embrace to provide value to an organization are (1) providing assurance to the boards that the risk management framework is operating effectively, and (2) providing assurance that key risks are being managed appropriately through an effective internal control system. Nevertheless, there are two important issues when considering the involvement of the IAF within ERM as suggested by the IIA (2009a). First, is the activity being taken raising any threats to IAF’s objectivity and independence? Second, is the activity being taken improving the organization’s risk management, control and governance processes? Therefore, in its position paper, The IIA (2009a) makes the following typology of risk management activities that the IAF can be somewhat linked with: (1) activities that correspond to the core role of IAF within ERM; (2) activities that IAF could embrace with safeguards; and (3) activities that IAF should never be responsible for. In the UK, Fraser and Henry (2007) have found that internal auditors are sometimes (too) heavily involved in ERM activities, whereas the management of risks must stay within the daily activities of the management. Similarly, De Zwaan et al. (2011) have investigated the role of IAFs in ERM in Australian private and public sector entities. Their results show that IAF are involved in ERM assurance activities, however some IAF tend also to engage in activities that could impair the independence and objectivity of the profession.

Both consulting and assurance activities from the IAF contribute to the management of risks (Anderson, 2003; Hermanson and Rittenberg, 2003). Sarens (2009) lists various IAF’s attributes (e.g., educational background, expertise, certification) that make the function particularly suitable for improving and monitoring risk management and internal control processes.

First, internal auditors can make management aware of their responsibilities in risk management, but also propose improvements when weaknesses are identified in the risk management framework (Fraser and Henry, 2007; Sarens and De Beelede, 2006a; Sarens and De Beelede, 2006b; Spira and Page, 2003). When looking at CEO’s and CFO’s perceptions on the role of the IAF, Sarens and De Beelede (2006a) reveal that senior management expects IAF to fulfill a supporting role by improving and monitoring risk management and internal control. Moreover, by interviewing CAE of US and Belgian companies, Sarens and De Beelede (2006b) show that internal auditors fulfill this role by creating a higher context of risk and control awareness. Similarly, the IIA Position Paper on the role of the IAF in ERM argues that IAF is well qualified to promote the implementation of ERM in the early stages of its development (IIA, 2009a).

Second, the IAF performs assurance services to ensure the effectiveness of risk management processes in order to ensure that the board, through the audit committee, is able to discharge its oversight role appropriately by addressing its responsibilities in terms of risk oversight.
2.3 Combined Assurance and the ‘three lines of defense’ model

As suggested above, the board’s oversight role requires that the organization is following effective and efficient governance. As part of this role, the board needs to receive assurance that risk management and internal control systems are working effectively, and that key risks are being managed to an acceptable level (Fraser and Henry, 2007; IIA, 2009a; Ruud, 2003). In fact, risk management and assurance activities both support each other (Daugherty and Anderson, 2012; IIA, 2012a; Reding et al., 2009). On the one hand, risk management provides the proper infrastructure to perform assurance activities. On the other hand, assurance activities aim to monitor and improve the risk management framework.

The glossary to the IIA standards defines assurance services as an “objective examination of evidence for the purpose of providing an independent assessment on governance, risk management, and control processes for the organization” (IIA, 2012b). In other words, assurance activities bring comfort to those responsible for governance that the organization is following effective and efficient governance processes. The board is generally supported by different assurance providers to improve governance. Particularly, the IAF is an important comfort provider (Sarens et al., 2009) since it provides assurance over the risk management and internal control systems, and more broadly governance. As such, IAF fills some of the assurance vacuum experienced by boards (Chambers, 2008). Other assurance providers include external auditors, risk management, compliance officers, corporate social responsibility officers, or quality officers to name but a few. Because stakeholders may have very different needs for assurance, organizations will use a mix of assurance providers in order to provide the right amount of assurance to their stakeholders (Ruud, 2003).

The ‘three lines of defense’ model has been traditionally used to identify and describe the roles and responsibilities of each assurance provider to the governance process (Daugherty and Anderson, 2012; ECIIA, 2012; ECIIA and FERMA, 2010; IIA, 2013; IIA UK and Ireland, 2010; PwC, 2012a). This model allows to understand the contribution of each assurance provider to the governance process. Each assurance provider can be classified into one of the three lines of defense depending on its reporting line. For example, line one (line two) traditionally reports to (senior) management, whereas line three reports to the governing body or its committees. Line management is the first line because this group has direct responsibility for the management of risks on a daily basis. Line management puts in place internal controls or other responses to mitigate risks to acceptable levels. In terms of assurance, they provide assurance regarding the effectiveness of the risk management process to themselves through control self assessments for example (Ruud, 2003; Sarens and De Beelde, 2006a). The second line groups together functions such as risk management or compliance that assist line management in implementing and monitoring effective risk management. As such, this line reports mainly to senior management. Finally, the third line is comprised of all the various independent and objective assurance providers such as internal and external auditors or independent specialist reviews who contribute to the overall assurance on the management of risks due to their specific assurance efforts. According to Daugherty and Anderson (2012) the third line provides the final assurance required by the board in order to help them fulfill its oversight responsibilities. This line also reviews what has been done by the first two lines of defense.

In practice, many organizations have experienced what they call ‘assurance fatigue’, inefficient reporting and/or ‘assurance gaps’ because assurance activities are uncoordinated (Daugherty and Anderson, 2012; IIA, 2012a; IIA UK and Ireland, 2010; Sarens et al., 2012). Assurance fatigue comes when different assurance providers come at different time to perform assurance activities which leads to frustration being experienced by areas being assured. Also, the reporting of these, potentially, different opinions is inefficient because those in charge with the governance receive reports from various parties that do not report holistically, giving them various perspectives on significant risks. Moreover, by not having a clear and holistic view of the areas that need to be assured, organizations suffer from assurance gaps when no assurance activities are performed whereas the area justifies some assurance being provided. Though, each assurance provider has a unique perspective and specific skills that are of value for the organization, as such they are complementary rather than substitutes (Goodwin-Stewart and Kent, 2006; Hay et al., 2008). Therefore, why not combine all assurance activities in one framework to holistically ensure that risk management and internal control systems operate effectively and efficiently? Why having such a clear accountability model is important?
As suggested by Ruud (2003) coordination improves governance by providing a higher level of organizational assurance. Coordination of assurance activities has been recommended by professional institutions, such as The IIA, and by regulation, overall through King III, in order to improve governance oversight. Specifically, King III in South Africa advocates combined assurance implementation for listed organizations since the board needs to receive assurance regarding the effectiveness of risk management and internal control systems (IoD, 2009). Due to the multitude of risks organizations are facing and the multitude of stakeholders’ interests to serve, combined assurance requires better coordination among assurance providers in order to be more effective and efficient when dealing with assurance activities on the risk areas affecting an organization (IoD, 2009). Ultimately, combined assurance improves governance since it makes board’s oversight role easier (Sarens et al., 2012). Moreover, King III requires the IAF to provide a written assessment about the effectiveness of the organization’s risk management and internal control systems (IoD, 2009). Actually, this opens the door for IAF to play a leading role in the combined assurance approach, by overseeing the quality of the framework. Similarly, PwC (2012a) suggests that stakeholders place traditionally value in IAF’s role as a third line of defense, but they value just as highly IAF’s ability to effectively coordinate across the first and second lines of defense.

In practice, many organizations have tried to implement some kind of combined assurance, but found it difficult in practice (ECIIA, 2009). Further, the IIA recommends organization to run an assurance mapping exercise as a starting point for coordinating assurance activities (IIA, 2009b). By doing an assurance mapping exercise, organizations will identify assurance fatigue, assurance gaps and the roles and responsibilities of each assurance provider to ensure that they are covering the right issues. However, a survey from the IIA UK and Ireland (2010) reveals that only eight percent of organizations have a combined assurance approach in place. Among reasons for failure at coordinating assurance activities, 34 percent of survey respondents points out the lack of ownership for implementing the approach (IIA UK and Ireland, 2010).

By definition, the IAF needs to add value in governance, risk and control processes. To be able to do this, is combined assurance one approach that might help internal auditors to raise their profiles in the governance process? In other words, the rest of the paper will be dedicated to understand:

RQ: What is (are) the role(s) of the IAF within the combined assurance approach? Do these roles have implications for current internal audit practices?

3. Methodology

3.1 The interviews

We conducted exploratory semi-structured interviews with CAEs and other people involved within combined assurance. Data were collected within five worldwide organizations in different countries to mitigate one potential country bias. Table I provides a profile for these organizations.

<table>
<thead>
<tr>
<th>Case</th>
<th>Sector</th>
<th>Turnover (in 2011)</th>
<th># employees (in 2011)</th>
<th>Country</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>Natural resources</td>
<td>$90 billion</td>
<td>260000</td>
<td>Europe</td>
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<tr>
<td>B</td>
<td>Banking</td>
<td>$6 billion</td>
<td>30000</td>
<td>South Africa</td>
</tr>
<tr>
<td>C</td>
<td>Natural resources</td>
<td>$5 billion</td>
<td>60000</td>
<td>South Africa</td>
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<tr>
<td>D</td>
<td>Banking</td>
<td>$5.5 billion</td>
<td>35000</td>
<td>Europe</td>
</tr>
<tr>
<td>E</td>
<td>Natural resources</td>
<td>$70 billion</td>
<td>100000</td>
<td>Australia</td>
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</table>
Rather than trying to generalize the findings, we focus on understandability, given the lack of knowledge we have on combined assurance. More precisely, the motivation for this study aims to extend our understanding about the role(s) internal auditors may fulfill within the combined assurance approach. Qualitative data seems to be particularly relevant due to the purpose of our study. There are at least five main reasons.

In reviewing the first half century of internal audit research, Vinten (1996) first suggests that each field of research needs purely descriptive research in its early stage of development. As combined assurance is one relatively new phenomenon, qualitative data seem more appropriate than quantitative ones. According to Patton (2002) in-depth case studies produce more detailed information about a limited number of people and cases contrary to large-sample studies that provide a generalisable set of findings.

Second, previous literature calls for more qualitative methods in accounting and governance disciplines (Brennan and Solomon, 2008; Gendron, 2009; McNulty et al., 2013). In an overview of qualitative research in the field of corporate governance, McNulty et al. (2013) express that “qualitative research can assist policy-makers and practitioners to develop more efficient governance mechanisms, by shedding light on the efficacy of policy prescription…Qualitative research provides a basis for rethinking and challenging some of the dominant assumptions and meanings about how governance actors and institutions actually function” (p.183).

Three, combined assurance is a purely internal phenomenon driven by internal actors, so researchers need to go “into the field” and speak with these internal actors to collect evidence.

Four, there is nowadays no publicly available information on combined assurance. Organizations are not obliged to disclose whether they have a combined assurance approach in place or not.

Five, combined assurance implementations are still rare in practice (IIA UK and Ireland, 2010). As a result, semi-structured interviews is the most appropriate alternative to collect data similarly to previous studies (Cohen et al., 2002, 2010; Fraser and Henry, 2007; Sarens et al., 2009; Sarens and De Beelde, 2006a; Sarens and De Beelde, 2006b; Soh and Martinov-Bennie, 2011).

Interviews were conducted with 20 participants in the combined assurance approach. Table II provides the summary of all functions interviewed. Most of these interviewees refer to internal audit functions.

We tried to enhance the reliability of the research (Yin, 2009) by using multiple sources of information. That is why we were interested in perceptions from internal auditors, as well as those from other participants in the combined assurance process. We also asked if it was possible to interview people from top management or the audit committee, suggesting that it could be useful to have also their insights, but organizations were not disposed to do so. Where possible, we also collected internal documents to confront findings obtained from the interviews with those from internal documents. Interviews took place at the site of the organizations and each interview took approximately one hour to complete. Prior to the interviews, participants were informed that the purpose of the study was to enter the “black box” of combined assurance practices within their organization and interview questions were emailed to our contact person (mostly the CAE). During the interviews, we started with general questions about the context of the organization, the drivers and benefits of applying a combined assurance approach, and the role of IAF/CAE within the approach. The questions were designed to be as open ended as possible, therefore we insisted that there were no right or wrong answers. This explains why we did not have preconceived categorizations in the analysis phase. Moreover, we insisted that responses would be held in strict confidence both within and outside the organization. Interviews were audiotaped with the permission of all participants to ensure accuracy and completeness, and were after transcribed for further analyses. In order to validate the data collected, all transcripts were emailed to each interviewee for approval. This allowed each interviewee to refine, clarify or add any relevant details.

Our codes emerged a posteriori from the analyses of interview transcripts and internal documents. We followed the methodology of Miles and Huberman (1994) to analyse the data. Therefore, a matrix was used for each case to summarize the findings and help for the cross-case comparison.
3.2 Case description

The choice for these five organizations is theoretically-driven since we were looking for organizations more or less moved with the combined assurance approach. All these organizations are at different stages of implementation when it comes to the combined assurance implementation. This offers opportunities for having a greater understanding about the role of the IAF/CAE in the combined assurance approach. Case A was selected because of practical experience with this organization. Cases B, C and E were selected by proposal of the IIA. Finally, case D was selected during a roundtable about the internal audit profession.

Case A

Case A set up the internal assurance department in 2007 with the intention to become an adding value business partner and a tricking ground for future leaders. This internal assurance department wanted to become the first provider for assurance services and risk management services.

In 2009, an assessment of Case A’s internal assurance department was executed by a Big-4 company including a benchmarking of organizational governance and assurance practices with a number of Fortune500 organizations. The main purpose was to identify the most relevant practices and the environment that will shape the future roles of internal auditing. The review noted that (1) there was only limited coordination and no communication between assurance providers, (2) some significant risks were not receiving any coverage by assurance activities, and (3) there was no combined report summarizing the findings from various assurance functions. So, the Big-4 company recommended that Case A implemented a combined assurance approach to its assurance activities. At the same time, one South African subsidiary of Case A had implemented combined assurance as required by the new code of corporate governance. The implementation in South Africa will therefore serve as a pilot test to make combined assurance a relevant practice at a global scale.

Case B

Even before the release of King III that set the tone for combined assurance, this South African bank decided to implement combined assurance and to initiate the whole integration and coordination among the various assurance providers. The three lines of defense were already in the company. In the past, risk management was more a compliance function whereas nowadays it has become an active component of strategic discussion. Case B sees combined assurance as an alternative to avoid past problems such as assurance fatigue and assurance gap. Moreover, assurance providers traditionally planned in isolation which meant that the coverage from one assurance provider and the total coverage did not necessarily give the complete coverage of risk.

Case C

Like in Case B, risk was merely a compliance function in the past. However, some changes in this South African organization have brought in risk management under business strategy. One of these changes is the development of the new group risk management framework. The new group risk management framework was formally initiated at the start of 2009 once the revised and invigorated focus on risk management was approved by the board. Moreover, Case C started documenting combined assurance, preaching it to the board about six months before King III came out. Case C recognized that some significant risks were never assured to the board, whereas others were too much covered. As a result, Case C started to put some sort of a basis of coordinating assurance around risk, so that assurance providers can give a consolidated view to the board and its committees.
<table>
<thead>
<tr>
<th>Case</th>
<th>First Interviewee</th>
<th>Second Interviewee</th>
<th>Third Interviewee</th>
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<tr>
<td>A</td>
<td>Vice-President (VP) &amp; Head of Internal Assurance (CAE)</td>
<td>Head of Risk Management</td>
<td>Senior Auditor</td>
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<td>B</td>
<td>Chief Audit Executive (CAE)</td>
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<td>Chief Risk Officer (CRO)</td>
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<td>Head of Regulatory Risk Management</td>
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<td></td>
<td>Big-4 External Audit Partner</td>
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<td>C</td>
<td>Head of Risk Management</td>
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<td>Senior Audit Manager - Group Internal Audit</td>
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<td>Senior Audit Manager (SOX Compliance) - Group Internal Audit</td>
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<td>Senior Audit Manager (Sustainability) - Group Internal Audit</td>
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<td>D</td>
<td>Associate Director Group Internal Audit</td>
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<td>Head of Risk Assessment &amp; Assurance - Group Risk Assessment and Assurance</td>
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<td>VP Risk and Health, Safety, Environment and Community Assurance - Group Risk Assessment and Assurance</td>
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<td>VP Assurance Planning &amp; Development (CAE) - Group Risk Assessment and Assurance</td>
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**Case D**

Case D has made the decision to informally implement combined assurance because the audit committee asked the IAF to develop synergies between all assurance providers in the bank in order to reduce the external audit fees. Case D recognized that combined assurance will make sense because the bank has different assurance functions all providing assurance services from different perspectives and with different purposes, but all these functions work for the same output: providing assurance about the effectiveness of risk management and internal control systems.

**Case E**

In Australia, or at least in Case E, the audit committee is referred to as a risk and audit committee. This committee does not only look at the financial statements and external financial reporting. It is also very much involved in the whole risk profile and risk management activities being undertaken by the organization.

Sustainability is the cornerstone of Case E and the organization sees combined assurance as a way to bring the focus on assurance activities and risk management in a more integrated manner. A lot of risk management in the early days was very much focused around financial risks with assurance activities being provided on financial controls. Over time, that scope and focus are broadening into other business areas. Case E is currently ending up a twelve months program of comparing the processes of the sustainability and internal audit departments, and merging them into one unified single process. Both departments have now been reorganized in the Group Risk Assessment and Assurance. Each side has gained from this unification. In the future, Case E wants to continue the integration with other assurance providers.

4. **Descriptive Findings**

This section provides insights about the role(s) of the IAF within combined assurance. It also provides details how this (these) role(s) impact(s) current internal audit practices.

4.1 **The Roles of the IAF within combined assurance**

Our empirical findings suggest that IAFs have three roles in terms of combined assurance: (a) that of facilitator of the combined assurance process; (b) that of coordinator and (c) that of ultimate reporter to the board and its committees. In the rest of this section, we further explain these roles.

**Facilitator**

Most of the barriers for combined assurance implementation are generally identified at the very beginning. Sometimes, it is difficult to convince governing bodies, as well as assurance providers, that there is value in working together, i.e. combining their assurance activities. Also, the senior auditor in Case A recognizes that combined assurance implementation is even more difficult because it is not part of anybody’s job description. The interviews and the examination of internal documents suggest that the IAF (mainly through the CAE) is a relevant function within the organization to create the awareness and obtain the buy-in from the board around this combined assurance principle.

Case A started to dedicate resources to this combined assurance project in 2010. The final decision to practically evaluate the benefits of adopting the approach was taken by the CAE. The CAE suggested implementing combined assurance to the CEO and chairman of the organization. The latter was very pleased with the approach and asked to make it a relevant approach for the business in order to become amongst the leaders in this area.

Within Case B, the CAE has also endorsed the role of the combined assurance initiator. Usually, Case B’s CAE is trying very hard to elevate the role of the IAF within the governance process. This CAE preaches combined assurance wherever it can (e.g. IIA conferences, audit round-tables, audit committee conferences). Also acting as a non-executive director on other South African listed organization boards, this CAE advocates the concept of
combined assurance both inside and outside its organization. Moreover, this CAE has driven combined assurance in order to enhance the responsibility and accountability across the organization for controls and risks.

I issued a guidance document on combined assurance to the whole organization on what combined assurance is and what it entails. I must admit internal audit played a critical part in terms of driving this combined assurance approach...From a group perspective, we drove it obviously because of the fact that we changed our approach to a risk-based approach. We have this control framework with the three lines of defense that insures that everybody takes accountability for the role they are playing in the control framework. So we also drove it from the perspective of making sure that people are aware of their roles and responsibilities. (CAE, Case B)

Even the external auditor from Case B agrees that combined assurance should become the responsibility of internal audit:

The coordination must start with a board that drives it out. But, in practical terms, I think it must be the internal auditor that drives and I think [name of the CAE] in this organization is the best person that does. (External Auditor, Case B)

Additionally, both CAEs from Case C and Case E have made a very good job to socialize combined assurance into the business making people aware about the concept. At Case D, this is quite different. It is also recognized that the IAF played a champion role to initiate the approach even if it is the audit committee that initially asked the IAF to develop a program of synergies between all assurance providers in the bank. Yet, Case D has no formal combined assurance officially endorsed. It is not currently approved by any committee.

In practice, the internal assurance division initiated a series of initiatives trying to talk to all these assurance providers to render clear that it’s for the interest of the bank to have synergies in order to avoid overlapping in various phases. Why the internal assurance division was the initiator of this concept? In my opinion, because the staff working in internal audit traditionally made the audit of these units. So, we have direct knowledge of their activities, and we understand almost better than them their problems. (Associate Director Group Internal Audit, Case D)

The different cases report various reasons for the IAF taking the leading role in facilitating this combined assurance approach. First, internal auditors have a better understanding about the wider business contrary to other assurance providers who probably have more of a silo view of their activities. Second, internal auditors have very good methodology and approach to provide assurance services. Three, internal auditors are independent from the operational functions being assured. Four, internal auditors have the full access to the different assurance providers because part of the internal audit process is to have a look at all these assurance providers. Finally, one specific reason for South African organizations is that internal auditors have a strong vested interest in making sure combined assurance is effective. Actually, King III suggests that the CAE provides assurance to the board around all controls and risks within the organization.

Coordinator

One responsibility of the CAE is to provide assurance to the extent that the organization is – or is not – managing risk well. Within the combined assurance approach, the IAF plays an additional pivotal role in the governance process: that of assurance coordinator (Daugherty and Anderson, 2012). In most cases, the coordinator (1) develops the assurance plan and (2) develops the assurance map.

First, CAEs are typically given the responsibility for developing the combined assurance plan in accordance with insights obtained from the board, audit committees and senior management. According to Case A, the combined assurance approach is seen as the input for the IAF to deal with the IIA standard on coordination that suggests that the IAF should consider activities performed by other assurance providers before doing the audit plan (see IIA, 2012b). As such, the combined assurance approach is seen as a way to help the IAF to drive its audit assignment. Similarly, the assurance plan is also established with the input of the other assurance providers at Case D.
Now, the annual audit plan is designed taking into consideration what they have done in risk management, compliance, SOX, etc. So, we get all this data and we end up with our plan. So our plan is based on their input, their directions and our opinion from what we have seen...We can change the scope of our audit, or we can insist in areas where we see that they haven’t done the job properly. 

(Associate Director Group Internal Audit, Case D)

In the governance model of Case B, the chairman of the audit committee is responsible to sign off on the combined assurance model. But that must be distinguished between who takes a leading role in terms of coordinating the activities on a daily basis. That is the role of the CAE. Further, Case B has introduced facilitated assurance planning workshops where the CAE develops the assurance plan with all assurance providers for one particular business unit or project. As the CAE explains:

We play a coordinator role to facilitate the workshop to help us devise the assurance plan. The entire workshop is facilitated with a view to come up with a process risk and control matrix which highlights key processes and key risks in one particular area. That’s a mini-combined assurance session for individual project. So you can’t have gaps in your assurance coverage because you got all the key players in the room.

Second, the study from the IIA UK and Ireland (2010) suggests that no assurance provider seems to assume overall responsibility to list all assurance providers within an organization. This is something that the IAF can embrace. The IAF may play a coordinating role in developing the assurance map of the organization. This assurance map exercise consists in linking assurance providers besides risks. So, the IAF is one important assurance provider in its own right, but it also hovers all the other assurance providers. Part of this coordinator role, the CAE regularly takes the initiative for the risk, control and assurance mapping as illustrated in Case E:

We look at the risk register across the business. The map shows what controls are in place to mitigate those risks and then we map out who are the assurance providers in terms of lines of defense that provide assurance on those risks. (CAE, Case E)

The board needs to know what the significant risks are in an organization and whether those risks are being managed. In practice, for organization from the natural resources industry, combined assurance translates into the elaboration of large audits where various assurance providers belong to one single unified combined assurance team in order to challenge risk management and internal control systems. Based on the variety of risks, the IAF cannot visit every single business unit, every single day as every single year. For natural resources organizations, Cases A, C and E, at least seventy percent of significant risks are technical and sustainability ones nowadays. Internal auditors can be as clever as they want, they will not be able to give proper assurance on these risks. They need combined assurance to back them up. This is particularly true for South African because of the listing requirements from King III.

The IAF needs to infiltrate the technical discipline as well as the sustainability discipline that encompasses risks such as environmental, community, safety and security, to name but a few. (CAE, Case C)

As a matter of fact, Case C has developed the concept of audit windows, with one technical and one commercial window. These audit windows help reducing the assurance fatigue previously experienced by the business units. The people who should be in the audit window are identified based on the risk register. In each window, the combined assurance team is about twenty people and the team goes through every operations. For the commercial window that comprises in traditional internal audit activities – i.e. IT, payroll and accounting – the IAF always leads the window. On the other hand, the IAF plays more of a coordinating role in the technical window around metallurgy, engineering, health and safety kind of risks. There, the team leader is always a technical function. Similarly, Case E explains the reasons for the IAF taking a coordinator role in large audits as follows:

In all large audits that we undertake, the Group Risk Assessment & Assurance always takes the lead role and final accountability for the delivering, the scope and the planning, the execution and the
reporting. We live and breathe assurance, risk and controls on a daily basis. So, we bring in that level of credibility in creating the direction and the methodology and the understanding of the process and the risk management framework that guides those large audits. (CAE, Case E).

There are two important challenges with these combined assurance activities, large audits or audit windows – call them whatever you want. First, having a broader skill set within the combined assurance team is essential. This is only about credibility as explained by the Head of Risk Assessment and Assurance in Case E.

If you’re going to go into a business unit and try to say them ‘you need to improve this’, they’re not going to listen to someone that hasn’t walked in this business unit or that hasn’t talked to them. If you try to do combined assurance but haven’t put in place some of the building blocks around skill sets, capability and methodology, you run too fast. Then you will lose credibility very quickly when going and assuring new areas.

A second important challenge is to understand that the relationships between internal audit and other assurance providers should be on a sharing basis, not a dictating one. Even if the IAF seems having a leading role in the coordination of assurance activities, discussion and participation between assurance providers require equality of partnerships. Otherwise, combined assurance would not deliver meaningful. The moment internal auditors start dictating, they will exclude a lot of key people in the combined assurance process. As recognized by the Head of regulatory risk at Case B,

I think we’d probably find it’s very convenient that combined assurance is forcefully driven from an internal audit perspective...But except for internal audit taking the lead role in terms of facilitating the process, you pretty much got equal partners around the table and if you leave any of them out or you make one those parties to have a dominant role, you are going to lose the entire value. Just the concept of combined assurance means it’s a true equal partnership among those who bring assurance services.

Similarly, one senior audit manager from Case C states that:

If you think of a technical department in a mining industry, this person will be your experienced specialist in this specific area...Now, the moment you [internal auditor], as assurance coordinator, want to come and dictate to them to say sort of ‘What you’ve been doing in last ten or fifteen years of your life was actually wrong, we now want you to do this’, then you’re going to loose them. They’re not going to buying into the process and you’re going to loose the benefit of combined assurance. But if you do combined assurance on a sharing approach, or a coaching approach, I think your chances are better. The moment you start saying ‘Let me roll a bit part of your team so that I can learn from you’, it’s just playing right.

Reporting role

Our empirical findings suggest that the last responsibility for CAEs within combined assurance is to report on the combined assurance findings. King III ideally requires that CAEs annually perform an objective assessment of the effectiveness of risk management and internal control frameworks.

King III stipulates that we [internal auditors] have to provide a written assessment about the internal control and risk management systems to the audit committee. Combined assurance is therefore from my reporting perspective in order to report more effectively and efficiently to the governance committees. (CAE, Case B)

Same is true for non-South African organizations. As noted by Case A, the audit committee must ensure the appropriateness of the combined assurance framework to address properly significant risks. However, this role is taken over by the CAE acting as the owner of the combined assurance process on behalf of the audit committee. According to Case E, the IAF should take the lead in the combined assurance report because it is an independent function that brings that necessary level of objectivity that otherwise would not filter up.
The report that is issued is under the Group Risk Assessment & Assurance’s (GRAA). We have a professional responsibility for making sure that whatever we’re reporting on, we’re comfortable with that. So, whilst we don’t exercise any direct managerial control over these other functions, when they come work on one of our large audit, they need to take direction and guidance from the GRAA. Unless that GRAA is comfortable with the results of that professional’s work, those findings will not get reported in the combined assurance report. (VP Assurance Planning and Development, Case E)

As a result, sub-responsibilities for CAEs include (1) assessing the reliance that can be placed on all assurance providers and (2) providing recommendations to re-engineer the assurance process.

Generally, the audit committee will sign off the quality of the combined assurance framework in order to provide the board with assurance about the effectiveness of risk management and internal control systems. However, as internal audit is the combined assurance coordinator, the CAE needs to report the combined assurance findings to the audit committee. Part of its mandate is to assess whether the assurance received from the other assurance providers is reliable. When preparing the final combined assurance report, our case studies’ findings reveal that internal auditors look to a list of criteria to determine whether they can place reliance on other assurance providers’ assurance activities. For reasons already being mentioned, the IAF is often the best placed to assess each assurance provider and its contribution to the combined assurance.

The list of criteria can comprise the following. Independence and objectivity supposes that the assurance provider should not be involved in the business unit/area/project that is going to be assured. Conflict of interest suggests that the assurance provider should not have been recently involved with the business unit/area/project under review. Knowledge and skills states that assurance providers should well understand the business unit/area/project and have adequate skills accordingly. Experience means that one assurance provider should have the requisite level of expertise, both in terms of qualifications as well as years of experience within the subject matter. For some assurance providers certification may also constitute one criteria that improves the degree of reliance that the IAF can place on an assurance provider. Internal auditors also have more confidence when assurance providers follow an appropriate and documented methodology to provide assurance services. Finally, what does the structure of reporting look like? Do assurance providers provide reports, recommendations or follow-ups? Also, to whom do they report to?

Note that this list is not exhaustive, it is developed based on case studies’ findings. Interestingly, the IIA practice advisory 2050-3 on relying on the work of other assurance providers also recommends some of these criteria (see IIA, 2010). Evidently, the assessment against these criteria, on a five-point scale for example, will be different regarding the line of defense to which the assurance provider belongs. In some situations, there might also be a trade-off with two or more criteria being contradictory.

Finally, the CAE is responsible to propose improvements to re-engineer the assurance process. If internal auditors can place reliance on other assurance providers’ work, good. Otherwise, they will explain what these assurance providers must change in order that internal auditors can place reliance on them. Moreover, the assurance map will probably attest the existence of assurance gaps and or assurance fatigue. These problems will be reported in the combined assurance, but it is the responsibility of the CAE, as owner of the combined assurance process, to propose improvements in order to enhance the quality of the combined assurance framework.

5. Discussion and Conclusion

The economic crisis brings opportunities for internal auditors. If the board is directly concerned with the oversight of risks, internal auditors do not move aside. Recent changes in regulation have created opportunities for internal auditors in order that they remain important players in the governance process. Particularly, the introduction in 2009 of the updated South African code of corporate governance – King III – increased the focus on risk management. King III, as well as professional institutions, such as The IIA, recognize that the IAF is often in the best position to give assurance in this area. In fact, internal auditors need to conduct the assurance
aspect of risk management. Risk management can say whatever they want about the risk management process, but the IAF has to say: is it working or not?

This study contributes to the existing literature on internal auditing. It also offers several managerial implications for internal auditors.

Previous literature has shown that one primary responsibility for internal audit is to support the audit committee, by providing an independent assessment of risk management and internal control systems. Audit committees often place substantial reliance on the IAF in order to help them exercise their oversight role appropriately. For example, Leung et al. (2011) show that internal auditors have a proactive role in corporate governance when they deal with internal control and risk management processes. Therefore, these authors suggest that providing assurance services around risk management is a new way for internal auditors to add value. According to Chambers (2008) to work alongside boards to provide them with the relevant assurance, internal auditors must become “super auditors” in terms of professional standards. Similarly, Sarens (2009) proposes that future research in internal auditing could focus on the IAF’s attributes to play a value-adding role in improving and monitoring risk management and internal control processes. Rather than considering a fundamental transformation of internal audit, this paper raises the question: why internal auditors don’t do the best they can with the means at their disposal?

As such, this paper preferably builds on the argument suggesting that enhancing the role of internal auditing within governance comes from the development of new monitoring techniques (Shortreed et al., 2012). Specifically, this paper argues that combined assurance is an adequate alternative when boards need to receive assurance around the effectiveness of risk management and internal controls, encompassing all kind of risks.

This study contributes to the existing literature on the role of internal audit in organizational governance and risk management. By championing the combined assurance process, this study provides further evidence about the importance of internal audit as a primary governance mechanism to enhance the effectiveness of organizational governance. This study builds on recent research on the roles and responsibilities of the IAF in the aftermath of the last global financial crisis and changes in regulation (Carcello et al., 2005; Cohen et al., 2010; Gramling et al., 2004; Lenz and Sarens, 2012; Sarens and De Beelde, 2006b; Soh and Martinov-Bennie, 2011).

An important issue related to combined assurance is to determine who is going to be accountable for the process. This paper has investigated the roles and responsibilities of the IAF in combined assurance. Empirical findings from five international case studies suggest that the IAF can provide an additional role in the governance: that of combined assurance champion or combined assurance executive. Recently, Sarens et al. (2012) have identified the factors that are associated with a higher commitment of the IAF in corporate governance. Similarly, this study assumes that higher commitment of the IAF in organizational governance comes from internal auditors taking leadership in combined assurance. In the South African context, King III has almost forced internal auditors to play a leading role. However, findings in other contexts suggest the same. This champion role consists in facilitating the combined assurance process, coordinating assurance activities and reporting holistically combined assurance findings.

The facilitator role states that the IAF creates awareness around the combined assurance principle in order to obtain buy-in from governing bodies, as well as other assurance providers. The coordinator role suggests that the IAF can help to develop an assurance plan highlighting the significant risks where assurance is needed. Also, the IAF can help to define the role and responsibilities for each assurance provider through the elaboration of an assurance map. Finally, the reporting role assumes that the IAF is responsible to provide an assessment of the effectiveness of risk management and internal control systems. By doing that, it monitors the performance of the different assurance providers in the combined assurance framework, and it reviews and adjusts the framework for improvements. As such, internal auditors become cornerstones of good organizational governance, supporting boards and audit committees to effectively assume their fiduciary responsibilities towards stakeholders.
This study offers practical implications for internal auditors and CAEs in their desire to add value to the governance process. This paper offers a new approach, a new role, for the IAF thereby also creating a great benefit for the board. All CAEs and IAFs interviewed have perceived three important moments where combined assurance can impact their current internal audit activities in order to deliver more value.

First, the preparation of the combined assurance plan. Traditionally, since the IAF must follow a risk-driven approach to plan its resources on the priorities, it relies on risk management activities (Castanheira et al., 2009; Spira and Page, 2003). Following a combined assurance approach to assurance activities can help the IAF to schedule its resources even better. Because the IAF follows a risk-based approach to perform its assurance services, internal auditors are not able to cover hundred percent of the risk universe every year. They can never do. Many organizations or many internal audit departments fail to understand that. At best, they can cover hundred percent of the high risky issues. Saying that, internal auditors need to ensure that medium and low risks are being monitored, or checked by someone else, in order to provide a global opinion about the effectiveness of risk management and internal control systems to the board. In purely practical terms, internal auditors may need to develop working relationships with a diverse range of assurance providers from different lines of defense in order to cover the entire risk universe.

Second, internal audit activities now depend on combined assurance activities. In order to cover the broad complexity of risks facing organizations and the assurance expectations of its stakeholders, internal auditors need to develop working relationships with other assurance providers. For the traditional internal auditor, s/he still needs to do its audit as s/he used to do. The difference is that s/he will do it with other assurance providers. If internal auditors understand that they are limited in terms of skills and expertise, they will see the value for this combined assurance approach. With this combined assurance approach, internal auditors can really spend enough time interrogating and challenging the risk management system because they go through every aspects with the combined assurance team. Moreover, by developing collaborations with other assurance providers, internal auditors acquire a broader knowledge of their own business.

Three, the internal audit report becomes a combined assurance report. The combined assurance report holistically summarizes findings from the various assurance providers. Often, this responsibility is undertaken by CAE. By reporting holistically to the board, CAEs have the opportunity to re-engineer the whole assurance process within an organization. Moreover, in organizations requiring an overall opinion from the CAE, such as in South Africa, the CAE needs to understand the nature, scope and extent of assurance activities performed by other assurance providers, and rely on them if appropriate. This is similar to suggestions from the IIA (2010, 2009b) insisting that boards need confidence that the overall assurance is adequate to validate that the risks are being managed effectively.

This study has also implications for policymakers. Sarens and Christopher (2010) have found that corporate governance guidelines play a significant role in the development of risk management and internal control systems. Obviously, The IIA, the global setter for internal audit activities, may benefit from our study. The IIA is constantly looking for ways to further refine its guidance on the role that internal audit can or should play in risk management, control and governance. In our view, King III has elevated internal audit phenomenally. As soon as internal auditors understand the risks and how these are being assured and who is doing what, they become a lot more valuable to the organization. They become the eyes and ears of the board everywhere. As such, we assume that formally suggesting internal auditors to take the lead in the combined assurance, as South Africa did, is an important aspect if internal auditors want to remain key players in the governance process.

This study provides unprecedented insights because combined assurance implementations remain limited (IIA UK and Ireland, 2010). A second originality is that we have collected evidence from different countries, whereas related literature mainly considered data from one specific country, such as Australia (e.g., De Zwaan et al., 2011; Fraser and Henry, 2007; Leung et al., 2011). Also, previous research on the role of the IAF within organizational governance has been predominantly archival and survey-oriented. By using qualitative data, this study provides an in-depth insight and extends our understanding about the roles of the IAF within combined assurance. However, one limitation is that respondents were recruited on a voluntary basis. This may skew the results in favour of organizations in which the IAF represents better practice than the wider population.
Our findings also present challenges for the IAF that could well turn into future research. Firstly, our findings reveal that internal auditors always sit a good place to lead combined assurance, but one problem remains if the IAF becomes the owner of the risk management process. In a sense, risk management is asking for combined assurance. Risk management and combined assurance are mutually dependent, however internal auditors must be distant enough to be able to say if risk management and internal control systems are working, or if they don’t. Secondly, the traditional internal audit plan could change drastically with this combined assurance approach. As suggested by both CAEs in Case A and Case C, their intention is to take the results of the combined assurance report in order to drive the audit plan for next year. Thirdly, Lenz and Sarens (2012) have argued that one important issue is that the IAF is still trying to search for an identity and identifying one unique selling proposition in order to play a more important role in the governance debate. Undertaking this combined assurance champion role could well become the role-model of an effective IAF. Finally, one of the issues as part of this combined assurance journey is that combined assurance could change how organizations should recruit their internal auditors. Based on our findings, one important challenge is that one internal audit department might look totally different when adopting a combined assurance approach. There is some real potential to embrace a broader constituency of potential internal auditors. As suggested by Case E, the recruiting and the type of people organizations may have in the internal audit team changes importantly. Organizations cannot just go to accounting firms for skill sets. Organizations need to bring in people who have different industry, technical subject matter expertise and then combine that with audit skills to be effective. Particularly, there is a potential whole new area, or let’s call it potential members in the sustainability area that is going to be looking for assurance to be provided. Clearly some the accounting firms are moving into that space because they see business opportunities. In the future, maybe, an internal audit department will look totally different based on this combined assurance approach. Ideally, all assurance providers almost need to sit together in one department.

We conclude by quoting Michael Power who stated more than a decade ago: “One would also expect to see more competitive relation between internal and external auditors as each strives to be the pre-eminent corporate risk management advisor...The emerging market for control and assurance services is also an opportunity for professional redesign, particularly for internal auditors”. (Power, 2000, p. 4)

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