



Université catholique de Louvain

Louvain School of Management
Commission Doctorale du Domaines des Sciences Economiques et de Gestion

Internal Auditing and Organizational Governance: The Combined Assurance Approach

Loïc DECAUX

*A thesis submitted in fulfilment of the requirements for the degree of Doctor of Philosophy in
Economics and Management*

Advisor:

Prof. Gerrit SARENS (Université Catholique de Louvain, Belgium)

Jury Members:

Prof. Urton ANDERSON (University of Kentucky, USA)

Prof. Yves DE RONGE (Université Catholique de Louvain, Belgium)

Prof. Valérie SWAEN (Université Catholique de Louvain, Belgium)

Prof. Mahbub ZAMAN (Queensland University of Technology, Australia)

Chairman:

Prof. Per AGRELL (Université Catholique de Louvain, Belgium)

September 10, 2015

“It is good to have an end to a journey toward; but it is the journey that matters, in the end”.

Ernest Hemingway (1899-1961)

ABSTRACT

Internal Auditing and Organizational Governance: The Combined Assurance Approach

By Loïc DECAUX

If risk is everywhere, why is not assurance? This is an especially important question for boards of directors since they are often required to attest the effectiveness and appropriateness of internal control and risk management systems, but how can a board do so without receiving holistic assurance? This dissertation tries to provide elements of solution by developing four essays around the concept of combined assurance. Originally introduced by The *King III Report* in South Africa, combined assurance represents the coordinated assurance from all assurance providers within an organization that holistically goes to the board in order that its members fulfil their risk management duties appropriately. These duties include: the effectiveness and appropriateness of risk management, and whether significant risks are managed adequately. If a board does not understand these significant risks or does not form an adequate view of them, then a board is unable to attest that it is discharging its risk management duties. The first essay enters the black box of combined assurance by providing insights around interpretation of combined assurance, its drivers, and its benefits as experienced by several organizations having started to implement combined assurance. This essay builds on the risk management literature by describing combined assurance as a way for boards to enhance their risk management oversight duties to various stakeholders. The second essay examines the role of the internal audit function within the combined assurance approach. Interviews with key participants in the combined assurance approach suggest that the internal audit function has a pivotal role to play. The third essay explores the critical steps

that an organization should follow to implement combined assurance by collecting insights from multiple case studies. It suggests a six-step approach for adequate combined assurance implementation. Finally, the fourth essay deals with the determinants of combined assurance adoption. Through an online survey instrument administered to internal auditors, the study shows that several variables allow understanding why some organizations implement combined assurance, whereas others are not.

Loïc Decaux (Brussels, 1987) holds a Master degree in Management from the Louvain School of Management (Université Catholique de Louvain, Belgium). Loïc is a teaching assistant and PhD student at the Louvain School of Management. His research interests lie between internal auditing, risk management and corporate governance. His work has been presented in various academic conferences such as the European Accounting Association and the European Academic Conference on Internal Audit and Corporate Governance.

ACKNOWLEDGMENTS

In writing this section, I realize how many people have accompanied me in the fulfilment of this dissertation. I would like to express my sincere gratitude to all of them here.

First and foremost, I would like to thank my advisor, Gerrit Sarens. Our collaboration began when he kindly accepted to supervise my master's degree thesis. Thereafter, he became my PhD supervisor. I must admit I would probably not have been a PhD student without his encouragement. Thank you for your confidence! I have enjoyed your expertise and advice as well as your close support throughout my research.

I have also greatly appreciated the comments from two of my committee at various occasions. They have been with me since the beginning. They are Urton Anderson and Mahbub Zaman. Thank you for your invaluable suggestions and contribution to the development of this dissertation. We have not had the opportunity to meet, in person, many times, but, hopefully, Skype can manage GMT-5 and GMT+10 time differences. I would also like to thank Valérie Swaen and Yves De Rongé who both joined my committee during the private defense. Even if your research interests are somewhat different from mine, you have been able to provide fresh and new insights into my research at a time when I was certainly too involved in the topic. Thank you for your “naïve” questions which helped me to communicate better and refine my research to “non-insiders”. Finally, many thanks go to Per Agrell and Frank Janssen who chaired my committee during the public defense and private defense, respectively.

I express my gratitude to The Institute of Internal Auditors Research Foundation (IIARF) for support throughout my research. First, The IIARF helped me with the selection of several case studies in this dissertation. Second, The IIARF assisted me with the

dissemination of an online survey instrument to local chapters and institutes. I would like also to thank the professionals I met during my case studies. Your input has been invaluable to this research.

Thank you to the professors and junior researchers from the Center for Research in Entrepreneurial Change and Innovative Strategies for their insights during various seminars where I presented my research. It has always been a good exercise to present my work to respected researchers not necessarily familiar with my topic.

I am indebted to my (ex-)colleagues from the Finance and Accounting Department at the Louvain School of Management. I thank, in particular, Laurent Bastin, Sophie Béreau, Nicolas Bruneau, Karine Cerrada, Yannick de Harlez, Nicolas De Vlaminck, Michel De Wolf, Maia Gejadze, Philippe Grégoire, Leonardo Iania, Thomas Lambert, Rainer Lenz, Michel Pierlot, Savina Princen, Ilham Riachi, Kyriakos Spyrounakos, and Donald Zountcheme for our exchange of knowledge, soft- and hard-skills, as well as their friendly support. My sincere gratitude also goes to the administrative staff of the Louvain School of Management and the related research institute for having facilitated my PhD. In particular, I would like to thank Nathalie Cogneau, Sandrine Delhaye, Sabine Finné, Françoise Sacré, Véronique Séminerio, Jean Vanderdonckt, and Dominique Warte. A special thanks also goes to the administrative staff for the bachelor's degree. In particular, I am indebted to Catherine, Cécile, Christine, Colette, Sabine, and Valérie, who helped me to reschedule lessons when I attended various conferences or doctoral courses.

This journey has also been a pleasure because of the great atmosphere on the “second floor”. I am grateful to have met Amélie J., Amélie W., Ann, Anne-Laure, Barbara, Catherine, Christian, Corentin, Emilie, Gabriel, Kenneth, Kristina, Luc, Marine, Mehdi, Nathalie,

Nicolas, Olga, Olivier, Roxane, Samedi, Tanguy, and Virginie. Thanks to your support and our numerous afterworks and lunches – you helped keep my research on track.

Outside the workplace, others also played an important role in ensuring that I conducted this research its end. A special place in these acknowledgements and in my heart is reserved for my dearest friends: Dorian, Grégory, Hugues, and Lionel. I want to thank all of you for your long friendship; I certainly would not have achieved this without your strong support.

Finally, I would like to thank my parents and my brother for their boundless support and encouragement throughout my life. I do not forget my family-in-law for their interest and the great care they demonstrated on numerous occasions. Last, but certainly not least, I would like to thank my lovely wife, Sophie, without whose support finishing this dissertation would not have been conceivable. You have always believed in me. Thank you for being part of my team☺!

Loïc Decaux

Louvain-la-Neuve, August 2015

CONTENTS

ABSTRACT	v
ACKNOWLEDGMENTS.....	viii
LIST OF FIGURES AND TABLES	xvi
CHAPTER 1: GENERAL INTRODUCTION	- 1 -
1.1 RISK MANAGEMENT FAILURES	- 1 -
1.2 ASKING FOR BETTER RISK MANAGEMENT OVERSIGHT.....	- 3 -
1.3 INTERNAL AUDITING AND RISK MANAGEMENT	- 5 -
1.4 ASSURANCE ACTIVITIES AND THE PRODUCTION OF COMFORT	- 7 -
1.5 DELIVERING HOLISTIC RISK MANAGEMENT ASSURANCE	- 9 -
1.6 MOTIVATION AND OUTLINE OF THE DISSERTATION	- 11 -
CHAPTER 2: UNDERSTANDING COMBINED ASSURANCE	- 15 -
2.1 INTRODUCTION.....	- 15 -
2.2 THEORETICAL BACKGROUND	- 18 -
2.2.1 Stakeholder agency theory	- 18 -
2.2.2 Boards' duties with respect to stakeholders	- 20 -
2.3 METHOD.....	- 28 -
2.4 DESCRIPTIVE FINDINGS.....	- 31 -
2.4.1 Understanding combined assurance	- 31 -
2.4.2 Drivers	- 33 -
2.4.3 Benefits.....	- 35 -
2.5 DISCUSSION	- 36 -
2.5.1 Developing theory from case study findings.....	- 36 -
2.5.2 Implications for research and practice.....	- 40 -
2.5.3 Limitations and directions for future research.....	- 42 -
CHAPTER 3: INTERNAL AUDITING AND COMBINED ASSURANCE.....	- 45 -
3.1 INTRODUCTION.....	- 45 -
3.2 LITERATURE REVIEW	- 48 -
3.2.1 The professionalization of the IAF.....	- 48 -
3.2.2 IAF's value proposition: Filling the board's assurance vacuum	- 49 -
3.2.3 Coordinating assurance activities	- 52 -
3.3 METHODOLOGY	- 55 -
3.3.1 The interviews	- 55 -
3.3.2 Case description	- 58 -

3.4 DESCRIPTIVE FINDINGS	- 61 -
3.4.1 Facilitator.....	- 61 -
3.4.2 Coordinator.....	- 63 -
3.4.3 Reporting role.....	- 66 -
3.5 DISCUSSION	- 69 -
CHAPTER 4: HOW TO IMPLEMENT COMBINED ASSURANCE?.....	- 76 -
4.1 INTRODUCTION.....	- 76 -
4.2 LITERATURE REVIEW AND RESEARCH QUESTION	- 78 -
4.2.1 Background to the study	- 78 -
4.2.2 Assurance activities as an aspect of organizational governance	- 80 -
4.2.3 Combined assurance and the ‘Three Lines of Defense’ model	- 81 -
4.3 RESEARCH METHOD	- 85 -
4.4 RESULTS.....	- 89 -
4.4.1 ERM maturity.....	- 89 -
4.4.2 Combined assurance awareness	- 90 -
4.4.3 Combined assurance champion	- 91 -
4.4.4 Assurance strategy.....	- 93 -
4.4.5 Assurance mapping	- 95 -
4.4.6 Combined assurance report	- 98 -
4.5 CONCLUSION	- 101 -
CHAPTER 5: THE DETERMINANTS OF COMBINED ASSURANCE.....	- 106 -
5.1 INTRODUCTION.....	- 106 -
5.2 BACKGROUND TO THE STUDY	- 108 -
5.3 HYPOTHESES DEVELOPMENT	- 111 -
5.3.1 ERM oversight	- 111 -
5.3.2 Multiple assurance functions.....	- 113 -
5.3.3 Organizational characteristics	- 114 -
5.4 METHOD.....	- 117 -
5.4.1 Sample.....	- 118 -
5.4.2 Variables.....	- 118 -
5.4.3 Logistic model.....	- 119 -
5.5 RESULTS.....	- 119 -
5.5.1 Descriptive statistics.....	- 119 -
5.5.2 Logistic regression	- 120 -
5.5.3 Additional analyses	- 121 -
5.6 DISCUSSION AND CONCLUSION	- 123 -

CHAPTER 6: CONCLUDING REMARKS	- 128 -
6.1 SUMMARY	- 129 -
6.2 OVERALL CONTRIBUTION OF THE DISSERTATION	- 131 -
Risk management literature	- 131 -
Auditing literature	- 133 -
Managerial implications	- 134 -
6.3 LIMITATIONS	- 137 -
6.4 OPPORTUNITIES FOR FUTURE RESEARCH	- 139 -
APPENDIX TO CHAPTER 1	- 144 -
APPENDIX OF CHAPTER 2	- 145 -
APPENDIX OF CHAPTER 3	- 151 -
APPENDIX TO CHAPTER 4	- 155 -
APPENDIX TO CHAPTER 5	- 159 -
Case Study Interview Questions	- 164 -
Combined Assurance Survey	- 165 -
REFERENCES	- 183 -

LIST OF FIGURES AND TABLES

Figure 1: ERM Integrated Framework	- 4 -
Figure 2: Board's Duties with Respect to Stakeholders	- 21 -
Figure 3: Combined Assurance Framework	- 39 -
Figure 4: Summary of the Findings	- 132 -
Table I: The Roles of the Internal Audit Function in ERM	- 144 -
Table II: Stakeholders' Needs for Assurance	- 145 -
Table III: Interview Summary and Characteristics of the Organizations	- 146 -
Table IV: Descriptive Findings and Interesting Quotes from Case Studies	- 147 -
Table V: Organization Characteristics	- 151 -
Table VI: Organization Interviews	- 152 -
Table VII: Roles of the IAF in Combined Assurance	- 153 -
Table VIII: Organization Interview Summary	- 155 -
Table IX: Characteristics of the Case Study Organizations	- 156 -
Table X: Combined Assurance Matrix	- 157 -
Table XI: Important Components Summary	- 158 -
Table XII: Descriptive Statistics for Variables in Model	- 159 -
Table XIII: Correlation Matrix	- 160 -
Table XIV: Logistic Regression Results	- 161 -
Table XV: Sensitivity Analyses	- 162 -
Table XVI: Ordinal Logistic Regression	- 163 -

To my amazing wife Sophie

CHAPTER 1: GENERAL INTRODUCTION

“Imagine a driver preparing to set out on a journey. He has a destination in mind, a time by which he needs to arrive, and a vehicle capable (he believes) of getting him there. If he is appropriately cautious and a good planner, he will check potential routes and select the one he thinks is most likely to get him to his destination safely and on time. He also may check on expected traffic and weather conditions. Now consider the value to the driver of receiving assurance from a reliable source that: (i) his vehicle is in good condition and can be relied upon to respond to his commands to change speed or direction, including braking. It also will warn him if he starts to run low on gasoline, tire pressures fall, and other dangers emerge. (ii) The radio stations will provide timely warnings of changing traffic or weather conditions. (iii) His GPS system is up-to-date and will guide him not only on his planned route, but provide alternative routes if traffic, weather, or other conditions force him to change strategies. The GPS also will help him find a service station or restaurant as needed. This is the assurance that the internal audit function can provide to the board and top management, the drivers of the organization. We can assess and report on the condition of the vehicle and whether it is suitable for the journey. We can consider the planned route, the areas of greatest risk, and the tools at the driver’s disposal, and assess whether he is likely to receive the reliable, timely information he needs to understand and respond to risks along the way.”

Marks Norman (2013). Assurance that matters. *Internal Auditor*, 70(5), p. 55

1.1 RISK MANAGEMENT FAILURES

A number of organizations have recently succumbed to what seem to have been avoidable catastrophes. In 2001, one of the largest publicly traded corporations in the United States declared bankruptcy following massive accounting fraud. Enron’s collapse also brought the

collapse of Arthur Andersen, one of the formerly 'Big Five' accounting firms, found guilty of criminal acts in their auditing of Enron's financial statements. During its investigation, the US Senate Permanent Subcommittee on Investigations (2002) pointed to the role of Enron's board of directors as critical in the collapse. Following that collapse, the Sarbanes-Oxley Act (SOX) of 2002 set new standards for US public companies, increasing oversight role played by boards of directors.

In 2007, an unprecedented financial crisis began in the USA, and spread worldwide. According to the National Commission on the Causes of the Financial and Economic Crisis (2011), there were dramatic failures of corporate governance and risk management at various financial institutions, leading to the crisis. With only limited capital, these institutions were highly dependent on short-term funding, such that they relied too heavily on risky trading activities in order to generate high profits. Simultaneously, Société Générale, in France, publicly revealed a €4.8 billion fraud attributable to one of its traders. There, again, risk management had failed. Internal controls worked as intended, but surprisingly did not prevent the fraud, when other internal controls, not implemented, would certainly have prevented it (Comité spécial du Conseil d'administration de la Société Générale, 2008).

Risk management failures are not limited to financial institutions. In April 2010, the *British Petroleum Deepwater Horizon* oil spill took place in the Gulf of Mexico. Several investigations were launched to consider the root causes. The National Commission on the British Petroleum Deepwater Horizon Oil Spill and Offshore Drilling (2011) concluded that the immediate causes of the explosion could be traced to various mistakes made by British Petroleum and its partners, revealing systematic failures in risk management. Although British Petroleum proclaimed safety as one of the company's first values in 2009, with the development of rigorous risk management practices, the risk management processes were not

consistent or reliable, according to the report (p. 218). For example, security systems failed to stop oil flooding into the water, which was what caused the severity of the leakage.

The official report into the Fukushima nuclear accident, by the Independent Investigation Commission (2012), revealed that the nuclear plant had not been prepared to respond to severe accidents, such as an earthquake or a tsunami. Even if regulators and the Tokyo Electric Power Company had been aware of the risk related to these disasters, no one had taken steps to establish preventive controls. According to the report, this lack of preparation led to the severity of the accident (p. 26).

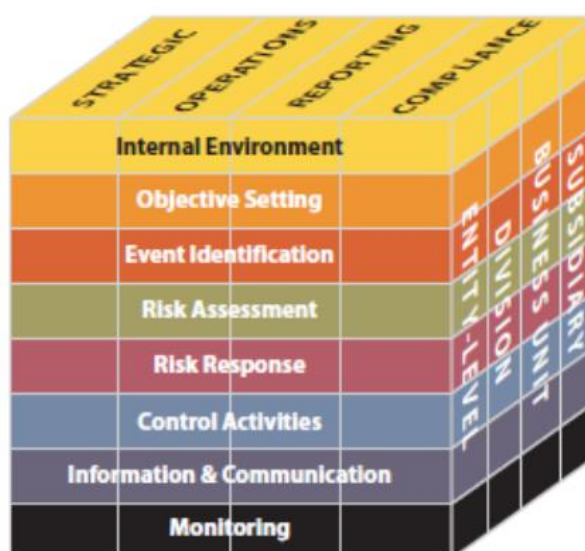
1.2 ASKING FOR BETTER RISK MANAGEMENT OVERSIGHT

The above events all represent failures in corporate governance systems, and they have all somewhat refocused interest on one important corporate governance system: the risk management system (Conyon et al., 2011; Mikes, 2011). Certainly, these events illustrate how difficult it is for boards to oversee the management of significant risks (Committee of Sponsoring Organizations of the Treadway Commission (COSO), 2009). Despite being sometimes criticized (Power, 2009), enterprise risk management (ERM) is far from being a forgotten idea (Huber and Scheytt, 2013). Three factors explain the growing perception around risk management, according to Soin and Collier (2013). First, there is nowadays an increased interest in organizational governance leading to a focus on the duties of boards to evaluate risk management effectiveness. Second, various initiatives, such as new regulations, have put more pressure on organizations to adopt risk management programs in order to deal with significant risks. The ERM integrated framework released by COSO is one example of such initiatives. Thirdly, the role of the media in publicly revealing scandals to multiple stakeholders has also led organizations to closely examine their risk management strategies.

A company's management is responsible for risk management, whereas a board is responsible for risk management oversight (Beasley et al., 2015b; COSO, 2004; 2009). In

fact, monitoring the effectiveness of risk management consists of judgements based on an assessment of whether the eight components of the ERM framework are both present and function adequately (Sarens, 2009). Figure 1 represents the ERM integrated framework as developed by COSO¹, with the eight components at the front face of the cube.

Figure 1: ERM Integrated Framework



Source: COSO (2004).

Various boards have been noted and criticized for failing in their risk management responsibilities. It now seems that boards have had cloudy crystal balls which distorted their ability to make sound decisions based on risk-related information (Pirson and Turnbull, 2011). Similarly, many questions have been raised about whether boards practiced appropriate monitoring and/or oversight of risk management (COSO, 2009).

¹ There are alternatives to the ERM framework from COSO (see, for example, ISO 31000 – Risk management), however, the COSO framework is often referred to as the dominant standard in risk management globally (e.g., Baxter et al., 2013; Hayne and Free, 2014; Landsittel and Rittenberg, 2010; Tekathen and Dechow, 2013). According to Lundqvist (2014, p. 396), these frameworks “tend to be conceptually similar, but they differ in their structural representations, pertaining mostly to how dimensions or aspects of ERM are grouped – how they define the integral parts of ERM”.

As a result of positive trends towards the greater adoption of ERM programs, an interesting issue in risk management is that of a board's specific risk management oversight (Beasley et al., 2008; 2015a; 2015b; COSO, 2009). Landsittel and Rittenberg (2010) noted the issue of the processes that should be in place to monitor the continued effectiveness of the risk management process as being an urgent research question.

To obtain an understanding of ERM oversight, the American Institute of Certified Public Accountants and a research team from the North Carolina State University's ERM Initiative have been partnered since 2009 to release each year a *Report on the Current State of Enterprise Risk Oversight* among organizations (see Beasley et al., 2015a for the last update). Risk management oversight is still, to a large extent viewed, however, as a 'black box' in academic research. Until now, the literature has not provided any evidence and/or insight about *how boards can monitor the effectiveness of their risk management system*.

1.3 INTERNAL AUDITING AND RISK MANAGEMENT

A board's risk management oversight is often delegated to an audit or risk committee (Beasley et al., 2015a; Brown et al., 2009) with the internal audit function (IAF) helping governing bodies to fulfil their oversight responsibilities appropriately. The IAF has been identified as important in the governance agenda (Cohen et al., 2002; 2004; Gramling et al., 2004; Hermanson and Rittenberg, 2003; Ruud, 2003). This is suggested in the definition adopted by The Institute of Internal Auditors (IIA, hereafter) since 1999, which states that internal auditing is "an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes" (IIA, 2013a).

As illustrated by the introductory quote, the primary role and greatest source of value of the IAF, is providing objective assurance to its key stakeholders, namely the board and

management, that governance systems function appropriately (Lenz, 2013; Marks, 2013). This is why an effective IAF relates to high quality governance (Ege, 2014; Gramling et al., 2004; Lin et al., 2011; Messier et al., 2011; Prawitt et al., 2009). One way for IAF to contribute to good governance relates to its role in enhancing the quality of risk management (Leung et al., 2011; Sarens, 2009). This explains why IAFs have become fit for purpose in risk management throughout the years (e.g., Arena et al., 2010; de Zwaan et al., 2011; Fraser and Henry, 2007; Sarens and De Beelde, 2006a; Spira and Page, 2003). The role of the IAF in risk management are sometimes confusing, including a facilitator role, initiating formalized risk management and pioneering in the creation of higher risk awareness in organizations with less mature risk management systems, and providing assurance to the board about the effectiveness of risk management in organizations with more mature systems.

For clarification, The IIA issued a position paper delineating the core roles of the IAF in risk management, the roles that IAF can legitimately undertake with safeguards, and the roles that IAF should not undertake because it could impair its objectivity and independence (IIA, 2009). Table I depicts the corresponding role of the IAF in risk management. As part of the core internal audit role with respect to risk management, The IIA (2009) suggests: (i) giving assurance on the risk management process; (ii) giving assurance that risks are correctly evaluated; (iii) evaluating risk management processes; (iv) evaluating the reporting of significant risks; and (v) reviewing the management of significant risks.

[INSERT TABLE I ABOUT HERE]

I raised the question above of *how boards can monitor the effectiveness of their risk management systems*. Based on the above arguments, I would answer when the IAF provides assurance about the effectiveness of risk management. This leads to a second question, which

is answered in the next two sections: *how can the IAF provide holistic assurance to a board about the effectiveness of risk management?*

1.4 ASSURANCE ACTIVITIES AND THE PRODUCTION OF COMFORT

According to the ERM Initiative and Proviti (2015), the missions of boards and satellites are analogous. Satellites orbit the earth in order to collect data, distribute information, make effective communication easier, and provide a clear view of the landscape. In the same vein, boards wish to collect “as much intelligence, as possible to ensure they have a clear view of the horizon of their organization” (p.1).

One such piece of intelligence can be found in assurance activities. Boards must particularly receive assurance that risks are identified and managed within the organizational risk appetite. Due to recent events, organizations are urged to reshape the world of their assurance (Dangre, 2013) in order to fill the assurance vacuum, experienced by many boards, which made their monitoring role particularly difficult (Chambers, 2008; Chambers and Odar, 2015).

The American Institute of Certified Public Accountants (1996) defines assurance services as “independent professional services that improve the quality of the information or its context for decision makers”. In short, assurance adds credibility and value to a report or an activity of interest to a third-party. The statutory audit of financial statements is a well-known assurance activity. It produces comfort by reassuring stakeholders who have a financial interest in an organization (Carrington and Catasús, 2007; Pentland, 1993; Power, 1999; Sarens et al., 2009; Sikka, 2009). Assurance services function as key monitoring activities. There are two issues related to assurance services.

First, assurance engagements are not limited to financial statement accounting (Chapman and Peecher, 2011; Elliott, 2002; Knechel et al., 2006; Institute of Chartered Accountants in England and Wales (ICAEW), 2008). In a study of the different types of assurance services provided, Hasan et al. (2005) identified assurance about environmental performance as the most common type of non-financial service. They also found that internal controls were the most common types of systems to be assured. More recently, O'Dwyer et al. (2011) and Perego (2009) reported the need for companies to receive assurance about their sustainability reporting. Due to increased interest, organizational dynamics and practices have become more and more organized around risk (Arena et al., 2010; Soin and Collier, 2013), so that one of these practices relates to the provision of assurance services overseeing risk management, as suggested in the previous section. Soh and Martinov-Bennie (2015) investigated the nature and extent of IAF involvement in areas such as environmental, social and governance assurance in Australia. They found that assurance on risk management is perceived to be of greatest importance. They found that IAFs are currently very involved in assurance services related to governance issues, reasonably so in social issues, but only in a limited way in environmental issues. These risk management assurance activities, as provided to the boards, will certainly help boards attest to the effectiveness of their risk management systems, as recommended worldwide by many codes of corporate governance.

Secondly, assurance services are not exclusively provided by internal and/or external auditors. One stream of the auditing literature focuses on the relationship between external audit and the IAF. This literature investigates whether an external auditor can rely on the IAF's work, suggesting that it could in turn influences audit fees paid to external auditors. Several authors noted the complementary role that both external audit and IAF play in increasing overall monitoring in an organization (Bame-Aldred et al., 2013; Goodwin-Stewart and Kent, 2006b; Hay et al., 2008). For example, Mat Zain et al. (2015) find a positive

relationship between IAF quality and audit fees, which confirms the complementary roles between internal and external auditors, as well as a reduction in audit fees when external auditors rely on IAFs. The literature only seems to consider assurance services provided by internal and/or external auditors as being reliable and helpful sources of assurance, however, although this does not seem to be the case in practice. Some organizations have in fact realized that it is illusory that a single function, such as the IAF, can provide holistic assurance to a board about the effectiveness of risk management. Rather, these organizations use a variety of assurance providers from elsewhere within and/or outside the organization, and well beyond traditional internal and external auditors. This is so because internal and/or external auditors may fall short, in terms of understanding or skills, in providing assurance services for a specific risk. According to Fraser and Henry (2004) the IAF “composed largely of accountants might lack the expertise to carry out such a comprehensive appraisal of risk and the adequacy of management responses to risk issues” (p.28).

Given the number of assurance providers across an organization, it is therefore important for organizations to develop an optimal organizational model, which considers all interdependencies and co-dependencies that exist among assurance providers, in order to assist the board in its accountability for effective risk management oversight.

1.5 DELIVERING HOLISTIC RISK MANAGEMENT ASSURANCE

Several authors have suggested that collaboration between various assurance providers is a way to enhance overall governance. Sarens and De Beelde (2006b) suggested that the collaborations between the IAF and other assurance providers do not seem to be *superfluous luxury* given the increasing expectations of executives and boards. Sarens et al. (2009) also suggested that the overall level of comfort for the audit committee, and subsequently a board, can be enhanced via collaboration between IAF and external audit. Similarly, Lin et al. (2011) found evidence that external auditors are more likely to detect material weaknesses when they

coordinate their activities with the IAF. In their study of factors associated with the size of the IAF, Anderson et al. (2012) argued that future research should consider the coordination of various assurance activities as the IAF may be required to oversee the activities performed by other organizational functions. In a study of the roles of internal auditors in public sector organizations, Roussy (2013) argues that researchers need to take a global approach, with complementary and potentially overlapping roles between the governance, assurance and control functions in order to make optimum use of these resources to strengthen governance.

All these authors have suggested coordination between the IAF and external audit as an important avenue for future research. Since organizations rely in practice on a multitude of assurance providers, well beyond the IAF and external audit, the avenue for future research could well be extended to include other assurance providers as well. I suggest that the coordination between the myriad of assurance providers for an organization will enhance a board's risk management oversight as a result of receiving holistic assurance.

This is the idea of the combined assurance approach introduced in the 2009 South African code of corporate governance, known as King III (Institute of Directors (IoD) in Southern Africa, 2009). Written during the financial crisis, when poor risk management was demonstrated, King III suggests that coordination between assurance providers is a great alternative for providing assurance to a board and its related subcommittees. That is why King III recommends the adoption of a combined assurance framework. Similarly, The IIA requires that IAFs coordinate with other internal and/or external assurance providers and consulting activities, to ensure proper coverage and to minimize duplication of efforts in assurance activities on risk management, internal controls, and governance (IIA, 2012, 2013a).

Combined assurance² is a combination of two or more assurance providers for the purpose of providing effective and efficient assurance for risk management and internal control systems. If interactions between boards, committees, management, and internal and/or external audit in the corporate governance mosaic are crucial for effective governance (Cohen et al., 2004), the same is true for interactions between all assurance providers. Combined assurance will help boards fill their assurance vacuum, by providing them with holistic assurance about the effectiveness of the risk management. They will subsequently better assume their risk management oversight responsibilities, which will then positively influence the quality of corporate governance.

1.6 MOTIVATION AND OUTLINE OF THE DISSERTATION

Is global assurance possible and realistic? Recent events and increased regulatory scrutiny have fundamentally changed the way organizations think about risk (Bhimani, 2009). There has been increased expectation that boards will oversee risk management since the financial crisis. As a result, boards should ensure that their risk oversight responsibilities are properly met.

The literature on risk management is quite extensive both in terms of its overall value and implementation, however, it has not been so extensive when it comes to risk management oversight, and, therefore, how to monitor the effectiveness of risk management. With this dissertation, I extend the literature on risk management by filling a gap around a risk management oversight. As accounting research should start with a practice research question that is important to the practice community (Hermanson, 2015; Kaplan, 2011; Moser, 2012; Parker et al., 2011), I particularly try to provide insights into *how assurance providers can help boards monitor the effectiveness of their risk management systems*.

² Combined assurance is also sometimes referred to as coordinated or integrated assurance, however, by using the term ‘combined (integrated) assurance’, I do not refer to sustainability assurance, the assurance provided on sustainability reports or their equivalent (O’Dwyer et al., 2011). From that perspective, sustainability assurance is one subset of holistic combined assurance.

Because risk management, organizational governance and internal audit are increasingly and inextricably interdependent (Bhimani, 2009), this dissertation also contributes to the literature in internal audit and organizational governance. For example, Kaplan (2011) described the relationship between risk management and internal audit as an interesting area for research that could have an important impact on the practice community.

The main objective of this dissertation is to generate greater knowledge and understanding about combined assurance as experienced in the international accounting community. Through four essays, I try to provide insights into the practice of combined assurance. I believe this topic to be particularly important to the practice community because it can offer an important organizational model to assist boards in their accountability for effective risk management oversight.

Each of the four essays is a stand-alone contribution and can be read independently of the other essays³. The dissertation is organized as follows. Chapter 2 enters the black box of combined assurance by providing insights into its understanding, its drivers, and its benefits. It proposes a framework for combined assurance. Therefore, Chapter 2 views combined assurance as an important organizational model helping boards to better inform stakeholders about a board's role in risk management oversight. As such, it mainly contributes to the literature on risk management and to the auditing for stakeholders literature. Finally, it provides practical implications for policymakers, practitioners, and regulators by describing combined assurance as an efficient model for enhancing governance on behalf of stakeholders.

³ Chapter 2, Chapter 3 and Chapter 4 use the same data obtained from various case studies, however, it has to be stressed that these chapters are significantly different in terms of research questions and theoretical frameworks. Furthermore, analysis of the cases was performed three times given the different research questions these chapters address.

Chapter 3 focuses on the roles of the IAF in combined assurance. It contributes to the literature on the role of the IAF in organizational governance. The findings reveal that internal auditors are the best candidates to play a leading role in combined assurance by facilitating, coordinating, and reporting combined assurance activities to the board. The findings are particularly useful for internal auditors who want to be more meaningful and valuable to their board.

Chapter 4 investigates how to implement a combined assurance program. The qualitative findings reveal that a successful combined assurance implementation includes six important components. 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. This chapter has already been published in *Managerial Auditing Journal*.

Chapter 5 presents an empirical study of the determinants of combined assurance adoption. Based on a global survey of internal auditors, the results reveal that (i) risk management oversight maturity, (ii) the existence of a board subcommittee responsible for overseeing risk management processes, (iii) the number of different assurance providers, and (iv) other organizational characteristics, are significantly associated with combined assurance adoption.

Finally, Chapter 6 proposes some concluding remarks. It summarizes the dissertation and then reviews the overall contribution of the dissertation, both to the literature and to practitioners. Finally, I review the main limitations of the dissertation and acknowledge several future research opportunities.

CHAPTER 2: UNDERSTANDING COMBINED ASSURANCE⁴

Crisis stimulates the search for new and more rigorous standards of surveillance and controls, a search which has given rise to auditing reforms and the demand for better standards of surveillance. (Power, 1999, p. 31)

2.1 INTRODUCTION

One tenet of modern governance is that boards of directors (boards, hereafter) are accountable to multiple stakeholders (e.g., Freeman et al., 2007, 2010; Freeman, 1984; Mitchell et al., 1997). Given that, corporate governance has been defined as the “systems of checks and balances, both internal and external to companies, which ensure that companies discharge their accountability to all their stakeholders and act in a socially responsible way in all areas of their business activity” (Solomon, 2007, p. 14). According to The Institute of Internal Auditors (IIA) organizational governance represents the “combination of processes and structures implemented by the board to inform, direct, manage, and monitor the activities of the organization toward the achievement of its objectives” (IIA, 2013a).

Because of the multitude of stakeholders’ interests, organizations need to develop and implement accountability mechanisms that enhance governance in the interests of their stakeholders (Brennan and Solomon, 2008; Collier, 2008; Ruud, 2003). Accountability mechanisms can be described as the means by which boards provide information about their duties to their stakeholders (Gray, 2001).

Stakeholder theory emerged in the accounting discipline after a number of corporate scandals (Freeman et al., 2010). After the collapse of Enron in the early 2000s, the Securities

⁴ This chapter is based on a working paper entitled “Risk Management Oversight: The Combined Assurance Approach” co-authored with Gerrit Sarens (supervisor of this dissertation). Earlier drafts of this paper have been discussed at the 36th Annual Congress of the European Accounting Association (Paris, 2013), Research Day in Accounting (Brussels, 2013), Developmental workshop on Accounting for Stakeholders (London, 2013), and the PhD Day in Management (Louvain-la-Neuve, 2012). We appreciate the comments received during these conferences from participants. We have also benefited from the comments of Urton Anderson, Mark Beasley, Martine Cools, Ronald Mitchell, Mahbub Zaman.

and Exchange Commission extended its corporate governance requirements to include a broader range of stakeholders. Clarke (2005) explains that Enron's collapse was intrinsically linked to shareholders' focus on short term financial performance and their neglect of other primary stakeholders' interests. Worldwide corporate governance reforms now consider the interests of other stakeholders (Waring, 2008). South Africa began this initiative with the three King Reports, making it one of the first countries to choose an inclusive approach (Baker, 2010; Brennan and Solomon, 2008; Institute of Directors [IoD], 2009; Ntim et al., 2012). Similar approaches were adopted in other countries, such as Australia (Australian Stock Exchange, 2007). The USA (New York Stock Exchange Commission, 2010) and the UK (Financial Reporting Council, 2012) have followed this movement, though not very closely because of their traditional focus on shareholders.

Unsurprisingly, regulators and policymakers are still leading improvements in organizational governance amid the 2007-2009 financial crisis. In fact, many have attributed the crisis to poor boardroom governance, arguing that risk management failures made boards unfit to exercise their oversight role (Brown et al., 2009; Conyon et al., 2011; Landsittel and Rittenberg, 2010; Magnan and Markarian, 2011; Mikes, 2011; Paape and Speklé, 2012; Pirson and Turnbull, 2011). According to Beasley et al. (2010), these failures threatened stakeholder value. The codes described above all emphasize boards' duty to monitor the effectiveness of risk management systems covering all kind of risks. The European Confederation of Institutes of Internal Auditing (ECIIA) and the Federation of European Risk Management Associations (FERMA) recently released practical guidance by which European organizations may monitor the effectiveness of risk management (ECIIA and FERMA, 2010). While King III, in South Africa, recognizes that boards must consider the expectations of a broader range of stakeholders, principles 2.13 and 4.9 require that boards (1) comment on the adequacy of their internal control system and (2) receive assurance about the effectiveness of

their risk management process (IoD, 2009). But, how can boards assess the effectiveness of risk management and internal control systems without holistic assurance?

This study examines the process of combined assurance defined as “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). Risk management and assurance activities are essential for boards to discharge their duties to their various stakeholders (Daugherty and Anderson, 2012; Reding et al., 2009). This study provides insights into combined assurance as practiced within the international accounting community through several case studies. Theoretically, the study mainly contributes to the literature on risk management (e.g., Beasley et al., 2015a; 2015b; Gordon et al., 2009; Hayne and Free, 2014; Mikes, 2011) by filling a gap around board’s risk management oversight (Landsittel and Rittenberg, 2010). More particularly, this study describes combined assurance as an important organizational model that helps boards monitor the effectiveness of their risk management systems. We propose a framework for combined assurance, accordingly. Second, the study contributes to the literature on auditing for stakeholders (e.g., Baker and Owsen, 2002; Institute of Chartered Accountants in England and Wales [ICAEW], 2008; Lee, 1998; Roberts, 1998; Sutton and Arnold, 1998). Building on the stakeholder agency perspective, our combined assurance framework describes combined assurance as a vital mechanism helping boards become more knowledgeable and transparent about risk management duties to their stakeholders.

Our findings have also practical implications for organizations, regulators and policymakers. Combined assurance provides boards with effective and efficient assurance to assess the effectiveness of risk management, which then improves a board’s oversight role on

behalf of stakeholders. Consequently, we find that combined assurance creates both internal value for the organization and external value for stakeholders.

The rest of this paper proceeds as follows. The first section describes stakeholder agency theory. The second outlines boards' duties to stakeholders, focusing on assurance activities as a means of improving board's risk-management monitoring for multiple stakeholders. Next, the research design is discussed, followed by the findings of the case studies. In the final section, we discuss the research findings and propose a framework for combined assurance. We then review the study's limitations and propose avenues for future research.

2.2 THEORETICAL BACKGROUND

2.2.1 Stakeholder agency theory

Agency theory, the preferred economic theory of corporate governance (e.g., Daily et al., 2003; Shleifer and Vishny, 1997), posits that managers (the agents) and shareholders (the principals) have different interests and expectations and that corporate governance aims to implement monitoring and accountability mechanisms for mitigating managerial opportunism and aligning the two groups' interests (Fama and Jensen, 1983; Jensen and Meckling, 1976). These mechanisms operate to assure the principals that organizations will take care of their interests (Shleifer and Vishny, 1997). Zajac and Westphal (1994) claim that incentive compensation and monitoring mechanisms are particularly valued methods for aligning principals and agents' interests.

However, agency theory has difficulty in describing the complexity of modern corporate governance. According to Waring (2008) the shareholder model is increasingly anachronistic and provides unhelpful and impractical guidance to directors in discharging their duties in contemporary organizations. Similarly, Conyon et al. (2011) argue that the last worldwide economic crisis has offered an opportunity to reconsider theories in corporate governance. That is why many have claimed that complementing agency theory with other

perspectives will enrich our understanding of corporate governance phenomena (e.g., Clarke, 2005; Collier, 2008; Daily et al., 2003; Eisenhardt, 1989a; Ntim et al., 2012).

Some authors have complemented agency theory with a stakeholder perspective to clarify some corporate governance phenomena. However, there are important insights offered by the agency perspective which should not be lost in the redefinition (Shankman, 1999). Among them is the development of monitoring mechanisms to reconcile principals and agents' interests. According to Shankman (1999) "These insights should be incorporated into the stakeholder perspective of the firm. In this way, it can be strengthened as a tool for explaining organizational phenomena" (p. 332). Hill and Jones (1992) were the first to theorize a general stakeholder agency theory. According to these authors, agency and stakeholder theories are similar, and principal-agent relationships can be seen as a subset of a broad series of stakeholder-agent ones. Like agency theorists, Hill and Jones (1992) recognized that monitoring mechanisms can reconcile divergent claims between agents and stakeholders by reducing information asymmetry. In fact, stakeholders want to gather information about management activities to ensure that managers act in their interests. Risk-related information is one example of such information. Moreover, organizations disclose many reports to stakeholders, such as integrated corporate social reports, that simply report on the management of the organizations' critical risks (Ballou and Heitger, 2008). Hill and Jones (1992) argued that it is for managers to manage stakeholders' expectations and be accountable to them as their agents, policed by the board. Unlike Hill and Jones (1992), Collier (2008), who focused on organizations' accountability to stakeholders, argued that boards, not managers, are accountable to stakeholders. That is why boards want to receive information to ensure that organizations take care of their stakeholders. This is the purpose of risk management and assurance activities as we will see below.

2.2.2 Boards' duties with respect to stakeholders

The board is critical to ensuring that key stakeholder needs are met (Reding et al., 2009). Boards are ultimately responsible to their stakeholders and they have traditionally two governance responsibilities: (1) strategic direction, and (2) monitoring (Committee of Sponsoring Organizations of the Treadway Commission [COSO], 2009; Daugherty and Anderson, 2012; Hermanson and Rittenberg, 2003; Reding et al., 2009; Ruud, 2003). Figure 2 describes boards' duties to stakeholders.

First, the board establishes the strategic direction by defining objectives in line with stakeholders' expectations; the goal is to enhance stakeholder value because stakeholders' expectations are intrinsically valuable (Donaldson and Preston, 1995). Stakeholder theory is highly topical in the strategic management literature (e.g., Crilly, 2013; Freeman, 1984; Freeman et al., 2007, 2010; Harrison et al., 2010; Jones, 1995; Mitchell et al., 1997). Taken together, these authors suggest that organizations need to manage their stakeholders because this is at the root of value creation. Similarly, Ballou and Heitger (2008) argue that failure to manage stakeholder concerns can negatively impact stakeholder value. However, the board's strategic role falls outside the scope of this study.

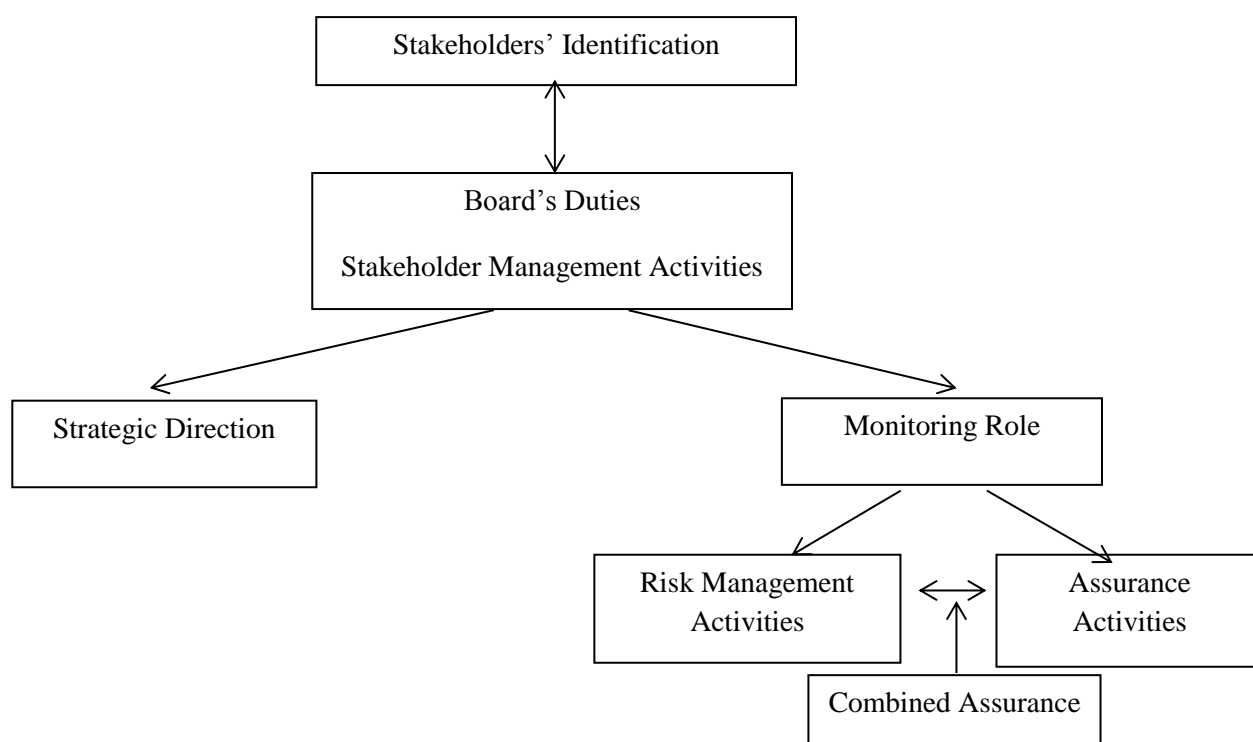
Once boards have identified their stakeholders and understood their expectations, their second duty is to monitor managers' behavior to ensure the accomplishment of organizational objectives. The board plays a significant role on behalf of stakeholders in its oversight of management. Among the monitoring mechanisms that help boards exercise oversight, Figure 2 shows that risk management and assurance are key complementary activities (Daugherty and Anderson, 2012; Reding et al., 2009).

2.2.2.1 Risk management

According to Miller et al. (2008) the management of organizations is intertwined with the management of risks. Since 2004, enterprise-wide risk management (ERM) has emerged

as a paradigm that views risk holistically and goes beyond the traditional silos approach to managing risks. The 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” (p. 2). Similarly, the Casualty Actuarial Society Committee (2012) defines ERM as the “discipline by which an organization in an industry assesses, controls, exploits, finances, and monitors risks from all sources for the purpose of increasing the organization’s short- and long-term value to its stakeholders” (p. 1).

Figure 2: Boards’ Duties with Respect to Stakeholders



Source: Adapted from Reding et al. (2009)

Thus, ERM represents an interesting application of stakeholder theory in the accounting and finance discipline (Freeman et al., 2010). The adoption of ERM helps boards, and ultimately stakeholders, to receive reasonable assurance that organizations will reach their objectives (COSO, 2004). In simple terms, ERM requires risk identification, risk assessment, risk

management, communication, and the monitoring of risk management's effectiveness (COSO, 2004). Hayne and Free (2014) recognize that the monitoring component assumes the entire process be constantly monitored and improved if necessary.

From an agency perspective, risk management minimizes agency problems by reducing information asymmetry between managers and shareholders. From a stakeholder perspective, risk has negative consequences if not well managed but also allows organizations to enhance stakeholder value (COSO, 2009). Therefore, the board must ensure that risk management balances value protection with value creation for stakeholders (COSO, 2009; Frigo and Anderson, 2011). In fact, much literature supports the idea that ERM creates value for stakeholders. The ERM process is value-added and improves long-term organizational performance by supporting the achievement of objectives and increasing its likelihood (Beasley and Frigo, 2007; COSO, 2009). Furthermore, ERM deals more effectively with risks than does siloed risk management, preserving and enhancing stakeholder value (Beasley and Frigo, 2007; Beasley et al., 2006; COSO, 2009).

One of the first studies in ERM is that from Beasley and colleagues who studied the factors associated with the extent of ERM implementation (Beasley et al., 2005). After that, the debate over ERM has long questioned whether ERM is associated with performance. According to Gordon et al. (2009) the relationship between ERM and performance is contingent upon the appropriate match between an organization's ERM system and environmental uncertainty, industry competition, size, complexity and board monitoring. More recently, Hoyt and Liebenberg (2011) found a positive relationship between firm value and the implementation of ERM programs in insurance companies and argued that ERM improves risk awareness, allowing organizations to improve operations and strategic decision making. Furthermore, Power (2009) states that using ERM to do risk management represents good business even if he also admits that there still remain misconceptions at the level of

ERM design which may somewhat explain risk management failures during the last financial crisis.

Nowadays, the debate over risk management has evolved. As it is accepted that ERM provides organizations with multiple benefits, monitoring the effectiveness of ERM is now highly topical. Recent corporate failures and changes in corporate governance have increased stakeholder expectations for boards to monitor the effectiveness of risk management systems (Arena et al., 2010; Beasley et al., 2006, 2015a; Beasley and Frigo, 2007; COSO, 2009; Landsittel and Rittenberg, 2010). According to Pirson and Turnbull (2011) boards' monitoring role failed during the financial crisis because they either lacked relevant risk-related information or were unable to process the information available. As such, regulators and industry observers started to issue recommendations in order to enhance risk management oversight since companies, such as Citigroup and Merrill Lynch to name but a few, had ineffective risk oversight (Mikes, 2011). Furthermore, Landsittel and Rittenberg (2010) have expressly called for meaningful research in ERM that makes risk management oversight at the center of researchable questions that need to be addressed.

Risk management oversight is the board's responsibility (see Figure 1), but the board traditionally delegates daily risk management to management. Risk oversight requires the board to assess how effectively the entire risk management framework responds to significant risks. Risk management is not only an internal management process for preserving and enhancing stakeholder value. As noted by Lam (1999), risk management should also be used to improve transparency for key stakeholders. Communicating about risk to stakeholders is intended to assure boards that management is following the appropriate risk management processes. Creating stakeholder value through risk management is important, but equally important is ensuring that stakeholder value is not destroyed; this is the purpose of assurance activities. The assurance aspect of risk management is discussed in the next section.

2.2.2.2 Accountability and assurance for stakeholders

Agency theorists consider the audit as a mechanism for assuring shareholders that agents are running the organization in their interests (Baker and Owsen, 2002; Watts and Zimmerman, 1983). Audit produces comfort (Pentland, 1993) in reducing information asymmetry between principals and agents, therefore restoring trust in financial reporting; however, modern governance recognizes that the many stakeholders involved may each have different interests with respect to assurance activities (ICAEW, 2008; Ruud, 2003).

In 1984, the US Congress passed the Single Audit Act requiring most recipients of federal assistance to have a single audit comprised of financial, internal control, and compliance audits. Several authors recognized that stakeholders need information beyond mere financial data, therefore the Single Audit Act was seen as an opportunity for organizations to improve auditing for multiple stakeholders (Baker and Owsen, 2002; Elliott, 2002; Lee, 1998; Roberts, 1998; Sutton and Arnold, 1998).

Boards must ensure that organizations meet stakeholders' expectations, while assurance activities support boards' discharge of their duties to stakeholders (ICAEW, 2008). Assurance services are responses by directors to concerns from stakeholders over the credibility of information provided by organizations to their stakeholders, in the same way as the independent audit addresses the principal-agent conflict between shareholders and directors" (ICAEW, 2008). Similarly, The IIA (2013a) defines them, an "objective examination of evidence for the purpose of providing an independent assessment in governance, risk management, and control processes for the organization." Nowadays, many agree that effective governance is the result of a board's assurance that risk management and internal control systems are effective (Daugherty and Anderson, 2012; ECIIA and FERMA, 2010; IIA, 2012; IIA UK and Ireland, 2010; IoD, 2009; Kinney, 2003; Spira and Page, 2003;).

The Three Lines of Defense Model

Hay et al. (2008) suggest that an organization that is in need of greater controls will invest in a variety of mechanisms for control. Therefore, boards rely on a variety of assurance providers to fulfill their risk management oversight role. In practice, assurance services are delivered by many parties, such as line management, risk management, legal department, quality assurance, compliance, business continuity, environment, health and safety, corporate social responsibility, and external and internal audits. Though not all providers perform audits, all provide some sort of assurance service. For example, Ruud (2003) describes management 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” (p. 77). The variety in the stakeholders’ interests influences the need for assurance services (Ruud, 2003).

These assurance providers include risk management and assurance functions that help boards monitor on behalf of stakeholders. The multitude of assurance providers is often gathered together into three lines of defence (Daugherty and Anderson, 2012; ECIIA and FERMA, 2010; KPMG, 2007; IIA, 2013b; IIA UK and Ireland, 2010). The first is line management, the risk owner, which mitigates risk daily and provides continual risk monitoring, especially through risk control self-assessments. The second line groups together corporate functions that help risk owners implement effective risk management and control. They help the first line by providing them with the policies, methodologies, and tools needed to carry out risk management, representing a second level of risk management assurance. Finally, the third line relies on all the independent and objective assurance providers who confirm to the board the integrity and robustness of the risk management system.

In fact, each assurance provider is somewhat responsible to a specific set of stakeholders. Collier (2008) and Waring (2008) explain that stakeholders need compensation for the risks they undertake. In particular, that compensation comes from the provision of receiving assurance. As stakeholders' representatives, boards want to be able to discharge their duties to stakeholders, especially concerning risk management. According to that, assurance activities confirm to boards that the risk management information, disclosed through various reports to their stakeholders, is adequate (ICAEW, 2008). Managers may also want assurance providers to suggest business improvements. Other stakeholders also see value in these assurance activities. Employees, customers, and suppliers have a vested interest in an organization's viability and success (Freeman et al., 2010, 2007; Reding et al., 2009). Investors want assurance providers to confirm their return on investment. Finally, the communities in which organizations operate expect them to behave appropriately. Table II illustrates the assurance needs of some of the primary stakeholders and the potential lines of defense in assurance processes.

[INSERT TABLE II ABOUT HERE]

The problem with the assurance process is that assurance providers usually give assurance in silos, creating much inefficiency. Indeed, assurance providers may duplicate activities or fail to cover significant areas because they lack an integrated or global view of assurance. This lack of coordination also creates problems for reporting to the board. In that perspective, combined assurance aims to provide an integrated framework comprising all assurance activities and requires coordination among assurance providers for effective and efficient assurance. As suggested by KPMG (2007) "Having in place a strong set of defenses is crucial, but equally important is the need to coordinate these activities" (p. 15).

The Combined Assurance Approach

ERM provides the proper infrastructure for assurance activities (IIA, 2012). Combined assurance therefore aims to bridge risk management and assurance activities while ensuring that business objectives are met (see Figure 2). However, stakeholders' competing goals and interests make coordinating assurance activities particularly challenging.

The South African King III Report encourages the coordination of assurance activities within a combined assurance framework (IoD, 2009). Combined assurance is therefore expected to provide boards with better information about the effectiveness of risk management and internal control systems. The IIA has likewise recently offered standards, guidance, and practice advisories on that matter (e.g., IIA, 2012; IIA UK and Ireland, 2010). However, the literature is not so extensive when it comes to empirical research on combined assurance. To our knowledge, mainly professional organizations have studied combined assurance. In a KPMG global survey conducted jointly with the Economist Intelligence Unit, only 31% of organizations said they were successful at coordinating their assurance activities (KPMG, 2007). The IIA UK and Ireland (2008) surveyed the heads of internal audit from the public and private sectors and concluded that many organizations had an incomplete picture of assurance. This study revealed that (1) only half of the organizations successfully coordinated control and assurance concerning significant risks, (2) one third did not map assurance about significant risks, (3) one fifth misunderstood the link between assurance activities and significant risks, and (4) coordination between traditional assurance providers and other assurance providers (such as corporate social responsibility, environment, and/or health and safety) was limited at best. A more recent study performed by the same institution concluded that only 8% of organizations had a combined assurance program (IIA UK and Ireland, 2010).

Beyond these findings, however, we know little about combined assurance—specifically, about how it works in practice, the reasons for implementing combined assurance, and its benefits.

2.3 METHOD

We followed an inductive approach to generate theory from our data. Because combined assurance is a new research area, we relied on Eisenhardt's (1989b) process of inducing theory using case studies. We elaborate on Reding et al.'s (2009) framework to explain how combined assurance can help enhance risk management oversight for stakeholders. This paper provides qualitative answers to three research questions. (a) What is (are) the understanding(s) of combined assurance? (b) Why do organizations implement combined assurance? (c) What are the benefits of combined assurance?

Similar to previous studies on related topics (Arena et al., 2010; Hayne and Free, 2014; Mikes, 2011) we decided to gain insights into combined assurance using case/field studies for several reasons. First, qualitative research is widely used in governance, accounting, and auditing to counterbalance the “orthodox, positivist, quantitative and shareholder-centric approach to corporate governance” (Brennan and Solomon, 2008, p. 898). In a recent overview of qualitative research in corporate governance, McNulty et al. (2013) encourage researchers to conduct qualitative studies to provide a better understanding of corporate phenomena and help policymakers and practitioners develop more efficient governance mechanisms. In reviewing stakeholder theory studies published between 1984 and 2007, Laplume et al. (2008) also recommend more qualitative research on how organizations respond to stakeholder expectations. Second, the lack of previous research and the exploratory nature of this study make qualitative research ideally suited for case studies on combined assurance (Bluhm et al., 2011; McNulty et al., 2013). According to Cooper and Morgan (2008) case studies are particularly helpful in describing the details of how new accounting

and auditing innovations – such as combined assurance – are done. Qualitative research is more appropriate for theoretical formation and development, as it more effectively explores new phenomena and generates new theoretical insights about corporate governance than quantitative methods do (Eisenhardt, 1989b; Eisenhardt and Graebner, 2007). Patton (2002) explains that qualitative studies can draw more detailed information from fewer cases. They can also provide new insights from “black boxes” that can later be investigated through deductive and quantitative research, leading to more generalizable findings (Power and Gendron, 2015). Moreover, Yin (2009) suggests that “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” (p. 17). Third, Zimmerman (2001) argues that empirical research in management control systems is constrained by the lack of information on what organizations are doing internally. The research tends to overuse external and publicly available data and neglect internal data. As no publicly available data on combined assurance are available and since combined assurance is a purely internal phenomenon driven by internal actors, we went into the field to speak with the internal actors involved.

This study adopts a multiple- rather than single-case study approach to identify the commonalities and differences between cases. The former is more robust and reliable for building theory (Eisenhardt and Graebner, 2007; Yin, 2009). Our selection of cases⁵ was theory-driven; we looked for organizations that had implemented combined assurance or, as in the case of one organization, were planning to do so. Theoretical sampling is more appropriate for developing a theory than for testing it because it illuminates and extends relationships and logic among constructs (Eisenhardt, 1989b; Eisenhardt and Graebner, 2007).

This study uses various sources of qualitative data to enhance construct validity. Semi-structured interviews were conducted with key informants on the combined assurance projects

⁵ Several cases were suggested by the Institute of Internal Auditors Research Foundation.

of six international organizations between September 2011 and February 2012. These key informants include organizational actors from different functional areas. Multiple key informant interviews have the advantage of increasing construct validity (Yin, 2009). A summary of the people interviewed is shown in Table III.

[INSERT TABLE III ABOUT HERE]

The interviews were also triangulated with relevant internal documents that were collected wherever possible, consisting mainly of internal presentations related to combined assurance, group risk management, and audit committee meeting reports.

Levels of combined assurance maturity varied among the cases. The selected organizations operated in three industries: banking, communications, and mining. Case A is a European organization with a subsidiary in South Africa, where combined assurance is a recommended practice; the company wants to capitalize on that from a global perspective. Case B and Case C are listed on the Johannesburg Stock Exchange, where combined assurance is recommended. The challenge for both these organizations is their first attempt to issue a combined assurance report to their audit committees. Case D, a European bank, and Case E, an Australian natural resources firm, have decided to implement combined assurance voluntarily. Finally, Case F, an Australian telecommunications company, has recognized the usefulness of implementing combined assurance, but it continues to struggle because of certain barriers. Table III reports the characteristics of each organization.

We sent an introductory e-mail to the contact person in each identified organization explaining the objectives of the study. Second, we e-mailed the interview agenda with the guiding questions one week before the interview, and participants were informed of the purpose of the study. Using that information, our contact person was free to invite several persons to discuss combined assurance.

We followed several methodological steps to enhance the reliability of the study. All interviews were recorded with the interviewees' permission and transcribed immediately after the interviews to ensure accuracy and completeness. Each interview lasted from 30 to 100 minutes and was conducted independently, except for cases A and D, which involved three and two interviewees, respectively. A copy of the transcribed interview was sent to all interviewees for review and approval, and participants were asked to react freely to them. Finally, the researchers guaranteed the confidentiality of interviewees and their organizations, and assured them that no other organization would have access to their transcript.

We adopted a thematic approach to the data. All interviews and internal documents were separately coded. We had no preconceived constructs or categories in mind before analyzing the data and thus retained theoretical flexibility (Eisenhardt, 1989b). Codes reflecting concepts that emerged during the interview were used to develop standardized matrices for each organization (Miles and Huberman, 1994). Finally, a cross-case analysis was undertaken, generating insights to the research questions and the development of our framework for combined assurance. The next section presents the findings of the cross-case analysis.

2.4 DESCRIPTIVE FINDINGS

Table IV presents additional illustrative findings than those delivered in this section for each research question, including relevant quotes from the case studies.

2.4.1 Understanding combined assurance

According to the six cases, combined assurance ensures that risk management and internal control systems are designed properly as well as operate as designed. Though combined assurance is still a project for Case F, the Australian organization constantly looks for new ways to implement more efficient assurance program; combined assurance is therefore seen as a constant opportunity.

In fact, combined assurance serves a disclosure purpose since boards need to provide a statement about the effectiveness of their risk management and internal control systems. Combined assurance aims to provide meaningful information about risk to stakeholders. Moreover, they are accountable for monitoring the effectiveness of risk management. Hence, better disclosure to stakeholders could create value for stakeholders (through improved decision-making). As recognized by the Vice-President, Risk and Health, Safety, Environment, and Community (HSEC) Assurance in Case E,

the challenge is to balance the information, and recognize that, in fact, you have different stakeholders for different purposes...Nowadays, expectations on corporations are continuing to evolve and the ability for companies to maximize shareholder value is very important, but you need to meet other stakeholder needs, which is where the combined assurance piece comes in...They all have a view about risk and want to know what a company does with respect to it.

Similarly, the head of Risk Assessment and Assurance from Case E states that

combined assurance is to deliver a more consistent and better outcome to management, to the board and to key stakeholders around assurance, and audit overall, across all functional areas.

As suggested in the theoretical background, each line of defense has its own responsibility to provide assurance to the board regarding the company's risks because the risks and stakeholder interests are many. Combined assurance helps ensure that assurance efforts are coordinated and thus effectively cover the risks. Independent assurance from the third line is not the only valuable source of assurance: this line cannot visit every business unit every day of every year and provide a holistic picture of risk management to the board.

In practice, the coordination of assurance providers has produced combined assurance engagements where a team comprising many assurance providers performs assurance simultaneously, covering an entire business, rather than working separately. As a result, the meaning of combined assurance is twofold: (i) the integrate assurance that goes to the board,

and (ii) the combined assurance team to do an audit. Table IV reports interesting quotations about these combined assurance teams. Case A uses the metaphor of due diligence. Case C has developed the concept of combined assurance windows, where mines are visited during two windows. The first technical window is scheduled at the start of the year and aims to cover technical risks and provide assurance for such sectors as mining, engineering, metallurgy, and health and safety. The second commercial window is scheduled in the second half of the year and covers traditional financial and governance risks. Finally, Case E uses the analogy of going to the doctor and getting a full check-up. These combined assurance projects justify heavy intervention for a time; afterwards, the assurance providers leave for a period, giving management time to deal with the issues and suggestions raised.

2.4.2 Drivers

Cases A to E implemented combined assurance primarily because a number of practical factors made their assurance activities no longer efficient. Assurance resources were being wasted, and rationalization became urgent, with combined assurance seen as the best solution. Thus, combined assurance is a way to create value, not just for stakeholders but also for the organization itself. A more efficient use of assurance resources also increases the value of the organization. As suggested by the Vice President, Assurance Planning and Development in Case E,

the primary driver was really to produce an in-depth audit that provides a lot more insight and value to the business.

Thus, areas under assurance have seen many assurance providers come and repeat themselves (i.e., commit assurance duplication). Moreover, by operating in silos, assurance providers have risked not providing assurance on substantial areas (i.e., cause an assurance gap). These assurance inefficiencies impacted reporting, which destroyed value because the board was not able to play its monitoring role; they may also have destroyed value for the

stakeholders, who were insufficiently informed to make appropriate decisions. Table IV illustrates the rationalization driver of combined assurance. In Case D, the bank's audit committee asked the internal audit function to reduce its audit fees in 2006; the internal auditors responded by creating synergies with other assurance providers. For example, under certain circumstances, the external auditor can rely on the internal auditors' work if they follow an appropriate methodology. Though this cost aspect is not the primary driver for implementing combined assurance but merely a bonus, it is also a way to create value.

Many cases claim that a second driver for combined assurance implementation is the greater focus on improving board's risk-management monitoring, which creates most of the value. Ultimately, combined assurance helps boards exercise their oversight properly and discharge their risk management duties to stakeholders. As stakeholders' representatives, boards want to ensure that outcomes are delivered to stakeholders, and combined assurance is one accountability mechanism that ensures that organizations are managed properly. By consolidating assurance efforts, combined assurance provides directors, subcommittees, and stakeholders a clear perspective. Although Case F does not use combined assurance, senior management and the board are clearly eager to more actively improve risk management, and combined assurance should help:

The question around why we will do combined assurance, it is because it is the right way to ensure that we are doing what is of most concern and most interest to our most senior stakeholder [the board] who have an interest and a desire to see it done...They want to know that what the risk management says is actually right. (Group manager, Case F)

Additionally, several corporate governance codes have pressured organizations to enhance their boards' risk-management monitoring for stakeholders. King III requires organizations to take a strong interest in combined assurance, as it can positively influence a board's oversight and the effective of governance. Combined assurance is also a tick box

exercise for King III. Case B and Case C are directly involved. As listed on the Johannesburg Stock Exchange, their audit committees must give a statement on the effectiveness of combined assurance. Similarly, with a subsidiary in South Africa, Case A aims to meet that country's requirement and then capitalize globally. Cases B and C recognized that the first two drivers were more important and that King III only served to legitimate the concept.

2.4.3 Benefits

Obviously, organizations can benefit greatly from combined assurance. It helps boards understand, interrogate, and challenge their risk management and internal control systems and thus verify their effectiveness. Risk awareness and transparency increase significantly from the board's risk perspective. Through combined assurance, organizations understand the risks on the ground, allowing them to make more informed decisions and ensure that their business is operating effectively. The benefit is thus an improved business as well as enhanced objectives and activities, so that combined assurance has created value for the organization. As suggested by Case E's head of Risk Assessment and Assurance,

combined assurance helps board and executives in discharging their responsibilities by giving them the information they need in order to make the decisions that are going to impact their success.

Moreover, combined assurance helps directors improve their risk-management monitoring for stakeholders. If boards do not, first, understand the risks and, second, have a clear view of whether they are being mitigated properly, directors cannot claim to be executing their duties fully.

Thus, even if the primary purpose of assurance activities is value protection, combined assurance also offers more opportunities to identify tangible value improvement by calibrating across multiple functional areas, thus creating more value than a traditional audit would:

By bringing in someone who has not only the subject matter expertise, but also has been around the block with the organization, really knows the context of the organization's values, its cultures and its strategy, and he or she is therefore able to translate that subject matter expertise into something that is more tangible and understandable to the management that is being evaluated, that provides natural credibility to the outcome...These assurance providers work together to deliver a product that neither party working independently would be able to produce. (Vice-president, Assurance Planning and Development, Case E)

All cases agreed that they obtained assurance's rationalization benefit largely through the appropriate use of assurance resources. First, holding workshops and multifunctional combined assurance projects allows assurance providers to meet and embrace a common view of risk management and assurance. Combined assurance thus eliminates the silo effect by which each assurance provider protects its own territory. Second, engaging in common workshops and combined assurance projects allows the cases to recognize that assurance gaps cannot occur since all the assurance providers are in the room and/or on the team. Consequently, another benefit is the benchmarking between assurance providers. Combined assurance aims to improve assurance activities because assurance providers pick best practices from among the formerly isolated assurance providers. Third, combined assurance sources the right caliber of assurance providers and establishes solid communication bridges between assurance providers to avoid duplication. However, duplication or triplication may be needed among the three lines of defense if the risk justifies it.

2.5 DISCUSSION

2.5.1 Developing theory from case study findings

Case study research is particularly useful in highlighting new issues (Cooper and Morgan, 2008; Power and Gendron, 2015). Building on the literature and case studies, a framework is proposed for combined assurance that extends the framework in Reding et al. (2009), shown in Figure 2. In line with Eisenhardt's (1989b) inductive theory building process, we propose the following framework for combined assurance shown in Figure 3.

Building on the stakeholder agency perspective, the framework highlights the connections between the various constructs found in the case studies. The starting point is the recognition of multiple stakeholders (Mitchell et al., 1997). Boards need to consider their relevant stakeholders and their expectations to run their organizations effectively. According to Mikes (2011) the 2007-2009 financial crisis led organizations for a reassessment of stakeholders' expectations of risk management. Stakeholders may differ in their assurance expectations (ICAEW, 2008) so that organizations will identify multiple monitoring and assurance functions to be particularly helpful for the board to exercise its oversight role on behalf of these multiple stakeholders. Table II presented those stakeholders and their respective assurance needs.

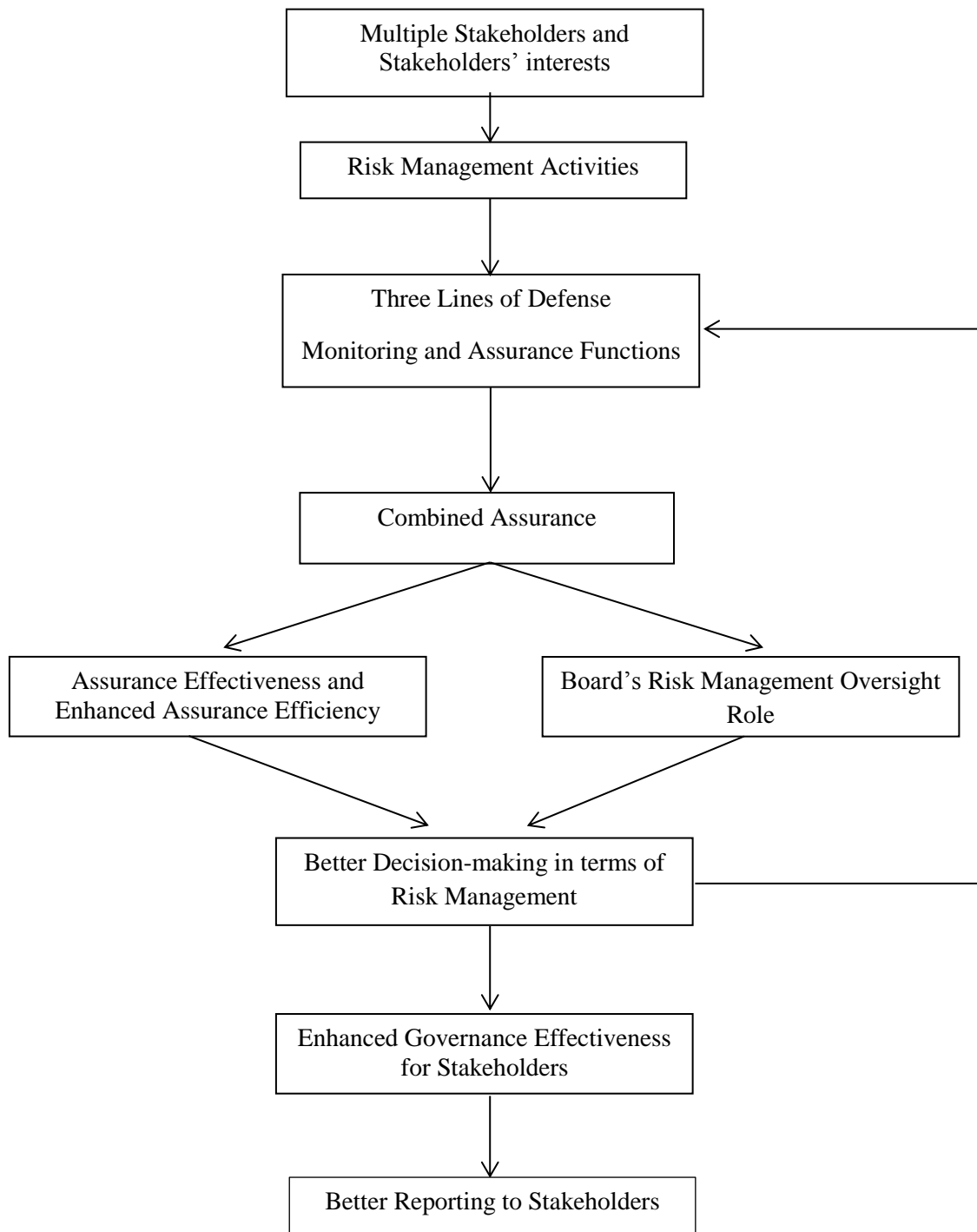
Based on the risk management information required by stakeholders, organizations must collect assurance from the three lines of defense and other sources. By coordinating the assurance from those lines within a combined assurance model, boards and other stakeholders receive holistic assurance on the organization's risks. Descriptive findings from the case studies suggest that combined assurance positively influences both assurance activities and the board's risk-management oversight role. From an assurance perspective, without a cohesive, coordinated, limited risk and assurance resources may not be deployed effectively, and significant risks may not be identified or managed appropriately. Furthermore, combined assurance helps to create one shared vision throughout a group of assurance providers with an overview of key risks and core assurance providers working on the right areas from a board perspective. Finally, there is higher efficiency in assurance activities since combining assurance will prevent duplication with separate assurance engagements, so less audit fatigue and improved relationships between assurance providers and cost synergies. In short, combined assurance is more efficient than assurance performed in silos, as risk management is more efficient under ERM. Thus, combined assurance creates internal value for the

organization. From a board's perspective, combined assurance limits the number of people reporting to the board and committees on assurance activities, so that it assists the board's risk-management monitoring. Combined assurance gives a holistic view on risk management and internal control systems so that the board discharge its risk management duties to its stakeholders more appropriately, the external value for stakeholders. Combined assurance helps boards who need to provide a statement about the effectiveness of their risk management and internal control systems to their stakeholders.

Both these benefits influence a board's decisions about risks: directors can make better decisions (this is the internal value creation) and can continuously improve their risk management. In fact, boards become more knowledgeable about risks and are thus able to keep their stakeholders better informed; enhancing risk transparency for stakeholders (this is the external value creation). Reflecting the combined assurance findings, Figure 3 suggests a loop and an opportunity to improve the assurance coverage from assurance providers.

Then, our framework suggests that combined assurance should improve governance for the benefit of stakeholders, the best way to create stakeholder value. Effective governance requires that outcomes be delivered to stakeholders, and this combined assurance approach ensures that organizations are run properly by providing both the board and other stakeholders with holistic assurance about the effectiveness of ERM.

Figure 3: Combined Assurance Framework⁶



Finally, combined assurance allows for better reporting to stakeholders (Lam, 1999).

Combined assurance enhances transparency with integrated corporate social reports, for

⁶ All the arrows do not necessarily have the same meaning. Some are correlations, whereas others are causation (i.e., causal relationship or cause and effect).

example, which correspond to reports on organization's significant risks (Ballou and Heitger, 2008). In short, combined assurance confirms to stakeholders that organizations are taking care of their interests.

2.5.2 Implications for research and practice

Given the increasing attention paid to boards' risk-management monitoring, our findings have important theoretical and practical implications.

By providing insights into combined assurance, this study first contributes to the literature on risk management. Our combined assurance framework suggests that combined assurance is an important organizational model that helps boards to monitor the effectiveness of their risk management systems (Beasley et al., 2015a, 2015b; COSO, 2009; Landsittel and Rittenberg, 2010; Reding et al., 2009). According to Daily et al. (2003) corporate scandals and regulatory changes always constitute opportunities for researchers to reconsider the importance of board monitoring. As it is often required that boards attest the effectiveness of risk management and provide, accordingly, a statement to their stakeholders about risk management, our study describes combined assurance as a paradigm which helps achieving that.

The second contribution is to the auditing for stakeholders literature. Our findings reveal that combined assurance is viewed as an important mechanism helping boards to become more knowledgeable and transparent about risk management to their stakeholders. First, we incorporate the assurance dimension missing in stakeholder agency theory (Collier, 2008; Hill and Jones, 1992) to explain more comprehensively how boards can better inform stakeholders about risk and become more accountable to them. Combined assurance aims to assess the effectiveness of the risk management system considering the variety of stakeholders' expectations for risk. As such, this study reconceptualizes board's monitoring role (Daily et al., 2003) using a stakeholder agency perspective. Second, it shows how boards

can improve their accountability to stakeholders (Brennan and Solomon, 2008) by using combined assurance to discharge their risk-management monitoring duty. Like Collier (2008) who considered one quasi-public organization, our descriptive findings drawn from six private organizations provide insights that the board is central to stakeholder management and that it is the entity ultimately accountable to the stakeholders, not the managers, as suggested by Hill and Jones (1992). Rather, management as a first line of defense and other assurance functions provide assurance services to the board in order to help it be accountable to the stakeholders. Finally, our study contributes to the ‘joint-audit’ literature. Combined assurance also means combined assurance team to do an audit. This combined assurance approach creates more value than a traditional audit would. Rather than only considering the collaboration between internal and external auditors (e.g., Sarens et al., 2009), this study extends this joint-audit approach to all assurance providers and shows that enhanced coordination between these assurance providers reinforces the overall assurance a board receives. As such, combined assurance may well be seen as an organizational model that makes optimum use of assurance resources by seeing these assurance activities “as a network rather than a set of isolated practices” (Roussy, 2013, p. 570).

We hope our study also provides implications for practitioners and policymakers. According to Power (1999), “practitioners constantly debate the efficiency of different methods and seek to elaborate cost-efficient solutions to the problem of providing assurance” (p. 7). Moreover, McNulty et al. (2013) have asked researchers to produce new insights into efficient governance mechanisms useful for policymakers, practitioners, and regulators. Amid the widespread failure of boards’ risk-management monitoring, our findings reveal that combined assurance is an effective and efficient way to provide holistic assurance to the board which then improves board’s risk management oversight role on behalf of stakeholders. Therefore, this study should offer important insights for organizations seeking to develop a

better understanding of the relevance of combined assurance and improve organizational governance. Policymakers and regulators may also be interested in this study. In a context in which their intention is to enhance risk management oversight to avoid that the same last catastrophic events occur again, the combined assurance findings reported in this paper may be useful for them.

2.5.3 Limitations and directions for future research

Finally, we would like to acknowledge the limitations of this study and suggest some directions for future research.

The most important limitation involves comparability: the studies' cases are at various levels of combined assurance implementation maturity, which must be remembered when interpreting the findings. The six cases are still learning as they implement combined assurance; there is no mature combined assurance model. There is much room for optimizing and making combined assurance a relevant governance mechanism. Second, the number of interviewees and their functions differed from one case to another because the interviews were scheduled by each case's contact person. Third, combined assurance has been explored mainly through internal auditors' perspectives in this study. It is possible that there are other people leading the combined assurance initiative whose views are not taken into account within this study.

Combined assurance is still an unexplored phenomenon, and our study offers opportunities for future research. First, to add credibility to the findings, future research may compare organizations that use combined assurance with others that do not, showing the benefits of using the approach even more effectively. One interesting question is whether the benefits of combined assurance outweigh the costs. Difficulties arise when organizations bring more risks into their scope because this requires deeper engagement with stakeholders. Figure 3 suggests that the extent of combined assurance or the intensity of coordination

between assurance providers may positively influence a board's risk-management monitoring for stakeholders. However, as the complexity of coordinating assurance activities increases accordingly, its costs may outweigh its benefits at some point. Moreover, a follow-up of this study would be interesting given that the case organizations know that their combined assurance programs are not yet mature. An important avenue for future research is linking combined assurance with disclosures to stakeholders on the significant risks that impact them. The full integration of governance, ERM, and reporting is needed to manage risks successfully and report transparently to stakeholders (Ballou and Heitger, 2008). Similarly, Ntim et al. (2012) argue that disclosing good governance practices impacts firm value by sending a positive signal to the market about the organization's strong commitment to good governance and accounting to stakeholders. Future research could therefore investigate if combined assurance implementation also sends this positive signal.

As inductive and deductive approaches are "mirrors of one another" (Eisenhardt and Graebner, 2007, p. 25), future research could use quantitative methods to test our exploratory findings and our combined assurance framework. Particularly, combined assurance may be contingent upon the presence and structure of other mechanisms. As in Gordon et al.'s (2009) examination of the value of ERM, future research in combined assurance could look at the important contingency features conditioning whether combined assurance is effective or efficient in helping boards exercise their monitoring role.

CHAPTER 3: INTERNAL AUDITING AND COMBINED ASSURANCE⁷

“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)

3.1 INTRODUCTION

Nowadays, many countries have reformed their corporate governance codes following the last global financial crisis (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); 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 caused mainly by failures in risk management (e.g., Brown et al., 2009; Conyon et al., 2011; Magnan and Markarian, 2011; Mikes, 2011; Pirson and Turnbull, 2011). New regulation insists on oversight of the 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 in helping organizations reach their objectives. One of the key requirements for a board is therefore to gain assurance that risk management processes are working effectively and that key risks are being managed at an acceptable level (The Institute of Internal Auditors (IIA), 2009, 2012; IoD, 2009; Reding et al., 2009).

⁷ This chapter is based on LSM Working paper 2014/02, “The Champion Role of the Internal Audit Function in Combined Assurance”, co-authored with Gerrit Sarens (supervisor of this thesis). An earlier version of this paper has been presented at the 12th European Academic Conference on Internal Audit and Corporate Governance (Como, 2014). We would like to thank Andrew Chambers, Guiseppe D’Onza, Andreas Koutoupis, and Arno Nuijten for their suggestions. Comments from Urton Anderson, Antoine Pierre, and Mahbub Zaman are also greatly appreciated.

The internal audit function (IAF) has been described as the “go-to group” when it comes to governance (McCollum, 2006). The board’s oversight role requires that they receive assurance that risk management and internal control systems are working effectively, and that key risks are being managed at an acceptable level (COSO, 2009; IIA, 2009, 2012; Reding et al., 2009). By providing these assurance services to the board, an IAF contributes to enhancing organizational governance (Ramamoorti, 2003; Ruud, 2003). In Europe, negative opinions have recently been formed regarding the inability of internal auditors to prevent the global financial crisis. Both the effectiveness of internal auditors and their added value have been questioned in the aftermath of the financial crisis, which has led to the marginalization of IAFs (Lenz and Sarens, 2012). The uncertainty about identification of the chief stakeholder of the IAF has been particularly damaging to the legitimacy and status of the IAF (Chambers, 2014; Lenz and Sarens, 2012). On the one hand, those charged with organizational governance, the board and executives, require that the IAF provides value through assurance services, whereas those managing the organizational operations, the operational managers, are looking for insights and recommendations on the other hand (Anderson and Christ, 2014). This is why Chambers and Odar (2015) suggest that IAFs failed to prevent the financial crisis due to not being “fit for purpose”. The IAF is still searching for a clear and a unique selling proposition to raise their profile (Lenz and Sarens, 2012) but the value of the IAF can be enhanced by providing more dependable assurance to boards (Chambers and Odar, 2015). Accordingly, Lenz and Hahn (2015) asked whether providing more integrated assurance will become the future role of an effective IAF. Similarly, Shortreed et al. (2012) suggest that one of the lessons of the 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.

The release of the new South African code of corporate governance – known as King III – suggests one innovative approach to providing such holistic assurance to the board. Rather than relying on isolated assurance activities, South African organizations are strongly advised 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 assessing 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, 2013a). Although the IAF is an important assurance provider, it cannot provide holistic assurance on its own. As a result, the IAF may rely on and/or use the work of other internal and/or external assurance providers in providing holistic assurance to the board, however in practice, there are only a few combined assurance programs, mainly, because no one takes responsibility for running combined assurance (IIA UK and Ireland, 2010).

The purpose of this paper is to use the sociology of professions to propose a new role that the IAF can embrace in organizational governance as its natural jurisdiction: that of combined assurance orchestrator. Using qualitative data from five organizations, we look at the role of the IAF within combined assurance. Our descriptive findings suggest that the IAF has three roles in the combined assurance approach: (a) facilitator; (b) coordinator and (c) ultimate reporter to the board. Our study contributes to the emerging literature on combined assurance (Decaux and Sarens, 2015) first by offering insight into who will become the combined assurance orchestrator. Secondly, it extends previous research on the professionalization of IAFs by proposing a new role that IAFs can play to enhance their status in organizational governance. We specifically found that playing a pivotal role in combined assurance offers opportunities for IAFs to become comfort providers not only to audit

committees (Sarens et al., 2009), but also to boards. As such, they really act as an extension of the boards' eyes and ears (Chambers, 2014). By providing holistic assurance through combined assurance, IAFs become much more meaningful to boards and enhance their role in organizational governance.

The rest of the paper is structured as follows. The next section reviews the literature on the professionalization of internal auditing, the role of the IAF as a comfort provider, and the emerging 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 the paper's contributions, limitations and opportunities for future research.

3.2 LITERATURE REVIEW

3.2.1 The professionalization of the IAF

The sociology of professions literature (Abbott, 1988) focuses on the processes through which occupations define their jurisdiction, or the right to control the provision of particular services and activities. According to the sociology of professions, the development and maintenance of an abstract system of knowledge is particularly important for survival and the claim of professional stature for a professional group since it is from this knowledge that a profession establishes and legitimates the control of a jurisdiction (Abbott, 1988). Through this control, a profession can reasonably define and redefine the societal problems it addresses, develop the services and practical techniques to be performed to address these problems, and defend this resultant jurisdiction against competing professions (Abbott, 1988).

One example of such professionalism is that of internal audit activity (e.g., Arena and Jeppesen, 2010; Covalleski et al., 2003; Kalbers and Fogarty, 1995; Rittenberg and Covalleski, 2001; Sarens et al., 2009; Spira and Page, 2003). According to Abbott (1988) competition between professions drives the development of professions, so that the professionalization of

the IAF must be driven by inter-professional competition with the external audit profession. Covaleski et al. (2003) and Rittenberg and Covaleski (2001) explored the trend towards the outsourcing of internal audit services to the public accounting profession, which created jurisdictional disputes between internal auditors and external auditors in the late 1990s. Conversely, Arena and Jeppesen (2010) found little evidence of such jurisdictional dispute between internal auditors and external auditors in Denmark. Based on a case study of Danish internal auditing, these authors reported a subtle form of control from external auditors towards internal auditors by maintaining an intellectual jurisdiction over internal auditing which translated into controlling the knowledge base of internal auditors.

Given the definition of the IAF provided by the Institute of Internal Auditors, the professional jurisdiction of internal auditors lies in risk management, internal control and governance processes (IIA, 2013a). These areas are the comfort zone of IAFs. A large body of literature has considered the role of the IAF within organizational governance (e.g., Anderson and Christ, 2014; Gramling et al., 2004; Hermanson and Rittenberg, 2003; Sarens et al., 2012a). For Cohen and colleagues, it is an integral part of the “corporate governance mosaic (Cohen et al., 2002, 2004, 2010) and the IAF is therefore considered a pillar of good governance (Daugherty and Anderson, 2012; McCollum, 2006; Ruud, 2003). Sarens (2009) suggests that the effectiveness of the IAF should be considered in line with the impact it has on the quality of governance.

3.2.2 IAF's value proposition: Filling the board's assurance vacuum

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), forced IAFs to enhance their 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; 2005b; Gramling et al., 2004). SOX, and similar laws in other countries, have meant that the

IAF had to focus extremely closely on the quality of the internal control system, so that chief executive officers and boards could issue a formal opinion about this. This meant a boost in the popularity of the IAF as suddenly all big companies needed large internal audit departments to comply with SOX. As a result of only considering this compliance role, 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 value to an organization, by developing consulting activities (Anderson, 2003; Hermanson and Rittenberg, 2003; Ruud, 2003). Even if good governance implied that boards received assurance about the effectiveness of internal controls, some suggested that internal auditors consulted about the appropriateness and adequacy of risk management processes. Spira and Page (2003), for example, illustrated how UK corporate governance reporting requirements created opportunities for internal auditors to redefine their professional jurisdiction over internal controls into one over risk management. As such, two or three years before the global financial crisis, IAFs were again more focused on consulting as it turned out that SOX had exaggerated greatly by putting too much focus on the quality of internal controls. SOX had costed billions for compliance, without any formal proof that companies were doing better in terms of internal control and risk management systems. With the financial crisis in 2008, the role of the IAF was again questioned. Why hadn't they seen all the big risk management issues? Why didn't they warn boards and management? This led to the "marginalization" of the IAF (Lenz and Sarens, 2012). As a result of the crisis, many companies are forced to cut costs. Support functions such as the IAF are still on the list for downsizing and cost cutting if revealed ineffective and internal auditors are very strongly pushed to prove their added value in order to guarantee their own existence. There is still no clear path for internal audit, however, and discussion about the added value of an IAF is still ongoing (Lenz and Sarens, 2012), but many suggest that assurance services around the effectiveness of risk management

remain the future of the IAF (De Zwaan et al., 2011; Leung et al., 2011; PwC, 2012b; Shortreed et al., 2012).

Risk management is fundamental to organizational governance (Daugherty and Anderson, 2012; Hermanson and Rittenberg, 2003; Reding et al., 2009). As part of their risk management strategies, organizations have started to embrace holistic approaches to 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. Very much linked to the strategy of an organization (Sarens, 2009; Spira and Page, 2003), in its last step ERM requires the effectiveness of the framework to be monitored (COSO, 2004).

The IAF has become a risk and control expert (Sarens and De Beelde, 2006a; 2006b; Spira and Page, 2003; Vinnari and Skærbæk, 2014) so that its unique knowledge about risk management and internal control, combined with appropriate inter-personal and behavioral skills, mean that it has become an important comfort provider (Sarens et al., 2009). The IAF has been appointed as a usual function for improving and monitoring the effectiveness of risk management (COSO, 2004; IIA, 2009, Sarens, 2009).

Internal and/or external auditors provide comfort for their stakeholders by delivering assurance services (Pentland, 1993; Power, 1999; Carrington and Catasús, 2007; Sikka, 2009). According to the glossary of the IIA standards, assurance activities bring comfort to those responsible for governance, reassuring them that the organization is following effective and efficient governance processes (IIA, 2013a). The production of comfort relates to a situation where comfort seekers are confronted with discomfort (Sarens et al., 2009). In fact, risk management and assurance activities support each other (Daugherty and Anderson, 2012; IIA, 2012; Reding et al., 2009). On the one hand, risk management provides the proper

infrastructure to perform assurance activities (IIA, 2012). On the other hand, assurance activities aim to monitor and improve the risk management framework. A particularly important area, in which one comfort seeker, the board, is confronted with discomfort, relates to risk management (Conyon et al., 2011; Pirson and Turnbull, 2011). According to Chambers (2008) boards are often exposed to a partial “assurance vacuum” which means that directors do not receive assurance that a board’s policies are being adequately implemented by management. This assurance vacuum therefore relates to the provision of holistic assurance that risk management and internal control systems are working effectively, and that key risks are being managed at an acceptable level (COSO, 2009; IIA, 2012). The IAF plays a critical role in fulfilling this assurance vacuum (Chambers, 2008; Chambers and Odar, 2015) but research remains silent about how, in practice, the IAF can realistically provide such holistic assurance to the board.

3.2.3 Coordinating assurance activities

A board is generally supported by different assurance providers in improving governance. Internal auditors are particularly important comfort providers as discussed above, and they fill part of the assurance vacuum. Other assurance providers include external auditors, risk management, compliance officers, corporate social responsibility officers, or quality officers, to name but a few. In a study of the attributes of assurance service providers that affect the demand for assurance services beyond the traditional financial statement audit, Knechel et al. (2006) found that expertise in subject matter was the most important attribute of an assurance provider. More recently, Soh and Martinov-Bennie (2015) investigated the nature and extent of IAF involvement in environmental, social and governance assurance in Australia. Their findings suggest that governance is a key area of focus for IAF assurance efforts, followed by social and environmental issues. Assurance on environmental issues is expected to increase in the future, but it will require the development of new IAF skills and expertise (Soh and

Martinov-Bennie, 2015). An alternative to environmental auditing is to supplement the knowledge, expertise, skills and competency of internal auditors with those of subject matter specialists (Power, 1997; Soh and Martinov-Bennie, 2015). The specific example of environmental auditing more generally calls for a multidisciplinary approach or a combined assurance approach when one function cannot reasonably provide holistic assurance on a specific subject area. This is the case for holistic assurance about the effectiveness of risk management.

The “three lines of defense” model has been traditionally used to identify and describe the roles and responsibilities of each assurance provider in governance (e.g., Daugherty and Anderson, 2012; ECIIA and FERMA, 2010; IIA, 2013b) and this model serves as a building block for improving coordination between assurance providers (IIA UK and Ireland, 2010). Each assurance provider has a unique perspective and specific skills that are of value to the organization, so why not combine all assurance activities in one framework to holistically ensure that risk management and internal control systems operate effectively and efficiently? This would enhance governance by benefiting from complementarities, while avoiding any overlaps between these governance, assurance and control mechanisms (Goodwin-Stewart and Kent, 2006b; Hay et al., 2008; Roussy, 2013). 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, 2012; IIA UK and Ireland, 2010). Assurance fatigue comes when different assurance providers perform assurance activities on different occasions, leading to frustration being experienced by the areas and/or activities being assured. The reporting of these potentially different opinions is also inefficient because those in charge of governance receive reports from various parties that do not report holistically, giving them various perspectives on significant risks. Without a clear and holistic view of the areas that need to be assured, organizations suffer

from assurance gaps when no assurance activities are performed and areas justify some assurance being provided. All of these assurance inefficiencies contribute to the assurance vacuum experienced by boards.

Coordination between assurance providers should improve governance by providing a higher level of organizational assurance (e.g., Roussy, 2013; Ruud, 2003). For example, Sarens et al. (2009) suggest that a joint-audit approach “combining the knowledge and expertise of internal and external auditing via well-considered collaboration, offers a way of combining both sources of comfort, thereby enhancing the overall level of comfort to the audit committee” (p. 102). A similar argument can be made for the coordination of all assurance providers in an organization. The coordination of assurance activities has also been recommended by professional institutions, such as The IIA, and in some regulations, in order to improve governance oversight. Specifically, King III in South Africa advocates that South African organizations implement a combined assurance approach to all assurance activities (IoD, 2009). Due to the multitude of risks faced by organizations, combined assurance requires better coordination among assurance providers in order to be more effective and efficient when dealing with assurance activities in the risk areas affecting an organization (IoD, 2009). The report also says the IAF should play a pivotal role by providing the board with assurance that the combined assurance model optimizes costs, avoids duplication, and prevents assurance fatigue (Baker, 2009; IoD, 2009). King III requires the IAF simultaneously 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 value on IAF’s role as a third line of defense, but they should value IAF’s ability to effectively coordinate across the first and second lines of defense just as highly. In the same vein, The IIA Standard 2050 on

Coordination requires the CAE to share information and coordinate with other assurance and consulting activities to maximize governance oversight (IIA, 2013a). The IIA has also provided guidance and recommendations about performing assurance mapping as a starting point for coordinating assurance activities (IIA, 2013a). Through an assurance map, organizations identify assurance fatigue, assurance gaps and the roles and responsibilities of each assurance provider to ensure that they are covering the right issues. If many organizations have tried to apply combined assurance, they have challenged doing that (ECIIA, 2009). According to a survey from the IIA UK and Ireland (2010) only eight percent of organizations have a combined assurance approach in place. Among reasons for failure in coordinating assurance activities, 34 percent of survey respondents pointed to the lack of ownership when implementing the approach (IIA UK and Ireland, 2010). A previous study into combined assurance reveals that successful implementation requires someone to lead the implementation (Decaux and Sarens, 2015).

Since, by definition, the IAF needs to add value in governance, risk and control processes, this study asks whether combined assurance could well become an innovative approach that might help the IAF to raise its profile in organizational governance and whether combined assurance could well fall into the IAF's jurisdiction. More specifically, we ask: what is (are) the role(s) of IAFs in the combined assurance approach?

3.3 METHODOLOGY

3.3.1 The interviews

We conducted exploratory semi-structured interviews with CAEs and other people involved in combined assurance. Data was collected within five worldwide organizations in different countries, whereas related literature on the role of IAF within risk management tends to focus on one specific country (e.g., De Zwaan et al., 2011; Fraser and Henry, 2007; Leung et al., 2011). Table V provides a profile of these organizations.

[INSERT TABLE V ABOUT HERE]

Rather than trying to generalize the findings (Malsch and Salterio, 2015), we focus on understanding the roles of IAFs in combined assurance, given the lack of knowledge of this topic. Qualitative data seems to be particularly relevant to the purpose of our study for various reasons.

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

Previous research into the role of the IAF within organizational governance has been predominantly archival and survey-oriented, however, recent literature calls for more qualitative methods in accounting, auditing and governance disciplines (Brennan and Solomon, 2008; Gendron, 2009; McNulty et al., 2013; Power and Gendron, 2015). In an overview of qualitative research in the field of corporate governance, McNulty et al. (2013, p.183) note 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”.

Combined assurance is a purely internal phenomenon driven by internal actors. 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.

Combined assurance implementations are still rare in practice (IIA UK and Ireland, 2010). This is why researchers need to go “into the field” and speak with these internal actors to collect insights.

For these reasons, semi-structured interviews were the most appropriate choice for collecting data, as for previous studies (Cohen et al., 2002, 2010; Fraser and Henry, 2007; Sarens et al., 2009; Sarens and De Beelde, 2006a; Soh and Martinov-Bennie, 2011). Interviews were conducted with 20 participants in the combined assurance approach. Table VI provides a summary of all functions interviewed. Most of these interviewees are involved in internal audit activities.

[INSERT TABLE VI ABOUT HERE]

We tried to enhance the reliability of the research (Yin, 2009) by using multiple sources of information. We were interested in the perceptions of internal auditors, as well as those of other participants in the combined assurance process. We also asked whether it was possible to interview people from top management or the audit committee, suggesting that it would also be useful to gain their insights, but organizations were not well-disposed to this. Where possible, we collected internal documents to compare findings obtained from the interviews with those from internal documents. Interviews took place at 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 (generally the CAE or equivalent). The questions were designed to be as open ended as possible, and we emphasized that there were no right or wrong answers. This explains why we did not have preconceived categorizations in the analysis phase. We also 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, 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. A matrix was used for each case to summarize the findings and help cross-case comparison (Miles and Huberman, 1994).

3.3.2 Case description

The choice of the five organizations was theoretically-driven since we were looking for organizations who more or less worked with the combined assurance approach. All these organizations were at different stages of implementation when it comes to combined assurance. This offers opportunities for greater understanding of the role of the IAF in combined assurance. Case A was selected because due to 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 meeting about the internal audit profession.

Case A

Case A set up their Internal Assurance Department in 2007 with the intention that it become an added value business partner and a training ground for future leaders. This internal assurance department wanted to become the first provider of 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 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 would 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. The Big-4 company thus recommended that Case A implement combined assurance. At the same time, a South African subsidiary of Case A implemented combined assurance as required by the new code of corporate governance. The implementation in South Africa would therefore serve as a pilot test for making combined assurance a relevant practice at a global scale.

Case B

Even before the release of King III, which set the tone for combined assurance, this South African bank decided to implement combined assurance and to initiate complete integration and coordination among the various assurance providers. The three lines of defense were already present in the company. In the past, risk management had been more a compliance function, but had now become an active component of strategic discussion. Case B saw combined assurance as an alternative means to avoid past problems such as assurance fatigue and assurance gaps. Assurance providers traditionally planned their work in isolation, which meant that the coverage of one assurance provider and the total coverage did not necessarily provide complete coverage of risk for the governing body.

Case C

As with Case B, risk was merely a compliance function in the past, but changes in this South African mining company brought risk management under business strategy. One of these changes was 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. Case C started

documenting combined assurance, recommending it to the board about six months before King III came out. Case C recognized that some significant risks were never assured for the board, whereas others had too much coverage. As a result, Case C began putting in place a basis for coordinating assurance around risk, so that assurance providers could give a consolidated view to the board and its committees.

Case D

Case D 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 made sense because the bank had different assurance functions, all providing assurance services from different perspectives and with different purposes, but all working for the same output: providing assurance about the effectiveness of risk management and internal control systems.

Case E

In the Australian mining company, Case E, the audit committee was referred to as a 'risk and audit committee'. This committee not only looks at the financial statements and external financial reporting, it is also very much involved in the whole risk profile and all 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 move the focus to assurance activities and risk management in a more integrated manner. Much risk management in the early days was strongly focused around financial risks, with assurance activities being provided on financial controls. Over time, that scope and focus broadened into other business areas. At the time of interviews, Case E was ending a twelve month 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 into the Risk Assessment and Assurance Group. Each side has gained from this unification. In the future, Case E wants to continue this integration with other assurance providers.

3.4 DESCRIPTIVE FINDINGS

This section provides insights about the role(s) of the IAF within combined assurance. Table VII summarizes some of the key findings found from the interviews.

[INSERT TABLE VII ABOUT HERE]

3.4.1 Facilitator

Most of the barriers to 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 and combining assurance activities. For example, the senior auditor in Case A recognized that combined assurance implementation is more difficult when 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 for creating awareness and obtaining buy-in from the board around combined assurance.

In organizations without formalized and mature combined assurance, the IAF expressed their intentions to play a role in the formalization. This finding is similar to that of Sarens et al. (2009) who suggested that the IAF initializes the formalization of risk management in less mature organizations. Case A started to dedicate resources to the 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 requested that it be made a priority approach for the business in order for them

to become leaders in this area. Creating combined assurance awareness and stimulating discussions on combined assurance are important means by which the IAF can explain that it will bring comfort to the board (Carrington and Catasús, 2007). The CAE also endorsed the role of the combined assurance initiator within Case B. Case B's CAE generally tried very hard to elevate the role of the IAF within the governance process. This CAE preached combined assurance wherever it could (e.g. IIA conferences, audit roundtables, audit committee conferences). Also acting as a non-executive director on other South African listed organization boards, this CAE advocated the concept of combined assurance both inside and outside its organization. This CAE has driven combined assurance in order to enhance responsibility and accountability for controls and risks across the organization.

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. But 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 agreed that combined assurance should become the responsibility of internal audit. The following finding suggests that there is no jurisdictional dispute over certain assurance activities between internal and external auditors as suggested by Covalleski et al. (2003).

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 who did. (External Auditor, Case B)

Additionally, both CAEs from Case C and Case E made a very good job of socializing combined assurance in the business, making people aware of the concept. The IAF played the role of the educator, making both other assurance providers and the board aware of the importance of combined assurance, and this is an important strategy by which the IAF can

promote itself as an expert in the jurisdictional domain of combined assurance. At Case D, this is quite different. It was also recognized that the IAF played a role as champion in initiating the approach, even if it was the audit committee that initially asked the IAF to develop a program of synergies between all assurance providers in the bank. Case D has no formal combined assurance officially endorsed, however. 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 of the wider business compared to other assurance providers who probably have more of a silo view of their activities. Second, internal auditors have a very good methodology and approach to providing assurance services. Thirdly, internal auditors are independent of the operational functions being assured. Fourthly, internal auditors have full access to the different assurance providers because part of the internal audit process is to examine all these assurance providers. Finally, one specific reason for South African organizations is that internal auditors have a strong vested interest in making sure that combined assurance is effective. King III suggests that the CAE provides assurance to the board for all controls and risks within the organization.

3.4.2 Coordinator

One responsibility of the CAE is to provide assurance about the extent to which 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; PwC, 2012a). In most cases, the coordinator develops (1) the assurance plan, and (2) the assurance map.

CAEs are typically given 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 2050 on Coordination, which suggests that the IAF should consider activities performed by other assurance providers before doing the internal audit plan (see IIA, 2013a). 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 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 for signing off on the combined assurance model, but a distinction must be made between who takes a leading role in terms of coordinating activities on a daily basis. That is the role of the CAE. Case B has also 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 is a mini-combined assurance session for individual project. So you cannot have gaps in your assurance coverage because you got all the key players in the room.

The study from The IIA UK and Ireland (2010) suggests that no assurance provider seems to assume overall responsibility for listing all assurance providers within an organization. One step for implementation in combined assurance requires mapping all assurance activities (Decaux and Sarens, 2015). This is something that the IAF can embrace. The IAF may take the initiative for developing the assurance map of the organization. This is facilitated by the fact that the IAF has traditionally close relationships with other assurance providers. The assurance map exercise consists of linking assurance providers with risks, so, the IAF is an important assurance provider in its own right, but also encompasses all the other assurance providers, 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 execution of the combined assurance activities then requires the establishment of a team of different assurance providers with a different skill set in order to go through every risk. During these combined assurance activities, it is also the role of the IAF to coordinate the activities. In a study of environmental auditing, Power (1997) argued that many professional occupations compete against each other and claim to possess expertise in environmental auditing to develop new jurisdictions, however, only a multidisciplinary approach comprising several experts with different skills and expertise will provide a complete picture of environmental auditing.

In all combined assurance projects that we undertake, I always take 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 combined assurance (CAE, Case E).

As pointed out by the CAE from Case E, the coordinator role is almost naturally driven by the IAF. Power (1997, p.130) argues that “experts in multidisciplinary teams can

only work in varying degrees of superiority and subordination. In terms of professional and market aspirations what matters is less who does the majority of the work and its skills base but who is the institutionally legitimate orchestrator of this work”. An important challenge for the IAF/CAE is thus to understand that the relationships between IAF and other assurance providers should be on a shared basis, not a dictated one. Even if the IAF plays a leading role in the coordination of assurance activities, discussion and participation between assurance providers requires equality in partnerships, otherwise, combined assurance will not be meaningfully delivered. The moment internal auditors start dictating, they will exclude many key people from the combined assurance process. As recognized by the Head of Regulatory Risk at Case B:

I think we would probably find it is very convenient that combined assurance is forcefully driven from an internal audit perceptive...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 is a true equal partnership among those who bring assurance services.

Similarly, a 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 are going to lose them. They are not going to buying into the process and you are going to lose 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 is just playing right.

3.4.3 Reporting role

Our empirical findings suggest that the final responsibility for IAFs 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)

The 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 for properly addressing 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 a necessary level of objectivity that would not otherwise filter up.

The report that is issued is under the Group Risk Assessment & Assurance (GRAA). We have a professional responsibility for making sure that whatever we are reporting on, we are comfortable with that. So, whilst we do not 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 for re-engineering the assurance process.

Generally, the audit committee will sign off the quality of the combined assurance framework in order to provide the board with holistic assurance about the effectiveness of risk management and internal control systems, however, as internal audit involves 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 study findings reveal that internal auditors look to a list of criteria to determine whether they can place reliance on the assurance activities of other assurance providers. For reasons already described, the IAF is often best placed to assess each assurance provider and its contribution to the combined assurance.

The list of criteria may 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 an 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 a 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?

Note that this list is not exhaustive, it was developed based on case study findings. Interestingly, the IIA Practice Advisory 2050-3 on Relying on the Work of Other Assurance Providers also recommends some of these criteria (IIA, 2013a). Evidently, 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 for proposing improvements in order to re-engineer the assurance process. If internal auditors can place reliance on the work of other assurance providers, then it is good, otherwise, they will explain what these assurance providers must change so that internal auditors can place reliance on them. The assurance map will probably attest to 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.

3.5 DISCUSSION

Several authors have recently expressed concerns about the IAF regarding both its value and effectiveness (Chambers and Odar, 2015; Lenz and Sarens, 2012). Others have required IAFs to develop new techniques for monitoring and communicating to the board about the effectiveness of risk management (Shortreed et al., 2012). Recently, South African regulation and The IIA have recommended IAFs to coordinate their assurance activities with other assurance providers in order to maximize risk and governance oversight. As occupational professions, such as the IAF, are often bounded by expertise in a particular subject matter (Pentland, 2000), IAFs need to understand that they cannot act alone to provide holistic assurance to the board about risk management, and that they are therefore not “super auditors” (Chambers, 2008). Given the many sources of assurance within one organization, it is vital to ensure proper coordination between assurance providers. However, research has been silent so far about what IAFs think about their role in combined assurance.

This study has provided first insights into the role the IAF could play in combined assurance: that of combined assurance orchestrator. There are two limitations. First, this study relates to IAFs’ perceptions about their role in combined assurance. It is possible that there are other functions leading combined assurance whose views are not taken into account.

Second, the case studies and interviewees were recruited on a voluntary basis. This may skew the findings in favor of organizations in which the IAF represents better practice than the wider population. Nevertheless, the study provides two contributions to the literature.

First, it extends the literature on combined assurance. Research into combined assurance is only in its infancy. Our study builds on Decaux and Sarens' (2015) findings about the critical success factors for combined assurance implementation, by providing first insight into who is able to lead the combined assurance approach. This paper proposes an innovative alternative to the traditional provision of assurance services by the IAF to those responsible for organizational governance. Previous literature has insisted that governing bodies often place substantial reliance on the IAF to help them provide an independent assessment of risk management and internal control systems (Leung et al., 2011; Sarens et al., 2009), however, IAFs need to develop new monitoring techniques if they want to enhance their role in organizational governance (Shortreed et al., 2012). With this study, we propose that the IAF could play an additional role in organizational governance: that of combined assurance orchestrator. In the South African context, King III has almost forced IAFs to play a leading role in combined assurance, but this leading role was also naturally taken by IAFs in other contexts.

Second, our study extends the literature on the professionalization of the IAF. By facilitating, coordinating and reporting combined assurance activities, the IAF can become a much more meaningful comfort provider to the audit committee (Sarens et al., 2009) and to the board by providing more dependable assurance (Chambers and Odar, 2015). Through a combined assurance approach, the IAF delivers holistic assurance to the board about the effectiveness of risk management and how risks are managed at an acceptable level which allows a board to exercise its oversight role appropriately and fill its assurance vacuum (Chambers, 2008). According to the sociology of professions, IAFs are legitimate candidates

to lead the combined assurance initiatives. More than the control over substantive knowledge for professional stature (Abbott, 1988), our findings reveal that the combination of the IAF's familiarity with the organization, the IAF's internal and independent position that is still close to assurance providers, and the IAF's knowledge and methodology in providing assurance services make the IAF well-suited to play a leading role in the jurisdiction of combined assurance. Contrary to the concept of inter-professional competition suggested by Abbott (1988), and further illustrated by the jurisdictional disputes between IAF and external auditors reported by Covalleski et al. (2003) and Rittenberg and Covalleski (2001), we found, similar to Arena and Jeppesen (2010) and Sarens et al. (2009), that the knowledge bases of internal and external auditors do not conflict. Rather, by working together, the various assurance providers create valuable synergies that, in turn, create a higher level of comfort for the board. As a result, our findings corroborate those from Sarens et al. (2009) who suggest that a joint audit approach will enhance the overall level of comfort, but we expand this argument to the collaboration between all assurance providers (Roussy, 2013). The jurisdictional domain of combined assurance is therefore shared by various assurance providers, for which the IAF plays the orchestrator.

There are also practical implications. A first implication is for regulators. As we described combined assurance as a relevant technique for monitoring and communicating about the effectiveness of risk management, The IIA, the global setter for internal audit activities, may obviously benefit from our study. The IIA is constantly looking for ways to further refine its guidance of the role that the IAF can or should play in risk management, control and governance. A second implication is for IAFs, in their desire to add value to the governance process. An important issue related to combined assurance is to determine who is going to be accountable for the process (IIA UK and Ireland, 2010). This study shows how internal auditors can strengthen their profile in governance. Championing the combined

assurance approach will help internal auditors to enhance the effectiveness of organizational governance by supporting boards and audit committees in effectively assuming their risk oversight responsibilities. In our view, King III has elevated internal audit phenomenally. As soon as IAFs understand the risks, how these are assured, and who is doing what, they become a lot more valuable and meaningful to the organization; they become the eyes and ears of the board everywhere (Chambers, 2014). Championing the combined assurance approach could well become the role of an effective IAF (Lenz and Hahn, 2015; Lenz and Sarens, 2012) and help IAFs provide stronger assurance to the board by strengthening internal audit's relationship with the board (Chambers and Odar, 2015). Our findings also have implications for current internal audit practices and/or potential future research.

Combined Assurance Plan

Traditionally, the IAF follows a risk-driven approach to planning its resources (Castanheira et al., 2009; Coetzee and Lubbe, 2014). Following a combined assurance approach to assurance activities can help the IAF to schedule its resources even more efficiently. Because the IAF follows a risk-based approach to performing its assurance services, IAFs are not able to cover hundred percent of the risk universe every year. Many organizations and many internal audit departments have failed to understand that. At best, they can cover one hundred percent of the high risk issues. Saying that, IAFs need to ensure that medium and low risks are being monitored or checked by someone else in order to provide a global opinion of the effectiveness of risk management and internal control systems to the board. In other words, IAFs may need to rely on combined assurance, and develop working relationships with a diverse range of assurance providers. The internal audit plan could therefore change drastically with this combined assurance approach. As suggested by two CAEs in our study, their intention is to take the results of the combined assurance report in order to drive the internal audit plan for next year.

Combined Assurance Activities

In order to cover the broad complexity of risks facing organizations and the assurance expectations of its stakeholders, IAFs need to develop working relationships with other assurance providers. The traditional internal auditor still needs to carry out their audit as they used to do. The difference is that they will do it with other assurance providers. Providing assurance on risk management, as suggested by The IIA (2009), is not an activity an IAF can do on its own. Auditors exert control primarily over process, not content (Power, 1999), so that if IAFs understand that they are limited in terms of skills and expertise, they will see the value of this combined assurance approach. Similar to environmental auditing (Power, 1997), only a multidisciplinary and coordinated approach is required to provide a complete picture of assurance. With this combined assurance approach, IAFs can spend enough time interrogating and challenging the risk management system because they go through every aspect with other assurance providers. These collaborations will also influence IAFs so that they will become much more knowledgeable about their own business.

This combined assurance approach could change the way organizations recruit their IAFs. Based on our findings, one important challenge is that an 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. 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. Recruitment and the type of people organizations may have in the IAF will change drastically. Organizations cannot simply approach accounting firms for skill sets. Organizations need to bring in people who have different industry, and technical subject matter expertise, and then combine that with audit skills to be effective. Specifically, there is potentially a whole new area, or potential members in the sustainability area, that will be looking for assurance. In the

future, maybe, an internal audit department may look totally different based on this combined assurance approach. Ideally, assurance providers all need to sit together in one department. We would therefore encourage future studies to examine these issues.

Combined Assurance Report

The combined assurance report holistically summarizes findings from various assurance providers. Often, this responsibility is undertaken by CAE. By collecting data from various assurance providers, then reducing it to information relevant to the board, IAFs become much more meaningful to the board (Chambers and Odar, 2015). By reporting holistically to the board, CAEs also have the opportunity to re-engineer the whole assurance process within an organization. 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 (2013a) insisting that boards need confidence that the overall assurance is adequate for validating that the risks are being managed effectively. This also suggests a need for IAFs to rely on combined assurance.

CHAPTER 4: HOW TO IMPLEMENT COMBINED ASSURANCE?⁸

4.1 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, 2006b; 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., 2012b). By receiving multiple opinions, boards are therefore not in a position to exercise their oversight role appropriately (Sarens et al., 2012b).

As a result, coordination among these various assurance providers is necessary. Bringing many assurance providers together to perform assurance activities allows for

⁸ This paper is published. See, Decaux, L. and Sarens, G. (2015). Combined Assurance Implementation: Insights from Multiple Case Studies, *Managerial Auditing Journal*, 30(1), pp. 56-79.

immediate rationalization and efficiency gains (Sarens et al., 2012b). The Institute of Internal auditors (IIA), the global internal auditing authority, recently released standards, guidance, and practice advisories on this matter (see IIA, 2012, 2013a; 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, 2012). 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, 2008; 2010) 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 champion, (4) develop an assurance strategy, (5) map assurance providers to their assurance activities, and (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. 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.

4.2 LITERATURE REVIEW AND RESEARCH QUESTION

4.2.1 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 (2012a)

revealed that, of the 74% of organizations with formal enterprise risk management (ERM) frameworks, only 45% 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, 2006b; 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 lacks 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), “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” (p. 1).

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 Commission on Corporate Governance (2010) asserts that a "board should also ensure that appropriate risk management systems are in place so that excessive risk taking is avoided" (p. 27) 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.

4.2.2 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 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” (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; IIA, 2012; Sarens et al., 2012b).

4.2.3 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) 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” (p. 4). Moreover, KPMG (2007) argues that “having in place a strong set of defenses is crucial, but equally important is the need to coordinate these activities” (p. 15). 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, 2012a; IIA, 2012; 2013b; IIA UK and Ireland, 2010; Sarens et al., 2012b). 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) 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" (p. 77). 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 (i) the risk management system is effective, and (ii) significant risks are being managed appropriately through an effective internal control system (IIA, 2012; IIA, 2009). 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, 2013a).

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. Goodwin-Stewart and Kent (2006b) and Hay et al. (2008) 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), “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” (p. 11). 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 (2012) suggest performing an assurance mapping exercise as a “valuable tool for coordinating risk management and assurance activities” (IIA, 2012, 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 (1) only half of the organizations said they were successful in organizing control and assurance activities for significant risks, (2) a third had difficulties with their assurance mapping exercises for significant risks, (3) a fifth were unclear about to which significant risks assurance activities relate, and (4) 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% 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%), the immature ERM (39%), the difficulty of identifying the process coordinator (34%), the self-interest of the assurance providers (27%), the lack of an executive and board buy-in (26%), and the assurance providers’ lack of competence and skills (21%) (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 implementation of combined assurance. Our research question aims to identify the important components in successful combined assurance implementation:

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

4.3 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), “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” (p. 17). 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; Malsch and Salterio, 2015).

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 one week before the interviews. Afterwards, 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 VIII provides the summary of interviews.

[INSERT TABLE VIII ABOUT HERE]

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), and two are Australian organizations (Case E and Case F). 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 IX outlines the characteristics of each organization.

[INSERT TABLE IX ABOUT HERE]

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) state that “thematic analysis is a search for themes that emerge as being important to the description of the phenomenon” (p. 3). 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 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.

4.4 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.

4.4.1 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.

4.4.2 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)

4.4.3 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% 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 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.

4.4.4 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.

4.4.5 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 scepticism 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)

4.4.6 Combined assurance report

Combined assurance implementation should end with the regular delivery of a combined assurance report. Importantly, none 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 (a) 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, (b) define a framework and consistent reporting requirements for combined assurance as well as the taxonomy to be used, (c) communicate combined assurance activities and impacts to the stakeholders, (d) provide guidance and direction regarding combined assurance activities, and (e) 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 X 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.

[INSERT TABLE X ABOUT HERE]

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 XI presents a summary of all important components for each case.

[INSERT TABLE XI ABOUT HERE]

4.5 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, 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.

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 (Power and Gendron, 2015). 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. Three, 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. Three, 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.

CHAPTER 5: THE DETERMINANTS OF COMBINED ASSURANCE⁹

“A sound governance, risk management, and internal control environment starts by stretching the strategic planning exercise to consider alternative outcomes. That is, while the strategy is being developed, management and the board should consider a number of questions: What are the major risks this plan exposes the company to? How much risk exposure are we willing to accept? What are the mitigating controls that need to be in place to effectively limit these risks? How will we know if these controls are working effectively?” (Bies, 2004).

5.1 INTRODUCTION

The above quote from Ms Susan Schmidt Bies, member of the Board of Governors of the US Federal Reserve, in a speech given at the Risk Management Association and Consumer Bankers Association Retail Risk Conference, in Chicago during summer 2004, provides a tenet for understanding the importance of risk management in effectively executing business strategies. Risk oversight has thus gained prominence in recent years (Beasley et al., 2015b; Committee of Sponsoring Organizations of the Treadway Commission (COSO), 2009; Franzel, 2014; Hines and Peters, 2015; Landsittel and Rittenberg, 2010). One reason is that the last financial crisis has been somewhat attributed with poor governance caused by failures in the risk management oversight role of boards (e.g., Beasley and Frigo, 2007; Brown et al., 2009; Conyon et al., 2011; Magnan et Markarian, 2011; Mikes, 2011; Pirson and Turnbull, 2011).

While regulators and policy makers are trying to focus on mechanisms to improve risk management oversight, combined assurance, defined as “integrating and aligning assurance processes in a company to maximise risk and governance oversight and control efficiencies, and optimise overall assurance to the audit and risk committee, considering the company’s

⁹ This paper is based on a LSM Working paper 2015/02 “The Determinants of Combined Assurance Adoption: A Global Survey”. It has been presented at the 38th Annual Congress of the European Accounting Association (Glasgow, 2015).

risk appetite” (Institute of Directors (IoD), 2009, p.50), has emerged as a new paradigm for receiving holistic and coordinated assurance about the effectiveness of risk management (IoD, 2009; Sarens et al., 2012b).

Despite the recommendations and value of applying a coordinated approach to all assurance activities (IIA, 2012; IIA UK and Ireland, 2010; Sarens et al., 2012b), only a few organizations have implemented combined assurance (IIA UK and Ireland, 2010), and there is currently little academic literature on this topic. Research is particularly necessary in order to understand why some organizations are adopting combined assurance, whereas others are not.

The purpose of this study is to fill this gap. Using a survey targeting chief audit executives and other internal auditors, we explore the determinants of combined assurance adoption. Based on 186 usable survey responses, our results suggest that (i) risk management oversight characteristics, (ii) the number of different assurance providers, and (iii) other organizational governance characteristics, are associated with the adoption of a combined assurance framework for monitoring the effectiveness of risk management processes.

This study mainly contributes to the existing literature on risk management. It offers a follow-up of Beasley et al.’s (2005) study of the antecedents of enterprise risk management (ERM) implementation, arguing that the last step, when ERM is implemented, lies in monitoring its effectiveness (COSO, 2004). More precisely, this study extends the literature on risk management oversight (Beasley et al., 2015a; 2015b; COSO, 2009; Landsittel and Rittenberg, 2010) by providing important insights into the determinants associated with a combined assurance adoption. This study also contributes to the emerging literature on combined assurance (Decaux and Sarens, 2015; Sarens et al., 2012b) by being the first to examine the determinants of combined assurance adoption using a unique dataset.

This study also has implications for practitioners and regulators. In a context in which policymakers and regulators are trying to improve risk management oversight, this study provides the first evidence about the determinants of combined assurance adoption that may be of some interest. Viewed as an alternative to uncoordinated assurance activities, combined assurance may be an important organizational model that enhances risk management oversight role of boards and organizational governance accordingly.

The article proceeds as follows. The second section provides background to the study. The third section develops hypotheses. The fourth section describes the research method. The results are reported in the fifth section. The final section concludes, identifies limitations, and offers opportunities for future research.

5.2 BACKGROUND TO THE STUDY

Since the release of ERM – Integrated Framework (COSO, 2004), more and more organizations have embraced ERM as a way to better link risk management with business strategy. The framework consists of eight risk management processes: (i) internal environment, (ii) objective setting, (iii) event identification, (iv) risk assessment, (v) risk response, (vi) control activities, (vii) information and communication, and (viii) monitoring the effectiveness of the whole framework (COSO, 2004). At the same time, a large community of researchers has followed the initiative and provided many publications on the topic (e.g., Arena et al., 2010; Beasley et al., 2005; Hayne and Free, 2014; Lundqvist, 2014; Mikes, 2011; Power, 2009). According to Miller et al. (2008), the omnipresence of ERM is attributed to the proliferation of tools and technologies such as chief risk officers, risk maps and/or assurance framework.

There have been a multitude of debates in ERM over the years. Some academics have explored the factors associated with ERM implementation (Beasley et al., 2005; Kleffner et al., 2003; Liebenberg and Hoyt, 2003; Lundqvist, 2014). Others have studied the value and

performance of ERM (Gordon et al., 2009; Hoyt and Liebenberg, 2011; Nocco and Stulz, 2006; Smithson and Simkins, 2005). Nowadays, the question of risk management oversight is of greatest importance (Beasley et al., 2015b; Franzel, 2014; Hines and Peters, 2015; Landsittel and Rittenberg, 2010). Monitoring the effectiveness of ERM represents the last step of the eight “ideal typical ERM processes” (Hayne and Free, 2014, p. 311). It requires that the board assess how effectively the entire risk management framework is present and functions in responding to significant risks (Beasley et al., 2015b; 2006; Beasley and Frigo, 2007; COSO, 2009). Proponents of enhanced risk management oversight argue that it helps boards to better exercise their risk management duties, while at the same time, reinforces the strategic role of the board (Beasley et al., 2015b; Reding et al., 2009).

Recent corporate failures and changes in corporate governance have increased stakeholder expectations with respect to risk management, and they have asked boards to demonstrate better accountability when it comes to risk management oversight. According to Pirson and Turnbull (2011) the risk management oversight role of boards failed during the last financial crisis because directors either lacked the relevant risk-related information or were unable to process the information at their disposal. Accordingly, several governance initiatives were released with guidance and recommendations for improving risk management oversight. In Europe, guidance on the 8th Directive, article 41, was released by the European Confederation of Institutes of Internal Auditing (ECIIA) and the Federation of European Risk Management Associations (FERMA) to encourage boards and audit committees to monitor the effectiveness of risk management and internal control systems (ECIIA and FERMA, 2010). Similar approaches were adopted in other countries, such as the USA (New York Stock Exchange Commission, 2010) and the UK (Financial Reporting Council, 2012). South Africa went a step further. The updated South African code of corporate governance – King III – particularly insists on the responsibility of boards to comment on the adequacy of their

internal control systems (Principle 2.13), and to receive combined assurance about the effectiveness of the entire risk management process (Principle 4.9) (IoD, 2009).

Nowadays, effective governance suggests that boards receive assurance about the effectiveness of risk management (IIA, 2009, 2012; IIA UK and Ireland, 2010; Sarens and Christopher, 2010; Spira and Page, 2003). The exercise of risk management oversight requires that a board collects assurance from different assurance providers – management, internal and/or external audit, compliance, corporate social responsibility, to name but a few examples – in order to help the board exercise its risk management oversight responsibilities (Decaux and Sarens, 2015; IIA, 2012; Reding et al., 2009; Sarens et al., 2012b). In a nutshell, these assurance providers are internal and external functionaries “who tell managers what is on track and what is not within the company” (Deloitte, 2011, p. 1). Risk management and assurance activities are therefore mutually dependent on one another (Daugherty and Anderson, 2012; Reding et al., 2009) since risk management provides the proper infrastructure to support the assurance process (IIA, 2012). The idea of coordinating assurance activities between the whole set of assurance providers emerged within King III due to the multitude of risks faced by organizations, and therefore the multitude of assurance activities required (IoD, 2009). Combined assurance aims to optimize the assurance delivered by a multitude of assurance providers on the risks that organizations are facing (IoD, 2009). Even if there were some elements¹⁰ of combined assurance before King III, the South African code was the first to formalize that coordination by suggesting that it would improve the board’s risk management oversight role. Very quickly after King III, The IIA embraced the initiative and started to release guidance and practice advisories to help organizations coordinate their assurance activities (IIA, 2012, 2013a). Combined assurance is thus described as a paradigm to provide coordinated assurance in order to help boards monitor the

¹⁰ See the literature on the coordination of internal audit and external audit (Bame-Aldred et al., 2013; Hay et al., 2008; Goodwin-Stewart and Kent, 2006a; 2006b; Mat Zain et al., 2015).

effectiveness of their ERM (Decaux and Sarens, 2015; IIA, 2012; IoD, 2009; Sarens et al., 2012b). In the same vein as ERM coordinates risk management activities between previously siloed risk functions, combined assurance does the same with assurance activities¹¹ with the objective of providing holistic assurance to the board.

The combined assurance literature is not so extensive, but it is emerging. A first survey from The IIA UK and Ireland (2010) revealed that only eight percent of organizations coordinate their assurance activities. That survey also reported an initial list of different assurance providers that organizations use frequently, the benefits of coordinating assurance, and reasons explaining why it could be difficult to coordinate assurance. Sarens et al. (2012b) and Decaux and Sarens (2015) used case studies to enter the “black box” of combined assurance. One interesting finding from their interviews with combined assurance participants is that combined assurance should ultimately improve a board’s oversight role by improving assurance reporting to the board and by reducing assurance duplication and assurance gaps (Sarens et al., 2012b). They also provide first insights about how to implement combined assurance (Decaux and Sarens, 2015). Nevertheless, research has been silent so far about the reasons that some organizations are adopting combined assurance, and others are not. To investigate this area, this study uses several determinants from the risk management literature¹² (e.g., Baxter et al., 2013; Beasley et al., 2005; 2015b) and explores whether they are also associated with combined assurance adoption.

5.3 HYPOTHESES DEVELOPMENT

5.3.1 ERM oversight

Presence of a Committee Responsible for Risk Management Oversight. Board subcommittees exist to support directors in performing their roles more effectively. When it

¹¹ According to many, the three lines of defence model can serve as the starting point to identify and coordinate all assurance providers an organization is facing. See Daugherty and Anderson (2012), ECIIA and FERMA (2010), IIA (2013), IIA UK and Ireland (2010) for further details.

comes to risk management oversight, a board traditionally delegates this task either to an audit committee or to a risk committee¹³ (Beasley et al., 2015a; Brown et al., 2009; Hines and Peters, 2015; Subramaniam et al., 2009). Kleffner et al. (2003) found that the tone of boards was an important factor underlying the adoption of ERM for Canadian companies. Assigning the responsibility for overseeing risk management processes to one of its subcommittees engages, accordingly, some of the board in risk oversight (Beasley et al., 2015b). In a survey of the state of risk management oversight, however, Beasley et al. (2015a) pointed out that the assignment of risk oversight to a committee seems to be the exception rather than the rule, with 46% of sampled organizations having done so. Further, Beasley et al. (2015b) found that boards that formally assign risk oversight to a subcommittee are positively associated with increasing levels of ERM maturity. Given the important role of board subcommittees in risk management oversight, we predict that in cases for which the board assigns to one of its subcommittees the responsibility for overseeing risk management processes, there will be greater chance that organizations adopt combined assurance in order to receive holistic assurance about the effectiveness of risk management.

H₁: The presence of a committee responsible for risk management oversight is positively associated with combined assurance adoption.

ERM Oversight Maturity. Since 2009, a team of researchers from the ERM Initiative¹⁴ Group at the North Carolina State University has collected annual data on the state of risk management oversight (see Beasley et al. (2015a) for the last update). These researchers have shown a growing interest in risk management oversight because of the higher percentage of companies having had complete ERM in place each year. This suggests that when ERM implementation becomes mature enough, the last step is to monitor the effectiveness of risk

¹³ Risk committees often exist as a substitute to the presence of a chief risk officer (Beasley et al., 2015b).

¹⁴ See www.erm.ncsu.edu for more details.

management, and to potentially adopt combined assurance. Whereas in 2009, only 9% had a complete ERM in place, this percentage was just below 25% in 2014 (Beasley et al., 2015a). According to the same survey, many factors put pressure on organizations to enhance ERM oversight, such as board expectations, external pressure from investors and/or rating agencies, regulation, and new governance requirements (Beasley et al., 2015a; 2015b). Sarens et al. (2012b) discussed whether combined assurance could well be seen as an efficient and effective alternative to provide assurance services in order to help boards monitor the effectiveness of risk management. In a recent study of the components of combined assurance implementation, Decaux and Sarens (2015) reveal that combined assurance adoption depends on the maturity of ERM. According to them, a well-developed risk management framework leads the adoption of combined assurance. Taken these findings together, we can assume that there is more chance that organizations will implement combined assurance when the level of ERM oversight maturity reaches a higher level.

H₂: ERM oversight maturity is positively associated with combined assurance adoption.

5.3.2 Multiple assurance functions

Number of Different Assurance Providers. Traditionally, assurance services are provided by a multitude of different assurance providers (Sarens et al., 2012b). In order to avoid problems such as assurance gaps, assurance duplication, and inefficient reporting due to uncoordinated activities, organizations may request that their various assurance providers to coordinate their activities within a combined assurance approach (IIA, 2012; IIA UK and Ireland, 2010; IoD, 2009; Sarens et al., 2012b). Undoubtedly, organizations with a greater number of different assurance providers will mostly benefit from coordinating assurance services in order to achieve effective and efficient assurance coverage in comparison with those with fewer assurance providers. Thus, we hypothesize that:

H₃: The number of different assurance providers is positively associated with combined assurance adoption.

5.3.3 Organizational characteristics

Board independence. The board is an important monitoring mechanism (Reding et al., 2009). The presence of non-executives on the board improves monitoring since non-executives better represent principals' interests from agents' opportunism (Beasley et al., 2009; Pincus et al., 1989). According to agency theory, independent boards are more objective when assessing management actions, and take greater decisions as a result of their impartiality in comparison to boards in which the percentage of non-executives is lower (Jensen and Meckling, 1976). The presence of non-executives is more likely to increase the quality of monitoring since they are more likely to suggest other internal and/or external monitoring mechanisms to complement their own monitoring duties (Desender, 2008; Subramaniam et al., 2009). For example, Beasley et al. (2005) found that a more independent board is positively associated with ERM deployment. Therefore, we argue that a board with a larger proportion of non-executives is likely to more actively engage in combined assurance adoption as a way to support board members with their risk management oversight responsibilities.

H₄: Board independence is positively associated with combined assurance adoption.

CEO/Chairman duality. CEO duality relates to a situation in which the CEO and the chairman of the board are the same individual. An independent chairman is often seen as providing better monitoring because they undertake an independent check on the CEO. As such, an independent chairman is more likely to seek high quality monitoring mechanisms. Jensen (1993) pointed out that CEO/chairman dual role may lead to failures in internal control systems. Subramaniam et al. (2009) also found that the existence of an independent chairman was positively associated with the existence of a risk management committee. This implies

that an independent chairman will make a greater investment in risk management oversight. Desender (2008) also found that the separation of the roles of CEO and chairman of the board was significantly related to ERM implementation. As a result, we predict that an independent chairman is more likely to promote the adoption of combined assurance as it would enable better risk management oversight.

H₅: CEO duality is negatively associated with combined assurance adoption.

Big-4 audit firm. Auditing has long been recognized as a key monitoring mechanism that principals use to reduce agency problems (Adams, 1994; Anderson et al., 1993; Jensen and Meckling, 1976; Watts and Zimmerman, 1983). Through post-audit recommendations, external audit firms are generally able to propose suggestions to further improve internal control and risk management systems to their clients (Subramaniam et al., 2009). Cohen et al. (2004) found that Big-4 audit firms were more likely to encourage higher quality internal monitoring mechanisms than non-Big-4 firms. In the same vein, Beasley et al. (2005) found evidence that enterprises audited by a Big-4 audit firm had greater levels of ERM implementation. Moreover, Hines and Peters (2015) found that if a financial institution employs an external auditor, it is more likely that the organization will form a risk management committee. Taken together, these results suggest that organizations audited by a Big-4 audit firm achieve higher quality monitoring. There is also greater interest nowadays among audit firms in the coordination of assurance services. Many audit firms have consequently started to release reports on this subject (e.g., Deloitte, 2011; EY, 2010; KPMG, 2007; PwC, 2012a) to encourage organizations to apply combined assurance. Based on the above discussion, we expect that organizations audited by a Big-4 audit firm will more opportunity to implement combined assurance.

H₆: A Big-4 firm is positively associated with combined assurance adoption.

Compliance with IIA Standards. The IIA is the global setter for internal audit standards. Recently, The IIA embraced the idea of coordinating assurance activities in order to enhance governance effectiveness (IIA, 2012). According to different standards and practice advisories, it is suggested that the internal audit function not only takes responsibility for monitoring ERM (IIA, 2009), but also coordinates with other assurance providers. IIA Standard 2050 on coordination states that the chief audit executive “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, 2013a). Just as the COSO played an important role in the institutionalization of ERM (Hayne and Free, 2014), The IIA advocates the concept of combined assurance so that we explore whether organizations in which the internal audit function complies with IIA standards have a greater chance to coordinate their assurance activities with other assurance functions through a combined assurance approach. Thus, we hypothesize:

H₇: Compliance with IIA Standards is positively associated with combined assurance adoption.

Size. Many studies attest that larger organizations use more effective monitoring techniques, such as ERM, in comparison with smaller organizations (Beasley et al., 2005; 2015b; Colquitt et al., 1999; Hoyt and Liebenberg, 2011; Liebenberg and Hoyt, 2003; Pagach and Warr, 2011). For example, Carcello et al. (2005b) found that larger firms are more likely to encourage greater investment in internal audit in order to apply higher monitoring standards. Similarly, Baxter et al. (2013) found that larger entities have higher ERM quality programs. According to KPMG (2012b) large companies embed various assurance functions in the organization to provide a higher level of assurance. Taken together, these results may also show that larger organizations have a greater propensity to implement combined assurance as a way to provide holistic assurance about the effectiveness of ERM.

H₈: Size is positively associated with combined assurance adoption.

Listed Organization. Listed organizations are usually more likely to have mature risk management practices because of regulation and market pressure. For example, Kleffner et al. (2003) argued that compliance with Toronto Stock Exchange guidelines was one of the determinants that led Canadian companies to implement ERM. Listed organizations are usually more aware of best practices in their industries. As discussed above, many codes of corporate governance have put pressure on boards to apply more effective risk management oversight practices, such as combined assurance in South Africa. In fact, King III recommends that organizations apply or explain why they do not follow a combined assurance approach to their assurance activities. Thus:

H₉: Listed organization is positively associated with combined assurance adoption.

5.4 METHOD

We electronically surveyed¹⁵ internal auditors during May and July 2014 to obtain data on combined assurance because such specific information is not publicly available. We pre-tested the online survey with academics and The IIA Research Foundation and we made revisions based on feedback received. The survey was sent to The IIA Research Foundation who in turn sent an invitation to local institutes to participate to the study. The survey was then administered to local IIA affiliates and to chief audit executives and other internal auditors. Research has shown that internal auditors are particularly knowledgeable when it comes to risk management (Arena et al., 2010; Hayne and Free, 2014; Spira and Page, 2003; Vinnari and Skærbæk, 2014) and combined assurance issues (Decaux and Sarens, 2015; Sarens et al., 2012b).

¹⁵ The survey instrument is available upon request. Please contact the corresponding author. Survey respondents were asked to provide information about specific aspects of their combined assurance framework. To help respondents understand the term “combined assurance”, we provided definitions from the King III report and that IIA standard 2050 on Coordination.

5.4.1 Sample

In total, we received 264 partially or fully completed survey responses. Some respondents provided answers to selected questions and omitted others. Some questions were conditional on answers to other questions. As a result of our research questions, seventy-eight observations had to be deleted due to incomplete/non-applicable data for one or more variables in the model. The final sample¹⁶ included 186 chief audit executives or other internal auditors, which is a similar number to other studies (e.g., Abbott et al., 2010; Beasley et al., 2005; Raghunandan et al., 2001). The respondent profile was the following: 45.7% were chief audit executives, 21% were part of internal audit management, 16.7% were internal audit senior or supervisor, 9.6% were part of internal audit staff, and 7% were from other positions, such as risk manager or audit committee chairman. The organizations represented by these respondents came from: Europe (40.3%), Asia (28.5%), Africa (20.4%), Australia (8.6%) and America¹⁷ (2.2%). Finally, the internal auditors who surveyed the questionnaire rated their knowledge about combined assurance as very poor (10.8%), poor (15.1%), fair (33.3%), good (30.1%), and very good (10.8%).

5.4.2 Variables

CA ADOPTION is a dummy variable which represents whether or not an organization has implemented combined assurance. OVERSIGHT COMMITTEE is a dummy variable which takes a value of 1 if the board assigns the responsibility for overseeing risk management to one of its committees, and 0 otherwise. OVERSIGHT MATURITY is on a Likert-scale which takes a value ranging from 1 (very immature) to 5 (robust) as in Beasley et al. (2015a; 2015b). NUMB AP is a computed variable. It corresponds to the sum of all applicable assurance providers that apply in the organization. Respondents had the opportunity to select all assurance providers in a predefined list of eighteen frequent assurance providers based on IIA

¹⁶ We do not have data on how many survey requests were sent out, therefore we cannot compute a response rate. Data collection was delegated to The IIA Research Foundation.

¹⁷ The low response rate for America is explained by the fact that The IIA Research Foundation was busy with the Common Body of Knowledge (CBOK) at the same time, and they did not want to jeopardize that survey.

UK and Ireland (2010) and Sarens et al. (2012b). BOD INDEPENDENCE is the percentage of board members who are independent, given the full board size (Beasley et al., 2005; Subramaniam et al., 2009). DUALITY is a dummy variable with value of 1 if the CEO is also the chairman of the board, and 0 otherwise. BIG-4 is a dummy variable for which the value depends whether the organization uses a Big-4 audit firm to review financial statements, or not. IIA COMPLIANCE is also a dummy variable: 1 if the internal auditor complies with IIA guidelines, 0 otherwise. We use the natural log of total assets in millions of US dollars as a proxy for firm SIZE. LISTED takes value of 1 if the organization is listed on a stock exchange, 0 otherwise.

5.4.3 Logistic model

We use the following logistic model to address our hypotheses with a nominal dependent variable:

$CA\ ADOPTION = f [OVERSIGHT\ COMMITTEE; OVERSIGHT\ MATURITY; NUMBER\ AP; BOD\ INDEPENDENCE; DUALITY; BIG-4; IIA\ COMPLIANCE; SIZE; LISTED]$.

5.5 RESULTS

5.5.1 Descriptive statistics

We conducted univariate tests for differences between early and late respondents. We calculated descriptive statistics for combined assurance adoption and we found no statistically significant difference between early and late respondents. We concluded that the timing of responses did not affect our results.

Of the sample of 186 observations, 45.7 per cent had somewhat adopted combined assurance. This number is well above the eight percent of organizations that admitted to coordinate their assurance activities in 2010 (IIA UK and Ireland, 2010). We asked the respondents about their organization's risk management oversight characteristics, such as the stage of maturity of the risk management oversight and the presence of a board subcommittee with responsibility for overseeing risk management. Almost one-third (30.6 per cent)

admitted they have “mature” or “robust” risk management oversight. In 67.4 per cent of cases, the board had given risk management oversight responsibility to a board subcommittee. These findings are higher than those provided by Beasley et al. (2015a) who mostly considered organizations based in the United States. In addition, Table XII presents other descriptive statistics on the variables used in the regression model.

[INSERT TABLE XII ABOUT HERE]

Table XIII provides the Pearson’s correlations between the variables used in the regression model. An examination of the correlation matrix indicates that the variables are not strongly correlated, suggesting that multicollinearity is not a problem. All variance inflation factors are less than ten with a high of 1.567. We find that CA ADOPTION is strongly correlated with OVERSIGHT COMMITTEE, OVERSIGHT MATURITY, NUMB AP, BOD INDEPENDENCE, BIG-4, IIA COMPLIANCE, and LISTED.

[INSERT TABLE XIII ABOUT HERE]

5.5.2 Logistic regression

A logistic regression analysis was conducted to predict combined assurance adoption using risk management oversight characteristics, number of assurance functions, and organizational characteristics as predictors. A test of the full model against a constant-only model was statistically significant, indicating that the predictors as a set reliably distinguished between the adoption of combined assurance, and no adoption at all (Omnibus tests of model coefficients, Model Chi-Square = 70.440, $p < 0.000$ with $df = 9$). The indication is thus that predictors have a significant effect and essentially create a different model, than one with the constant-only (Agresti, 2007). Alternatively, the Hosmer-Lemeshow goodness-of-fit statistic is greater than 0.05, as required for a well-fitting model. If the statistic is > 0.05 , we fail to reject the null hypothesis that there is no difference between observed and model-predicted

values, signifying that the model's estimates fit the data at an acceptable level (Hosmer & Lemeshow, 2000). Our Hosmer-Lemeshow statistic has a significance of 0.310 which means that it is not significant and therefore our model is quite a good fit.

[INSERT TABLE XIV ABOUT HERE]

Table XIV provides the results of the combined assurance adoption logistic regression model. Nagelkerke's R^2 of 0.558 indicates that the predictors make a contribution to the variance in the decision to implement combined assurance. According to the Wald statistics, the presence of a committee responsible for overseeing risk management processes, risk management oversight maturity, the number of assurance providers, board's independence, and whether the organization financial statements are reviewed by a Big-4 audit firm significantly predict combined assurance adoption ($z = 6.700, p < 0.05$; $z = 4.905, p < 0.05$; $z = 5.704, p < 0.05$; $z = 12.660, p < 0.01$; $z = 5.896, p < 0.05$, respectively). H1, H2, H3, H4 and H6 are therefore supported. Surprisingly, our results suggest that DUALITY is significantly and positively associated with combined assurance adoption ($z = 6.841, p < 0.01$). This result is the opposite of what we expected for H5. In organizations in which the roles of the CEO and chairman of the board collude, there is greater chance that the organization implements combined assurance. The remainder of the set of hypotheses were not supported. We did not find evidence for associations between combined assurance and compliance with IIA standards, SIZE and listing requirements respectively. The Exp(B) column in Table XIV presents the extent to which raising the corresponding measure by one unit influences the odds ratio.

5.5.3 Additional analyses

We performed a number of additional sensitivity analyses to test the robustness of our results.

First, we replaced our independent variable OVERSIGHT MATURITY by ERM MATURITY – a Likert-scale from 1 (no ERM in place) to 5 (complete formal ERM in place) – in our logistic model, and the results in Table XV were very similar to those presented in Table XIII, meaning that both variables may be used interchangeably.

[INSERT TABLE XV ABOUT HERE]

We also used an alternative dependent variable. The dummy variable CA IMPLEMENTATION was replaced by CA MATURITY to consider whether organizations had fully (=3), partially (=2), or not (=1) implemented combined assurance. The results of the ordinal logistic regression in Table XVI are not different from those reported in Table XIII except that OVERSIGHT MATURITY is now significant at $p < 0.01$.

[INSERT TABLE XVI ABOUT HERE]

We added several additional explanatory variables to our logistic regression based on the literature on risk management. Beasley et al. (2005) found that the presence of a chief risk officer (CRO) is positively associated with the implementation of ERM, although Beasley et al. (2015b) did not find such an association using a composite index for ERM maturity. We add a variable CRO to our model for combined assurance adoption to control for the presence of a chief risk officer. According to Carcello et al. (2005b) organizational COMPLEXITY increases with the number of business segments which increases the demand for monitoring mechanisms, such as combined assurance. Moreover, Baxter et al. (2013) found that more diversified entities have higher ERM quality programs. We therefore included the number of business segments in our model. Beasley et al. (2005) found that firms operating in the BANKING industry were more advanced in their ERM implementation. As a result, we added a dummy whether the organization operates in the banking industry, or not. Finally, some literature suggests that debt levels are positively related to monitoring mechanisms

(Carey et al., 2000; Carcello et al., 2005b) and that LEVERAGE, represented as the percentage of debts to total assets, is a good predictor of ERM engagement (Hoyt and Liebenberg, 2011; Liebenberg and Hoyt, 2003). Alternatively, Baxter et al. (2013) found a negative association between leverage and ERM quality. We then controlled whether our results were sensitive to a country dimension. We separately used dummy variables for each region (Africa, America, Asia, Australia, and Europe). Although not reported here, adding all these variables to our model of combined assurance adoption did not qualitatively alter our results presented in Table XIV, however, the results for AUSTRALIA suggested that it is significantly and negatively associated with combined assurance adoption, which means that Australian organizations tend to adopt combined assurance less often.

5.6 DISCUSSION AND CONCLUSION

Corporate governance failures, new regulation and recommendations have emphasized the importance of risk management oversight (Beasley et al., 2015b). On the other hand, interaction between corporate governance players has long been an important research area. According to Beasley et al. (2009), frequent and meaningful interactions between the audit committee, the internal auditor, the external auditor, management, and the board are critical for effective audit committee oversight. This study argues that this can be extended to coordination between multiple assurance providers.

The present study provides first evidence of the determinants associated with combined assurance adoption, as a way to enhance the risk management oversight role of boards (Beasley et al., 2015a; 2015b; COSO; 2009; Landsittel and Rittenberg, 2010). Until now, there has been a lack of evidence of the processes that can help monitor the effectiveness of the risk management system (Landsittel and Rittenberg, 2010). This study fills this gap by providing preliminary evidence about the determinants associated with combined assurance adoption. Our results suggest that risk management oversight characteristics, such as when

the board delegates risk management oversight responsibilities to a committee and ERM oversight maturity, explain the decision to adopt a combined assurance approach to monitor the effectiveness of risk management. These results extend the qualitative findings from Decaux and Sarens (2015) who suggested that a well-developed risk management framework drives combined assurance adoption. We also found that the number of different assurance providers is also positively associated with combined assurance adoption. Certainly, when organizations use multiple assurance providers to help boards with their oversight responsibilities, these organizations recognized that is more effective and efficient that these assurance providers coordinate their activities within a combined assurance framework. Finally, we found that some organizational characteristics are associated with a greater level of combined assurance adoption. As suggested by agency theory, a board's independence is an important mechanism to reduce agency costs. Our results suggest that independent boards tend to ask their assurance providers to coordinate their activities more frequently. When financial statements are reviewed by a Big-4 audit firm, the client organization has higher propensity to adopt combined assurance. This result is consistent with Cohen et al. (2004) who suggested that Big-4 audit firms are good candidates to improve the quality of monitoring in their client organizations. Surprisingly, we found evidence that when the same individual simultaneously operates as chairman of the board and CEO, there is greater chance that the organization will adopt a combined assurance approach to its assurance activities. This result somewhat contradicts our expectations, as agency theory suggests that CEO/chairman separation is an important mechanism in reducing agency costs. One possible explanation for this finding is that risk management is considered both as a monitoring tool and a strategic tool, so that when both CEO and chairman roles are the responsibilities of the same individual, they will ask assurance providers to coordinate their activities within a combined assurance framework. Accordingly, risk management oversight continuously helps

the strategic direction being taken by the board and CEO, and vice versa (Beasley et al., 2015b; Reding et al., 2009).

The findings of this study should be of interest to organizations that do not have combined assurance, academics, and regulators, as combined assurance may join the range of monitoring mechanisms that help boards to fulfil their oversight role appropriately. From a practical perspective, the results provide regulators and directors with a clearer picture of the organizational characteristics associated with combined assurance adoption. This knowledge may be useful, for example, if other codes of corporate governance, beyond King III, recommend combined assurance adoption. From a research perspective, the results highlight combined assurance as a potential further step for adequate risk management oversight.

There are limitations to our research approach. First, the sample used in the study was only 186 organizations, and thus, the generalizability of the results is somewhat limited. A second limitation is that the data was derived from an online survey, as there is no publicly available data on combined assurance. We ask organizations directly through survey about their combined assurance adoption. This underreporting of practices may create inaccuracies in the evaluations of combined assurance adoption and it may somewhat affect the results of this study (Baxter et al., 2013; Bisbe et al., 2007; Lundqvist, 2014). Thirdly, this study only provides combined assurance insights from the perceptions of internal auditors as organizations do not disclose whether they coordinate their assurance activities. Surveys of company personnel provide a valuable inside view of the firm, but could also be biased as it is self-reported and dependent on a single answer without additional information and possible verification (Baxter et al., 2013). It is possible that there are other functions leading the combined assurance initiative within their organizations whose views are not captured in our responses. A fourth limitation is that the completion of the survey was voluntary, and therefore, there is some potential for bias if those choosing to respond are those who are only

interested in the topic. Our study's results may be limited to the extent that such bias exists. Finally, this study is only exploratory so that there may be important determinants of combined assurance that are not reflected. Other determinants from the corporate governance and/or the auditing literature may also explain why some organizations combine their assurance activities among assurance providers, whereas others are not.

We believe this study opens the door to future research in the area of combined assurance. During our additional analyses, we found that being an Australian organization is negatively associated with combined assurance adoption. This implies that Australian organizations tend to coordinate assurance activities less frequently. Future research could study the reasons that organizations do not coordinate their activities in depth. Is it a question of independence or whatsoever? This study only considers some risk management oversight and organizational characteristics in order to explain the decision to implement combined assurance, however, we further encourage researchers to also examine the behavioral characteristics of combined assurance. Relational coordination theory, for example, offers several relational characteristics that may somewhat influence the dynamics of coordination among multiple assurance providers.

CHAPTER 6: CONCLUDING REMARKS

“People only accept to change when they are faced with necessity, and only recognize necessity when a crisis is upon them”.

Jean Monnet, Founding Father of Europe.

Nowadays, organizations are trying to strengthen their governance. The three lines of defense model, a widely accepted governance model considering all control activities within an organization (e.g., IIA, 2013a), has often given the impression of control and a false sense of assurance. The three lines of defense model has been criticized leading to metaphors such as “Maginot Line”, “Potemkin Village” or “Goodhart’s law”, because it is inadequately implemented (Chambers, 2014) and no longer provides a proper defense (IIA UK and Ireland, 2010). The existence of these lines of defense remains ineffective without coordination.

As recognized by Jean Monnet, crises offer opportunities. In light of the financial crisis, the related risk management failures, and the ineffectiveness of the three lines of defense model, there is ongoing debate among regulators and practitioners about how to improve risk management oversight. It is particularly so because expectations for more effective oversight of risks by boards have significantly increased (e.g., Beasley et al., 2015b; Hines and Peters, 2015). As a result, it is widely acknowledged that boards need better assurance (Chambers, 2014). Consequently, one of the biggest challenges today for organizations to strengthen their governance “is about marshalling assurance provision so that the people governing the organization and stakeholders know that objectives are being achieved through the management of risk” (IIA UK and Ireland, 2010, p. 1). Nevertheless, how can boards, the audit (risk) committee, and senior management achieve an integrated view of all assurance activities between the three lines of defense?

The need for effective assurance has become highly topical as organizations are increasingly complex and confronted by many assurance providers, accordingly. As a result, coordination between assurance providers in order to enhance governance has been recommended by researchers (e.g., Roussy, 2013; Sarens et al., 2009), regulators (IoD, 2009), policymakers (IIA, 2013a; IIA UK and Ireland, 2010), and practitioners (e.g., Dangre, 2013; KPMG, 2012b). However, research into this topic remains quite limited. This dissertation is intended to contribute to the discussion on how assurance activities can be organized in an effective and efficient way, by entering the black box of combined assurance. Such an objective is achieved through the innovative focus on combined assurance and the use of mixed methods research approach and multiple perspectives. The dissertation is presented in four papers.

I start this concluding section by providing a summary of each paper. Then, I explain the main contributions of the dissertation, followed by a discussion of the main limitations. Finally, I propose future research opportunities in the area of combined assurance that may be of interest to academics and practitioners who wish to embark on the combined assurance journey.

6.1 SUMMARY

The first paper, a conceptual paper, offers insights into combined as recently practiced within the international accounting community, regarding its understandings, drivers, and benefits. The findings suggest that combined assurance is an effective and efficient assurance approach, and, therefore, an important organizational model to consider, providing a board with holistic assurance about the effectiveness of risk management. As such, it helps a board improve its risk management oversight on behalf of multiple stakeholders.

The second paper explores the roles of the IAF in combined assurance. Based on five case studies, internal auditors perceive that they are legitimate candidates to lead the combined assurance approach by facilitating, coordinating, and reporting combined assurance activities. This paper argues that playing the combined assurance orchestrator may well be seen as the role-model of an effective IAF.

In the third paper, I investigate how to implement a combined assurance program. This paper uses qualitative data obtained through semi-structured interviews with key combined assurance participants in six multinationals at different stages of combined assurance implementation maturity. It finds that organizations are still learning from combined assurance implementation because no organization seems to have attained a mature combined assurance program. Nevertheless, the qualitative findings reveal that combined assurance implementation follows six important components: (i) having a mature risk management framework; (ii) creating awareness around the concept and obtaining the “tone at the top”; (iii) identifying a champion to lead the initiative; (iv) developing an assurance strategy with a combined assurance plan; (v) developing an assurance map to have a better understanding of roles and responsibilities in the assurance framework; and (vi) reporting combined assurance findings.

Finally, the fourth paper is an empirical survey. It presents the results of a global survey of internal auditors’ perceptions about the determinants of combined assurance adoption. Thanks to the assistance of the IIA Research Foundation for distributing the online survey to local affiliates, I developed a unique dataset of 186 usable responses from internal auditors. This original dataset, the first quantitative study since IIA UK and Ireland’s (2010) descriptive study, provides first evidence of the determinants of combined assurance adoption. I find that (a) risk management characteristics, (b) the number of different assurance

providers, and (c) other organizational characteristics are positively and significantly associated with the adoption of combined assurance.

6.2 OVERALL CONTRIBUTION OF THE DISSERTATION

The topic of combined assurance is an area of particular concern where little research has been carried out to date. As such, this dissertation makes a valuable and interesting incremental contribution to the risk management literature and to the auditing literature, as these disciplines are closely connected (Bhimani, 2009; Kaplan, 2011). It has also implications for practitioners, policymakers, and regulators by providing clear recommendations on combined assurance practices.

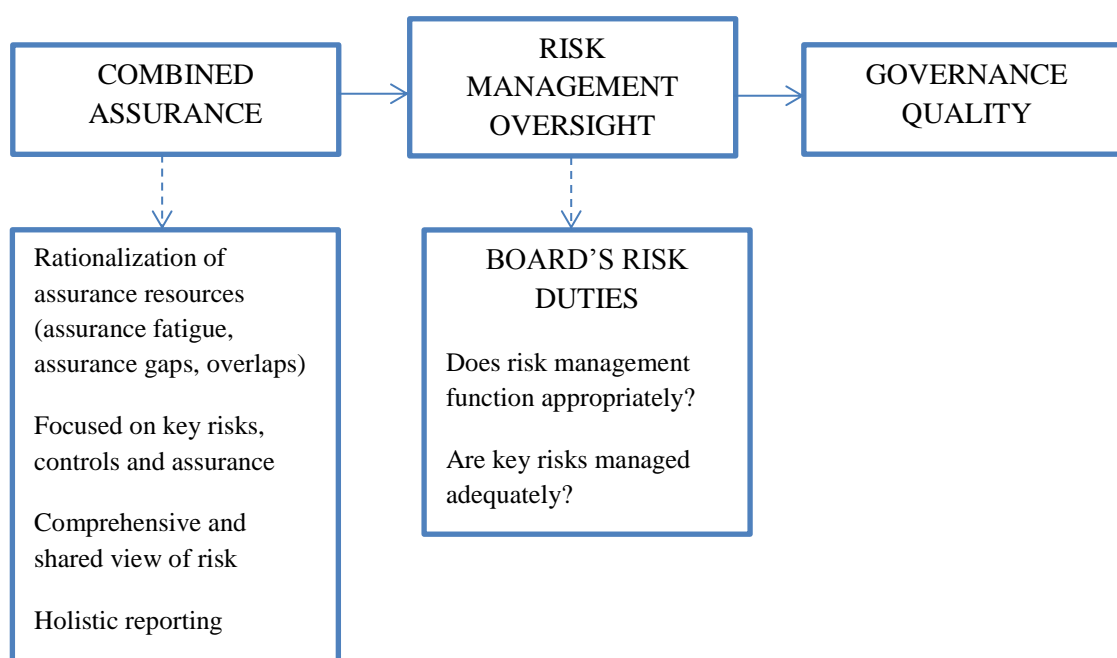
Risk management literature

Even if ignored for a long time, risk management oversight has been recently at the center of the risk management debate (e.g., Beasley et al., 2015a; 2015b; COSO, 2009), mainly because of its ineffectiveness at various occasions (e.g., Mikes, 2011). Particularly, how boards can monitor the effectiveness of their risk management programs largely remains an unaddressed question (Kaplan, 2011; Landsittel and Rittenberg, 2010). Due to the growing expectations from stakeholders that boards adequately monitor the effectiveness of risk management, this dissertation provides insights into an approach that several organizations are currently adopting to provide assurance over the effectiveness of their risk management systems. Ultimately, responsibility for the oversight of risk is at the board level (Beasley et al., 2015b). I consider how internal auditors can help boards exercise their risk management oversight responsibilities appropriately. According to internal auditors, combined assurance helps directors improve the risk management oversight in the eyes of stakeholders because if boards (1) do not understand the risks, and (2) do not receive assurance and have clear understanding whether these risks are being mitigated properly, then they cannot claim to be executing their duties fully. As such, this dissertation describes combined assurance as an appropriate

alternative to provide risk management assurance, and could well be seen as a relevant approach to monitor the effectiveness of risk management, as suggested by the ERM framework (COSO, 2004). It responds to some of the calls made by Kaplan (2011) and Landsittel and Rittenberg (2010), among others, to develop studies that address the effectiveness of risk management processes.

Taken together, the findings from this dissertation suggest that, according to the insights collected from various assurance providers, combined assurance positively influences a board's risk management oversight role, since boards receive more effective and efficient assurance, which then enhances governance, since directors can (1) express an opinion whether risk management functions appropriately and (2) whether key risks are managed adequately. Figure 4 represents a summary of the findings from the dissertation.

Figure 4: Summary of the Findings



Auditing literature

This dissertation also contributes to the auditing literature in several ways. First, it contributes to the internal audit literature (e.g., Gramling et al., 2004) by proposing an innovative role the IAF can play in governance, that of combined assurance orchestrator. An effective IAF is one that has a positive impact on governance (Sarens, 2009). By adopting a combined assurance approach to its assurance activities, I find that the IAF can enhance governance.

Second, prior literature suggests that coordination between assurance providers may lead to enhanced governance (Anderson et al., 2012; Lin et al., 2011; Sarens et al., 2009). However, it widely considered the coordination between the IAF and the external auditor, without taking into account the other valuable assurance providers that an organization has in practice. In this study, I argue that the IAF and the external auditor are only two assurance providers in a more complex network of assurance providers. Then, I investigate a model that considers the co-dependencies and interdependencies that exist among these assurance providers. Beyond the internal and external auditors, all the assurance providers constitute complementary mechanisms rather than substitutes (e.g., Hay et al., 2008; Mat Zain et al., 2015). By investigating combined assurance, I examine, as suggested by many researchers, the coordination of assurance activities between various organizational functions in order to provide a higher level of organizational assurance and comfort (Roussy, 2013; Sarens et al., 2009). The combined assurance model may well be viewed as a model that makes optimum use of assurance resources as noted by Roussy (2013).

Third, combined assurance also means relying on a combined assurance team to do an audit. As revealed by some case studies, a combined assurance team creates more value than a traditional audit, since it delivers a product that neither party working independently would be able to produce. Thus, it provides a foundation for making audit more efficient and

contributes to the debate on the joint-audit approach (e.g., Sarens et al., 2009) by considering assurance providers that are well beyond the traditional internal and external auditors.

Finally, this dissertation contributes to the auditing for stakeholders literature by viewing combined assurance as an important mechanism helping boards to become more knowledgeable and transparent about risk management to their stakeholders (Brennan and Solomon, 2008; Collier, 2008; Freeman et al., 2010).

Managerial implications

This dissertation has implications for practitioners, policymakers, and regulators. In fact, I believe that the richness of this dissertation lies in its applicability by offering insights into combined assurance that practitioners can further use (Parker et al., 2011) to assist organizations in their accountability and quest for effective risk management oversight. According to Kaplan (2011), the relationship between risk management and internal audit is an interesting line of research with high impact on the practice community.

I think that internal auditors can greatly benefit from this dissertation. As a key monitoring mechanism, the IAF helps a board and senior management “sleep at night” by providing assurance services (Marks and Taylor, 2009). As suggested by Lenz (2013, p.5), “providing assurance is a means to an end of helping the organization to achieve its objectives”. An area in which the IAF has great involvement is risk management because there is increasing pressure on boards and senior management to demonstrate their proficiency in risk management. Also, many codes of corporate governance require that boards ensure the effectiveness of risk management. Thus, the IAF has been widely acknowledged as an appropriate function for improving and monitoring the effectiveness of risk management. However, they are required nowadays to strengthen their role in governance due to their many critics (Lenz and Sarens, 2012). Chambers and Odar (2015) urged internal

auditors to provide more dependable assurance to boards. Lenz and Hahn (2015) suggested that providing more integrated assurance could well become the future role of an effective IAF. Moreover, for Shortreed et al. (2012), a lesson of the crisis is that IAFs must develop new techniques for monitoring, reviewing, and communicating to the board the effectiveness of risk management. Consequently, “Never before the IAF had a better opportunity for advancement” (Chambers, 2014, p.1), but studies have not considered so far (1) how the IAF can provide such assurance to a board, and (2) the practices and techniques that an IAF is using to be more effective in dealing with assurance activities.

As more is expected of internal auditors, their status and their professionalism need to be enhanced. An IAF is often required to express an opinion on governance, risk management, and control, but also to improve these processes. According to Ridley (2008, p.287), “modern internal auditing has been built on the three Es of Efficiency, Effectiveness, Economy as targets”. I argue that using a combined assurance approach is an alternative that helps achieving that. The effectiveness of an IAF should be considered in line with the impact it has on the quality of governance (Sarens, 2009). In this dissertation, I first consider that combined assurance helps a board to discharge their risk management duties appropriately, which then improves governance. Second, I describe the role of the IAF as being the combined assurance leader. Therefore, it is proposed that the effective service an IAF can provide to a board is by leading the combined assurance initiative. The IIA position paper on the role of the IAF in ERM (see IIA, 2013a) suggested that the IAF can provide holistic assurance over ERM on its own. I argue that this is a wrong statement. A unique IAF may fall short in providing assurance over risk management because of its background and skills (Fraser and Henry, 2004). Internal audit is not the only department in the organization that provides assurance to the board and senior management. For internal auditors, this dissertation offers an opportunity to embrace combined assurance in order to provide overall

assurance. By developing working relationships with all sources of assurance, internal auditors can provide a global and comprehensive picture of assurance to the board. Then, by providing such holistic assurance to a board, internal auditors become much more meaningful and valuable to boards and enhance their role in governance by delivering a high-quality product. Therefore, combined assurance can well be viewed as the role-model of an effective IAF that considers the three Es. A recent study performed by Sarens and Swinkels (2015) suggest that combined assurance is a particularly good strategy for the IAF in transparent, change-minded and high performing organizations.

The second practical implication is for policymakers, such as The IIA, the global setter for internal audit standards. As the idea of combined assurance has begun to emerge at The IIA¹⁸, this dissertation provides several insights into how combined assurance will enhance governance. The IIA standard 2050 requires that the chief audit executive coordinates its activities with other assurance providers in order to minimize duplication and ensure proper coverage. Furthermore, “the internal audit activity adds value to the organization (and its stakeholders) when it provides objective and relevant assurance, and contributes to the effectiveness and efficiency of governance, risk management, and control processes”, as written in the Glossary to the IIA standards (see IIA, 2013a). The IIA may well advocate combined assurance as the role-model for effective IAF. Furthermore, it may reasonably view the Chief Audit Executive becoming the Combined Assurance Executive when refining its guidance.

Finally, the dissertation has implications for regulators who are trying to improve risk management oversight in a context of crisis recovery. There are many organizations that suffered from risk management failures. Many organizations are also facing the challenge of

¹⁸ The IIA has recently recognized the value of combined assurance as several items are now included in the new Global Internal Audit Common Body of Knowledge to capture some elements of combined assurance implementation and reporting (see, IIA, 2015).

effectively and efficiently integrating the various sources of assurance. These organizations are looking for new standards and (best) practices to apply in order to improve their governance. Many of these organizations have recently made substantial investments and transformative changes aimed at strengthening their control functions. Combined assurance may well be the next logical step. I investigate combined assurance, a governance-related guidance, recommended by a country, which is viewed as a leader in governance (Baker, 2010; Coetzee et al., 2015). This dissertation provides insights into how assurance providers can collectively provide holistic assurance to a board in order that they discharge their risk management oversight role more appropriately. By combining qualitative and quantitative research, this can assist regulators to develop more efficient governance mechanisms. First, I enter the black box of combined assurance by providing unique insights into organizations that have implemented such an approach. Therefore, it may help organizations to benchmark their approach or learn more about this effective and efficient approach. The evidence obtained is particularly interesting due to the fact that organizations that have adopted a combined assurance approach to their assurance activities are, according to them, on a road to better governance. Second, I provide evidence about the determinants that are associated with combined assurance adoption. To date, only South Africa has introduced combined assurance in the governance agenda, in making it a recommended practice in its code of corporate governance. My findings may therefore be of interest to other regulators as well.

6.3 LIMITATIONS

The biggest limitation is that the views expressed throughout the dissertation are mainly taken from internal auditors. Both qualitative and quantitative studies reflect internal auditors' perceptions about insights of combined assurance and may therefore be subject to self-reporting bias. I have only considered the "supply-side" of combined assurance (Lenz and Hahn, 2015) as the multiple studies in the dissertation focus on combined assurance at the

internal audit level, but I was not able to examine combined assurance as experienced at higher levels of the organization (i.e., board level, senior management level, etc.). It is therefore possible that there are other functions leading combined assurance whose views are not taken into account in this dissertation.

A second limitation is that the case studies and respective interviewees from the first three papers and the respondents from the global combined assurance survey reported in the fourth paper were recruited on a voluntary basis. This may skew the findings in favor of organizations in which combined assurance represents better practice than the wider population.

Third, I try to present the findings obtained from the case studies as fairly as possible. However, the impact of judgment when perceiving and interpreting the findings cannot be ignored.

Finally, some of the sections in this dissertation may appear (too) normative. This is because, when considering multiple groups of stakeholders, the normative base is fundamental. According to Donaldson and Preston (1995), the normative approach to stakeholder theory is categorical: “Do (don’t) do this because it is the right (wrong) thing to do” (p. 72). In several parts of this dissertation, I recommend organizations, and their assurance providers, to coordinate their assurance activities into a combined assurance approach, since it seems to be the right approach. In fact, there are probably not many alternatives for combined assurance in a changing business environment given the multitude of stakeholders that an organization has to consider, the multitude of risks it has to manage, and, accordingly, the overall assurance that an organization needs to consider whether these risks are managed appropriately.

6.4 OPPORTUNITIES FOR FUTURE RESEARCH

I believe my dissertation provides a base line for future research as the area of combined assurance continues to evolve and mature. Also, the limitations mentioned in the above section may well be addressed through several further studies.

The focus on internal auditors throughout the dissertation is appropriate to gain insights into combined assurance as they are required to play an important role. Future research could compare several findings obtained from this dissertation with the perspectives of boards, senior management, and audit or risk committee members as regards combined assurance. This will further provide insights into the “demand-side” of combined assurance (Lenz and Hahn, 2015). According to Beasley et al. (2005), CEO and CFO support for ERM are positively associated with the implementation of ERM. Moreover, Beasley et al. (2015b) suggest that the level of formal board responsibility and engagement in risk oversight at a board level is positively associated with ERM program maturity. Some of my findings support the same argument. The “tone at the top” is important to facilitate the implementation of combined assurance such as if boards and senior management perceive value in that approach, they will dedicate resources in this combined assurance project. Furthermore, internal auditors perceive to add value to the assurance process by coordinating their activities with other assurance providers, and that will in turn positively influence a board’s risk management oversight. Because the audit or risk committee and the board assume responsibility for overseeing risk management, it might be interesting to collect evidence from these individuals to compare their views with those of internal auditors:

- What are according to directors and senior management the most important drivers (not) to implement combined assurance?
- How their assurance needs evolve over time and what kind of limitations does the ‘silo assurance approach’ have in their eyes?

- What is the role/involvement of board/senior management in combined assurance?
- Does combined assurance really help them discharge their risk management duties more effectively as proposed by internal auditors?
- What do IAF's stakeholders think about the IAF's role in combined assurance?

To counterbalance the normative base of combined assurance, future research may also look at the alternatives of combined assurance, and investigate more closely the negative or 'dark' side of combined assurance. Moreover, combined assurance is certainly not a 'one size fits all' approach (Sarens and Swinkels, 2015) so that the following research questions deserve consideration:

- Except for providing assurance services in isolation, do alternatives for combined assurance exist? If yes, how are they different from combined assurance?
- What is the relationship between combined assurance and continuous auditing?
- Being the coordinator of combined assurance may be something that not all internal auditors want to do. Why would an internal auditor not be willing to be the coordinator of combined assurance?
- Combined assurance suggests that the chief audit executive almost becomes the right-hand of the board. What are the problems associated with this?
- What are the arguments against combined assurance? Why do assurance providers not want to coordinate their assurance activities?
- Organizations may be subject to the "form versus substance" paradox when it comes to combined assurance if implementations are only done for symbolic reasons (Cohen et al., 2008). What are the differences between the organizations choosing the form and those choosing the substance in terms of practical coordination between assurance providers? Does it have any influence on the output of combined assurance?

- What are the contingency features/organizational characteristics conditioning whether combined is (in)effective or (in)efficient?
- Do multidisciplinary audit teams impact on objectivity?
- What is the cost of (combined) assurance?

The dissertation suggests various ways in which combined assurance could be linked to well-known theoretical frameworks from the governance literature. For example, Beasley et al. (2015b) argue that the adoption of ERM finds argument in agency theory, resource dependence theory, and institutional theory. The same argument holds for combined assurance. What do these various perspectives say about combined assurance? Future research may explore how combined assurance (i.e. in terms of understanding, benefits, etc.) changes taking one perspective rather than another. Is one theory better for explaining combined assurance or is it better explained from a combination of various perspectives? This could counterbalance the normative base of combined assurance even more effectively, and provide a more comprehensive view of combined assurance, by capturing the greater complexity of such a practice (Cohen et al., 2008).

Integrated (sustainability) reporting is a growing field. As noted by several participants during my interviews, there is a close connection between combined assurance and integrated reporting. These reports provide information on the management of some significant risks to various stakeholders (Ballou and Heitger, 2008). Combined assurance might help accordingly. Furthermore, O'Dwyer et al. (2011) argue that organizations must receive assurance about their sustainability reporting.

- How does combined assurance support integrated (sustainability) reporting?
- Could combined assurance replace external assurance over integrated reporting?

In Chapter 4, it is shown that engagement of all assurance providers with the concept of combined assurance is important, otherwise the benefits that organizations can get out of combined assurance will not be possible. Moreover, as combined assurance also means a combined assurance team to carry out an audit, internal auditors will need to develop, in purely practical terms, working relationships with a diverse range of assurance providers to cover broadly the complex risks that an organization faces. Linking combined assurance with the existing literature in other fields is a promising avenue for future research. For example, Steinbart et al. (2012) conducted an exploratory investigation on the relationship between the IAF and information security. They developed an exploratory model of the factors that influence the nature of the relationship between these two functions. Similarly, Gittel (2006) and Gittel et al. (2008) have developed a relational coordination theory for understanding the relational dynamics of coordinating work in highly interdependent tasks. By means of high quality communication (i.e., accurate, frequent, timely, and problem-solving) supported by high quality relationships (i.e., shared goals, shared knowledge, and mutual respect), effective coordination is achieved and leads to better quality outcomes. As such, combining these two frameworks may be of interest in investigating the dynamics of the coordination between various assurance providers. This may also address the “form versus substance” problem related to combined assurance.

- What are the contingency features/behavioral characteristics that assurance providers value the most to coordinate their assurance activities?
- Do both combined assurance effectiveness and efficiency depend on the presence of high quality communication and high quality relationships?
- As suggested by the IIA UK and Ireland (2010), what approach between coordinated assurance (combined assurance team) or coordination between assurance providers is more valuable to a board and its committees? Is there some optimum of coordination?

Finally, the survey instrument developed for this dissertation could be used for more in-depth research in future. The richness of the survey is not fully explored yet. Moreover, as noted by Beasley et al. (2015b), US based firms are significantly more likely to have more mature ERM processes than non US firms. Future research may consider investigating combined assurance in US firms as it was not captured in this dissertation.

- Higher quality ERM is associated with better corporate governance and less audit-related risk (Baxter et al., 2013). Does such a relationship exist for combined assurance?
- What is the impact of combined assurance on audit fees?
- How do US firms experience their combined assurance in comparison with non US firms?

APPENDIX TO CHAPTER 1

Table I: The Roles of the Internal Audit Function in ERM

<i>Core internal audit roles in regard to ERM</i>	<ul style="list-style-type: none"> Giving assurance on the risk management processes Giving assurance that risks are correctly evaluated Evaluating risk management processes Evaluating the reporting of key risks Reviewing the management of key risks
<i>Legitimate internal audit roles with safeguards</i>	<ul style="list-style-type: none"> Facilitating identification & evaluation of risks Coaching management in responding to risks Co-ordinating ERM activities Consolidated reporting on risks Maintaining & developing the ERM framework Championing establishment of ERM Developing RM strategy for board approval
<i>Roles internal audit should not undertake</i>	<ul style="list-style-type: none"> Setting the risk appetite Imposing risk management processes Management assurance on risks Taking decisions on risk responses Implementing risk responses on management's behalf Accountability for risk management

Source: The IIA (2009).

APPENDIX OF CHAPTER 2

Table II: Stakeholders' Needs for Assurance (based on ICAEW [2008] and Reding et al., [2009])

Stakeholder	Stakeholder's Need for Assurance	Potential Line of Defence
Boards	Discharge their duties to other stakeholders (i.e., assurance on the effectiveness of risk management and internal control systems)	Third Line of Defence
Managers	Business advice to add value to processes	Second and Third Lines of Defence
Employees	Job security (i.e., safety, security, wage benefits)	First Line of Defence
Customers and Suppliers	Goods and services of quality Ability to pay for goods and services	First Line of Defence
Investors	Financial return	Third Line of Defence
Community	Being a good citizen Compliance with laws and regulations Environmental friendliness	First Line and Second Line of Defence

Table III: Interview Summary and Characteristics of the Case Study Organizations

Case	Interviewee	Business	Turnover (2011)	Employees (2011)	Region
A	VP & Head of Internal Assurance Head of Risk Management Senior Auditor	Mining	\$90 billion	260 000	Europe
B	Chief Audit Executive Chief Risk Officer Head of Regulatory Risk Management External Audit Partner	Banking	\$6 billion	30 000	South Africa
C	Head of Risk Management Senior Audit Manager Senior Audit Manager – SOX Compliance External Partner for IT VP Group Internal Audit External Audit Partner Senior Audit Manager – Sustainability	Mining	\$5 billion	60 000	South Africa
D	Associate Director Group Internal Audit Senior Audit Manager – SOX Compliance	Banking	\$5.5 billion	35 000	Europe
E	Head of Risk Assessment & Assurance VP Risk and HSEC Assurance VP Assurance Planning & Development VP Compliance	Mining	\$70 billion	100 000	Australia
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	Communications	\$25 billion	35 000	Australia

Table IV: Descriptive Findings and Interesting Quotes from Case Studies

Research question	Construct/Themes	Illustration
Understandings	Risk Oversight	<i>My concept of combined assurance is that it looks at all of the different parts of an organization that together and are able to provide executives, the audit committee, the board, the shareholders, the regulators, and other stakeholders with the comfort that the key risks that they are concerned about are being effectively assessed, mitigated, managed and reported – Group manager (Case F)</i>
	Three Lines of Defence Coordination	<i>I remember our earlier discussions when we started looking at combined assurance, because ERM, compliance, internal audit and external audit, have traditionally been planned in silos, which meant that the coverage of this assurance provider and the total coverage do not necessarily give the company a complete coverage of risk...And also there's no synergy in terms of execution – Head of Regulatory Risk Management (Case B)</i> <i>Now 70%–80% of critical risks are technical or sustainability risks. As an internal auditor, you can be as clever as you want but you will not be able to give proper assurance on these issues. You will have to use other experts in the company to help you...If you're a mining company, sustainability is so important. You work in communities, so you affect the lives of communities. Environmentally, you take huge risks around the environment, and this affects the community...So it's not only about finance – Vice-president, Group Internal Audit (Case C)</i>
	Combined Assurance Team	<i>When the group wants to acquire a new company, you ask engineers to look at the quality of the assets, you look to a lawyer to review the legal commitments, you ask marketing to look at the market share and strategy, you ask one of the Big-4 audit firm to look into the financial figures...So, you have asked for different people about their opinion. And, for a merger, when you present the deal to the board, you try to combine these different opinions...Why don't we do that on a regular basis for our assurance activities? – Head of Risk Management (Case A)</i>

Drivers		<p><i>We take the risks from our risk register and we look at the top ones. On the basis of that, we might say a particular mine has a lot of environmental risks. We will put more environmental expertise into the combined assurance team. The team is about twenty people from all disciplines, and they will go through each operation...These assurance providers will do their own activities to come back and say: 'these risks are looking right, these are wrong, you're missing these'. They will also look at the actions and the controls that are undertaken to bring risk down further – Head of risk management (Case C)</i></p> <p><i>In the past, audit was where we would come now and check your heart. We would come again six months later and check your stomach. Management was saying 'you're telling me this now and then you're telling me this, why don't you come once, check everything, give me a full health report for my business?' – Head of risk assessment and assurance (Case E)</i></p>
	Duplication	<p><i>Our mines are audited by so many people, it is frightening. We had a look in the pilot project, if we didn't intervene next year, every week there would have been eighteen auditors at the mines, which is crazy – Vice-president Group Internal Audit (Case C)</i></p>
	Assurance Gap	<p><i>If the different assurance providers are not talking to each other, you might still be missing a critical area from a company risk perspective – External auditor (Case B)</i></p>
	Inefficient Reporting	<p><i>The other important aspect would be the way assurance providers report to the governance committees...There were often cases where different assurance providers worked in silos and the flow of information was never shared because each reported to a different committee. All assurance providers are talking to the committees, giving them different perspectives, but we're not moving collectively...So combined assurance facilitates efficient and effective reporting to the governance committees in order to deliver a consistent outcome – Chief audit executive (Case B)</i></p>

Benefits	Transparency	<i>Senior management, executives, and directors will have a much better understanding of what actually happens in the business...Combined assurance needs to make sure that the right assurance goes out to the right attention, because ultimately, what you're trying to improve is transparency for decision-making...In Case C they had an incident in one of the mines. The CEO was able to go through their risk management system, identified the risk that caused the incident and was able to determine that there was an outstanding remediation on that particular site. With the remediation effective in time, they would not have had the incident. Now that to me is transparency beyond he has ever had and the CEO admitted it himself – External Audit partner (Case C)</i>
	Board's Risk Management Monitoring Role	<i>When you have a discussion with a senior manager and say what about you risks, at the end, you understand that he tries to convince you that he is very confident because he believes his processes are very stable. With such a combined assurance tool, you can challenge that...This is a tool to collect evidence from various providers, put them together, and start visualizing where the problems are – Head of Risk (Case A)</i>
		<i>Combined assurance gives the board comfort to be able to look at the risk profile and be able to say "Well, on these risks we've received assurance that we are managing risk properly" ...It allows senior management to almost have a guide in terms of we're reaching our strategies or we're failing – Senior Audit Manager (Case C)</i>
	Value creation and preservation	<p><i>Combined assurance brings the bad things to the surface in a formal report, on a formal table for discussion, and helps to resolve the problems – Associate Director of the Internal Audit group (Case D)</i></p> <p><i>Combined assurance helps executive management in discharging their responsibilities by giving them the information that they need in order to make the decisions that are going to impact their success – Vice president assurance planning and development (Case E)</i></p> <p><i>There is an art and a science to assurance. The science is to provide comfort to the board, and the art is how to present it in a way that makes it digestible and understandable to our stakeholders –</i></p>

Group manager (Case F)

Rationalization

Assurance activities have a role of value maintenance. People must not forget that. Protecting value is making sure that value does not disappear. It is part of the mandate and must stay...Combined assurance adds value by itself just because it is protecting value. The add value is doing the assurance activities differently...Assurance providers not only find problems which is the value maintenance, they also say what could work, that is the value added – External audit partner (Case C)

Each assurance provider is really here to provide value and that ultimate value is facilitating the achievement of strategic objectives...I think any organization, which does not understand or place as much importance on combined assurance, is really too insular and it will ultimately impact its success – VP assurance planning and development (Case E)

There was a lot of duplication between assurance providers. Everyone was working on their own silo without talking to each other whereas there would have been things that the one was doing that had an impact on the other...Now we're going to get everybody together for a period of time and do the combined assurance review...For the mine, they've got a disruption for two weeks, and then nothing until the next window...At the end of the day, we've got our feedback session where everybody sits together, discusses what they found, what are the significant things – Senior audit manager (Case C)

Before the internal audit function goes into the field, we automatically examine and consider the work of other assurance providers during our facilitated assurance planning workshops – Associate director of the internal audit group (Case D)

APPENDIX OF CHAPTER 3

Table V: Organization Characteristics

Case	Sector	Turnover (in 2011)	# employees (in 2011)	Country
A	Natural resources	\$90 billion	260000	Europe
B	Banking	\$6 billion	30000	South Africa
C	Natural resources	\$5 billion	60000	South Africa
D	Banking	\$5.5 billion	35000	Europe
E	Natural resources	\$70 billion	100000	Australia

Table VI: Organization Interviews

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		

Table VII: Roles of the IAF in Combined Assurance

FACILITATOR	COORDINATOR	REPORTER
<p>"The best positioned to help and facilitate the process"</p> <p>"Equipped and positioned to organize this project"</p> <p>"We originated combined assurance"</p> <p>"Initiator of the concept"</p> <p>"Set the agenda for combined assurance"</p> <p>"Ascertain what this principle is about"</p> <p>"Define what was meant by combined assurance"</p> <p>"Understand that there is value in working together...and make people aware about that"</p> <p>"It is very convenient that combined assurance is forcefully driven from an internal audit perspective"</p> <p>"Advocated combined assurance wherever I could"</p> <p>"I issued a guidance document..."</p> <p>"My job was to obtain the buy-in from the board and executives on that project"</p>	<p>"We should consider and evaluate the other assurance providers before doing the audit plan"</p> <p>"In the pilot we've done to date, my role has been coordinating everything logistically"</p> <p>"Tell me what are your top of mind issues?"</p> <p>"Coordinate assurance activities logistically speaking"</p> <p>"Map all assurance providers...and go beyond the IAF as a resource for assurance"</p> <p>"In all combined assurance projects that we undertake, I always take the lead role and final accountability for the delivering, the scope and the planning, the execution and the reporting"</p>	<p>"Assess the quality of other assurance providers...how reliable is their assurance?"</p> <p>"Facilitate efficient and effective reporting through to the governance committees"</p> <p>"Give feedback on those top of mind issues"</p> <p>"Give an overview about what are the recommendations that have been raised during the combined assurance process"</p> <p>"IA has to give an update to AC on combined assurance as he or she needs to provide a written assessment on risk management"</p> <p>"Give assurance to the senior managers and the board of what they expect is happening is really happening"</p> <p>"it's not only finding but it's coming with solutions"</p> <p>"Internal audit seats at the top of combined assurance to make sure that the findings of all assurance providers are consistent and there is one report issued and with the right quality in it"</p> <p>"IA is the assurer ultimately to the board"</p>

Table VII: Roles of the IAF in Combined Assurance (Cont'd)

<p>"We drove it...and make sure we bring in the other role players"</p> <p>"Internal audit is well aware of the development of combined assurance"</p> <p>"Create regular conversations on combined assurance"</p> <p>"Create awareness"</p> <p>"Setting up the meetings, the agenda and making sure that all assurance providers are present"</p> <p>"We started documenting combined assurance, preaching it to the board"</p> <p>"Socializing combined assurance"</p> <p>"Educate the organization on that concept"</p> <p>"Executives and board champion, IA should become the driver for combined assurance"</p>		<p>"Tracking combined assurance findings"</p> <p>"I am ultimately accountable for the quality of combined assurance"</p> <p>"We are the custodian of combined assurance"</p>
---	--	--

APPENDIX TO CHAPTER 4

Table VIII: Organization Interview Summary

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 IX: Characteristics of the Case Study Organizations

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
D	Banking	\$5.5 billion	35,000	Europe
E	Natural Resources	\$70 billion	100,000	Australia
F	Communication	\$25 billion	35,000	Australia

Table X: Combined Assurance Matrix (adapted from Case C)

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 XI: Important Components Summary

Important Component\ Organization	Case A	Case B	Case C	Case D	Case E	Case F
ERM maturity Combined Assurance	√	√	√	√	√	X
Awareness Combined Assurance	√	√	√	-	√	X
Champion Combined Assurance Strategy	√	√	√	√	√	-
Assurance Mapping Combined Assurance Report	√	√	√	-	√	-
	√	√	√	-	-	-

Key: “√” means the important component has been formally identified by the organization; “-” means the organization has not commented on this important component; and “X” means the important component has not been taken by the organization

APPENDIX TO CHAPTER 5

Table XII: Descriptive Statistics for Variables in Model (n=186)

Variable	<i>Yes = 1</i>	<i>%</i>	<i>No = 0</i>	<i>%</i>
CA ADOPTION	85	45.7	101	54.3
OVERSIGHT COMMITTEE	124	67.4	60	32.6
DUALITY	44	23.7	142	76.3
BIG-4	122	65.6	64	34.4
IIA COMPLIANCE	111	59.7	75	40.3
LISTED	89	47.8	97	52.2
OVERSIGHT MATURITY:	<i>n</i>	<i>%</i>		
Very immature	10	5.4		
Developing	56	30.1		
Evolving	63	33.9		
Mature	48	25.8		
Robust	9	4.8		
TOTAL	186	100		
	<i>Mean</i>	<i>SD</i>	<i>Min</i>	<i>Max</i>
NUMBER AP	7.67	3.77	1	18
BOD INDEPENDENCE	62.07	28.96	0	100
SIZE (LN TOTAL ASSETS)	18.55	2.92	10.31	24.46

Table XIII: Correlation Matrix

Variables	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
CA ADOPTION (1)	1									
OVERSIGHT COMMITTEE (2)	0.296**	1								
OVERSIGHT MATURITY (3)	0.347**	0.354**	1							
NUMBER AP (4)	0.360**	0.148*	0.164*	1						
BoD INDEPENDENCE (5)	0.227**	0.056	0.133	0.059	1					
DUALITY (6)	-0.028	0.037	-0.098	-0.257**	-0.352**	1				
BIG-4 (7)	0.346**	0.084	0.145*	0.306**	0.058	-0.156*	1			
IIA COMPLIANCE (8)	0.314**	0.147*	0.279**	0.207**	0.080	-0.007	0.166*	1		
SIZE (9)	0.170	-0.014	0.316**	0.179*	0.200*	-0.235**	0.102	0.081	1	
LISTED (10)	0.223**	0.109	0.293**	0.194**	0.173*	-0.103	0.218**	0.085	0.437**	1

** . Correlation is significant at the 0.01 level. * . Correlation is significant at the 0.05 level.

**Table XIV: Logistic Regression Results (DV=COMBINED ASSURANCE ADOPTION
(Yes=1; No=0)**

<u>Variable</u>	<u>Hypothesis</u>	<u>Exp. Sign</u>	<u>Coefficient</u>	<u>Wald Stat (z)</u>	<u>p-value</u>	<u>Exp(B)</u>
OVERSIGHT COMMITTEE	H1	+	1.609	6.700	0.010	4.999
OVERSIGHT MATURITY	H2	+	0.677	4.905	0.027	1.968
NUMBER AP	H3	+	0.189	5.704	0.017	1.208
BOD INDEPENDENCE	H4	+	4.125	12.660	0.000	61.837
DUALITY	H5	-	1.822	6.841	0.009	6.185
BIG-4	H6	+	1.375	5.896	0.015	3.956
COMPLIANCE IIA	H7	+	0.839	2.623	0.105	2.315
SIZE	H8	+	0.027	0.074	0.786	1.027
LISTED	H9	+	0.381	0.440	0.507	1.463
CONSTANT			-9.927	16.606	0.000	0.000
Model summary	-2 Log Likelihood ratio = 109.655					
Nagelkerke R^2	0.558					
Hosmer & Lemeshow Test	Chi-Square (8df) = 9.393, p -value = 0.310					
Omnibus Tests of Model						
Coefficients	Chi-Square (9df) = 70.440, p -value = 0.000					

Table XV: Sensitivity Analyses

<u>Variable</u>	<u>Hypothesis</u>	<u>Exp. Sign</u>	<u>Coefficient</u>	<u>Wald Stat (z)</u>	<u>p-value</u>	<u>Exp(B)</u>
OVERSIGHT COMMITTEE	H1	+	1.702	8.184	0.004	5.484
ERM MATURITY (1=No ERM in place; 5=Complete ERM in place)			0.754	7.703	0.006	2.126
NUMBER AP	H3	+	0.184	5.324	0.021	1.202
BOD INDEPENDENCE	H4	+	3.909	11.410	0.001	49.834
DUALITY	H5	-	1.487	4.614	0.032	4.424
BIG-4	H6	+	1.504	6.802	0.009	4.501
COMPLIANCE IIA	H7	+	0.664	1.529	0.216	1.942
SIZE	H8	+	0.091	0.828	0.363	1.095
LISTED	H9	+	0.208	0.127	0.721	1.231
CONSTANT	H10		-11.607	18.963	0.000	0.000
Model summary	-2 Log Likelihood ratio = 105.943					
Nagelkerke R^2	0.580					
Hosmer & Lemeshow Test	Chi-Square (8df) = 12.306, p -value = 0.138					
Omnibus Tests of Model Coefficients	Chi-Square (9df) = 74.153, p -value = 0.000					

**Table XVI: Ordinal Logistic Regression (DV=COMBINED ASSURANCE MATURITY:
1=no adoption; 2= partial adoption; 3=full adoption)**

<u>Variable</u>	<u>Hypothesis</u>	<u>Exp. Sign</u>	<u>Coefficient</u>	<u>Wald Stat (z)</u>	<u>p-value</u>
OVERSIGHT COMMITTEE	H1	+	1.366	6.525	0.011
OVERSIGHT MATURITY	H2	+	0.779	8.988	0.003
NUMBER AP	H3	+	0.144	5.994	0.014
BOD INDEPENDENCE	H4	+	2.842	9.729	0.002
DUALITY	H5	-	1.334	5.665	0.017
BIG-4	H6	+	0.868	3.198	0.074
COMPLIANCE IIA	H7	+	0.715	2.545	0.111
SIZE	H8	+	-0.040	0.246	0.620
LISTED	H9	+	0.345	0.523	0.470
-2 Log Likelihood ratio = 187.314, Chi-Square (9df)=69.918, <i>p</i> - value=0.000					
Model summary					
Nagelkerke <i>R</i> ²	0.483				
Pearson Chi-Square (249df) = 220.832, <i>p</i> -value =					
Goodness-of-fit	0.900				

Case Study Interview Questions

Context Questions

- How is assurance coordinated across the organization?
- In King III, risk is the cornerstone of corporate governance. Why is risk management so important today and how can you relate risk management to combined assurance?
- Why has your organization decided to implement combined assurance? What are the key drivers?

Combined Assurance Questions

- Is your organization familiar with the concept of combined/integrated assurance? Can you explain your own interpretation of this concept?
- Which assurance providers are required in your combined assurance framework?
- How far along is your organization with its implementation of combined assurance?
- Based on your experience with combined assurance, assuming that your organization has to advise another organization implementing combined assurance, what are the critical steps you would recommend?
- What are the critical factors to make combined assurance successful?
- What are the benefits of combined assurance?
- What are the difficulties or barriers to the implementation of combined assurance?
- What could you do in the future to improve your combined assurance?
- Does combined assurance help to improve the effectiveness of organizational governance? How?
- In your organization, who are the stakeholders of combined assurance? For whom is it relevant?

Questions about the Role of Internal Audit in Combined Assurance

- What is the role of the internal audit function in this model?
- Should internal audit assume a champion role in leading combined assurance? Why or why not?
- Since the implementation of combined assurance in your organization, what has changed for the internal audit function?
- According to King III, the internal audit function should provide a written assessment on internal controls and risk management. In other words, internal auditors play an important role in combined assurance, although they cannot provide absolute assurance on the effectiveness of risk management for all the auditable entities in the risk universe every year. How does internal audit ensure that it receives adequate assurance from other assurance providers to enable the internal audit function to place reliance on their assurance work?
- How can the internal audit function add value to the business through its role in combined assurance?

Questions about Other Assurance Providers

- What is your contribution to the combined assurance model? What assurance do you provide as an assurance provider?
- In your opinion, who is the best positioned to lead the combined assurance initiative? Why?

Thank you for taking the time to complete this survey about risk management and combined assurance. The purpose of this research is to follow-up on a first exploratory study on combined assurance published by The Institute of Internal Auditors Research Foundation in 2012. Your input is very important to us in gaining new insights into this topic. This survey will take approximately 15 minutes of your time. Your answers will be treated in a completely anonymous way. Any questions marked with an asterisk (*) require an answer in order to move on. If you have any questions about the survey, please contact us at loic.decaux@uclouvain.be, gerrit.sarens@uclouvain.be or research@theiia.org. In order to progress through this survey, please use the following navigation buttons: - Click the Next button to continue to the next page. - Click the Exit and clear survey button if you need to exit the survey. - Click the Resume later button if you want to resume the survey later. - Click the Load unfinished survey button if you want to resume the survey. - Click the Submit button to submit your survey.

Chief audit executive

Internal audit management

Internal audit senior or supervisor

Internal audit staff

Other


Please specify

A2. Select your local Institute of Internal Auditors that you primarily identify with:

- Algeria ☐
- Argentina ☐
- Aruba ☐
- Australia ☐
- Azerbaijan ☐
- Bahamas ☐
- Bangladesh ☐
- Barbados ☐
- Belgium ☐
- Bermuda ☐
- Bolivia ☐
- Bosnia & Herzegovina ☐
- Botswana ☐
- Brazil ☐
- Bulgaria ☐
- Cameroon ☐
- Canada ☐
- Chile ☐
- China ☐
- Chinese Taiwan ☐
- Colombia ☐
- Congo ☐
- Costa Rica ☐
- Croatia ☐
- Curacao ☐
- Cyprus ☐
- Czech Republic ☐
- Denmark ☐
- Dominican Republic ☐

A3. Select the type of organization you currently work for:

Privately held (non-listed) company ☐Publicly-traded (listed) company ☐Public sector or government ☐Not-for-profit organization or non-government organization ☐

Other 

Please specify

[illegible]

A4. Indicate the closest fit for the industry classification of the organization you currently work for:

- Agriculture, forestry or fisheries ☐
- Banking or financial services ☐
- Building or construction ☐
- Communication or telecommunications ☐
- Education ☐
- Government, public administration or defense ☐
- Health Services ☐
- Hospitality, hotels, leisure or tourism ☐
- Information technology ☐
- Insurance ☐
- Manufacturing ☐
- Mining or oil ☐
- Pharmaceutical or chemical ☐
- Professional services ☐
- Real estate ☐
- Transportation and logistics ☐
- Utilities ☐
- Wholesale and retail trade ☐
- Other ☐

Please specify

--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

A5. What are the total assets approximately in US dollars as of December 31, 2013?

--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

A6. What is the percentage of debt approximately as of December 31, 2013 (between 0 and 100)?

--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

A7. What is the number of total employees approximately for the organization as of December 31, 2013?

--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

A8. How many business units are there in your organization?

--	--	--	--	--	--	--	--	--	--

A9. In how many countries does your organization have operations?

--	--	--	--	--	--	--	--	--	--

A10. Are your financial statements reviewed by a Big-Four audit firm?

Yes ☐

No ☐

A11. What is the size of the board of directors?

--	--	--	--	--	--	--	--	--	--

A12. How many non-executive directors are there on the board of directors?

By non-executive director, we mean a member of the board of directors who does not form part of the executive management team.

--	--	--	--	--	--	--	--	--	--

A13. Is the Chief Executive Officer also the chairman of the board of directors?

Yes ☐

No ☐

A14. Is there an audit committee (or equivalent) in your organization?

Yes ☐

No ☐

Section B: Risk Management

B1. What is the current organization's stage of enterprise-wide risk management (ERM) development?

Complete formal ERM in place	<input type="checkbox"/>	➡ Skip to 16
Partial ERM in place (i.e., some, but not all, risk areas addressed)	<input type="checkbox"/>	➡ Skip to 16
No formal ERM in place, but plans to implement one	<input type="checkbox"/>	➡ Skip to 16
Currently investigating concept of ERM, but have made no decision yet	<input type="checkbox"/>	➡ Skip to 16
No ERM in place and no plans to implement one	<input type="checkbox"/>	➡ Skip to 16

B2. What was the ERM development stage five years ago?

Complete formal ERM in place ☐

Partial ERM in place (i.e., some, but not all, risk areas addressed) ☐

No formal ERM in place, but plans to implement one ☐

Investigated concept of ERM, but no formal plans ☐

No ERM in place and no plans to implement one ☐

B3. Does your organization have a Chief Risk Officer (or equivalent)?

Yes ☐

No ☐

B4. Does the board of directors assign to one of its committees the responsibility for overseeing risk management processes?

Yes ☐

No ☐

B5. Does your organization have a management-level risk committee (or equivalent committee) consisting of (at least some of) the entity's senior executives that formally discusses risk?

Yes ☐

No ☐

B6. How does the board evaluate the entity's strength of risk management and internal control systems? Please mark the function that has the main importance.

External auditor ☐

Internal audit activity ☐

Management ☐

Hire another accounting firm to assist in the process ☐

Other ☐

Please specify

--	--	--	--	--	--	--	--	--	--

B7. Indicate your agreement with the following statements as they relate to your current organization:

	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
The board challenges management's planned decisions (e.g., on strategic initiatives) and probes for explanations of past results	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Directors have sufficient knowledge and industry experience to serve effectively	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
The audit committee meets with internal and external auditors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
The audit committee reviews the scope of internal and external audit activities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
The board and audit committee are sufficiently involved in evaluating the effectiveness of the "tone at the top"	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Roles and responsibilities regarding control and risk management are clearly communicated and uniformly understood	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Job descriptions include references to control- and assurance-related activities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

B8. What is your perception regarding the extent to which the full board is comfortable that it understands risks?

Very good ☐

Good ☐

Fair ☐

Poor ☐

Very poor ☐

B9. What is the level of maturity of your organization's risk management oversight?

Robust ☐

Mature ☐

Evolving ☐

Developing ☐

Very immature ☐

B10. To what extent has your organization faced a significant operational surprise (e.g., events that led to losses in revenue, missed production targets) in the last five years?

Extensively ☐

Mostly ☐

Somewhat ☐

Minimally ☐

Not at all ☐

Section C: Internal Audit

C1. How long has your organization's internal audit activity been in place?

- 0-2 years ☐
- 3-4 years ☐
- 5-6 years ☐
- 7-10 years ☐
- 11-25 years ☐
- 26-50 years ☐
- 51-100 years ☐
- 101 years or more ☐

C2. Which of the following is the most appropriate description of the structure of your internal audit activity?

- Centralized ☐
- Decentralized ☐
- Mix centralized - decentralized ☐

C3. What is the budget of the internal audit activity approximately in US dollars as of December 31, 2013?

--	--	--	--	--	--	--	--	--	--

C4. Do you prepare a written report on internal control and risk management systems for use by the audit committee (or equivalent)?

- Yes, we issue both ☐
- Yes, we issue one report (either the internal control or the risk management report) ☐
- No ☐

C5. How do you establish your internal audit plan?

- Use of a risk-based methodology ☐
- Consult previous year's audit plan ☐
- Consultation with divisional or business heads ☐
- Requests from management ☐
- Audit committee requests ☐
- Compliance and regulatory requirements ☐
- Requests from or consultation with external auditors ☐
- Other ☐

Please specify

--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

C6. How frequently do you update the internal audit plan?

- Multiple times per year ☐
- Every year ☐
- Every two years ☐
- Less than every two years ☐
- No audit plan ☐

C7. Does your organization use The International Standards for the Professional Practice of Internal Auditing?

- Yes, all of the Standards ☐
- Partial yes - some of the Standards ☐
- No ☐

Section D: Combined Assurance

D1. Are you familiar with the concept of combined assurance?

- Yes ☐
- No ☐

D2. Has combined assurance been talked about in your organization?

"A combined assurance model aims to optimize the assurance coverage obtained from management, internal assurance providers and external assurance providers on the risk areas affecting the company". Principle 3.5 of South African King III Report "The Chief Audit Executive 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". The IIA Standard 2050 on Coordination

- Yes ☐
- No ☐

D3. How would you score your knowledge of combined assurance (e.g., in terms of principles, benefits)?

Very good ☐

Good ☐

Fair ☐

Poor ☐

Very poor ☐

D4. Has your organization implemented combined assurance?

Yes ☐ Skip to 39

Partially ☐ Skip to 39

No ☐

D5. Does your organization want to implement combined assurance in the future?

Yes ☐

No ☐

D6. How many years has your organization implemented combined assurance?

--	--	--	--	--	--	--	--	--	--

D7. To what extent were the following objectives applicable when you decided to implement combined assurance?

	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
Improve reporting to the board and to sub-committees	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Deliver suitable assurance to the board and to sub-committees	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Embrace a common view of risk and assurance	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Ensure suitable controls and strategies exist to mitigate risks	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Minimize interruptions to business activities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Comply with listing requirements and/or IIA Standards	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Optimize cost of assurance	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Eliminate assurance duplication and gaps	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Help the board exercise its monitoring role adequately	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Improve governance globally	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

D8. What is the level of maturity of your combined assurance model?

- Emerging (i.e., internal audit is aware of the need to develop co-operation with other assurance providers) ☐
- Developing (i.e., approaches for coordinating the work of all assurance providers are being developed and implemented) ☐
- Operating (i.e., internal audit adequately coordinates with both external and internal assurance providers) ☐
- Maturing (i.e., internal audit coordinates with both external and internal assurance providers with demonstrable commitment to improving and extending co-operation) ☐
- Exemplary (i.e., innovative arrangements are in place to coordinate, monitor and place reliance on work undertaken by other assurance providers) ☐

D9. What are/were the main barriers and challenges to implementing combined assurance?

- Different terminology and methods between assurance providers ☐
- Risk management framework is not sufficiently developed ☐
- No one has taken ownership of implementing combined assurance ☐
- Self-interest of the different assurance providers ☐
- Lack of board and senior management sponsorship and commitment ☐
- Roles, responsibilities and accountabilities are not well defined ☐
- Competency and skills of assurance providers ☐
- Worth-less exercise - too complex and time-consuming in relation to the benefits ☐
- Culture in the organization (i.e., silo mentality is strong) ☐
- No desire to coordinate between assurance functions ☐
- Other ☐

Please specify

--	--	--	--	--	--	--	--	--	--

D10. To what extent has your organization experienced the following benefits by implementing combined assurance?

	Extensive y	Mostly	Somewhat	Minimally	Not at all
Holistic view (complete picture of assurance) - understanding who all assurance providers are	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Improves quality of review	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Audit plan becomes more flexible - internal audit plan is refocused on the right areas	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Aligning assurance to the critical risk exposures - overview of key risks and core assurance providers	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Less duplication and disruption	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Identification of gaps in risk management and assurance	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Coordinating assurance activities - improved relationships between assurance providers	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Allows the internal audit activity to be more informed and develop wider knowledge of business	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Assurance cost synergies	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Risk management continuously audited	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Silos are broken down - increased interaction between assurance functions	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Opportunities identified	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Improved reporting to the board and to sub-committees	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Board's monitoring role improved	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Assistance with recommendations and further support	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Benchmarking and best practices among assurance providers	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Facilitate integrated, sustainable, corporate social reporting	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

D11. Who took on the role of implementing combined assurance?

Full board	<input type="checkbox"/>
Audit committee (or equivalent)	<input type="checkbox"/>
Senior management	<input type="checkbox"/>
Chief Audit Executive (or equivalent)	<input type="checkbox"/>
External auditor	<input type="checkbox"/>
Other	<input type="checkbox"/>
Please specify	
<div></div>	<div></div>

D12. To what extent do you agree with the following statements?

	Extensively	Mostly	Somewhat	Minimally	Not at all
The internal audit activity facilitates the combined assurance process (i.e., advocating it to the board, creating awareness, initiating the implementation,...)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
The internal audit activity coordinates the combined assurance process (i.e., assurance plan and assurance map development, logistical support,...)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
The internal audit activity ultimately reports combined assurance findings (i.e., collection of evidence from the various assurance providers, development of a holistic combined assurance report,...)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

D13. To what extent do you consider that the internal audit activity has obtained any added value by developing collaborations with other assurance providers?

Strongly disagree	<input type="checkbox"/>	Skip to 46
Disagree	<input type="checkbox"/>	Skip to 46
Neutral	<input type="checkbox"/>	Skip to 46
Agree	<input type="checkbox"/>	Skip to 46
Strongly agree	<input type="checkbox"/>	Skip to 46

D14. Has this added value had a positive impact on the performance of the assurance activities of the internal audit activity?

Yes	<input type="checkbox"/>
No	<input type="checkbox"/>

D15. Do you consider that thanks to collaborations with other assurance providers, a decrease in internal assurance expenditures could be achieved?

Yes	<input type="checkbox"/>
No	<input type="checkbox"/>

D16. Compared to the budget of the internal audit activity before combined assurance was implemented, nowadays the budget has:

Extensively increased	<input type="checkbox"/>
Increased	<input type="checkbox"/>
Stayed the same	<input type="checkbox"/>
Decreased	<input type="checkbox"/>
Extensively decreased	<input type="checkbox"/>

D17. Compared to the budget of external audit fees before combined assurance was implemented, nowadays the budget of external audit fees has:

- Extensively increased ☐
- Increased ☐
- Stayed the same ☐
- Decreased ☐
- Extensively decreased ☐

D18. Compared to the time required by the external auditor before combined assurance was implemented, nowadays the time spent by the external auditor has:

- Extensively increased ☐
- Increased ☐
- Stayed the same ☐
- Decreased ☐
- Extensively decreased ☐

D19. Compared to the size of the external audit team before combined assurance was implemented, nowadays the size of the external audit team has:

- Extensively increased ☐
- Increased ☐
- Stayed the same ☐
- Decreased ☐
- Extensively decreased ☐

Section E: Relational Coordination

E1. What are the external audit fees approximately in US dollars as of December 31, 2013?

--	--	--	--	--	--	--	--	--	--

E2. Are the following assurance providers present in your organizations?

- Management - self assessments ☐
- Management - key performance indicators and performance reports ☐
- Risk management function / enterprise risk management ☐
- Compliance ☐
- Controllershship ☐
- Quality ☐
- Sarbanes Oxley Act review team ☐
- Regulatory bodies ☐
- Government agencies ☐
- Health & Safety ☐
- Environment ☐
- Information security ☐
- Corporate social responsibility or sustainability review team ☐
- External credit agencies ☐
- External audit ☐
- External auditor other than assurance on financial statements ☐
- External consultants ☐
- Other ☐

Please specify

--	--	--	--	--	--	--	--	--

E3. To what extent does the internal audit activity coordinate with other assurance providers?

- Extensively ☐
- Mostly ☐
- Somewhat ☐
- Minimally ☐
- Not at all ☐

E4.	In general, how frequently do you communicate about assurance activities with other assurance providers?	Never	<input type="checkbox"/>
		Rarely	<input type="checkbox"/>
		Occasionally	<input type="checkbox"/>
		Often	<input type="checkbox"/>
		Always	<input type="checkbox"/>
E5.	In general, do other assurance providers communicate with you in a timely way about assurance activities?	Never	<input type="checkbox"/>
		Rarely	<input type="checkbox"/>
		Occasionally	<input type="checkbox"/>
		Often	<input type="checkbox"/>
		Always	<input type="checkbox"/>
E6.	In general, do other assurance providers communicate with you accurately about assurance activities?	Never	<input type="checkbox"/>
		Rarely	<input type="checkbox"/>
		Occasionally	<input type="checkbox"/>
		Often	<input type="checkbox"/>
		Always	<input type="checkbox"/>
E7.	In general, do other assurance providers work with you to solve problems around assurance activities?	Never	<input type="checkbox"/>
		Rarely	<input type="checkbox"/>
		Occasionally	<input type="checkbox"/>
		Often	<input type="checkbox"/>
		Always	<input type="checkbox"/>

E8.	In general, how much other assurance providers know about the work you do?	Nothing <input type="checkbox"/> Little <input type="checkbox"/> Some <input type="checkbox"/> A lot <input type="checkbox"/> Everything <input type="checkbox"/>												
E9.	In general, how much do other assurance providers respect the work you do?	Not at all <input type="checkbox"/> A little <input type="checkbox"/> Somewhat <input type="checkbox"/> A lot <input type="checkbox"/> Completely <input type="checkbox"/>												
E10.	In general, how much do other assurance providers share your goals about assurance activities?	Not at all <input type="checkbox"/> A little <input type="checkbox"/> Somewhat <input type="checkbox"/> A lot <input type="checkbox"/> Completely <input type="checkbox"/>												
E11.	What is your perception about the relationship with the external auditor?	<table border="0"> <tr> <td></td> <td style="text-align: center; font-size: small;">Before combined assurance</td> <td style="text-align: center; font-size: small;">After combined assurance</td> </tr> <tr> <td style="padding-right: 10px;">Collaborative</td> <td style="text-align: center;"><input type="checkbox"/></td> <td style="text-align: center;"><input type="checkbox"/></td> </tr> <tr> <td style="padding-right: 10px;">Overlapping</td> <td style="text-align: center;"><input type="checkbox"/></td> <td style="text-align: center;"><input type="checkbox"/></td> </tr> <tr> <td style="padding-right: 10px;">Supportive</td> <td style="text-align: center;"><input type="checkbox"/></td> <td style="text-align: center;"><input type="checkbox"/></td> </tr> </table>		Before combined assurance	After combined assurance	Collaborative	<input type="checkbox"/>	<input type="checkbox"/>	Overlapping	<input type="checkbox"/>	<input type="checkbox"/>	Supportive	<input type="checkbox"/>	<input type="checkbox"/>
	Before combined assurance	After combined assurance												
Collaborative	<input type="checkbox"/>	<input type="checkbox"/>												
Overlapping	<input type="checkbox"/>	<input type="checkbox"/>												
Supportive	<input type="checkbox"/>	<input type="checkbox"/>												

E12. Since combined assurance, the number of meetings between the internal audit activity and external audit has:

Extensively increased	<input type="checkbox"/>
Increased	<input type="checkbox"/>
No change	<input type="checkbox"/>
Decreased	<input type="checkbox"/>
Extensively decreased	<input type="checkbox"/>

E13. How much does the internal audit activity rely on other assurance providers?

	Before combined assurance	After combined assurance
Not at all	<input type="checkbox"/>	<input type="checkbox"/>
Sometimes	<input type="checkbox"/>	<input type="checkbox"/>
Regularly	<input type="checkbox"/>	<input type="checkbox"/>
Very often	<input type="checkbox"/>	<input type="checkbox"/>
Always	<input type="checkbox"/>	<input type="checkbox"/>

E14. How much does the external auditor rely on the internal audit activity?

	Before combined assurance	After combined assurance
Not at all	<input type="checkbox"/>	<input type="checkbox"/>
Minimally	<input type="checkbox"/>	<input type="checkbox"/>
Somewhat	<input type="checkbox"/>	<input type="checkbox"/>
Mostly	<input type="checkbox"/>	<input type="checkbox"/>
Extensively	<input type="checkbox"/>	<input type="checkbox"/>

REFERENCES

- Abbott, A. (1988). *The Systems of Professions: an Essay on the Division of Expert Labor*. Chicago: The University of Chicago Press.
- Abbott, L., Parker, S. and Peters, G. (2010). Serving two masters: The association between audit committee internal audit oversight and internal audit activities. *Accounting Horizons*, 24(1), pp. 1-24.
- Adams, M. (1994). Agency theory and the internal audit. *Managerial Auditing Journal*, 9(8), pp. 8-12.
- Agresti, A. (2007). *An Introduction to Categorical Data Analysis*, Second Edition, New Jersey: John Wiley & Sons.
- American Institute of Certified Public Accountants (AICPA) (1996). *Report of the AICPA Special Committee on Assurance Services (Elliott Committee)*. New York: AICPA.
- Anderson, U. (2003). Assurance and consulting services, in Bailey, A.D., Gramling, A. and Ramamoorti, S. (Eds), *Research opportunities in internal auditing*, The Institute of Internal Auditors Research Foundation: Altamonte Springs.
- Anderson, U. and Christ, M. (2014). Internal Audit, in Hay, D., Knechel, R. and Willekens, M. (Eds), *The Routledge Companion to Auditing*, Routledge: London and New York.
- Anderson, U., Christ, M., Johnstone, K. and Rittenberg, L. (2012). A Post-SOX Examination of Factors Associated with the Size of Internal Audit Functions. *Accounting Horizons*, 26(2), pp. 167-91.
- Anderson, D., Francis, J. and Stokes, D. (1993). Auditing, directorships and the demand for monitoring. *Journal of Accounting and Public Policy*, 12, pp. 353-75.
- Arena, M., Arnaboldi, M. and Azzone, G. (2010). The organizational dynamics of Enterprise Risk Management. *Accounting, Organizations and Society*, 35, pp. 659-75.
- Arena, M. and Jeppesen, K. (2010). The Jurisdiction of Internal Auditing and the Quest for Professionalization: The Danish Case. *International Journal of Auditing*, 14, pp. 111-29.

Australian Stock Exchange Corporate Governance Council (2010). *Corporate Governance Principles and Recommendations with 2010 Amendments*, Australian Stock Exchange Corporate Governance Council, available at : http://www.asxgroup.com.au/media/PDFs/cg_principles_recommendations_with_2010_amendments.pdf (accessed 25 September 2013).

Baker, N. (2009). A new direction. *Internal Auditor*, 66(6), pp. 32-6.

Baker, N. (2010). Equipped for governance. *Internal Auditor*, 67(1), pp. 29-32.

Baker, R. and Owsen, D. (2002). Increasing the role of auditing in corporate governance. *Critical Perspectives on Accounting*, 13, pp. 783–95.

Ballou, B. and Heitger, D. (2008). Integrating governance, risk and reporting to create long-term value. *Strategic Finance*, May, pp. 36-41.

Bame-Aldred, C., Brandon, D., Messier, W., Rittenberg, L. and Stefaniak, C. (2013). A Summary of Research on External Auditor Reliance on the Internal Audit Function. *Auditing: A Journal of Practice & Theory*, 32, pp. 251-86.

Baxter, R., Bédard, J., Hoitash, R. and Yezegel, A. (2013). Enterprise Risk Management Program Quality: Determinants, Value Relevance, and the Financial Crisis. *Contemporary Accounting Research*, 30(4), pp. 1264-95.

Beasley, M., Branson, B. and Hancock, B. (2006). Working Hand in Hand: Balanced Scorecards and Enterprise Risk Management. *Strategic Finance*, March, pp. 49-55.

Beasley, M., Branson, B. and Hancock, B. (2008). Rising Expectations: Audit committee oversight of enterprise risk management. *Journal of Accountancy*, April, pp. 44-51.

Beasley, M., Branson, B. and Hancock, B. (2010). Are you identifying your most significant risks? *Strategic Finance*, November, pp. 29-35.

Beasley, M., Branson, B. and Hancock, B. (2015a). Report of the Current State of Enterprise Risk Oversight: Update on Trends and Opportunities, Research conducted by the ERM Initiative at North Carolina State University on behalf of the American Institute of CPAs Business, Industry & Government Team.

Beasley, M., Branson, B. and Pagach, D. (2015b). An analysis of the maturity and strategic impact of investments in ERM. *Journal of Accounting and Public Policy*, 34, pp. 219-43.

Beasley, M., Carcello, J., Hermanson, D. and Neal, T. (2009). The Audit Committee Oversight Process. *Contemporary Accounting Research*, 26(1), pp. 65-122.

Beasley, M., Chen, A., Nunez, K. and Wright, L. (2006). Working hand in hand: Balanced scorecards and enterprise risk management. *Strategic Finance*, March, pp. 49-55.

Beasley, M., Clune, R. and Hermanson, D. (2005). Enterprise risk management: An empirical analysis of factors associated with the extent of implementation. *Journal of Accounting and Public Policy*, 24, pp. 521-31.

Beasley, M. and Frigo, M. (2007). Strategic risk management: Creating and protecting value. *Strategic Finance*, May, pp. 25-32.

Beasley, M., Pagach, D. and Warr, R. (2008). Information conveyed in hiring announcements of senior executives overseeing enterprise-wide risk management processes. *Journal of Accounting, Auditing and Finance*, 23(3), pp. 311–32.

Bihmani, A. (2009). Risk management, corporate governance and management accounting: Emerging interdependencies. *Management Accounting Research*, 20(1), pp. 2-5.

Bies, S. (2004). Speech titled “Using Enterprise-Wide Risk Management to Effectively Execute Business Strategies,” July 16, 2004. <http://www.federalreserve.gov/boarddocs/speeches/2004/20040716/default.htm> (accessed on 23 September 2014).

Bisbe, J., Batista-Foguet, J.-M. and Chenhall, R. (2007). Defining management accounting constructs: A methodological note on the risks of conceptual misspecification. *Accounting, Organizations and Society*, 32, pp. 789-820.

Bluhm, D., Harman, W., Lee, T. and Mitchell, T. (2011). Qualitative research in management: A decade of progress. *Journal of Management Studies*, 48(8), pp. 1866–91.

Brennan, N. and Solomon, J. (2008). Corporate governance, accountability and mechanisms of accountability: An overview. *Accounting, Auditing and Accountability Journal*, 21(7), pp. 885–906.

- Brown, I., Steen, A. and Foreman, J. (2009). Risk Management in Corporate Governance: A Review and Proposal. *Corporate Governance: An International Review*, 17(5), pp. 546-58.
- Carcello, J., Hermanson, D. and Raghunandan, K. (2005a). Changes in internal auditing during the time of the major US accounting scandals, *International Journal of Auditing*, 9, pp. 117-27.
- Carcello, J., Hermanson, D. and Raghunandan, K. (2005b). Factors associated with US public companies' investment in internal auditing. *Accounting Horizons*, 19(2), 69-84.
- Carey, P., Craswell, A. and Simnett, R. (2000). Voluntary Demand for Internal and External Auditing by Family Businesses. *Auditing: A Journal of Practice & Theory*, 19, pp. 37-51.
- Carrington, T. and Catasús, B. (2007). Auditing Stories about Discomfort: Becoming Comfortable with Comfort Theory. *European Accounting Review*, 16(1), pp. 35-58.
- Castanheira, N., Rodrigues, L. and Craig, R. (2009). Factors associated with the adoption of risk-based internal auditing. *Managerial Auditing Journal*, 25(1), 79-98.
- Casualty Actuarial Society, Enterprise Risk Management Committee (2012). ERM definition and framework. <http://www.casact.org/area/erm/frame.pdf> (accessed on 31 January 2014).
- Chambers, A. (2008). The board's black hole, filling their assurance vacuum: can internal audit rise to the challenge? *Measuring Business Excellence*, 12(1), pp. 47-63.
- Chambers, A. (2009). The black hole of assurance. *Internal Auditor*, April, pp. 28-9.
- Chambers, A. (2014). The current state of Internal Auditing: A Personal Perspective and Assessment. *EDPACS: The EDP Audit, Control, and Security Newsletter*, 49(1), pp. 1-14.
- Chambers, A. and Odar, M. (2015). A new vision for internal audit. *Managerial Auditing Journal*, 30(1), pp. 34-55.
- Chapman, C. and Peecher, M. (2011). Editorial: Worlds of assurance, *Accounting, Organizations and Society*, 36, pp. 267-8.
- Clarke, T. (2005). Accounting for Enron: Shareholder value and stakeholder interests. *Corporate Governance*, 13(5), pp. 598-612.

Coetzee, P. and Lubbe, D. (2014). Improving the efficiency and effectiveness of risk-based internal audit engagements, *International Journal of Auditing*, 18, pp. 115-25.

Coetzee, P., Fourie, H. and Burnaby, P. (2015). The growth of the internal audit profession is more than just numbers. *Managerial Auditing Journal*, 30(6/7), pp. 514-38.

Cohen, J., Krishnamoorthy, G. and Wright, A. (2002). Corporate Governance and the Audit Process. *Contemporary Accounting Research*, 19(4), pp. 573-94.

Cohen, J., Krishnamoorthy, G. and Wright, A. (2004). The Corporate Governance Mosaic and Financial Reporting Quality. *Journal of Accounting Literature*, 23, pp. 87-152.

Cohen, J., Krishnamoorthy, G. and Wright, A. (2008). Form versus Substance: The Implications for Auditing Practice and Research of Alternative Perspectives on Corporate Governance. *Auditing: A Journal of Practice & Theory*, 27(2), pp. 181-98.

Cohen, J., Krishnamoorthy, G. and Wright, A. (2010). Corporate governance in the post Sarbanes-Oxley era: Auditors' experiences. *Contemporary Accounting Research*, 27(3), pp. 751-86.

Collier, P. (2008). Stakeholder accountability: A field study of the implementation of a governance improvement plan. *Accounting, Auditing and Accountability Journal*, 21(7), pp. 933-54.

Colquitt, L., Hoyt, R. and Lee, R. (1999). Integrated Risk Management and the Role of the Risk Manager. *Risk Management and Insurance Review*, 2(3), pp. 43-61.

Comité spécial du Conseil d'administration de la Société Générale (2008). Rapport d'étape du Comité spécial du Conseil d'administration de la Société Générale, Available at : <http://www.societegenerale.com/fr/mesurer-notre-performance/donnees-et-publications/information-reglementee#> (accessed on 27 February 2015).

Committee of Sponsoring Organizations of the Treadway Commission (COSO) (2004). Enterprise Risk Management – Integrated Framework, COSO: Jersey City, Available at: www.coso.org.

Committee of Sponsoring Organizations of the Treadway Commission (COSO) (2009). Effective Enterprise Risk Oversight: The Role of the Board of Directors, COSO: Jersey City, Available at: www.coso.org.

- Canyon, M., Judge, W. and Useem, M. (2011). Corporate governance and the 2008-09 Financial Crisis. *Corporate Governance: An International Review*, 19(5), pp. 399-404.
- Cooper, D. and Morgan, W. (2008). Case study research in accounting. *Accounting Horizons*, 22(2), pp. 159-78.
- Covaleski, M., Dirsmith, M. and Rittenberg, L. (2003). Jurisdictional disputes over professional work: the institutionalization of the global knowledge expert. *Accounting, Organizations and Society*, 28(4), pp. 323-55.
- Crilly, D. (2013). Recasting enterprise strategy: Towards stakeholder research that matters to general managers. *Journal of Management Studies*, 50(8), pp. 1427–47.
- Daily, C., Dalton, D., and Cannella, A. (2003). Corporate governance: Decades of dialogue and data. *Academy of Management Review*, 28(3), pp. 371–82.
- Daly, J., Kellehear, A. and Gliksman, M. (1997). *The public health researcher: A methodological approach*, Oxford University Press: Melbourne.
- Dangre, P. (2013). Reshaping the world of assurance, *Internal Auditor*, 70(4), p. 76
- De Zwaan, L., Stewart, J. and Subramaniam, N. (2011). Internal audit involvement in enterprise risk management. *Managerial Auditing Journal*, 26(7), pp. 586-604.
- Daugherty, B. and Anderson, U. (2012). The third line of defence: Internal audit's role in the governance process. *Internal Auditing*, July/August, pp. 38–41.
- Decaux, L. and Sarens, G. (2015). Implementing combined assurance: Insights from multiple case studies. *Managerial Auditing Journal*, 30(1), pp. 56-79.
- Deloitte (2011). *Combined Assurance, Taking Corporations to the Next Level of Maturity*, White Paper, Deloitte.
- Desender, K. (2008). The influence of board composition on enterprise risk management implementation. Working paper (University of Illinois).
- Donaldson, T. and Preston, L. (1995). The Stakeholder theory of the corporation: Concepts, evidence, and implications. *The Academy of Management Review*, 20(1), pp. 65–91.

- Ege, M. (2014). Does Internal Audit Function Quality Deter Management Misconduct? *The Accounting Review*, In-press.
- Eisenhardt, K. (1989a). Agency Theory: An Assessment and Review. *The Academy of Management Review*, 14(1), pp. 57-74.
- Eisenhardt, K. (1989b). Building theories from case study research. *The Academy of Management Review*, 14(4), pp. 532–50.
- Eisenhardt, K. and Graebner, M. (2007). Theory building from cases: Opportunities and challenges. *Academy of Management Journal*, 50(1), pp. 25–32.
- Elliott, R. (2002). Twenty-First Century Assurance. *Auditing: A Journal of Practice & Theory*, 21(1), pp. 139-46.
- Enterprise Risk Management (ERM) Initiative and Proviti (2015). *Executive perspectives on top risks for 2015*, Research conducted by North Carolina State University's ERM Initiative and Proviti.
- European Confederation of Institutes of Internal Auditing (ECIIA) (2009). The paradox of value. *European Governance Magazine*, 15, pp. 1-13.
- European Confederation of Institutes of Internal Auditing (ECIIA) (2012). Remixing regulation, *European Governance Magazine*, 22, pp. 1-12.
- European Confederation of Institutes of Internal Auditing (ECIIA) and Federation of European Risk Management Associations (FERMA) (2010). *Guidance on the 8th EU Company Law Directive*, Brussels: ECIIA and FERMA.
- EY (2010). *IT Governance, Risk and Compliance: Implementing Effective Governance, Risk and Compliance Measures*, Ernst & Young Risk Survey conducted by the Economist Intelligence Unit.
- Fama, E. and Jensen, M. (1983). Separation of ownership and control. *Journal of Law and Economics*, 26(2), pp. 301–25.
- Financial Reporting Council (FRC) (2012). *The UK Corporate Governance Code*. London: FRC.

Financial Stability Board (2009). *Risk management lessons from the global banking crisis of 2008*, available at: http://www.financialstabilityboard.org/publications/r_0910a.pdf (accessed 22 May 2012).

Franzel, J. (2014). A Decade after Sarbanes-Oxley: The Need for Ongoing Vigilance, Monitoring, and Research. *Accounting Horizons*, 28(4), pp. 917-30.

Fraser, I. and Henry, W. (2004). Better off apart? *Internal Auditing & Business Risk*, January, pp. 26-8.

Fraser, I. and Henry, W. (2007). Embedding risk management: structures and approaches. *Managerial Auditing Journal*, 22(4), pp. 392-409.

Freeman, E. (1984). *Strategic Management: A Stakeholder Approach*. Boston: Pitman.

Freeman, E., Harrison, J. and Wicks, A. (2007). *Managing for Stakeholders: Survival, Reputation, and Success*. London: Yale University Press.

Freeman, E., Harrison, J., Wicks, A., Parmar, B. and de Colle, S. (2010). *Stakeholder Theory: The State of the Art*. Cambridge, UK: Cambridge University Press.

Frigo, M. and Anderson, R. (2011). What is strategic risk management? *Strategic Finance*, April, pp. 67-72.

Gendron, Y. (2009). Discussion of 'The audit committee oversight process': Advocating openness in accounting research. *Contemporary Accounting Research*, 26(1), pp. 123-34.

Gittel, J. (2006). Relational coordination: coordinating work through relationships of shared goals, shared knowledge and mutual respect, in Kyriakidou, O. and Özbilgin, M. (Eds). *Relational Perspectives in Organizational Studies – A Research Companion*, Cheltenham, UK: Edward Elgar Publishing Limited.

Gittell, J., Weinberg, D., Pfefferle, S. and Bishop, C. (2008). Impact of relational coordination on job satisfaction and quality outcomes: a study of nursing homes. *Human Resource Management Journal*, 18(2), pp. 154-70.

Goodwin-Stewart, J. and Kent, P. (2006a). The use of internal audit by Australian companies, *Managerial Auditing Journal*, 21(1), pp. 81-101.

Goodwin-Stewart, J. and Kent, P. (2006b). Relation between external audit fees, audit committee characteristics and internal audit. *Accounting and Finance*, 46, pp. 387-404.

Gordon, L., Loeb, M. and Tseng, C. (2009). Enterprise risk management and firm performance: A contingency perspective. *Journal of Accounting and Public Policy*, 28(4), pp. 301–27.

Gramling, A., Maletta, M., Schneider, A. and Church, B. (2004). The role of the internal audit function in corporate governance: A synthesis of the extant internal auditing literature and directions for future research. *Journal of Accounting Literature*, 23, pp. 194-244.

Gray, R. (2001). Thirty years of social accounting, reporting and auditing: What (if anything) have we learnt? *Business Ethics: A European Review*, 10(1), pp. 9–15.

Guest, G., Bunce, A. and Johnson, L. (2006). How many interviews are enough? An experiment with data saturation and variability. *Field Methods*, 18(1), pp.59-82.

Harrison, J., Bosse, D. and Phillips, R. (2010). Managing for stakeholders, stakeholder utility functions, and competitive advantage. *Strategic Management Journal*, 31, pp. 58–74.

Hasan, M., Maijoor, S., Mock, T., Roebuck, P., Simnett, R. and Vanstraelen, A. (2005). The Different Types of Assurance Services and Levels of Assurance Provided. *International Journal of Auditing*, 9, pp. 91-102.

Hay, D., Knechel, R. and Ling, H. (2008). Evidence on the Impact of Internal Control and Corporate Governance on Audit Fees. *International Journal of Auditing*, 12, pp. 9-24.

Hayne, C. and Free, C. (2014). Hybridized professional groups and institutional work: COSO and the rise of enterprise risk management. *Accounting, Organizations and Society*, 39, pp. 309-30.

Hermanson, D. (2015). “Model 2” – A personal journey in pursuit of creativity and impact, *Critical Perspectives on Accounting*, 26, pp. 130-40.

Hermanson, D. and Rittenberg, L. (2003). Internal audit and organizational governance, in Bailey, A.D., Gramling, A. and Ramamoorti, S. (Eds), *Research Opportunities in Internal Auditing*. Altamonte Springs: The Institute of Internal Auditors Research Foundation.

Hill, C. and Jones, T. (1992). Stakeholder-agency theory. *Journal of Management Studies*, 29(2), pp. 131–54.

Hines, C. and Peters, G. (2015). Voluntary risk management committee formation: Determinants and short-term outcomes. *Journal of Accounting and Public Policy*, 34, pp. 267-90.

Hosmer, D. and Lemeshow, S. (2000). *Applied Logistic Regression*. Second Edition, New York: Wiley.

Hoyt, R. and Liebenberg, A. (2011). The value of enterprise risk management. *The Journal of Risk and Insurance*, 78(4), pp. 795–822.

Huber, C. and Scheytt, T. (2013). The dispositive of risk management: Reconstructing risk management after the financial crisis. *Management Accounting Research*, 24, pp. 88-99.

Independent Investigation Commission (2012). The official report of the Fukushima Nuclear Accident, Available at: http://warp.da.ndl.go.jp/info:ndljp/pid/3856371/naaic.go.jp/wp-content/uploads/2012/09/NAIIC_report_lo_res10.pdf (Accessed on 27 February 2015).

Institute of Chartered Accountants in England and Wales (ICAEW) (2008). *Stakeholder Expectations of Audit*, London: ICAEW.

Institute of Directors (IoD) Southern Africa (2009). *King Code of Governance for South Africa 2009*. Institute of Directors: South Africa.

(The) Institute of Internal Auditors (2009). *The Role of Internal Auditing in Enterprise-Wide Risk Management*, Position Paper, The IIA, Altamonte Springs: Florida.

(The) Institute of Internal Auditors (2012). *Coordinating Risk Management and Assurance*, Practice Guide, The IIA, Altamonte Springs: Florida.

(The) Institute of Internal Auditors (2013a). *International Professional Practice Framework IPPF*, The IIA, Altamonte Springs: Florida.

(The) Institute of Internal Auditors (2013b). *The Three Lines of Defense in Effective Risk Management and Control*, The IIA, Altamonte Springs: Florida.

(The) Institute of Internal Auditors UK and Ireland (2008). *Towards a Blueprint for the Internal Audit Profession*, Research by the IIA UK and Ireland in association with Deloitte.

(The) Institute of Internal Auditors UK and Ireland (2010). *Professional Guidance for Internal Auditors: Coordination of Assurance Services*, London: The IIA UK and Ireland.

(The) Institute of Internal Auditors Research Foundation (2015). *CBOK – The Global Internal Audit Common Body of Knowledge*. The IIA Research Foundation, Altamonte Springs: Florida.

Jensen, M. (1993). The Modern Industrial Revolution, Exit, and the Failure of Internal Control Systems. *Journal of Finance*, 48, pp. 831-80.

Jensen, M. and Meckling, W. (1976). Theory of the firm: Managerial behavior, agency costs and ownership structure. *Journal of Financial Economics*, 3(4), pp. 305–60.

Jones, T. (1995). Instrumental stakeholder theory: A synthesis of ethics and economics. *The Academy of Management Review*, 20(2), pp. 404–37.

Kalbers, L. and Fogarty, T. (1995). Professionalism and its consequences: a study of internal auditors. *Auditing: A Journal of Practice & Theory*, 14(1), pp. 64-86.

Kaplan, R. (2011). Accounting scholarship that advances professional knowledge and practice, *The Accounting Review*, 86(2), pp. 367-83.

Kaplan, R. and Mikes, A. (2012). Managing risks: A new framework. *Harvard Business Review*, 90(6), pp. 48-60.

Kinney, W. (2003). Auditing risk assessment and risk management processes, in Bailey, A. D., Gramling, A. and Ramamoorti, S. (Eds), *Research Opportunities in Internal Auditing*, Altamonte Springs: The Institute of Internal Auditors Research Foundation.

Kleffner, A., Lee, R. and McGannon, B. (2003). The Effect of Corporate Governance on the Use of Enterprise Risk Management: Evidence from Canada. *Risk Management and Insurance Review*, 6(1), pp. 53-73.

Knechel, R., Wallage, P., Eilifsen, A. and van Praag, B. (2006). The Demand Attributes of Assurance Services Providers and the Role of Independent Accountants. *International Journal of Auditing*, 10, pp. 143-62.

KPMG (2007). *The Evolution of Risk and Controls: From Score-keeping to Strategic Partnering*, KPMG.

- KPMG (2012a). *The Convergence Evolution: Global survey into the integration of governance, risk and compliance*, in cooperation with Economist Intelligence Unit, KPMG.
- KPMG (2012b). *Effective Assurance*, in cooperation with the Institute of Accounting and Control and Auditing of the University of St. Gallen, KPMG.
- Lam, J. (1999). Enterprise-wide risk management and the role of the chief risk officer, ERisk.com, March 1999.
- Landsittel, D. and Rittenberg, L. (2010). COSO: Working with the Academic Community. *Accounting Horizons*, 24(3), pp. 455-69.
- Laplume, A., Sonpar, K. and Litz, R. (2008). Stakeholder theory: Reviewing a theory that moves us. *Journal of Management*, 34(6), pp. 1152–89.
- Lee, T. (1998). A stakeholder approach to auditing, *Critical Perspectives on Accounting*. 9, pp. 217–26.
- Lenz, R. (2013). Insights into the effectiveness of internal audit: a multi-method and multi-perspective study. Dissertation at the *Université Catholique de Louvain – Louvain School of Management Research Institute*.
- Lenz, R. and Hahn, U. (2015). A synthesis of empirical internal audit effectiveness literature pointing to new research opportunities. *Managerial Auditing Journal*, 30(1), pp. 5-33.
- Lenz, R. and Sarens, G. (2012). Reflections on the internal auditing profession: what might have gone wrong? *Managerial Auditing Journal*, 27(6), pp. 532-49.
- Leung, P., Cooper, B. and Perera, L. (2011). Accountability structures and management relationships of internal audit: An Australian study. *Managerial Auditing Journal*, 26(9), pp. 794-816.
- Liebenberg, A. and Hoyt, R. (2003). The Determinants of Enterprise Risk Management: Evidence from the Appointment of Chief Risk Officer. *Risk Management and Insurance Review*, 6(1), pp. 37-52.
- Lin, S., Pizzini, M., Vargus, M. and Bardhan, I. (2011). The role of the internal audit function in the disclosure of material weaknesses. *The Accounting Review*, 86(1), pp. 287-323.

- Lundqvist, S. (2014). An Exploratory Study of Enterprise Risk Management: Pillars of ERM. *Journal of Accounting, Auditing & Finance*, 29(3), pp. 393-429.
- Magnan, M. and Markarian, G. (2011). Accounting, governance and the crisis: Is risk the missing link ? *European Accounting Review*, 20(2), pp. 215–31.
- Malsch, B. and Salterio, S. (2015). Doing good field research: assessing the quality of audit field research. Available at SSRN: <http://ssrn.com/abstract=2574420>.
- Marks, N. (2013). Assurance that matters. *Internal Auditor*, 70(5), pp. 54-9.
- Marks, N. and Taylor, J. (2009). The Current State of Internal Auditing: A Personal Perspective and Assessment. *The EDP Audit, Control, and Security Newsletter*, 39(4), pp. 1-23.
- Mat Zain, M., Zaman, M. and Mohamed, Z. (2015). The Effect of Internal Audit Function Quality and Internal Audit Contribution to External Audit on Audit Fees. *International Journal of Auditing*, forthcoming.
- McCollum, T. (2006). On the road to good governance. *Internal Auditor*, 63(5), pp. 40-6.
- McNulty, T., Zattoni, A. and Douglas, T. (2013). Developing corporate governance research through qualitative methods: A review of previous studies. *Corporate Governance: An International Review*, 21(2), pp. 183–98.
- Messier, W., Reynolds, K., Simon, C. and Wood, D. (2011). The effect of using the internal audit function as a management training ground on the external auditor's reliance decision. *The Accounting Review*, 86(6), pp. 2131-54.
- Mikes, A. (2011). From counting risk to making risk count: Boundary-work in risk management. *Accounting, Organizations and Society*, 36, pp. 226-45.
- Miles, M. and Huberman, A. (1994). *Qualitative Data Analysis*. London: Sage Publications.
- Miller, P., Kurunmäki, L. and O'Leary, T. (2008). Accounting, hybrids and the management of risk. *Accounting, Organizations and Society*, 33, pp. 942-67.
- Mitchell, R., Agle, B. and Wood, D. (1997). Toward a Theory of Stakeholder Identification and Salience: Defining the Principle of Who and What Really Counts. *Academy of Management Review*, 22(4), pp. 853-86.

- Moser, D. (2012). Is Accounting Research Stagnant? *Accounting Horizons*, 26(4), pp. 845-50.
- National Commission on the BP Deepwater Horizon oil spill and Offshore Drilling (2011). Deep Water: The Gulf oil disaster and the future of offshore drilling. National Commission on the BP Deepwater Horizon Oil spill and Offshore Drilling.
- National Commission on the Causes of the Financial and Economic Crisis in the United States (2011). The financial crisis inquiry report. The Financial Crisis Inquiry Commission.
- New York Stock Exchange (NYSE) Commission (2010). *Report of the New York Stock Exchange Commission on Corporate Governance*, New York: NYSE Commission.
- Nocco, B. and Stulz, R. (2006). Enterprise Risk Management: Theory and Practice. *Journal of Applied Corporate Finance*, 18(4), pp. 1-8.
- Ntim, C., Opong, K. and Danbolt, J. (2012). The relative value relevance of shareholder versus stakeholder corporate governance disclosure policy reforms in South Africa. *Corporate Governance: An International Review*, 20(1), pp. 84–105.
- O'Dwyer, B., Owen, D. and Unerman, J. (2011). Seeking legitimacy for new assurance forms: The case of assurance on sustainability reporting. *Accounting, Organizations and Society*, 36, pp. 31-52.
- Paape, L. and Speklé, R. (2012). The adoption and design of enterprise risk management practices: an empirical study. *European Accounting Review*, 21(3), pp. 533–64.
- Pagach, D. and Warr, R. (2011). The Characteristics of Firms that Hire Chief Risk Officers. *The Journal of Risk and Insurance*, 78(1), pp. 185-211.
- Parker, L., Guthrie, J. and Linacre, S. (2011). The relationship between academic accounting research and professional practice. *Accounting, Auditing and Accountability Journal*, 24(1), pp. 5-14.
- Paterson, J. (2011). Mapping assurance. *Internal Auditing*, April, pp. 14-17.
- Patton, M. (2002). *Qualitative Research and Evaluation Methods*. Thousand Oaks: Sage Publications.
- Pentland, B. (1993). Getting comfortable with the numbers: auditing and the micro-production of macro-order. *Accounting, Organizations and Society*, 7-8, pp. 605-20.

Pentland, B. (2000). Will auditors take over the world? Program, technique and the verification of everything. *Accounting, Organizations and Society*, 25, pp. 307-12.

Perego, P. (2009). Causes and Consequences of Choosing Different Assurance Providers: An International Study of Sustainability Reporting. *International Journal of Management*, 26(3), pp. 412-25.

Pincus, K., Rusbarsky, M. and Wong, J. (1989). Voluntary Formation of Corporate Audit Committee among NAS-DAQ Firms. *Journal of Accounting and Public Policy*, 8(4), pp. 239-65.

Pirson, M. and Turnbull, S. (2011). Corporate Governance, Risk Management, and the Financial Crisis: An Information Processing View. *Corporate Governance: An International Review*, 19(5), pp. 459-70.

Power, M. (1997). Expertise and the Construction of Relevance: Accountants and Environmental Audit. *Accounting, Organizations and Society*, 22(2), pp. 123-46.

Power, M. (1999). *The Audit Society: Rituals of Verification*. Second Edition. Oxford University Press: Oxford.

Power, M. (2009). The risk management of nothing. *Accounting, Organizations and Society*, 34, pp. 849-55.

Power, M. and Gendron, Y. (2015). Qualitative Research in Auditing: A Methodological Roadmap. *Auditing: A Journal of Practice & Theory*, 34(2), pp. 147-65.

Prawitt, D., Smith, J. and Wood, D. (2009). Internal audit quality and earnings management. *The Accounting Review*, 84(4), pp. 1255-80.

PwC (2012a). *State of the internal audit profession: Aligning internal audit, are you on the right floor?* PricewaterhouseCoopers LLP, New York.

PwC (2012b). *State of the internal audit profession: Pressures build for continual focus on risk*, PricewaterhouseCoopers LLP, New York.

Raghunandan, K., Read, W. and Rama, D. (2001). Audit Committee Composition, Gray Directors, and Interaction with Internal Auditing. *Accounting Horizons*, 15(2), pp. 105-18.

Ramamoorti, S. (2003). Internal auditing: History, evolution, and prospects, in Bailey, A.D., Gramling, A. and Ramamoorti, S. (Eds), *Research opportunities in internal auditing*, The Institute of Internal Auditors Research Foundation: Altamonte Springs.

Reding, K., Sobel, P., Anderson, U., Ramamoorti, S., Salamasick, M. and Riddle, C. (2009). *Internal Auditing: Assurance and Consulting Services*, Altamonte Springs: The Institute of Internal Auditors Research Foundation.

Ridley, J. (2008). *Cutting Edge Internal Auditing*, Chichester, England: John Wiley & Sons, Ltd.

Rittenberg, L. and Covalleski, M. (2001). Internalization versus externalization of the internal audit function: an examination of professional and organizational imperatives. *Accounting, Organizations and Society*, 26(7-8), pp. 617-41.

Roberts, R. (1998). A stakeholder approach to the corporate single audit. *Critical Perspectives on Accounting*, 9, pp. 227–32.

Roussy, M. (2013). Internal auditors' roles: From watchdogs to helpers and protectors of the top manager. *Critical Perspectives on Accounting*, 24, pp. 550-71.

Ruud, F. (2003). The internal audit function: an integral part of organizational governance, in Bailey, A. D., Gramling, A. and Ramamoorti, S. (Eds), *Research Opportunities in Internal Auditing*. Altamonte Springs: The Institute of Internal Auditors Research Foundation.

Sarens, G. (2009). Internal Auditing Research: Where are we going? Editorial. *International Journal of Auditing*, 13, pp. 1-7.

Sarens, G., Abdolmohammadi, M. and Lenz, R. (2012a). Factors associated with the IAF's role in corporate governance. *Journal of Applied Accounting Research*, 13(2), pp. 191-204.

Sarens, G., Decaux, L. and Lenz, R. (2012b). *Combined Assurance, Case Studies on a Holistic Approach to Organizational Governance*, The Institute of Internal Auditors Research Foundation: Altamonte Springs.

Sarens, G. and Christopher, J. (2010). The association between corporate governance guidelines and risk management and internal control practices: Evidence from a comparative study. *Managerial Auditing Journal*, 25(4), pp. 288-308.

Sarens, G., De Beelde, I. and Everaert, P. (2009). Internal audit: A comfort provider to the audit committee. *The British Accounting Review*, 41, pp. 90-106.

Sarens, G. and De Beelde, I. (2006a). The Relationship between Internal Audit and Senior Management: A Qualitative Analysis of Expectations and Perceptions. *International Journal of Auditing*, 10, pp. 219-41.

Sarens, G. and De Beelde, I. (2006b). Internal auditors' perception about their role in risk management: A comparison between US and Belgian companies. *Managerial Auditing Journal*, 21(1), pp. 63-80.

Sarens, G. and Swinkels, W. (2015). Internal Audit Strategy: correlations between context, strategy and perceived added value. Working paper presented at the 13th European Academic Conference on Internal Audit and Corporate Governance, Cass Business School, London.

Shankman, N. (1999). Reframing the debate between agency and stakeholder theories of the firm. *Journal of Business Ethics*, 19(4), pp. 319–34.

Shleifer, A. and Vishny, R. (1997). A survey of corporate governance. *Journal of Finance*, 52(2), pp. 737–83.

Shortreed, J., Fraser, J., Purdy, G. and Schanfield, A. (2012). The future role of internal audit in (enterprise) risk management”, A White Paper published on the website of the Manhattanville College, available at: http://www.broadleaf.co.nz/pdfs/articles/Future_Role_of_IA_in_ERM.pdf (accessed 26 September 2013).

Sikka, P. (2009). Financial crisis and the silence of the auditors, *Accounting, Organizations and Society*, 34, pp. 868-73.

Smithson, C. and Simkins, B. (2005). Does Risk Management Add Value? A Survey of the Evidence. *Journal of Applied Corporate Finance*, 17(3), pp. 8-17.

Soh, D. and Martinov-Bennie, N. (2011). The internal audit function: Perceptions of internal audit roles, effectiveness and evaluation. *Managerial Auditing Journal*, 26(7), pp. 605-22.

Soh, D. and Martinov-Bennie, N. (2015). Internal auditors' perceptions of their role in environmental, social and governance assurance and consulting, *Managerial Auditing Journal*, 30(1), pp. 80-111.

Soin, K. and Collier, P. (2013). Risk and risk management in management accounting and control. *Management Accounting Research*, 24, pp. 82-7.

Solomon, J. (2007). *Corporate Governance and Accountability*, New York: Wiley.

Spira, L. and Page, M. (2003). Risk management: The reinvention of internal control and the changing role of internal audit. *Accounting, Auditing and Accountability Journal*, 16(4), pp. 640-61.

Steinbart, P., Raschke, R., Gal, G. and Dilla, W. (2012). The relationship between internal audit and information security: An exploratory investigation. *International Journal of Accounting Information Systems*, 13, pp. 228-43.

Subramaniam, N., McManus, L. and Zhang, J. (2009). Corporate Governance, Firm Characteristics and Risk Management Committee Formation in Australian Companies. *Managerial Auditing Journal*, 24(9), pp. 316-39.

Sutton, S. and Arnold, V. (1998). Towards a framework for a corporate single audit: Meeting financial statement users' needs. *Critical Perspectives on Accounting*, 9, pp. 177-91.

Tekathen, M. and Dechow, N. (2013). Enterprise risk management and continuous re-alignment in the pursuit of accountability: A German case. *Management Accounting Research*, 24, pp. 100-21.

US Senate Permanent Subcommittee on Investigations (2002). The role of the board of directors in Enron's collapse. Committee on Governmental Affairs.

Vinnari, E. and Skærbæk, P. (2014). The Uncertainties of Risk Management: A Field Study on Risk Management Internal Audit Practices in a Finnish Municipality. *Accounting, Auditing & Accountability Journal*, 27(3), pp. 489-526.

Vinten, G. (1996). *Internal Audit Research: The First Half Century*, Certified Accountants Educational Trust: London.

Waring, P. (2008). Rethinking directors' duties in changing global markets. *Corporate Governance*, 8(2), pp. 153-64.

Watts, R. and Zimmerman, J. (1983). Agency problems, auditing and the theory of the firm: Some evidence. *Journal of Law and Economics*, 26(3), pp. 613-33.

Yin, R. (2009). *Case Study Research: Design and Methods*, Thousand Oaks: Sage Publishing.

Zajac, E. and Westphal, J. (1994). The costs and benefits of managerial incentives and monitoring in large U.S. corporations: When is more not better? *Strategic Management Journal*, 15, pp. 121–42.

Zimmerman, J. (2001). Conjectures regarding empirical managerial accounting research. *Journal of Accounting and Economics*, 32, pp. 411–27.