HARRY GWALA DEVELOPMENT AGENCY (PTY) LTD

[REG. No: 2011/001221/07]

POLICY: COMBINED ASSURANCE

Administrative Responsibility:	Chief Executive Officer
Implementing Department / Departmental Unit	Risk Management Unit

COMBINED ASSURANCE POLICY

POLICY DOCUMENT CONTROL

POLICY NUMBER	HGDA
CUSTODIAN	Risk Management Unit
STATUS	FINAL
VERSION (NO./YEAR)	V1 – 2026
APPROVED BY	
EFFECTIVE DATE	
REVISION DATE	
ROUTING	MANCO – 14 April 2026
	HGDA Policy Retreat – 22 April 2026
	Portfolio Committee/s-
	HGDA Board-
	HGDM Council-Not Applicable

Summary of Amendments:

Version	Author	Date	Revised Date
V1	Manager Internal Audit and Risk Management	08 April 2026	

Table of content

1.	Purpose of Policy	Page 4
2.	Objectives of Policy	Page 4
3.	Scope	Page 4
4.	Policy Definitions	Page 5- 6
5.	Legislative Framework	Page 6
6.	Benefits of Combined Assurance	Page 6
7.	Policy or Procedure Target	Page 6
8.	General Policy Provisions	Page 7
9.	Procedure for implementing policy	Page 7
10.	Combined Assurance Methodology	Page 7-8
11.	Roles and responsibilities	Page 8-10
12.	Key- role players to the CA process	Page 10-12
13.	Monitoring, Evaluation and Review of Policy	Page 12
14.	Approval and implementation	Page 12
15.	Combined Assurance Implementation Plan	Page 13-16

1. PURPOSE OF THE POLICY

1.1. This policy sets out to integrate assurance, co-ordinate all assurance providers within the KwaZulu Natal Local Government Administration and establish a system for the implementation of combined assurance. The legislation, regulations, standards, and frameworks referred to above were utilized in the development of this Combined Assurance Policy.

1.2. The CA policy aims to improve and sustain performance by enhancing systems of risk management and CA to protect against adverse outcomes and optimize opportunities

1.3. Furthermore, this policy will enable managers to develop a mutual understanding of CA and ensure clarity regarding the various role-players and define commensurate roles and responsibilities.

1.4. Combined Assurance is a coordinated approach that ensures that all assurance activities provided by management, internal and external assurance providers adequately address significant risks facing the Municipal Entity and that suitable controls exist to mitigate these risks.

1.5. A Combined Assurance model aims to optimize the assurance coverage obtained from management, internal and external assurance providers on the risk areas affecting the entity.

2. OBJECTIVES OF THE POLICY

The objective of the combined assurance policy is mainly to:

2.1. Identify and specify the sources of assurance over the Institutions' risks

2.2. Provide the Risk Management Committee, the Accounting Officer with a policy of the various assurance parties

2.3. Link risk management activities with assurance activities. This will also assist the Accounting Officer to review effectiveness of the risk management system

2.4. Provide a basis for identifying any areas of potential assurance gaps

3. SCOPE

3.1. This policy applies throughout the Municipal Entity, as per defined roles and responsibilities, becoming effective once approved by the municipal Entity Board and will be implemented over time through a phased approach as detailed and approved in the Combined Assurance policy.

MINIMUM REQUIREMENTS TO QUALIFY AS AN ASSURANCE PROVIDER

- Independence/Objectivity Independent reporting lines
- No recent direct involvement and/or work done in the area/aspects to be audited
- Conflict of interest in the areas/aspects in which assurance is to be provided
- Skills and experience the assurance provider should have appropriate skills and experience to effectively conduct the assignment
- Ideally, a risk-based approach should be followed
- The reported findings and audit opinions should be supported by adequately documented working papers/audit trails.

4. POLICY DEFINITION

4.1. Policy definition:

Assessment means the identification, analysis and evaluation of risks when used in a risk management context.

Assurance means an objective examination of evidence for the purpose of providing an assessment on governance, risk management, and control processes for the organization

Municipal entity A municipal entity is a separate corporate entity (company, utility, or trust) established and controlled by one or more municipalities to deliver specific public services on their behalf. These entities are created under municipal bylaws to handle functions like water, power, or sanitation, operating as specialized, often wholly owned, arms of local government

Combined Assurance (CA) means the integration and aligning of assurance processes in the Municipal Entity to Maximize risk and governance oversight and control efficiencies, thereby optimizing overall assurance to the Municipal Entity Board, the Audit Committee, Risk Management Committee and Management, considering the Municipal Entity's risk acceptance level

Controls means any actions (such as reviews, checks and balances, methods, and procedures) taken by personnel, management, Municipal Entity board and other parties to manage risk and increase the likelihood that the established objectives and goals will be achieved

Municipal Entity Board an elected or appointed group of individuals who act as the governing body of an organization. They represent shareholders' interests, providing strategic oversight, governance, and fiduciary duty, including hiring executives, setting major policies, and ensuring financial stability

Risk Management means the processes effected by the CEO, Management and other personnel across the Municipal Entity, designed to identify potential events that may affect the municipal entity and identify ways of managing these, in order to provide reasonable assurance regarding the municipal entity being able to achieve its objectives

Lines of assurance means the various levels on which assurance providers provide assurance to various stakeholders. These levels are directly linked to the assurance provider's level of independence from the activity on which assurance is required

Management includes staff of the municipal entity who control or direct any directorate, department, unit, division, process, or resources of the entity

Risk means uncertain future events (threats and opportunities) that could influence the achievement of the goals and objectives of the municipal entity

4.2. Abbreviations

AC means the Audit Committee of the Municipal Entity

CA means Combined Assurance

EMT means Executive Management Team of the entity, consisting of the CEO, and all management

IA refers to Internal Audit

CEO refers to the Chief Executive Officer

5. LEGISLATIVE FRAMEWORK

5.1. References/ legislative Mandates

The following documents were used in the development of the Combined Assurance policy:

- Municipal Finance Management Act, Act No.56 2003
- Treasury Regulations
- King IV on Corporate Governance
- 2024 Global Internal Audit Standards (and back)
- The National Treasury Internal Audit Framework

6. BENEFITS OF COMBINED ASSURANCE

6.1. Assurance activities that produce valuable integrated data and reporting, across different risks, processes, and information technology systems

6.2. Reduction in repetitive reports to and by different role-players and enhance improved and efficient reporting and oversight.

6.3. Reduction in assurance costs through elimination of duplication and improved resource allocations.

6.4. Minimize business and operational disruptions.

6.5. Comprehensive and risk-based approach in tracking remedial actions on identified opportunities and risks.

6.6. Optimized assurance spend, in that auditors are assisted in giving opinions on residual risk status, prevention of assurance fatigue, minimized overlap between the lines of assurance, and the prevention of possible "blind spots"

6.7. The use of CA to support the Audit Committee and the Municipal Entity Board in making their control statements in the annual report.

7. POLICY OR PROCEDURE TARGET

7.1. Combined Assurance Policy has been developed to highlight the overall process and function of all relevant stakeholders (three lines of assurance) within the organization and how it will assist the organization to achieve its objectives through risk management.

7.2. The Policy is established to assist and advise the Accounting Officer on the effectiveness of the internal controls and risk management.

7.3. The mission is a summary of the way in which all the relevant stakeholders, through involvement in risk management will provide value to the organization.

8. GENERAL POLICY PROVISIONS

8.1. The purpose of this Combined Assurance Policy is to communicate the progress made and the results on its implementation to the Audit Committee, Risk Management Committee, Municipal Entity Board, and the Management of the municipal entity.

8.2. It may not be made available to anyone other than authorized persons within Harry Gwala Development Agency or relied upon by any third party

8.3. It should not be used for any other purposes for which it was not specifically scoped or designed, and as such, it should not be relied upon as evidence in any disciplinary involving employees, whether conducted internally or externally.

9. PROCEDURES FOR IMPLEMENTING THIS POLICY

For the effective implementation of the Combined Assurance Policy, all the necessary steps were followed during implementation.

- Consultation of all relevant stakeholders
- Obligation of the policy
- Realistic of the policy
- Publicize of the policy
- Training of relevant staff in the policy
- Consistent implementation of the policy
- Periodic review of the policy

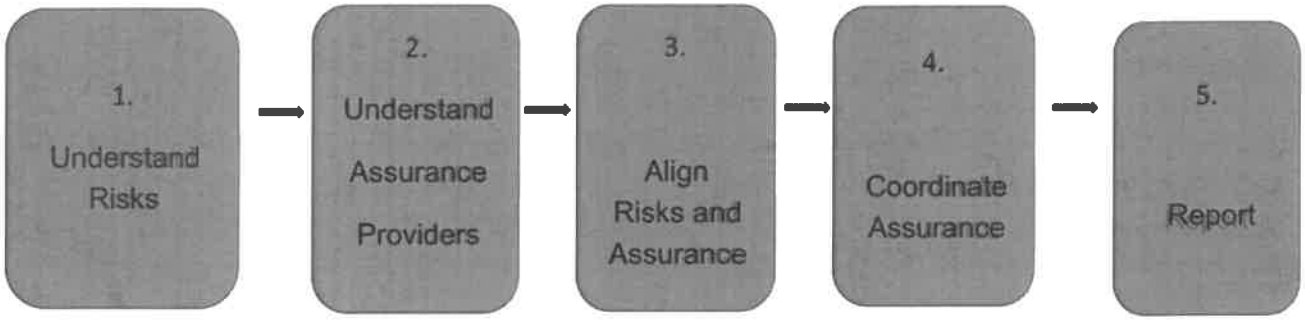
10. COMBINED ASSURANCE METHODOLOGY

10.1. Combined assurance is a coordinated approach that ensures that all assurance activities provided by management, internal and external assurance providers adequately address significant risks facing the organization and that suitable controls exist to mitigate the risks.

The Combined Assurance Methodology includes:

- Understanding the risks of the organization
- Understanding who the assurance providers are
- Aligning risks and assurance
- Coordinating assurance; and

- Reporting



10.1.1. Understanding the Risks of the Organization

i. Risks are informed by management's assessment of the risk.
ii. This is achieved by Risk Management activities, including the compilation of a Strategic Risk Register
iii. Risk areas are further complemented by various stakeholders' knowledge of the organization, its business activities and exposure.
iv. The Strategic Risk Register of the organization may be utilized for the understanding of the risks phase of the process.

10.1.2. Understanding who the Assurance Providers are

Assurance providers are categorized in three lines of assurance:

i. **Management oversight:** Line management is accountable and responsible for the management of the risk and performance. A key element of this activity is the extent of management reviews and the actions that follow.
ii. **Management of risk:** Internal functions provide support to line management in executing their duties. These include functions such as risk management, monitoring and evaluation or policy and planning units, financial standing committees, Oversight and Provincial Treasury Oversight.
iii. **Independent assurance:** Internal audit, external audit, Audit Committee, Risk Committee and Legislature oversight through the Standing Committee on Public Accounts provides independent assurance at various intervals.

11. ROLES AND RESPONSIBILITIES

11.1. FIRST LINE OF ASSURANCE (MANAGEMENT)

- The first line of assurance vests with the process and risk owners whose activities create and/or manage the risks that can facilitate or prevent a municipal entity's objectives from being achieved. This includes taking the right risks. The first line of assurance owns the risk, as well as the design and execution of the Entity's controls to respond to those risks. The first line of assurance is primarily handled by front line and mid-line managers who develop and implement the Entity's control and risk management.
- First line of assurance has primary ownership of risks and the risk response strategies and treatment mechanisms used to manage those risks. These include internal

control processes designed to identify and assess significant risks, execute activities as intended, highlight inadequate processes, address control breakdowns, and communicate to key stakeholders of the activity.

- In practice, the first line of assurance needs to confirm that they have implemented management controls and that they have implemented management controls and that they have performed a control and risk self-assessment for the processes within their control.
- The CEO and strategic management team are accountable for the selection, development, and evaluation of the system of internal control. Management must fully support strong governance, risk management, and control.
- In addition, they have ultimate responsibility for the activities of the first and second lines of assurance. It is the responsibility of the CEO and the strategic management team to design and implement processes that:
  a. Demonstrate commitment to integrity and ethical values
  b. Exercise oversight responsibility and transparency
  c. Establish structure, authority, and responsibility
  d. Demonstrate commitment to competence
  e. Enforce accountability

11.2. SECOND LINE OF ASSURANCE (RISK MANAGEMENT)

- The second line of assurance supports management with particular expertise, process excellence, and ongoing monitoring processes. It challenges management on risk related matters. It includes various risk management and compliance functions, such as Occupational Health and Safety, and other external compliance assurance providers to management to monitor whether controls and risk management processes implemented by the first line of assurance are designed appropriately and operating as intended.
- Functions in the second line of assurance are typically responsible for ongoing monitoring of risk and control. They often work closely with operating management to help define the risk management implementation of policies and procedures and collate information to create a municipal entity-wide view of risk and control. The responsibilities of the second line of assurance typically include:
  a. Assisting management in the development of processes and controls to manage risks
  b. Monitoring the adequacy and effectiveness of internal control activities
  c. Escalating critical issues, emerging risks, and outliers
  d. Providing and updating the risk management framework
  e. Identifying shifts in the Entity's implicit risk appetite and risk tolerance
  f. Measure and report when residual risk exceeds the risk appetite and risk tolerance levels
  g. Providing guidance and training related to risk management and control processes

11.3. THIRD LINE OF ASSURANCE (INTERNAL AUDIT)

- Internal auditors are optimally positioned for providing reliable, independent and object assurance to management, audit committee as well as to the board of directors regarding governance, risk management and controls. Internal audit actively contributes to the effective municipal entity's governance providing certain conditions fostering independence and professionalism are met.

11.4. FOURTH LINE OF ASSURANCE (OVERSIGHT STRUCTURES)

- The municipal entity has various independent oversight bodies and bodies who advise them to function as the third line of defense. The oversight bodies ultimately provide assurance to the board of directors relating to activities and governance issues of the Municipal Entity. Various oversight bodies would have a vested interest in CA and could request feedback and give inputs into their area of responsibility, in order to ensure that assurance and performance is balanced and maximised.

- The oversight bodies and bodies who advise them include but are not limited to:
  - Risk Management Committee
  - Audit Committee
  - Portfolio Committees
  - External auditors

12. KEY-ROLE PLAYERS TO THE COMBINED ASSURANCE PROCESS

The Municipal Entity identified the following key role-players with specific roles and responsibilities with regards to the implementation of Combined Assurance Processes in the Entity:

12.1. MANAGEMENT (First line of assurance)

Management is responsible for identifying risks, ensuring proper control and governance processes. Their role is designed around the provision of municipal services to the public/ customers, establishing a system of financial management and internal controls; and to actively manage risks within their areas of responsibility. A key element of management's responsibility is the extent of management reviews and the actions that follow. Management reports and associated representations should offer relevant assurance.

12.2. RISK MANAGEMENT (Second line of assurance)

- CA should provide board of directors with optimal assurance regarding the significant risks that the entity is faced with.
- The Risk Management function facilitates the risk management process. The risk register containing all categories of risks across the municipal entity will form the basis for the CA assessment.

12.3. INTERNAL AUDIT (Third line of assurance)

- Internal Audit is responsible for coordinating the CA process and ensuring its continuity. In addition, internal audit forms part of the second line assurance providers and provides independent and objective assurance and advice on all matters related to risk management, internal control and governance aimed towards the achievement of municipal entity objectives.

12.4. BOARD OVERSIGHT STRUCTURES (Fourth line of assurance)

The Audit Committee and Risk Committee are independent committees responsible for:

i. Advising the Municipal Entity Board with regards to the oversight of the Entity's controls, governance, and Risk Management.
ii. The Audit Committee and Risk Management Committee functions should be applicable in terms of its Municipal Entity Board approved term of reference.
iii. The Audit Committee and Risk Management Committee should ensure that a CA model is applied to provide a coordinated approach to all assurance activities as defined in the Entity's CA Policy.
iv. In particular, the Audit Committee and Risk Management Committee should ensure that the CA received addresses the significant risks facing the Entity. This includes monitoring the effective functioning of IA.
v. The Audit Committee and Risk Management Committee will need to give guidance on the implementation and roll-out of Combined Assurance, recommend for approval and monitor and review progress and reports thereon.
vi. External auditors provide assurance regarding the financial statements and the corresponding transactions, as well as assurance on compliance with key legislation relating to financial matters, financial management and other related matters and reported performance information against predetermined objectives
vii. The Board of Directors reports to the parent municipality and therefore takes an interest in CA as necessary to obtain assurance that properly established and functioning systems of CA and risk management are in place to protect the municipal entity against significant risks. CA should provide the Board with optimal assurance regarding significant risks facing the municipal entity.

The role of Governance and Operations as well as Investment and Business Development Committee is to assist the Municipal entity to ensure that: -

viii. The Committee has an independent role, Act as an interface between the board and management in the development of strategies for HGDA and the tracking of the execution thereof, ensuring the HGDA Board discharge its' responsibilities. In so far as the approval of the entity's strategy is concerned, and that management is responsible for execution of the strategy.
ix. Reviewing and approving the strategic direction of HGDA and taking decisions on all issues related to the HGDA strategy and overseeing and providing guidance to management in deploying these actions.
x. Advice on strategic projects and / or high impact projects in HGDA
xi. Guide the HGDA Management around key strategic issues to achieve HGDA goals.
xii. Support the HGDA Management in key project development initiatives in all agreed sectors.
xiii. Oversee the effective implementation of high impact projects and key investment/trade opportunities in all sectors

The role of HR and Finance Committee is to assist the Municipal entity to ensure that: -

xiv. The Committee has an independent role, operating as a decision maker and making recommendations to the HGDA Board for its consideration and final approval.

xv. The Committee does not assume the functions of management, which remain the responsibility of the executive management of the Entity.
xvi. The HR and Finance Committee has an independent oversight role and makes recommendations to the HGDA Board, management remains responsible for implementation.

13. MONITORING, EVALUATION AND REVIEW OF THE POLICY

Risk Management is responsible for the monitoring and evaluation of this policy. The policy shall be revised and approved by the Municipal Entity Board when operational needs require this, but at least once during every term of the Board.

Any queries and/or requests for amendments relating to this policy should be directed to the Manager Internal Audit and Risk

14. APPROVAL AND IMPLEMENTATION

NAME	SIGNATURE	DESIGNATION	DATE
Mr. Q Mnguni		Chief Executive Officer	30 JUNE 2026

Combined Assurance Implementation Plan 26.27

Risk/ Control	Three lines of Assurance											
	Management		Functions					Board Oversight structures				
	Reviews	Sign-offs	Office of the Chief Executive Officer	Budget and Treasury Office	Corporate services	Growth and development	Internal audit and risk	Audit committee	Risk committee	Investment and business development committee	HR and Finance Committee	Governance and operations committee
1. Inability to realize the Agency's Mandate	M		M			M	Q	Q	Q	Q	Q	Q
2. Inability to attract and retain investment into the district for the stimulation of the economy	M					M	Q	Q	Q	Q		
3. Inadequate strategies to promote sustainable district-wide economic growth	M					M	Q	Q	Q			Q
4. Financial Unsustainability	M			M			Q	Q	Q		Q	

5. Vulnerability to Fraud and Corruption	Q						Q	Q	Q			
6. Fabrication of work experience and qualification certificate	Q				Q		Q	Q	Q		Q	
7. Payment to external service providers for poor quality/substandard work	M			M			Q	Q	Q		Q	
8. Irregular appointments of Service Providers	M			M			Q	Q	Q		Q	
9. Falsification of the POEs to inflate performance	M			M			Q	Q	Q			Q
10. Non achievement of planned performance targets	M			M			Q	Q	Q			Q
11. Exposure of confidential information and loss of critical data	M			M			Q	Q	Q			

12. Low staff morale	M				M		Q	Q	Q		Q	
13. Ineffective security management services.	M				M		Q	Q	Q		Q	
14. Vulnerability to cybercrime and attacks												
15. Inability to realize economic growth targets	M					M	Q	Q	Q	Q		Q
16. Ineffective Supply Chain Management practices	M			M			Q	Q	Q		Q	
17. Delivery of substandard goods and services	M				M		Q	Q	Q		Q	
18. Inability to pay creditors, third parties and salaries as and when required	M		M	M			Q	Q	Q		Q	
19. Inability to adequately account for HGDA Assets	M			M			Q	Q	Q		Q	

Legend

A: Annually	B: Bi-annually	
Q: Quarterly	M: Monthly	NP: Not Perform