

**IMPACT OF INTERNAL AUDIT MANAGEMENT ON PUBLIC SECTOR
ADMINISTRATION IN THE NORTH WEST PROVINCE**

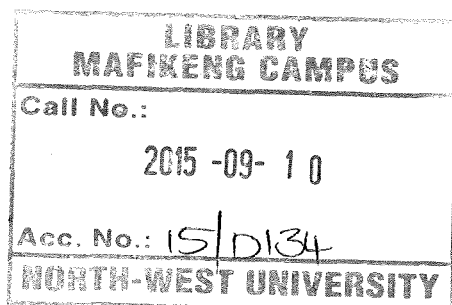
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A mini-dissertation submitted in partial fulfillment of the requirements for the degree of
Masters of Business Administration (MBA) in the Graduate School of Business and
Government Leadership at the Mafikeng Campus of the North West University

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DECLARATION

I, Molefi-Waa-Pule Pule of student number 16482867 declare that this mini-dissertation is my own and has never been submitted to any university before. I am submitting it to the North West University in partial fulfillment of Master of Business Administration (MBA) in Finance.

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I would like to thank the Lord Almighty for blessing me abundantly. He gave me the strength to undertake this journey and see it through.

I again would like to thank my wife (Tshego) and children (Oarabile; Otsile and Palesa) for always being there and providing me with the necessary support. You bring out the best in me.

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ABSTRACT

The first democratic elections in 1994 did not only symbolise change in the presidency and ruling party, but a new approach in the governance of the public sector, policies and guidelines. Due to government development, a Public Finance Management Act (PFMA) was formulated and promulgated during 1999, although influenced by the publication of King Report (I). Issues pertaining to how the public sector should be governed were legislated in South Africa. Introducing PFMA as well as the Treasury Regulation had considerable impact in Internal Auditing in the South African public due to legislative requirements. Section 38 of the PFMA states that an Accounting Officer of the department must ensure that a system of internal audit exists within his/her department. The mandate of the Internal Audit is to provide support to Provincial Departments by assessing the adequacy of controls in place to mitigate potential threats which might occur and prevent the government from obtaining the set objectives.

The Ministry of Cooperative Governance and Traditional Affairs, in its budget statement of the 2009/2010 financial period made a call for all provincial and local government departments to achieve clean audit reports by 2014. Government has always positioned service delivery high on its agenda since 1994. However, the Auditor General reports have highlighted issues such as lack of productivity, lack of adequate structures, insufficient skills and inadequate internal controls as some of the challenges negatively affecting the attainment of Government objectives. “The departments also lack systems to manage audit queries and recommendations, in both internal and external auditing and have inadequate systems with regard to corporate governance”, the Minister said. He further went on to say that effective and efficient delivery of services cannot be separated from the Government’s ability to achieve unqualified audit reports.

The study consisted of 100 participants. From the participants 50 were from the Provincial Internal Audit staff out of a group of 112. The other 50 participants were from the employees in the Internal Control and Risk Management directorates as well as individuals who are in the Management level within government departments and have been audited by the PIA before.

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1.1 Introduction

This research focuses on the Internal Audit effectiveness in the public sector. The extent to which an internal audit office meets its mandate is arguably a result of the relationship among four factors, namely: the quality of the Internal Audit activity; support emanating from senior management and the management at large; client department's background; and quality of the auditee. An Internal Audit function's capability to provide useful audit findings and recommendations would help raise management's interest in its recommendations (Mihret and Yismaw, 2007).

Management support with resources and commitment to implement the internal audit recommendations is critical in attaining audit effectiveness. Also, the organisational environment in which internal audit operates, i.e. the organisational status of the office, its internal organisation policies and procedures applied to each auditee, should enable smooth audits that lead to reaching useful audit findings. Furthermore, the capability, attitudes and level of cooperation of the auditee impact on the effectiveness of audits (Mihret and Yismaw, 2007).

Therefore, internal audit effectiveness should be viewed as a pro-active process that is continuously shaped by the interrelations among the four factors mentioned above (Mihret and Yismaw, 2007). This study uses case study analysis to examine or investigate the internal audit activity of the public sector organisations in the North West Province. The remainder of this chapter is organised as follows. The background and context, problem statement, research questions, research objectives and summary of the literature, the importance of the study, research design and methodology, the conclusions and the limitations of the study.

1.2 Background and Context

The Institute of Internal Auditors (IIA) defines Internal Audit as an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations

(IIASA, 2010). It helps an organisation to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

Internal auditing is a value adding service by providing an independent appraisal of the diverse operations and controls within an organisation to determine the accuracy and reliability of information; ensuring that enterprise risks are identified and minimised; regulations and legislation are complied with; resources are efficiently and economically utilised; and the organisation's objectives are effectively achieved (Ackers, 2011). Audit findings and recommendations would not serve much purpose unless management is committed to implementing them (Van Gansberghe, 2006).

An important function of corporate governance was to control and discipline management. The same goal is shared by democratic government, where disciplining public agents is a central task. In both areas of governance, a core problem was that persons occupying leading positions tend to accumulate uncontrolled discretion. For centuries, democracies have developed various effective institutions to restrict this accumulation of power (Van Gansberghe, 2006).

1.3 Problem Statement

The first democratic elections in 1994 did not only symbolise change “in the presidency and ruling party” but a new approach in the governance of public sector, policies and guidelines. Due to government evolution, a Public Finance Management Act (PFMA) was formulated and promulgated during 1999, although influenced by the publication of King Report (I) (Van Rensburg and Coetzee, 2011). Issues pertaining to how public sector should be governed were legislated in South Africa. Introducing PFMA as well as the Treasury Regulation (National Treasury, 2005) had considerable impact in Internal Auditing in the South African public due to legislative requirements. Section 38 of the PFMA states that an Accounting Officer of the department must ensure that a system of internal audit exists within his/her department. The mandate of the Internal Audit is to provide support to Provincial Departments by assessing the

adequacy of controls in place to mitigate potential threats which might occur and prevent the government from obtaining the set objectives.

The Ministry of Cooperative Governance and Traditional Affairs, in its budget statement of the 2009/2010 financial period made a call for all provincial and local government departments to achieve clean audit reports by 2014. Government has always positioned “service delivery high on its agenda since 1994”. However, the Auditor General reports have highlighted issues such as lack of productivity, lack of adequate structures, insufficient skills and inadequate internal controls as some of the challenges negatively affecting the attainment of Government objectives. “The departments also lack systems to manage audit queries and recommendations, in both internal and external auditing and have inadequate systems with regard to corporate governance”, the Minister said. He further went on to say that effective and efficient delivery of services cannot be separated from the Government’s ability to achieve unqualified audit reports (COGTA, 2009).

1.4 Research Questions

The main research question is to investigate the effect of internal audit management on public sector administration. To achieve this, the following sub-questions were developed for the research:

- What is the nature and scope of the Internal Audit?
- To what extent does Management support the Internal Audit?
- What are the opportunities and challenges facing the Internal Audit?
- What are the strategies for successful implementation of Audit recommendations?

1.5 Research Aim and Objectives

The aim of the study is to investigate the impact of internal audit management on public sector administration. The objectives of the study therefore include the following:

- To define the nature and scope of the Internal Audit.
- To measure to what extent Management supports the Internal Audit activity.
- To establish the opportunities and challenges faced by Internal Audit.
- To determine effective strategies for successful implementation of Audit recommendations.

1.6 Literature Survey

The literature review will be presented in chapter two of this study and will concentrate mainly on the following headings:

- Nature and scope of Internal Audit activity
- Responsibilities of Internal Audit activity
- Importance of the Internal Audit activity
- Role of the Internal Audit activity
- Internal Audit process
- Challenges of the Internal Audit activity
- International perception of Internal Audit activity
- Strategies for effective implementation of Internal Audit activity

1.7 Importance /Significance of the Study

It is important for North West Provincial Departments to know the value of service delivery and the role that Internal Audit can play in providing reasonable assurance that operational and strategic objectives will be realised.

The study should serve as an informative reference to the Provincial Government and other stakeholders seeking greater insight into the effectiveness of Internal Audit in the public sector.

1.8.1 Ethical Requirements

A request to obtain ethical clearance for the purpose of conducting the research was prepared and submitted to the North West University Dean for approval and allocation of a research Supervisor. Upon approval and allocation of a Supervisor by the University, permission was then requested in writing to the Deputy Director General of the Department of Finance, with a courtesy copy been submitted to the Chief Audit Executive of North West Provincial Internal Audit as the Head of the Unit.

In an instance where information of other Provincial Departments was required, a request was made in writing to the Chief Audit Executive. This request was made after the Deputy Director General's approval.

1.8.2 Research design and approach

In human sciences, two basic approaches can be applied in research. These methodologies can either be qualitative or quantitative in nature. Quantitative means quantity which means there is something that can be counted. Quantitative research is used for statistical analysis because it produces hard numbers (AIU, 2012). It is most often used for large scale surveys, like the census (AIU, 2012). It asks questions like how, when, where, and how often? With quantitative research the researcher doesn't really know what to expect which is why so many questions are asked and statistics are put together to compile and figure out what the data means. There are many different uses for this type of research; it could be used to figure out demographics for patients (AIU, 2012). It could be used to gather information about what laws are working and why. Criminals could have their crimes compared to one another based on the information given and perhaps the type of criminal that they are (AIU, 2012).

Quantitative data is statistics driven and can provide a lot of information. One of the advantages of this type of research is that it is easier to compile the data onto a chart or graph because of the numbers that are made available (Word press, 2011). Another advantage of quantitative research is that the research can be conducted on a large scale and gives a lot more information as far as value and statistics. One of the disadvantages of quantitative research is that it is more costly than using qualitative. Even though it comes with advantages because of the larger scale of research, it may not be necessary for the type of research that needs to be done. Another disadvantage of quantitative research is that numbers change often (Word press, 2011). Therefore, if research is conducted on a statistical level then it would have to be conducted much more frequently to help balance out the consistent changing of numbers (Word press, 2011).

To obtain perspective of the Provincial Internal Audit, a questionnaire was utilised as a tool to collect data. Similarly, perspective of the provincial departments about the internal audit management in the North West was obtained using questionnaires.

1.8.3 Population

The population of the study was the members of the Provincial Internal Audit (PIA) and officials whose duties include Internal Control (IC) and Risk Management (RM) in the North West Public administration. Officials who are in the management level and that have been audited by the PIA also formed part of the population. The reason for the researcher to choose this population is because internal auditing in the province is carried out by the PIA through the IC and RM directorates of the government departments. Since management are ultimately responsible for receiving audit reports and expected to respond to the findings, they are also eligible in the study. The total number of members of the North West Provincial Internal Audit is 112. The total number of officials working within Internal Control, Risk Management and senior management of the North West Provincial government is 324.

1.8.4 Sample and Sampling Techniques

The study consisted of 100 participants. From the participants 50 were from the Provincial Internal Audit staff out of a group of 112. The other 50 participants were from the employees in the Internal Control and Risk Management directorates as well as individuals who are in the Management level within government departments and have been audited by the PIA before.

Sampling methods are categorised as either probability or non-probability. In probability samples, each member of the population has a probability of being selected. Probability methods are said to include random sampling, systematic sampling, and stratified sampling. In non-probability sampling, members are selected from the population in some non-random manner. These include: convenience sampling, judgment sampling, quota sampling, and snowball sampling. The benefit of probability sampling is that sampling error can be calculated. Sampling error is the degree to which a sample might differ from the population. When inferring to the population, results are reported plus or minus the sampling error. In non-probability sampling, the degree to which the sample differs from the population will remain unknown (Pierce, 2009).

The researcher chose random sampling because it is the purest form of probability sampling. With random sampling each member of the population had an equal and known chance of being selected. It is often difficult to identify every member of the population when dealing with a very large population, so the pool of available participants becomes biased.

1.8.5 Questionnaire

Questionnaires are data collection tools. They are often utilised to collect the same information from large numbers of people in a similar manner. They are used to collect data in a statistical form (Pierce, 2009). They are popular because of their cost effectiveness and the results thereof can easily be quantified by either a researcher or through the use of a software package.

Pierce, (2009) indicated that phenomenologist argue that quantitative research is but merely an artificial creation by the researcher, as it is asking only a limited amount of information without explanation, however the researcher opted to using questionnaires due to its practicality and

reliability as it will enable for the generalisation of the outcome since the survey will be based on carefully selected samples.

1.8.6 Data Collection Procedures

In choosing a data collection instrument the decision is solely based on the results the selected instrument is capable of producing, said Fernandez and Rainey (2006). The researcher made use of questionnaires with the majority of questions close-ended and few open-ended questions to collect data. Open-ended questions contained the sentence-completion type. The researcher chose the use of the questionnaire instead of other methods, such as telephone interviewing so that the respondents may respond to the questions at a more convenient time when free from other commitments. Yozi (2009) is of the view that the use of questionnaires is motivated by the fact that it is time saving and that the researcher is able to obtain a better response by participants.

It is imperative for the researcher to meet respondents face-to-face and administer questionnaires personally; it is for that reason that the telephone interviews would have been ineffective. The researcher did not pilot the questionnaire for the purpose of revealing weaknesses of the questionnaire, if any, due to time constraints. The questionnaires were hand-delivered to the respondents and collected after the respondents have had a chance to complete them.

The types of measurements used by the researcher were nominal and ratio in which information was labeled by numbers. For measuring opinions of the respondents, the researcher used Likert scale questions.

1.8.7 Data analysis

Descriptive statistics was used in the study to analyse the data collected from the survey. The researcher used the Statistical Package of Social Science (SPSS) which is statistical software used to analyse data. SPSS provided assistance to the researcher in tabulating data collected through the questionnaire. The results are shown in percentage form. This software was used successfully by Naidoo (2010) when he utilised it to perform descriptive and statistical analysis.

1.9 Limitations of the Study

The study concentrates mainly on the effectiveness of Internal Audit in the public sector and therefore did not dwell too much on service delivery. The study was conducted in eleven (11) provincial departments in the North West, situated in the Mafikeng area, focusing on Internal Control and Risk Management units.

Future study could be conducted to assist in determining the extent at which Internal Audit activity adds value on public sector in the North West province.

1.10 Conclusion

This study investigates the Internal Audit service of the public sector in the North West Province, to identify factors influencing its' effectiveness, using a model developed for the analysis. The model consisted of four interrelated factors: internal audit quality; management support; the organisational setting; and attributes of the auditees.

Research objectives, literature survey as well as research questions were touched upon. Furthermore, the importance of the study, research design and methodology were outlined.

Additionally, I outlined ethical responsibilities, representative sampling, data analysis as well as limitation to the study.

1.11 Structure of the research

The structure of the study comprises the following:

Chapter 1 deals with a problem statement and a proposal.

Chapter 2 deals with a literature review where views of different authors are critically analysed and any gap in the literature identified.

Chapter 3 contains research design and methodology which the researcher applied to the study in answering the research question and the problem.

Chapter 4 comprises of data analysis where the questionnaires are analysed by means of Statistical Package of Social Science (SPSS) and data projected by way of tables and graphs.

Chapter 5 contains the interpretations of the results and recommendations. Also in this chapter is the conclusion of the study.

1.12 Literature Definition

Chief Audit Executive (CAE) – Head of the Internal Audit Unit is the CAE.

Effectiveness – When something is functioning as intended and producing the expected results.

Efficient – When something is functioning as intended with minimum waste or cost

Assurance – A statement that motivates or is intended to boost confidence.

Chief Risk Officer (CRO) – The CRO provides specialist expertise in providing a comprehensive support service to ensure systematic, uniform and effective enterprise risk management.

Auditee - Includes any individual, unit, or activity of the organisation that is been audited.

North West Provincial Government (NWPG) – Government departments in the North West province.

North West Provincial Internal Audit (NWPIA) – An Internal Audit shared service in the North West province.

Audit Committee (AC) – An independent monitoring and oversight body to the Provincial Internal Audit.

Internal Control (IC) – It is an internal assurer, designed to assess the adequacy of controls within an organisation.

Risk Management (RM) – It is an internal assurer, designed to manage risk related matters within an organisation.

Institute of Internal Auditors (IIA) – It is the governing body of the internal audit profession.

Certified Internal Auditor (CIA) – It is the institute's highest qualification and the last step in career path of internal audit profession.

2.1 Introduction

A greater than ever interest on adequacy of internal control and internal auditing emanates from the economy becoming global, hi-tech, complications of business and accusations of fraudulent activities and financial misrepresentation (Karagiorgos *et al.* 2011). This new role and responsibility of the internal audit is also reflected in its current definition which explains the Internal Audit as an independent, assurance provider and consulting activity which is made in such a way that it adds value and enhance a company's operations. It assists an organisation to achieve its goals by bringing a methodical, closely controlled approach to assess and enhance the effectiveness of risk management, control and governance processes.

The norm as far as good corporate governance is concerned has been focusing mainly on the interest of shareholders, the equitable treatment of shareholders, and the disclosure and transparency by management monitoring roles by the board, its committees and an independent auditor are central. Such monitoring roles are a means of ensuring proper accountability, honesty and transparency in the conduct of a corporation's activities (ASX, 2010).

In providing reasonable assurance pertaining to the effectiveness of internal controls, the internal audit activity should satisfy itself that there is compliance regarding policies, procedures, acts and regulations; set objective will be achieved; reliability and integrity of the financial information and operations; resources are effectively, efficiently and economically utilised, not forgetting safeguarding of assets (ASX, 2010).

This chapter presents a literature review pertaining to the effectiveness of the Internal Audit Activity. Topics that are reviewed in this chapter are the nature and scope of internal audit; responsibilities of internal audit; the importance of internal audit; the role of the internal audit; the internal audit process; challenges associated with internal audit; International perspective and strategies for effective implementation of audit recommendations.

2.2 Nature and scope of Internal Audit

The North West Provincial Internal Audit is a chief directorate within the department of finance. It was established as a shared function under sections 38 (1)(a)(ii) and 76 (4)(e) of the Public Finance Management Act (PFMA) and mandated by EXCO Resolution 4.4 of 18th May 2001 (as amended by EXCO Resolution 4.2 of 17th July 2006) for the North West Provincial Administration in terms of paragraph 3.2.3 of the Treasury Regulations. The above mentioned prescripts emphasise that an Accounting Officer for the department should ensure that the department has and maintains a system of internal audit under the control and direction of an audit committee complying with and operating in accordance with regulations prescribed in terms of sections 76 and 77 of the PFMA.

NWPIA (2011) outlines the scope of work of the Provincial Internal Audit as to provide reasonable assurance that system of risk, internal control and governance processes, effected by various departmental management, is in accordance with the acceptable standards and functioning effectively to ensure that: identification and management of risks are performed appropriately; strategic plans, objectives, and activities are attained; recognition of critical laws and that they are appropriately addressed within respective departments; resources are acquired in an economical way, utilised with minimum waste and adequately safe-guarded; relations with the various governance processes takes place whenever a need arises; critical information pertaining to finance, management and operations is complete, correct, credible and timeously; and that behavior demonstrated by employees' is in line with the relevant policies, standards, procedures and applicable legislation.

Any opportunities to enhance internal controls, value for money and image of the respective departments that will be identified during internal audit assignments will be brought to the attention of the appropriate level of management NWPIA (2011).

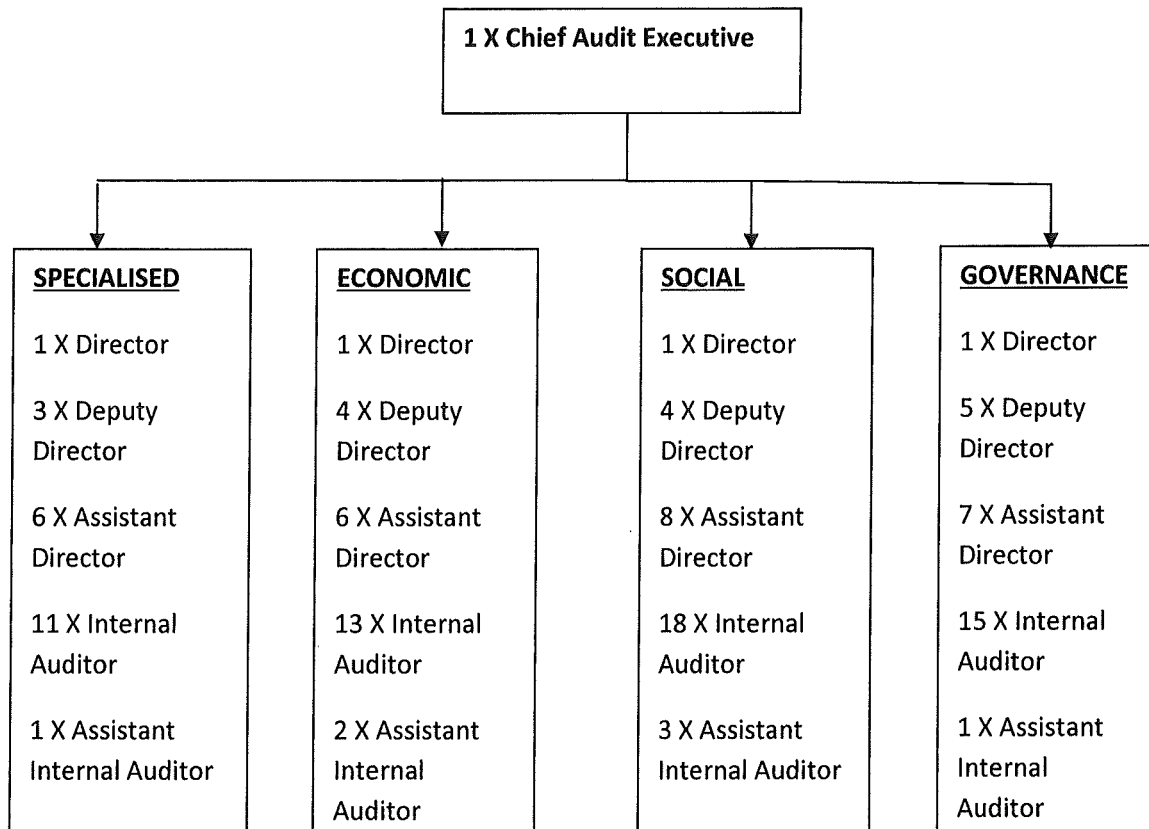
2.3 Responsibilities of Internal Audit

The Head and the officials within the Provincial Internal Audit have a responsibility, according to NWPIA (2011), to prepare, in consultation with and for the approval of the Provincial Audit Committee:

- 2.3.1 A strategic internal audit plan for three years rolling, based on the assessment of high risk areas of the provincial administration, having regard to the current operations of respective provincial departments, their strategic plans and risk management strategies;
- 2.3.2 An annual internal audit plan for the first year of the rolling three years strategic internal audit plan;
- 2.3.3 The plans should indicate the proposed scope of each audit in the annual internal audit plan;
- 2.3.4 Implement the annual internal audit plan, as approved, including any special tasks or projects requested by management and the Provincial Audit Committee;
- 2.3.5 Assist Accounting Officers in maintaining controls which are producing the expected results with minimum waste within the respective provincial departments by assessing those controls to determine their adequacy, thus developing recommendations to enhance the effectiveness of such controls. The controls subjected to evaluation should take into account the following:-
- i. Information system environment;
 - ii. The reliability and integrity of financial and operational information;
 - iii. The effectiveness of operations;
 - iv. Safeguarding of assets; and
 - v. Compliance with laws, regulations and controls.

The North West Provincial Internal Audit has an organisational structure which consists of 123 positions. The 112 positions are technical and the remaining 11 are that of support staff. The chief directorate is made up of 4 clusters, namely: Specialised Audits; Economic and

Infrastructure cluster; Social cluster; and Governance cluster. The positions are structured as follows:



(NWPIA, 2011)

2.4 The Importance of Internal Audit

The importance of Internal Audit includes the following:

- **Control Mechanism**

Due to the growing demand of internal audit services both in public and private organisations, the significance of Internal Audit was validated. Management is required to make an annual statement regarding the design and effectiveness of the organisation's internal controls. Thus, audit is a system used by an organisation to assess risk and

analyse the gaps undermining achievements of the organisation's objectives (Sueyoshi *et al.* 2008). A focus on high-profile corporate failures has recently been placed on corporate governance and also emphasised internal auditing as an important part of the governance process (Coram *et al.* 2008).

Internal Auditing (IA) has become an essential internal assurer in both public and private entities. However not many educational studies have been conducted on its effectiveness (Cohen and Sayag, 2010). It is common knowledge that service delivery in most of the public sector entities in South Africa is in a state of disorder. There are challenges which are directly linked to service delivery, and they are as follows: fraud and corruption; insufficient capacity in terms of skill and human resource. Quality service delivery and value for money in the public sector has obviously not been achieved. Best Value is best described as an emerging initiative that aims to improve the quality of public services (Bowen *et al.* 2007).

- **Corporate Governance Structure**

In recent years, the importance of good corporate governance has received significant public and regulatory attention. A vital part of an entity's corporate governance is its internal audit function (Coram *et al.* 2008). Since then, there has been a worldwide move towards an enterprise wide approach to risk management, with internal auditors playing a key role in providing both assurance and consulting services with respect to the management of risk within their organisations (Zwaan *et al.* 2009).

Internal Audit is an important part of an organisation's corporate governance structure. This importance is highlighted by the Institute of Internal Auditor's (IIA) Practice Advisory 2130-1 on the role of the internal auditor in the ethical culture of an organisation, which stresses that internal auditors should take an active role in support of an organisation's ethical culture and in this way can help detect misappropriation of an organisation's assets (IIASA, 2010).

It is said that audit committees seek comfort, with respect to the control environment and internal controls, two areas in which they confront considerable discomfort. Besides the internal audit function's traditional assurance role, its involvement in improving internal controls provides a significant level of comfort to the audit committee. Internal auditors' unique knowledge about risk management and internal control, combined with appropriate interpersonal and behavioural skills, enable them to provide this comfort (Sarens *et al.* 2009).

- **Agent for Organisational Renewal**

Fernandez and Rainey (2006) argued, based on a thorough literature review that top management's support and commitment to change play a crucial role in organisational renewal, as senior managers can set the tone that the entire staff needs to follow through on efforts launched by forward thinkers.

Legitimate roles are those the IIA has deemed an Internal Audit can undertake, as long as there are safeguards in place to prevent any compromise of independence. These roles extend beyond the regular assurance activities into the consulting role of the Internal Audit (IIASA, 2010).

- **Enhance Accountability and Improving Performance**

In public sector organisations across the world, the Internal Audit activity is a preferred support provider, enhancing accountability and improving performance in government. Thus, more countries have developed policies aimed at strengthening the Internal Audit activity within the public sector for the purpose of improving their capacity for contributing to these goals. Measures in the policy should include amongst other such as

the following: establishment of internal audit units; establishment of principles for the professional conduct of internal audit work; training and development; increase reporting arrangements as such widening authority to: allocation of resources; and broadening the mandate to make both internal and external auditors performance assessment champions. Additionally, due to the fact that internal auditing is seen as an important tool for accountability led to the United States transferring Internal Audit activity to the Inspectors General who report audit exceptions to both the Executive and to Congress. Thus, in the United States, Internal Audit is currently also a tool for external accountability and not a tool of internal accountability intended to assist senior management of the government departments (Ali, 2011).

In order to determine internal audit efficiency, evaluation principles are important to analyse the model of Internal Audit. Undoubtedly, the large amount of definitions that is given by many researchers depicts the importance of internal auditing. More specifically, it is defined as an independent appraisal function, established within an organisation to examine and evaluate its activities as a service to the organisation. By measuring and evaluating the effectiveness of organisational controls, internal auditing, itself, becomes an important managerial control device, which is directly linked to the organisational structure and the general rules of the business (Karagiorgos *et al.* 2011).

In the same period, the Committee of Sponsoring Organization's (COSO) model developed by the American Institute of Certified Public Accountants, the American Accounting Association, the Financial Executives Institute, the Institute of Internal Auditors and the Institute of Management Accountants has been adopted as the generally accepted framework for internal control and is widely recognised as the ultimate standard to assess the effectiveness of internal control system. In this perspective, the COSO model defines internal control as follows: A course of action which is put in place by an organisation's executive, senior management and other personnel and its purpose is to provide reasonable assurance that objectives will be achievement. This can be achieved by paying attention to the following: effectiveness and efficiency of operations, reliability

and integrity of the financial information as well as compliance with applicable laws and regulations (Karagiorgos *et al.* 2011).

Balakaran, (2007) noted that the Internal Audit activity assists with key activities that fall within the audit committee's area of responsibility and that the reporting relationship is key to effective practice of audit, not to mention objectivity. In addition to that, it is the recommendation of the IIA that the Internal Audit activity reports directly to the audit committee. In this regard, independence of the Internal Audit will be enhanced and an objective evaluation of internal controls can be accomplished.

The challenge that the board faces is how it can measure that an effective Internal Audit activity was operational for a particular period covered by the integrated report. While the execution of a risk-based plan would have been sufficient for this purpose in the past, King III requires a more holistic approach that is related to other areas as well. Practically, this means a challenging of the norms and exploration of concepts that will move Internal Audit in the direction of a sufficient progress. These include: annual report disclosure in the event that an effective Internal Audit activity was not maintained; an organisational custodian function in situations where Internal Audit is outsourced; reviewing organisational ethics; cost optimisation and the prevention of assurance fatigue; an assessment of the control environment; the relationship between Internal Audit and audit committees; the role and attributes of a chief audit executive; the implementation of an internal audit quality assurance and improvement programme; the interdependency between internal audit and other assurance providers such as risk management (King III, 2009)

The Institute of Internal Auditors (IIA) is the governing body of the profession, but not all individuals practicing as internal auditors are registered with the IIA. It could be argued that most internal auditors who qualify for membership would want to register as this brings many advantages, such as joining a worldwide network of professionals, increased knowledge and professional guidance amongst others. The criteria for

membership differ from country to country, but in short, the minimum requirement for membership of the IIA is a bachelor's degree or equivalent from a recognised institution of higher education, combined with suitable work experience. Secondly, the only officially recognised internal audit certification is the Certified Internal Auditor (CIA) designation, owned and managed by the IIA, and this remains the only official standard by which individuals unmistakably demonstrate their competency and professionalism in the Internal Audit field (Erasmus & Coetzee, 2010).

A fair statement would be to conclude that the CIA designation is a reflection of the perceived competence of internal auditors. This again reflects on the quality of activities performed by internal auditors, directly influencing the standing of the Internal Audit Activity. In other words, there is little perceived benefit to be derived from obtaining the CIA qualification. Despite the fact that there is a steady growth in the number of memberships, it also shows that there is an almost insignificant increase in the proportion of South African members obtaining their CIA certification. It seems that organisations are struggling to attract the right combination of talents to be able to meet the needs of all the stakeholders and to add value to the organisation. The scarcity of competent and skilled internal auditors is highlighted by many global studies that address issues such as the technical and soft skills and competencies that are required of an internal auditor (McCaul, 2006)

2.5.1 Role of Internal audit

The Institute of Internal Auditors emphasises that effectiveness of internal audit activity relies on satisfying both the Attributes and Performance standards. It outlines the purpose, authority, and responsibility of the internal audit activity and states that it must be formally defined in an internal audit charter, consistent with the definition of Internal Audit, the Code of Ethics, and the Standards. It echoes that the chief audit executive must periodically review the internal audit charter and present it to senior management and the board for approval. The internal audit charter is a formal document that defines the Internal Audit Activity's purpose, authority, and responsibility. The internal audit charter establishes the Internal Audit Activity's position within

the organisation, including the nature of the chief audit executive's functional reporting relationship with the board; authorises access to records, personnel, and physical properties relevant to the performance of engagements; and defines the scope of Internal Audit Activities. Final approval of the internal audit charter resides with the board or as it is known, audit committee (IIA, 2011).

Specific issues which are highlighted under the attribute standards are independence and objectivity of the Internal Audit Activity. Independence is explained as the freedom from conditions that threaten the ability of the Internal Audit Activity or the chief audit executive to carry out Internal Audit responsibilities in an unbiased manner. To achieve the degree of independence necessary to effectively carry out the responsibilities of the Internal Audit Activity, the chief audit executive has direct and unrestricted access to senior management and the board. This can be achieved through a dual-reporting relationship. Threats to independence must be managed at the individual auditor level, engagement level, functional level and organisational level (IIASA, 2010). On the other hand, objectivity is explained as an unbiased mental attitude that allows internal auditors to perform engagements in such a manner that they believe in their work product and that no quality was compromised. Objectivity requires that internal auditors do not lower their judgment on audit matters to others.

Internal auditing will always operate within the dynamic contradiction of being part of the organisation on one hand, and on the other hand trying to remain independent and objective (Guner, 2008). The independence of the Internal Audit Activity and the objectivity of the internal auditor can be enhanced by various factors, the most important being the reporting lines. Operationally or functionally, the chief audit executive should report to the audit committee, while administrative reporting should be to the Accounting Officer or the Chief Executive Officer. Companies Act, 2008 highlight the independence of the audit committee, making this line of reporting the ideal route to follow for internal auditing. It echoes that internal auditing must be strategically positioned to accomplish their objectives.

The business functions that have the closest links with internal auditing are the board of directors and its committees, top management as well as line management (Guner, 2008). For the board of

directors, internal auditing's main function is to provide them with assurance on organisational activities through its board committees, especially the audit committee. In an ideal scenario, the management team is sidelined and is only reported to on a need-to-know basis. Internal auditing can thus, if needed, report effectively on management's fraudulent activities or non implementation of the board's mandate by management. The independence and status of the Internal Audit Activity will ultimately affect its relationship with the board and the audit committee, and if their reporting lines are short and direct, internal auditors will have greater boldness in reporting wrong-doings to them.

2.5.2 Audit Committee

The audit committee not only plays an important monitoring role to assure the quality of financial reporting and corporate accountability, but also serves as an important governance mechanism, because the potential litigation risk and reputation impairment faced by audit committee members ensure that these audit committee members discharge their responsibilities effectively. We thus expect that firms with high-quality audit committees are less likely to have internal control weaknesses than firms with low-quality audit committees (Zhang *et al.* 2006).

The Sarbanes-Oxley Act of 2002, (SOX) sponsored by Paul Sarbanes and Michael Oxley, represents a huge change to federal securities law. It came as a result of the corporate financial scandals involving Enron, WorldCom and Global Crossing. Since 2006, all publicly-traded companies have been required to implement and report internal accounting controls for compliance. SOX requirements have significantly expanded audits of publicly traded firms and thereby created a new environment for the auditor that involves making judgments on the quality of clients' internal control systems. The subjective nature of this judgment provides the vehicle for management persuasion tactics to influence auditors.

The South African Treasury Regulation issued in terms of the Public Finance Management Act number 1 of 1999 instructs that an audit committee should consist of at least three people of which the chairperson must be independent, knowledgeable of the status of the position, have the

requisite business, financial and leadership skills and may not be a political office bearer. An audit committee must operate in terms of written terms of reference, which must deal adequately with its membership, authority and responsibilities. The terms of reference must be reviewed at least annually to ensure its relevance.

Lary and Taylor (2012) explain that the audit committee must, amongst others, review the following: the effectiveness of the internal control systems; the effectiveness of the internal audit function; the risk areas of the institution's operations to be covered in the scope of internal and external audits; the adequacy, reliability and accuracy of the financial information provided to management and other users of such information; any accounting and auditing concerns identified as a result of internal and external audits; the institution's compliance with legal and regulatory provisions; and the activities of the internal audit function, including its annual work programme, coordination with the external auditors, the reports of significant investigations and the responses of management to specific recommendations. The committee should meet at least twice a year. However, King III report emphasizes that the committee should meet at least on a quarterly basis.

2.5.3 Risk management

The South African National Treasury, in its Public Sector Risk management framework, indicates that risk management is not new to the public sector. It is an integral component of good management and decision-making at all levels. Risk management is about making decisions that contribute to the achievement of an organization's objectives. It assists with decisions such as the reconciliation of costs with benefits and expectations in investing limited public resources, the governance and control structures needed to support due diligence, responsible risk taking, innovations and accountability. Risk management is a continuous, proactive and systematic process, affected by a department's executive authority, accounting officer, management and other personnel, applied in strategic planning and across the department, designed to identify potential events that may affect the department, and manage

risks to be within its risk tolerance, to provide reasonable assurance regarding the achievement of department objectives.

Risk management is mainly considered separately from business process management although large parts, such as understanding the business environment within which the organisation operates. A company's processes constitute the basis for risk management as risks always ultimately affect the business. The main goal of this phase is to acquire sufficient information for succeeding analysis steps. Therefore, at least the following main tasks have to be performed: namely, process identification; resource Identification; risk identification and detection, counter and recovery measure identification. Within the process identification involved business units have to be surveyed to gather sufficient information about core activities, possible execution paths and their probabilities Jakoubi and Tjoa, (2010).

Koutoupis and Tsamis (2008) highlight that an internal audit for international business audit teams starts by acquiring a deep knowledge of business strategic objectives. This will help internal auditors to understand the significant risks related to the achievement of objectives and motivate management to identify them. The main output of this step is the risk compiled by senior management (with the assistance of internal audit). This step is considered the cornerstone. It is a prerequisite that enables internal audit to target its efforts more effectively towards the areas, and risks that matter the most. It also requires a high level of input from both management and staff. It is therefore essential that staff from different levels involved, as far as this is practicable.

The second stage involves collecting information on management's assessment of the previously identified risks and determining how these are currently being managed by the entity. This, in effect, entails a preliminary assessment of the control environment (as mentioned before, internal control is only one mean of managing identified risks). The point of this stage is to gain management input on the assessed level of the previously identified risks, and on their management approach. This enables internal audit to filter and prioritise risks, in order to develop its periodic audit plan. In other words, at the end of this stage, the internal audit teams

should be able to decide which risks should be reviewed to ensure that they are properly managed, when and how they should be reviewed. As a result, the risk register at this point does not only contain a complete list of previously identified risks, but it can also be filtered to produce a list of risks that will be subject for review by internal audit.

The framework considers four potential factors – internal audit quality, management support, organisational setting, and auditee attributes to explain audit effectiveness, and demonstrate how the interaction of these factors improves audit effectiveness. Internal audit quality, which is determined by the internal audit department's capability to provide useful findings and recommendations, is central to audit effectiveness. Internal audit has to prove that it is of value to the organisation and earn a reputation in the organisation. The Ministry of Finance and Economic Development (2006) further indicates that Internal Audit has to evaluate its performance and continually improve its service. Audit quality is a function of the level of staff expertise, the scope of services provided and the extent to which audits are properly planned, executed and communicated. Audit findings and recommendations would not serve much purpose unless management is committed to implementing them. Agency theory is used to explain that it is in the interest of management to maintain a strong Internal Audit Activity. Implementation of audit recommendations is highly relevant to audit effectiveness and the management of an organisation is viewed as the customer receiving internal audit services. As a result, management's commitment to use audit recommendations and its support in strengthening internal audit is vital to audit effectiveness.

Organisational setting refers to the organisational profile, internal organisation and budgetary status of the internal audit office and the organisational policies and procedures that guide operation of auditees. It provides the context in which Internal Audit operates. Thus, organisational setting can put forth influence on the level of effectiveness that internal audit could achieve. The auditee attributes relate to the capability of the auditee to meet its intended objectives (Van Gansberghe, 2006). Auditee attributes with implications on audit effectiveness include the auditees' proficiency to efficiently and effectively meet organisational goals; their attitude towards internal audit; and the level of cooperation provided to the auditor. Since, the

four factors discussed above are linked; audit effectiveness is an active process that results from the effect of each factor and the interaction among all.

Audit quality and management support strongly affects audit effectiveness. Better audit effectiveness, in turn, has a positive bearing on these two factors. If internal audit enhances quality to the extent it elicits management's interest, management support would be a natural *quid pro quo* because the management would realise the contribution of internal audit to the achievement of organisational goals (Mihret & Yismaw, 2007). This would positively reflect on audit quality and enhance audit effectiveness. The management's commitment to implement audit recommendations improves the operation of the auditee, as a result of which the auditee attributes would improve to the benefit of audit effectiveness. Further, management retains the authority to improve the organisational setting and influence the auditee towards a positive effect on audit effectiveness, which in turn, benefits audit quality.

On-going monitoring is an integral part of the day-to-day supervision, review, and measurement of the Internal Audit activity. On-going monitoring is incorporated into the routine policies and practices used to manage the Internal Audit activity and uses processes, tools, and information considered necessary to evaluate conformance with the definition of Internal Auditing, the Code of Ethics, and the standards. Periodic reviews are assessments conducted to evaluate conformance with the definition of Internal Auditing, the Code of Ethics, and the standards. Sufficient knowledge of internal audit practices requires at least an understanding of all elements of the International Professional Practices Framework (PCAOB, 2007). It further indicates that the Internal Audit activity is seen to be effectively managed when the results of the Internal Audit activity's work satisfy its "purpose and responsibility" as outlined in the internal audit charter and it is conventional with the definition of internal audit activity. In being conventional, the internal audit activity should add value to the organisation by providing independence, objectivity and relevant assurance as well as contributing to the effectiveness and efficiency of control, risk management and governance processes. Governance processes are assessed with the purpose of promoting appropriate ethics and values within the organisation; making sure that the organisational performance is effectively managed and accountability is not compromised;

communicating the effectiveness of risk management and internal control to the relevant officials.

In assessing the effectiveness of risk management processes, internal auditors agree that the two most important ways that internal auditing provides value to the organisation are in providing objective assurance that the major business risks are being managed appropriately and providing assurance that the risk management and internal control framework is operating effectively. IIA (2009) outlines the internal auditing core roles in regard to risk management as follows; reviewing the management of key risks; evaluating the reporting of key risks; evaluating how the risk management process unfolds and provide reasonable assurance of the effectiveness of the process; providing assurance that the risks are correctly evaluated. Other legitimate roles that internal audit can undertake without compromising their independence are as follows; facilitation of risk identification and evaluation; coaching management on how to respond to risk; coordinating of enterprise risk management activities; consolidated reporting on risk; developing and maintaining enterprise risk management framework; championing the establishment of the enterprise risk management and developing risk management strategy for board approval.

2.5.4 The Internal Audit Process

IIA-UK (2009) emphasised that in performing the engagement, the internal audit should issue a notification letter to the client informing them of the commencement of the new audit as well as request for a date of an engagement meeting. During this engagement meeting, a draft engagement letter highlighting the key dates of the audit, objectives of the audit, scope of work and the team to carry out the audit are discussed and agreed upon. After which the internal audits will document the system description. The system description is a sequence of a process of an activity.

The Internal Auditors evaluates the documented information for the purpose of identifying potential risks that might occur and undermine the achievement of set objectives according to the IIA-SA, (2012). Additionally, the identified risks are measured using impact and likelihood of occurrence as well as the current controls that are in place to mitigate the occurrence of risk. From the assessment of system description, an audit programme is formulated. The program will

be made up of all the procedures to be tested during the execution stage. Then a final engagement letter is issued to the client with all adjustments agreed upon during the engagement meeting.

The fieldwork concentrates on transaction testing and informal communications. It is during this phase that the auditor determines whether the controls identified during the preliminary review are operating properly and in the manner described by the client (Radke, 2006). The results of the audit review should be documented in a working paper which is in accordance with the applicable prescripts. The working paper should contain the following information; name of preparer and date of preparation; name of reviewer and date reviewed; objectives of activity being audited; scope of the work to be carried out; population and sample size; record of work done; and legends and conclusion. The fieldwork stage concludes with a list of significant findings from which the auditor will prepare a draft of the audit report, again in a designed working paper with the following information; finding; criteria which the finding is in contradiction with; effect of the finding; and recommendation on how to address the detected finding. The audit manager thoroughly reviews the audit working papers and the draft report before it is presented to the client for comment. This discussion draft is prepared for the unit's operating management and is submitted for the client's review before the exit conference (Radke, 2006).

The Internal Audit's principal product is the final report in which an opinion is expressed through the presentation of the audit findings, and discusses recommendations for improvements. To facilitate communication and ensure that the recommendations presented in the final report are practical, Internal Audit discusses the rough draft with the client during an exit meeting prior to issuing the final report. All the findings should be substantiated by relevant audit evidence. The audit evidence should be sufficient, relevant and timely in order for it to be adequate. When audit management has approved the discussion draft, Internal Audit meets with the unit's management team to discuss the findings, recommendations, and text of the draft. At this meeting, the client comments on the draft and the group works to reach an agreement on the audit findings (NWPIA, 2011). It further goes on to indicate that a client has the opportunity to respond to the audit findings prior to issuance of the final report which can be included or attached to the final report. In the response, the client should explain how report findings will be

resolved and include an implementation timetable (Powell, 2012). In some cases, managers may choose to respond with a decision not to implement an audit recommendation and to accept the risks associated with such audit finding. The client should copy the response to all recipients of the final report if s/he decides not to have their response included/attached to Internal Audit's final report.

A quality report must be accurate, objective, clear, concise, constructive, complete, and timely. Bartle (2006) goes on to explain further by indicating that accurate communications should be checked for mistakes and should not contradict the underlying truth. Objective communications are fair, independent, and unbiased and are the result of a fair-minded and balanced assessment of all relevant facts and circumstances. Clear communication is easy to understand and makes sense. It is usually free of pointless technical language and provides all critical information. Concise communications are free from unnecessary explanations, irrelevant detail and more than necessary information. Complete communications lack nothing that is essential to the target audience and include all significant and relevant information and observations to support recommendations and conclusions. Constructive communications lead to improvements where necessary and are helpful to the engagement of clients and the organisation. Timely communications are appropriate and convenient, depending on the significance of the issue, allowing management to take appropriate corrective action.

Bedard and Graham (2008) are of the view that the auditor should prepare a formal draft, taking into account any revisions resulting from the exit meeting and other discussions. When the changes have been reviewed by the audit manager and the client, the final report is issued. Internal Audit prints and distributes the final report to all relevant stakeholders. Within approximately one year of the final report, Internal Audit will perform a follow-up review to verify the resolution of the report findings. The client response letter is reviewed and the actions taken to resolve the audit report findings may be tested to ensure that the desired results were achieved. All unresolved findings will be discussed in the follow-up report. The review will conclude with a follow-up report which lists the actions taken by the client to resolve the original report findings. Unresolved findings will also appear in the follow-up report and will include a brief description of the finding, the original audit recommendation, the client response, the

current condition. A discussion draft of each report with unresolved findings is circulated to the client before the report is issued. The follow-up review results will be circulated to the original report recipients and other stakeholders as deemed appropriate.

Monitoring is a process of assessing the quality of the activities performance over time. It is an on-going activity incorporated into normal operations to ensure that they will consistently continue to perform effectively. Supervision on a day to day basis by supervisors and management; consideration of communication with internal and external parties can enable effective carrying out of the internal audit activity. It involves separate evaluations, which depends on the extent of effectiveness of the ongoing monitoring activities and the risk assessment (Coso, 2007).

A quality assurance and improvement program is designed to enable an evaluation of the internal audit activity's conformance with the Definition of Internal Auditing and the Standards and an evaluation of whether internal auditors apply the Code of Ethics. The program also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement. External assessments must be conducted at least once every five years by a qualified, independent reviewer or review team from outside the organization. Radke (2006) explains that the outline, content, and frequency of communicating the results of the quality assurance and improvement program is established through discussions with senior management and the board and considers the responsibilities of the internal audit activity and chief audit executive as contained in the internal audit charter. To demonstrate conformance with the Definition of Internal Auditing, the Code of Ethics, and the Standards, the results of external and periodic internal assessments are communicated upon completion of such assessments and the results of ongoing monitoring are communicated at least annually. The results include the reviewer's or review team's assessment with respect to the degree of compliance.

2.6 Challenges of an Internal Audit Activity

Introduction

The Institute of Internal Audit, New York (2010) during an annual audit seminar discussed the trends and challenges facing Internal Audit currently and in the near future. It echoed the forever changing audit landscape which requires that the Internal Audit standards be amended to make provision for the required changes. Since this change requires that the auditors are trained as well to create awareness as to the new developments in the standards. Small to medium organisations might have financial pressure in that regard if the standards are amended constantly and might not be in a position to oblige to the requirements of Institute of Internal Audit standards. An organisation with an Internal Audit activity which does not adhere to the IIA standards is seen to be ineffective and inefficient. There is also a challenge in tracking and interpreting new legislation and regulations, as well as understanding the legislative process, not to mention the political dynamics that drives the policy.

Internal Audit challenges

The internal audit departments have several challenges linked to the changes in business operations; to the support of other assurance functions such as risk management, compliance, internal control and quality assurance; to the requirements of the different stakeholders “continuous auditing and overall opinion”; to the pressure on productivity and new legislations (IIA Belgium, 2010). The IIA further echoed that the Internal Auditors have to work in an efficient way, but also have to guarantee the full coverage of the major risks in the organisation. Working together with the External Auditors and an overall approach of the risks will help achieving these objectives. Internal Auditors must, more than ever, demonstrate their added value and provide reasonable assurance to the Executive about the efficiency of the risk management within the organisation and contribute, through their recommendations, to the continuous improvement of the processes.

During a view point of the audit committee leadership summit, members of the Audit Committee Leadership Networks in North America and Europe Audit Committee Leadership Networks met their summit. The pressing matter on the agenda was challenges facing internal audit function. Resourcing the internal audit function was highlighted as a pressing issue. The challenges

include the staffing of the internal audit function with skilled people who have knowledge of the organisation and its general culture (ViewPoint, 2013). The positioning of the internal audit within the organisation has also been discussed as a challenge. It is imperative that an internal audit have a strong position in the organisation and should be portrayed as a loyal and valued player. Since it required the CEO to validate the position of the internal audit, a healthy relationship between the Chief Audit Executive and the Chief Executive Officer is encouraged. This will ensure that the internal audit maintains its independence and objectivity.

Unlike western countries, China's internal audit was established and developed under the assistance of the Government. However, compared to social audit and governmental audit, China's internal audit clearly lags behind on matters of institution setup or on the impact made by its functionality (Song, 2011). Low emphasis on internal audit at management level is highlighted as a huge challenge. Even though Internal audit has developed for over two decades, people still can't be convinced to adapt the culture of affording the Internal audit the necessary respect it requires, especially most of directors in private organisations, who think internal audit is dispensable, and has no direct relationship with corporate economic benefit. Some corporate director's believe that internal audit restricts their self business rights and weakens their authority. As a result, they either do not set internal audit department, or they deprive its rights even if it does exist. The officials in internal audit department end up being excluded and isolated, resulting in them not being able to perform their roles as expected.

Song continues to highlight low quality of corporate internal audit staff as another huge challenge in China. China's organisations pay little attention to internal audit and as such it ranks very low within the structures of the organisations. It is therefore very difficult to attract and maintain talents into internal audit team. Renewal of the team can't be accomplished easily, which results in single knowledge structure of audit staff, where lack of risk management knowledge and information technology knowledge is eminent.

The failure of a public company is more often than not followed by a series of lawsuits. Audit firms are usually included in such lawsuits because in the aftermath of an organisational failure, the audit firm is generally one of the few solvent parties. Many audit firms that have picked up

the smaller, riskier, or financially weaker clients are regional and local firms with comparatively limited resources. The survival of these audit firms in the aftermath of organisation failure and major lawsuit settlements is a concern to the profession (Owens-Jackson *et al.* 2008).

Auditing Standards requires auditors to exercise professional attitude marked by a tendency to doubt what others accept to be true and form an independent opinion when assessing control deficiencies. If an auditor lack professional attitude marked by a tendency to doubt what others accept to be true, it can be manipulated by management tactics to lower the assessed severity of a potential significant deficiency (Bedard and Graham, 2008). Further, lowering the assessed severity to less than a significant deficiency eliminates the need to inform the audit committee of the deficiency in controls.

Wolfe *et al.* (2009) discuss the adequacy of resource where technology is concerned. Lack of adequate technology poses a challenge in the internal audit. Since the changes in technology are accelerated, the technology been used for internal audit should be updated or change to give the organisation a competitive advantage.

Norman *et al.* (2010) reviewed the effects of internal audit reporting on fraud risk assessment and came to a conclusion that auditors have a perception that their lives will be in danger when they report high level of risk to the audit committee and thus result in them reducing the assessed levels of fraud risk which they report. This is a challenge and it poses a threat of compromising internal audit functionality.

Steward and Subramaniam (2010) argue that an audit committee is able to set a 'tone' that enables internal audit to have a certain degree of influence in the organisation. As such, an effective audit committee is seen to play a critical role in supporting the internal auditor's position and strengthening internal audit independence. What the author is implying is that with

an ineffective audit committee, the internal audit might face the challenge of strengthening its independence.

2.7 Internal audit Experiences from other Countries (International Experiences)

Ethiopia

The Government of Ethiopia is a federated state comprising of nine autonomous regional states. The federated state has a bicameral parliamentary structure. The House of People's Representatives is the highest decision-making authority in Ethiopia with members of parliament representing the people. A Federal Council represents the interests of the States. The prime minister is the Head of Government and the president is the Chief of state. The prime minister nominates cabinet ministers for approval by the House of People's Representatives. The prime minister also recommends a president and vice president for the Federal Supreme Court and seeks approval of the House of People's Representatives (Mihret, 2010)

During the post-1991 period, Ethiopia has been receiving World Bank (WB) and International Monetary Fund (IMF) loans, grants, and economic policy reform advice in managing its development. Largely with the assistance of these international financial institutions and Western consultants, the Ethiopian Government embarked on reforms of public sector financial reporting and internal auditing in the early 1990s (Mihret, 2010). As part of economic policy reforms, the Ethiopian Government has been working to modernise the financial infrastructure of the Country and to encourage private investment via an improved platform for risk assessment and a climate of mitigated corporate failure.

Internal audit is a cornerstone of corporate governance (Christopher *et al.* 2009). Subsequently, as is the case in general, the focus of the Ethiopian Government on corporate governance issues could arouse an emphasis on internal audit. Consistent with this notion, the Ethiopian government has been providing increasing support to the development of internal audit since 1994. It has provided this support not only by strengthening internal audit in ministry offices and SOEs (Mihret, James, and Mula, 2009) but also by supporting IIA-Ethiopia since its establishment as a chapter in 1996 (IIA-Ethiopia, 2009).

Malaysia

Malaysians have been attacked with one disclosure after another on the terrible state of the nation's public sector. It was on 1 December 2009 when the second finance minister during the "National Economic Outlook Conference 2010-2011", noted in his speech the appalling state of the Malaysian economy in the last decade; with the eye towards urgent and wide- ranging reforms in several areas including the governance of government organisations (Treasury Malaysia, 2009). The minister's concern was that Malaysia is trapped in a low-value-added, low-wage and low-productivity structure. While Singapore and Korea's GDP grew within the last three decades by 9 and 12 times, respectively he then emphasised the need to rebuild an environment that restores the confidence of private investors.

The minister further went on to comment about governance in the public sector and said that it was in a serious need for an overhaul. He said this while recounting the horrors taking place in government organisations not leaving out the government linked companies. He reminded all that lack of good governance in the public sector is witnessed annually during October when there is an increase of cases of fraud, waste and abuse appearing in the latest audit reports of various government organisations (Nadeswaran, 2009a).

Ali *et al.* (2012) blame all the above on ineffective systems of Internal Audit and thus lack of transparency, public accountability and poor corporate governance still exists.

United Kingdom

The UK House of Commons Treasury Committee (2009) stated that public confidence in the operation of capital markets depends on the credibility of corporate reports produced by boards of directors. The auditor's role in society is to provide reasonable assurance to interested third parties that these corporate reports and financial statements are a true and fair reflection of

company performance. In order to perform this role, it is essential that auditors are independent of the auditee. The UK House of Commons Treasury Committee and the Pensions Investment Research Council have expressed significant concerns about the practice of auditors acting as consultants. The UK House of Commons Treasury Committee (2009) indicated that they have reason to believe that investor confidence and trust in the audit would be enhanced if audit firms cease to conduct non-audit work for the same company that they have to later audit.

Dart (2011) is of the view that a review of the literature and current UK regulations indicates that economic dependence, non-audit service provision and having to audit a client for an extended amount of time has the ability to compromise an auditor's independence. He further indicated that concerns regarding auditor independence were awakened by the recent banking crisis in the UK. His study was responding to the gap in the current auditor independence literature by providing evidence on how well protected the owners of UK organisations perceive themselves to be, by auditors and their current Ethical Standards, in the "wake" of the US accounting scandals such as Enron and WorldCom.

However, the findings of the survey conducted by Dart (2011) showed that the UK investors are most concerned about the threats of economic dependence and non-audit service provision, and are relatively unconcerned about the threat of long audit "tenure". These findings are consistent with similar UK studies conducted before the recent wave of audit failures and audit market concentration

Canada

During the 2012 state of the internal audit profession study in Canada, Price Waterhouse Cooper (PWC) explored the rising importance of risk management and the increasing expectations of internal audit's contribution. Stakeholders in Canada agree that whilst internal audit is focusing on the mitigation of top and emerging risks, it should not lose sight of traditional risk areas, namely; controls within processes; fraud and ethics as well as other compliance activities (Wetmore, 2012). Stakeholders further indicated that internal audit should "expand" their role from a traditional assurance provider to that of an advisory. They are convinced that internal

audit can actually do more by providing recommendation which are practical and doable in their audit reports.

There is a difficulty in drawing the line between the role of advisory and assurance provider. Another challenge facing the Canadian internal audit according to the Chief Audit Executives was the size of the organisation and the number of activities that have to be dealt with it (Wetmore, 2012). The stakeholders believe that the internal audit should rise to a new standard and improve their performance. Additionally, the internal audit should change so that they could be in a position to detect and address issues raised above.

2.8 Strategies for effective implementation of Audit recommendations

Audit findings and recommendations would not serve much purpose unless management is committed to implement them. It is in the interest of management to maintain a strong internal audit department. Implementation of audit recommendations is highly relevant to audit effectiveness (Van Gansberghe, 2005) and the management of an organisation is viewed as the customer receiving internal audit services. As a result, management's commitment to use audit recommendations and its support in strengthening internal audit is vital to audit effectiveness.

The management's commitment to implement audit recommendations improves the operation of the auditee, as a result of which the auditee attributes would improve to the benefit of audit effectiveness. Further, management retains the authority to improve the organisational setting and influence the auditee towards a positive effect on audit effectiveness, which in turn, benefits audit quality.

Lin et al. (2011) are of the view that the benefit from internal audit work is not in the recommendations made, but in how well they are implemented. The effectiveness thereof can be measured by the improvements it is able to bring to the organisation. Additionally, an auditor's basic objective amongst others is to have his or her work make a difference. When a recommendation is made to an organisation, its management is basically responsible for implementing it. But auditors can do a great deal to improve the likelihood that a

recommendation will be appropriately implemented. Auditors get more action and better results from their audit work through the following means (US Government Accounting Office, 2013):

- **Quality recommendations:** Whether audit results are achieved depends on the quality of the recommendation. A recommendation that is not convincing won't be implemented. A recommendation that does not correct the basic cause of a deficiency may not achieve the intended result.
- **Commitment:** When the auditor is committed to the need for action on a recommendation, he/she will do what needs to be done to get it implemented. Without that commitment, a recommendation may not achieve the desired action.
- **Aggressive monitoring and follow-up:** Acceptance of a recommendation does not ensure results; effective implementation does. Continued attention is required until results are achieved.
- **Special attention to key recommendations:** While all recommendations require follow-up, some deal with particularly serious or flagrant matters. They should receive special attention.

2.9 Conclusion

The chapter reviewed work done by other authors on different topics, such as importance of the internal audit activity for both the public sector as well as the private organisations. Furthermore, the responsibilities, role, nature and scope of internal audit were touched on this chapter in detail.

Integrated into the chapter was the review of the internal audit management in other countries. In addition some of the challenges associated with internal audit activity and which might hamper the effectiveness and efficiency of the activity were outlined in this chapter. Strategies for effective implementation of audit recommendations were also touched upon in this chapter. The next chapter deals with research design and methodologies used in this study.

CHAPTER 3 RESEARCH DESIGN AND METHODOLOGY

3.1 Introduction

This chapter addresses the issue of research design and which research methodology was used by the researcher. The choices of the research design and methodology is advised by the successful usage of the design and methods by previous researchers. The total population for the study and the sample size is dealt with in this chapter. The other important area that is discussed in the chapter is the location of the study that includes features, characteristics and peculiarities in relation to the concept of the study.

The chapter also presents the method the researcher used to collect data and the techniques for analysing such data. Instrument choices were based on the previous successful usage by other researchers. The researcher employed a survey designed to collect the data from respondents through use of a questionnaire.

A mixed approach was used by the researcher in the form of a quantitative and a qualitative method. The reason the researcher chose to use both qualitative and quantitative methodologies is explained better by Mculu (2008) when he highlighted that a mixed method gives the researcher an added advantage on answering the research question. He further points out that usage of one method usually leaves space for incomplete answers and tend to get researchers arriving at the results/conclusions that do not cover the whole problem.

3.2 Research design and approach

In human science, two basic approaches can be applied in research. These methodologies can either be qualitative or quantitative in nature. Quantitative means quantity which means there is something that can be counted. Quantitative research is used for statistical analysis because it produces hard numbers (AIU, 2012). It is most often used for large scale surveys, like the census (AIU, 2012). It asks questions like how, when, where, and how often (AIU, 2012). With quantitative research the researcher doesn't really know what to expect which is why so many questions are asked and statistics are put together to compile and figure out what the data means. There are many different uses for this type of research; it could be used to figure out

demographics for patients (AIU, 2012). It could be used to gather information about what laws are working and why.

Quantitative data is statistics driven and can provide a lot of information. One of the advantages of this type of research is that it is easier to compile the data onto a chart or graph because of the numbers that are made available (Word press, 2011). Another advantage of quantitative research is that the research can be conducted on a large scale and gives a lot more information as far as value and statistics.

One of the disadvantages of quantitative research is that it is more costly than using qualitative research. Even though it comes with advantages because of the larger scale of research, it may not be necessary for the type of research that needs to be done. Another disadvantage of quantitative research is that numbers change often (Word press, 2011). So if research is conducted on a statistical level then it would have to be conducted much more frequently to help balance out the consistent changing of numbers (Word press, 2011).

To obtain perspective of the Provincial Internal Audit, questionnaires was utilised as a tool to collect data. Similarly, the perspective of the provincial departments about the internal audit management in the North West was obtained using questionnaires

3.2.1 Population

The population of the study was made of the members of the Provincial Internal Audit (PIA) and officials whose duties include Internal Control (IC) and Risk Management (RM) in the North West Public administration. Officials who are in the management level and that have been audited by the PIA also form part of the population. The reason for the researcher to choose this population is because internal auditing in the province is carried out by the PIA through the IC and RM directorates of the government departments. Since management are ultimately responsible for receiving audit reports and expected to respond on the findings, they are also eligible in the study. The total number of members of the North West Provincial Internal Audit is

112. The total number of officials working within Internal Control, Risk Management and senior management of the North West Provincial government is 324.

3.2.2 Sample and Sampling Techniques

The study consisted of 100 participants. From the participants 50 will be from the Provincial Internal Audit staff out of a group of 112. The other 50 participants will be from the employees in the Internal Control and Risk Management directorates as well as individuals who are in the Management level within government departments and have been audited by the PIA before.

Sampling methods are categorised as either probability or non-probability. In probability samples, each member of the population has a probability of being selected. Probability methods are said to include “random sampling, systematic sampling, and stratified sampling”. In non-probability sampling, members are selected from the population in some non random manner. These include “convenience sampling, judgment sampling, quota sampling, and snowball sampling”. The benefit of probability sampling is that sampling error can be calculated. Sampling error is the degree to which a sample might differ from the population. When inferring to the population, results are reported plus or minus the sampling error. In non-probability sampling, the degree to which the sample differs from the population will remain unknown (Pierce, 2009).

The researcher chooses random sampling because it is said to be the purest structure of probability sampling. With random sampling each member of the population stands a chance of being selected. The pool of available participants becomes unfair since it is difficult to identify every member of the population when dealing with a very large population.

3.2.3 Questionnaire

Questionnaires are data collection tools. They are often utilised to collect the same information from large numbers of people in a similar manner. They are used to collect data in a statistical

form (Erasmus *et al.* 2013). They are popular because of their cost effectiveness and the results thereof can easily be quantified by either a researcher or through the use of a software package.

Steyn *et al.* (2013) indicated that phenomenologist argued that quantitative research is but merely an artificial creation by the researcher, as it is asking only a limited amount of information without explanation, however the researcher opted to using questionnaires due to its practicality and reliability as it will enable for the generalisation of the outcome since the survey will be based on carefully selected samples, in addition to what Erasmus *et al.* (2013) highlighted.

3.2.4 Data Collection Procedures

In choosing a data collection instrument the decision is solely based on the results the selected instrument is capable of producing, said Gilbert (2008). The researcher made use of questionnaires with the majority of questions close-ended and few open-ended questions to collect data. Open-ended questions contained the sentence-completion type. The researcher chose the use of the questionnaire instead of other methods, such as telephone interviewing so that the respondents may respond to the questions at a more convenient time when free from other commitments. Yozi (2009) is of the view that the use of questionnaires is motivated by the fact that it is time saving and that the researcher will be able to obtain a better response by participants.

It is imperative for the researcher to meet respondents face-to-face and administer questionnaires personally; it is for that reason that the telephone interviews would have been ineffective. The researcher did not pilot the questionnaire for the purpose of revealing weaknesses of the questionnaire, if any, due to time constraints. The questionnaires were hand-delivered to the respondents and collected after the respondents have had a chance to complete them.

The types of measurements used by the researcher were nominal and ratio, in which information was labeled by numbers. For measuring opinions of the respondents, the researcher used Likert scale questions.

3.2.5 Data analysis

Descriptive statistics will be used in the study to analyse the data collected from the survey. The researcher will make use of the Statistical Package of Social Science (SPSS) which is statistical software used to analyse data. SPSS will provide assistance to the researcher in tabulating data collected through the questionnaire. The results will be shown in percentage form. This software was used successfully by Naidoo (2010) when he utilised it to perform descriptive and statistical analysis.

3.3 Ethical Requirements

A request to obtain ethical clearance letter for the purpose of conducting a research was prepared and submitted to the North West University Dean for Approval and allocation of a research Supervisor. Upon approval and allocation of a Supervisor by the University, permission was then requested in writing to the Deputy Director General of the Department of Finance, with a courtesy copy been submitted to the Chief Audit Executive of North West Provincial Internal Audit as the Head of the Unit.

In an instance where information of other Provincial Departments is required, a request will be prepared in writing to the Chief Audit Executive. This request will be prepared in addition to the Deputy Director General's approval.

3.4 Conclusion

The chapter covered the research design and methodology that the researcher will apply in the study, the population as well as the sample were indicated. Data collection procedure and questionnaire were touched up on this chapter. Data analysis and ethical requirements were also covered in detail in this chapter.

Chapter 4 comprises of data analysis where the questionnaires are analysed by means of Statistical Package of Social Science (SPSS) and data projected by way of tables and graphs.

CHAPTER 4 DATA ANALYSIS

4.1 Introduction

In this chapter the data collected by means of questionnaires are analysed by means of the Statistical Package of Social Science (SPSS) software. The results are therefore presented in response to the research questions and objectives in chapter one.

4.2 DATA ANALYSIS

4.2.1 Response levels and Biographical data

4.2.1.1 Response rate

A total of 50 questionnaires were distributed by the researcher to 12 provincial departments in the North West province. Only 46 questionnaires were received from the participants of various departments.

Other 50 questionnaires were distributed to the Provincial Internal Audit in the North West province. Only 43 questionnaires were received from the participants of the Provincial Internal Audit.

4.2.1.2 Demographic data

In this section the number of years in public service, gender and the department that the respondents work for are indicated. Additionally, occupation and highest qualification of the respondents are reported.

Table 4.1 Analysis of variables for Provincial Departments

NWPG	Number of years in public service?	What is your gender?	Which department do you work for?	What is your occupation?	What is your highest qualification ?
Valid	46	46	46	46	46
Missing	0	0	0	0	0
PIA	Number of years in the Internal Audit field?		Which department do you audit?		
Valid	43	43	42	43	43
Missing	0	0	1	0	0

Table 4.1 indicates that 46 questionnaires were received from participants of Provincial Department and that the respondents answered all variables.

Table 4.1 further indicates that 43 questionnaires were received from participants of Provincial Internal Audit and that the respondents answered all variables but one.

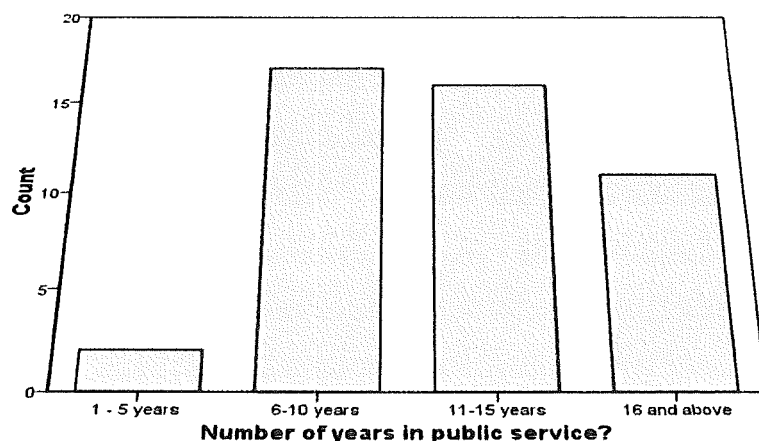


Figure 4.1 *Years of work*

The graph (figure 4.1) above indicates that out of 46 respondents, the majority 17 respondents (36.96%) had been in the public service between six and 10 years followed by 16 respondents (34.78%) which had been in the public service between 11 and 15 years. The number of respondents who had 16 years and above amounted to 11 respondents (23.91%) and the least represented group had between one and five years in the public service amounted to two respondents (4.35%).

The results indicate that most of the participants had been in the public service for duration ranging from six to 16 years and above. That means 95.65% of the employees in the North West Provincial Government (NWPG) have reasonable experience to matters relating to internal audit.

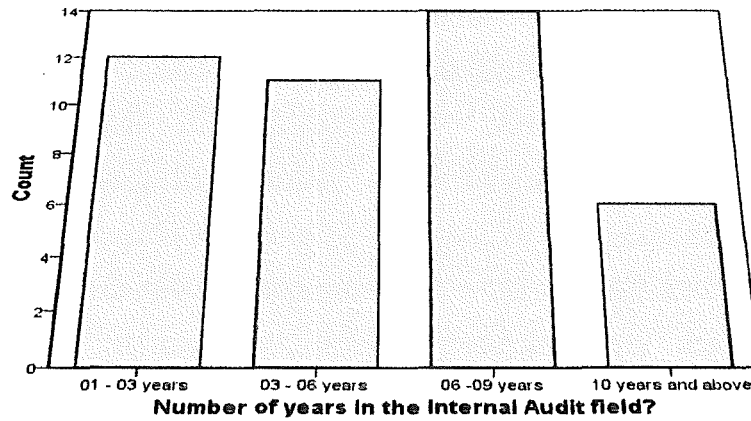


Figure 4.2 Experiences in Internal Audit

Figure 4.2 indicates that out of 43 respondents, 14 respondents (33%) had been in the Internal Audit field between six and nine years followed by 12 respondents (28%) which had been in the Internal Audit field between one and three years. The number of respondents who had three and six years amounted to 11 respondents (26%) and the least represented group had 10 years and above in the Internal Audit field amounted to six respondents (14%).

The results indicate that 73% of the participants had been in the internal audit field for duration ranging from three to above 10 years. That could mean the majority of the employees in the PIA have experience to matters relating to internal audit.

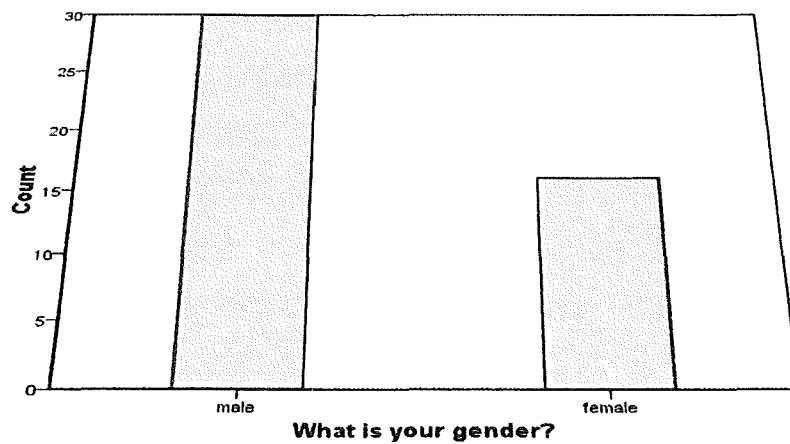


Figure 4.3 *Genders in NWPG*

Figure 4.3 indicates that out of 46 respondents of the provincial departments, 30 respondents (65.22%) were male with female counterparts making the remaining 16 respondents (34.78%).

The male gender dominates the management of the North West Provincial Government (NWPG). It could be due to ineffective implementation of employment equity policy. The nature of the duties that management undertakes in the NWPG can be performed by both males and females, irrespective of gender.

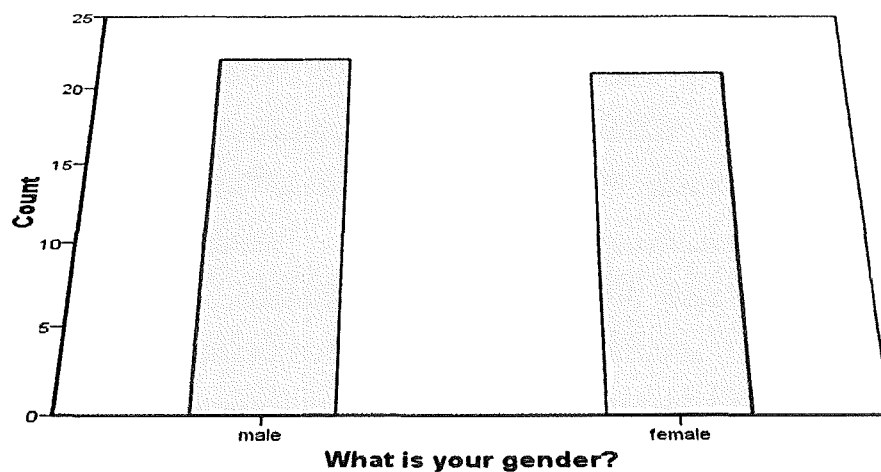


Figure 4.4 *Genders in the PIA*

Figure 4.4 indicates that, 22 respondents (51%) were male with female counterparts making the remaining 21 respondents (49%).

The male and female genders are almost equal in the Provincial Internal Audit (PIA). It could be due to effective implementation of employment equity policy as per comments made by participants in the questionnaire. The nature of the duties that an internal auditor undertakes in the PIA can be performed by both males and females, irrespective of gender.

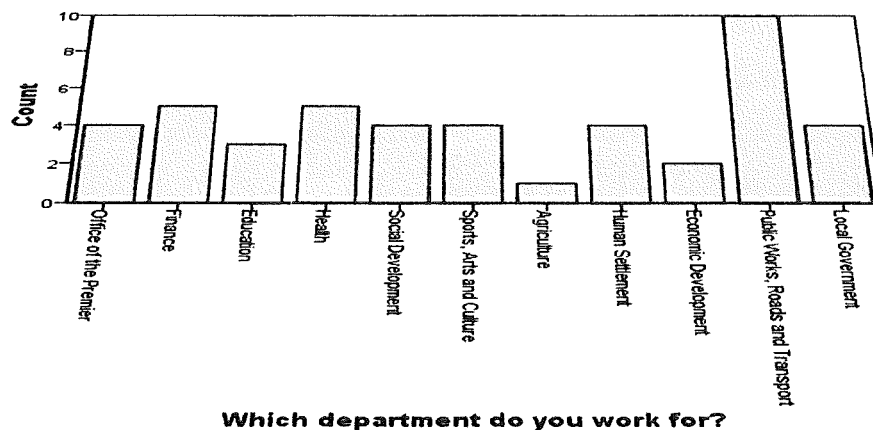


Figure 4.5 Participating NWPG Departments

As shown in Figure 5, the majority of the participants who responded were from Public Works, Roads and Transport. 10 respondents (21.74%) out of the 46 were from the latter, followed by Finance and Health with each having five respondents (10.87%). The following departments had equal representation with four respondents each (8.70%): Office of the premier; Social Development; Sports, Arts and Culture; Human Settlement, Public Safety and Liaison; Local Government. Department of Education was represented by three respondents (6.52%); Economic Development had two respondents (4.35%) with the least represented department being Agriculture having only one respondent (2.17%).

Many departments were averagely represented with percentages of between 8.7 and 10.9. The departments which were less represented were Economic Development and Agriculture. This is due to their internal control, finance and risk management structures not being fully capacitated with human resource (Audit Committee, 2013).

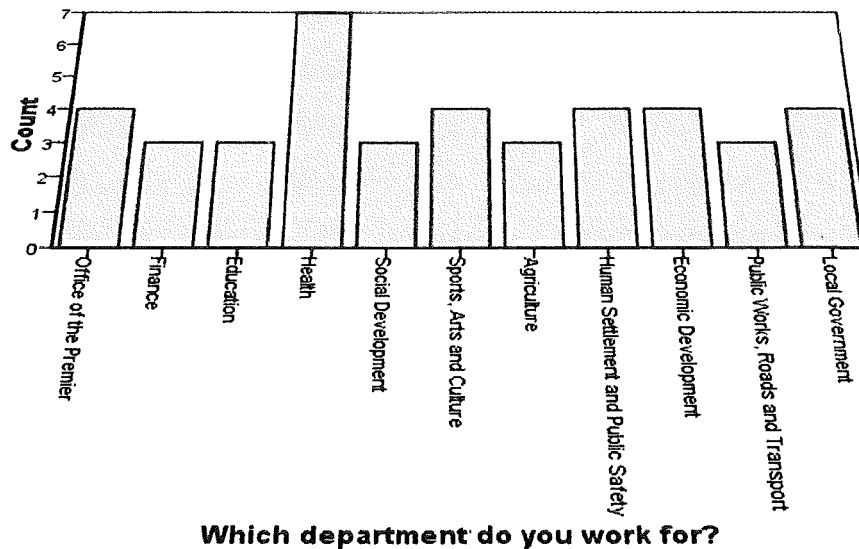


Figure 4.6 Participants allocated workplace

As Figure 6 indicates, the majority of the participants from the Provincial Internal Audit who responded were allocated to audit the Department of Health. This constitute seven respondents (16%), followed by Local Government; Economic Development; Office of the premier; Sports, Arts and Culture; and Human Settlement and Public Safety with each having four respondents (9%). The least represented departments had equal representation with three respondents each (7%): Finance; Education; Social Development; Agriculture; and Public Works, Roads and Transport.

Most departments on average have been represented by between 7% and 9% of the internal auditors. The department of Health was the most represented with 16%. The reason for that is because department of Health is one of the largest department in terms of government budget allocation and as such have been allocated more internal auditors (Audit Committee, 2013)..

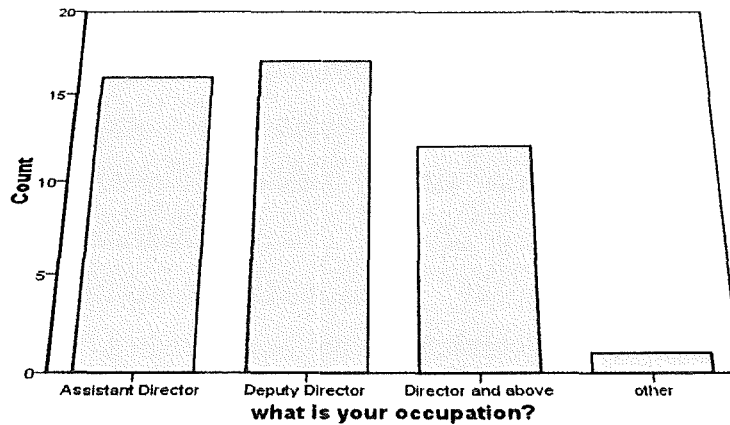


Figure 4.7 Participants Occupation

The graph (Figure 4.7) indicates that, 17 respondents (36.96%) were deputy directors followed by assistant directors with 16 respondents (34.78%) and directors been represented by 12 respondents (26.09%). The category “other” had one respondent (2.17%).

The results indicate that the respondents were made of junior managers, middle management and senior management inclusive of the chief financial officer. This could be an indication that the respondents have the necessary knowledge and experience to matters relating to internal audit.

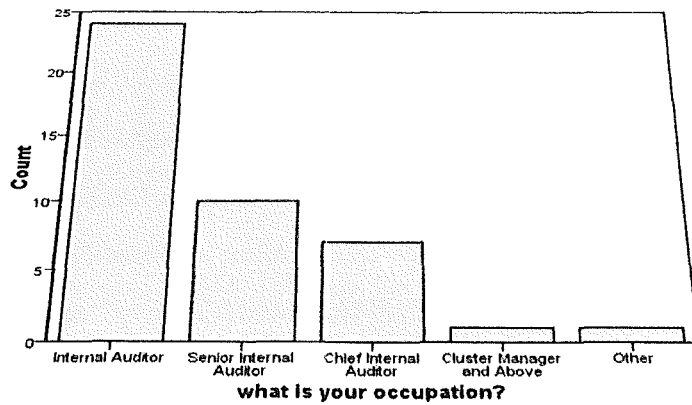


Figure 4.8 Post levels of Internal Auditors

The graph (Figure 4.8) indicates that, 24 respondents (56%) were Internal Auditors followed by Senior Internal Auditors with 10 respondents (23%) and Chief Internal Auditors amounting to seven respondents (16%). The category Cluster Manager had one respondent (2%) as well as the category “other”.

The results indicate that most of the respondents are Internal Auditors and Senior Internal Auditors. This is due to the fact that the audits are carried out by the Internal Auditors and as such the PIA has to develop and implement organisational structure according to the need.

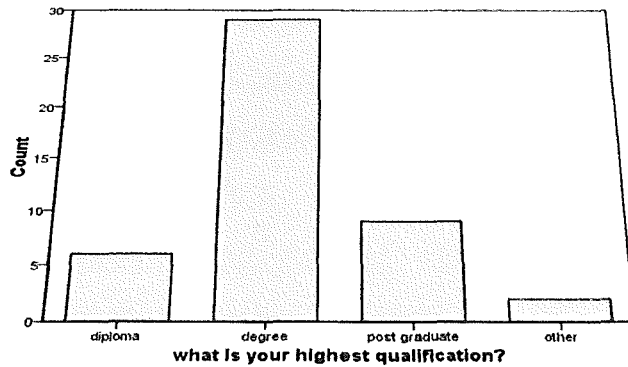


Figure 4.9 Qualifications of Management Staff

According to Figure 4.9, those that had a degree, translates to 29 respondents (63.04%) followed by post-graduate with nine respondents (19.57%). The second least represented was participants in possession of a diploma with six respondents (13.05%) with two respondents (4.35%) falling on the category of “other”. Both possess a Master of Business Administration (MBA) degree.

The results indicate that the least qualified had a National Diploma with the highest having a Master of Business Administration. It could be an indicator that the management of the NWPG possess the necessary qualification to undertake their duties and responsibilities within their respective departments.

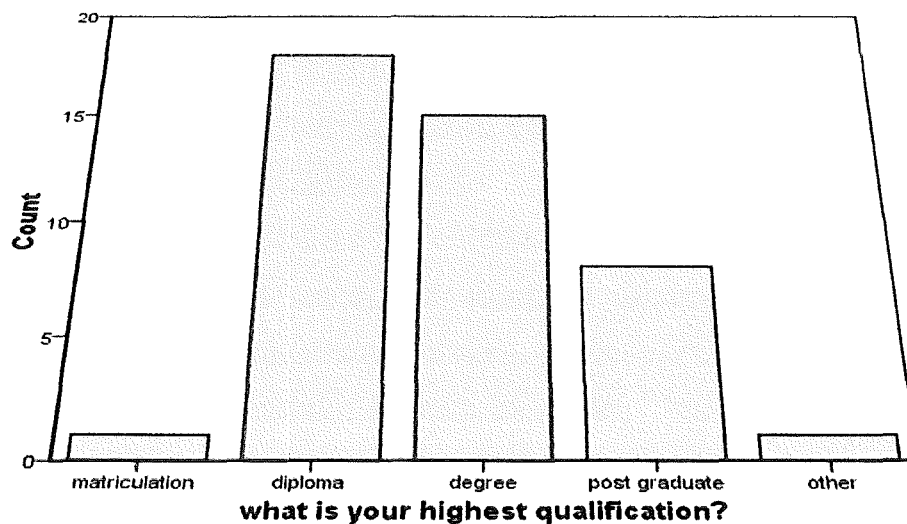


Figure 4.10 Qualifications of PIA staff

The graph (Figure 4.10) indicates that 18 respondents (42%) have diploma certificates, followed by degree with 15 respondents (35%). Seven respondents (16%) possessed post-graduate certificates and one respondent (2%) in possession of a matriculation and the remaining respondent falling on the category of “other”. The participant possesses a Certified Internal Auditor (CIA); Certified Information Systems Auditor (CISA); Certification in Control Self Assessment (CCSA); Registered Government Auditor (RGA).

The results could be an indication that the employees of the Provincial Internal Audit have the necessary qualifications to carry out their duties and responsibilities.

4.2.2 Nature and Scope of Internal Audit

4.2.2.1 Introduction

This sections deals with the analysis of data on the nature and scope of the internal audit system. This analysis covers areas which include the audit system, control and direction, audit committee, risks and management, credibility of the audit structures and information management of resources, safety and security of resources legislative and regulatory structures, and other relevant issues pertaining to nature and scope of auditing.

Table 4.2 Does the department have an internal audit system?

NWPG	Frequency	Percent	Valid Percent	Cumulative Percent
Valid yes	43	93.5	93.5	93.5
no	3	6.5	6.5	100.0
Total	46	100.0	100.0	

Table 4.2 shows that the majority of North West Provincial Government management (93.5%) believes that their departments have an internal audit system and the remaining (6.5%) does not believe that their departments have an internal audit system.

Table 4.3 Is Internal Audit under the control and direction of the audit Committee?

NWPG	Frequency	Percent	Valid Percent	Cumulative Percent
Valid yes	42	91.3	91.3	91.3
no	4	8.7	8.7	100.0
Total	46	100.0	100.0	
PIA				
Valid yes	41	95.3	95.3	95.3
no	2	4.7	4.7	100.0
Total	43	100.0	100.0	

Table 4.3 indicates that (91.3%) of the respondents indicated that they agree that the internal audit system is under the control and direction of the audit committee, whilst the remaining (8.7%) disagree with the statement.

When the same question was asked to the North West Provincial Internal Audit officials (95.3%) agrees that the internal audit system is under the control and direction of the audit committee, whilst the remaining (4.7%) disagree with the above statement.

Table 4.4 Does internal audit advice on whether risks are appropriately identified and managed?

NWPG		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly agree	8	17.4	17.4	17.4
	Agree	34	73.9	73.9	91.3
	Disagree	1	2.2	2.2	93.5
	not sure	3	6.5	6.5	100.0
	Total	46	100.0	100.0	
PIA					
Valid	strongly agree	17	39.5	39.5	39.5
	Agree	20	46.5	46.5	86.0
	strongly disagree	1	2.3	2.3	88.4
	Disagree	4	9.3	9.3	97.7
	not sure	1	2.3	2.3	100.0
	Total	43	100.0	100.0	

This question was posed to the North West Provincial Government management. Table 4.4 shows that the majority of the respondents (91.3%) agree that internal audit advices on whether risks are appropriately identified and managed. Only (2.2%) of the respondents disagreed that internal audit advices on whether risks are appropriately identified and managed, whilst the remaining (6.5%) indicated that they were not sure.

When the same question was posed to the North West Provincial Internal Audit officials the majority of the respondents (86%) agree that internal audit advices on whether risks are appropriately identified and managed. Only (11.6%) of the respondents disagree that internal audit advices on whether risks are appropriately identified and managed, whilst the other (2.3%) indicated that they were not sure.

Table 4.5 Does internal audit provide assurance that critical financial, managerial and operational information is complete, credible and timely?

NWPG		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	strongly agree	7	15.2	15.2	15.2
	Agree	32	69.6	69.6	84.8
	strongly disagree	1	2.2	2.2	87.0
	disagree	2	4.3	4.3	91.3
	not sure	4	8.7	8.7	100.0
	Total	46	100.0	100.0	
PIA					
Valid	strongly agree	14	32.6	32.6	32.6
	Agree	24	55.8	55.8	88.4
	strongly disagree	1	2.3	2.3	90.7
	disagree	2	4.7	4.7	95.3
	not sure	2	4.7	4.7	100.0
	Total	43	100.0	100.0	

The majority of the respondents of the North West Provincial Government management agree that internal audit provide assurance that critical financial, managerial and operational information is complete, credible and timely. Table 4.5 shows that of the respondents, (84.8%) agree to the statement and (6.5%) disagree. Only (8.7%) indicated that they are not sure that internal audit provides assurance that critical information is complete, credible and timely.

The majority of the respondents of the North West Provincial Internal Audit officials agree that internal audit provide assurance that critical financial, managerial and operational information is complete, credible and timely. Of the respondents, (88.4%) agree to the statement and (7%) disagree. Only (4.7%) indicated that they are not sure that internal audit provides assurance that critical information is complete, credible and timely.

Table 4.6 Does internal audit provide assurance that resources are acquired economically, utilised with minimum waste and adequately safe-guarded?

NWPG	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Agree	4	8.7	8.7	8.7
Agree	25	54.3	54.3	63.0
Strongly Disagree	2	4.3	4.3	67.4
Disagree	10	21.7	21.7	89.1
Not Sure	5	10.9	10.9	100.0
Total	46	100.0	100.0	
PIA				
Valid Strongly Agree	10	23.3	23.3	23.3
Agree	28	65.1	65.1	88.4
Strongly Disagree	1	2.3	2.3	90.7
Disagree	1	2.3	2.3	93.0
Not Sure	3	7.0	7.0	100.0
Total	43	100.0	100.0	

Table 4.6 shows that (63%) of North West Provincial Government management agree that internal audit provide assurance that resources are acquired economically, utilised with minimum waste and adequately safe-guarded. However, of the respondents, (26%) disagree with the question respectively. The remaining (10.9%) indicated that they were not sure.

The table shows that (88.4%) of North West Provincial Internal Audit agree that internal audit provide assurance that resources are acquired economically, utilised with minimum waste and

adequately safe-guarded. However, of the respondents, (4.6%) indicated that they disagree with the question, whilst the remaining (7%) indicated that they were not sure.

Table 4.7 Does internal audit provide assurance that critical legislative and regulatory issues affecting the respective departments are recognised and implemented appropriately?

NWPG		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Agree	6	13.0	13.0	13.0
	Agree	31	67.4	67.4	80.4
	Disagree	5	10.9	10.9	91.3
	Not Sure	4	8.7	8.7	100.0
	Total	46	100.0	100.0	
PIA					
Valid	Strongly Agree	17	39.5	39.5	39.5
	Agree	23	53.5	53.5	93.0
	Strongly Disagree	1	2.3	2.3	95.3
	Disagree	2	4.7	4.7	100.0
	Total	43	100.0	100.0	

The majority of the North West Provincial Government respondents (80.4%) agree that internal audit provide assurance that critical legislative and regulatory issues affecting the departments are recognised and only (11%) of the respondents disagreed with the question, whilst the remaining (9%) indicated that they were not sure (Table 4.7).

The majority of the North West Provincial Internal Audit respondents (93%) agree that internal audit provide assurance that critical legislative and regulatory issues affecting the departments are recognised and implemented appropriately and only (7%) of the respondents disagreed with the question.

Table 4.8 Further comments on nature and scope of internal audit

NWPG	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Comment	17	37.0	37.0	37.0
No Comment	29	63.0	63.0	100.0
Total	46	100.0	100.0	
PIA				
Valid Comment	11	25.6	25.6	25.6
No Comment	32	74.4	74.4	100.0
Total	43	100.0	100.0	

Table 4.8 shows that of all the North West Provincial Government respondents, only (37%) made further comments based on information of nature and scope of internal audit and the majority of the respondents (63%) made no comment in that regard.

Some of the comments made by the NWPG respondents indicated that internal audit provides an objective assurance on the adequacy and effectiveness of internal control system which has to counter the effect of any possible risks that might occur during the undertaking of business processes. On the other hand some respondents are of the view that due to the centralisation of the Internal Audit chief directorate at the Department of Finance, the activity is not adding value as the provincial departments do not have any control over the chief directorate's activities.

Other respondents from the NWPG are of the opinion that due to capacity issues on the Internal Audit side, the chief directorate has been unable to educate the departments about the role that the Internal Audit plays within such departments. Some feel that since the Internal Audit in the province is centralised or a shared service, it would be irresponsible to say that they have an Internal Audit system when they have no control of how the chief directorate operates.

Table 4.8 shows that of all the North West Provincial Internal Audit respondents, only (25.6%) made further comments based on the nature and scope of the internal audit and the majority of the respondents (74.4%) made no comment in that regard.

When commenting about the nature and scope of the internal audit, the respondents from the PIA indicated that through compliance and risk-based audit the Internal Audit provides reasonable assurance that departments adhere to applicable policies, procedures and legislative requirements. Other respondents are of the opinion that even though risk-based audit is performed more focus is on the financial-based audit. The other respondents indicated that since Internal Audit cannot perform the function to “ensure”, it can however express an opinion on whether management has taken adequate, effective and efficient steps to mitigate risks pertaining to the reporting, compliance, operational and strategic objectives.

Further interpretation and discussions of the nature and scope results continue in chapter 5.3.

4.2.3 Management Support

Table 4.9 Does the departments include internal audit activity in the preparation of a three-year strategic plan?

NWPG		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Agree	8	17.4	17.4	17.4
	Agree	25	54.3	54.3	71.7
	Strongly Disagree	1	2.2	2.2	73.9
	Disagree	6	13.0	13.0	87.0
	Not Sure	6	13.0	13.0	100.0
	Total	46	100.0	100.0	
PIA					
Valid	Strongly Agree	23	53.5	53.5	53.5
	Agree	17	39.5	39.5	93.0
	Strongly Disagree	1	2.3	2.3	95.3
	Not Sure	2	4.7	4.7	100.0
	Total	43	100.0	100.0	

Table 4.9 shows that (71.7%) agree that their departments include internal audit activity in the preparation of a three-year strategic plan. However, of the respondents, (15.2%) disagreed with the question whilst respondents who indicated that they were not sure amounted to (13%).

Table 4.9 shows that (93%) agree that the Internal Audit activity prepares a three-year strategic plan based on provincial administration risk management strategies. However, of the respondents, (2.3%) disagree with the question whilst the remaining respondents (4.7%) indicated that they were not sure.

Table 4.10 Does the department take part in the preparation of the annual internal audit plan in the first year of the rolling three year strategic plan?

NWPG		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Agree	3	6.5	6.5	6.5
	Agree	21	45.7	45.7	52.2
	Strongly Disagree	4	8.7	8.7	60.9
	Disagree	7	15.2	15.2	76.1
	Not Sure	11	23.9	23.9	100.0
	Total	46	100.0	100.0	
PIA					
Valid	Strongly Agree	23	53.5	53.5	53.5
	Agree	18	41.9	41.9	95.3
	Strongly Disagree	1	2.3	2.3	97.7
	Not Sure	1	2.3	2.3	100.0
	Total	43	100.0	100.0	

Table 4.10 shows that the majority of the NWPG respondents (52.2%) agree with the question. However, of the respondents, (23.9%) disagree and the remaining (23.9%) indicated that they were not sure.

Table 4.10 further shows that (95.4%) agree that the Internal Audit activity prepares an annual internal audit plan in the first year of the rolling three year strategic plan having regards to the current operations of respective departments and their strategic plans. However, of the respondents, (2.3%) disagree and the remaining respondents (2.3%) indicated that they were not sure.

Table 4.11 Does the department and internal audit activity agree on the proposed scope of each audit?

NWPG		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Agree	4	8.7	8.7	8.7
	Agree	28	60.9	60.9	69.6
	Strongly Disagree	1	2.2	2.2	71.7
	Disagree	5	10.9	10.9	82.6
	Not Sure	8	17.4	17.4	100.0
	Total	46	100.0	100.0	
PIA					
Valid	Strongly Agree	23	53.5	53.5	53.5
	Agree	12	27.9	27.9	81.4
	Strongly Disagree	1	2.3	2.3	83.7
	Disagree	4	9.3	9.3	93.0
	Not Sure	3	7.0	7.0	100.0
	Total	43	100.0	100.0	

Table 4.11 shows that (69.6%) agree that their departments and internal audit activity do agree on the proposed scope of each audit. However, of the respondents, (13.1%) disagree with the question. The remaining (17.4%) indicated that they were not sure that their departments agree on internal audit's proposed scope of each audit.

Table 4.11 further indicates that (81.4%) agree that the Internal Audit annual plan indicate the proposed scope of each audit. However, of the respondents, (11.6%) disagree with the question. The remaining (7%) indicated that they were not sure.

Table 4.12 Does the departments engage the internal audit activity when a need for a special assignment arises?

NWPG		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Agree	9	19.6	19.6	19.6
	Agree	28	60.9	60.9	80.4
	Disagree	6	13.0	13.0	93.5
	Not Sure	3	6.5	6.5	100.0
	Total	46	100.0	100.0	
PIA					
Valid	Strongly Agree	23	53.5	53.5	53.5
	Agree	19	44.2	44.2	97.7
	Strongly Disagree	1	2.3	2.3	100.0
	Total	43	100.0	100.0	

The majority of the respondents (80.5%) agree that their departments engage the internal audit activity when a need for a special assignment arises. Only (13%) of the respondents disagreed with the question, whilst the remaining (7%) indicated that they were not sure (Table 4.12).

When the same question was asked to the Provincial Internal Audit, the majority of the respondents (97.7%) agree that the Internal Audit implements the annual plan, including any special assignments requested by respective departments. Only (2.3%) of the respondents disagree with the question.

Table 4.13 What other management supports does the internal audit provide to the department in building an effective and sustainable strategic plan?

NWPG		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Comment	21	45.7	45.7	45.7
	No Comment	25	54.3	54.3	100.0
	Total	46	100.0	100.0	
PIA					
Valid	Comment	20	46.5	46.5	46.5
	No Comment	23	53.5	53.5	100.0
	Total	43	100.0	100.0	

Table 4.13 shows that of all the respondents in the North West Provincial Government, only (45.7%) made further comments on other management support the internal audit provides to their department in building an effective and sustainable strategic plan and the majority of the respondents (54%) made no comment in that regard.

The respondents indicated that in providing management support the Internal Audit provides management with the recommendations that would highlight all the gaps within the department and thus giving management the opportunity to focus their efforts where they are needed in turn building an effective and sustainable strategic plan. Other respondents indicated that the Internal Audit has begun the auditing of performance information and that has provided guidance in the development of annual performance plans.

Table 4.13 further indicates that of all the respondents of the Provincial Internal Audit, only (46.5%) made further comments on other management support the internal audit provides to their department in building an effective and sustainable strategic plan and the majority of the respondents (53.5%) made no comment in that regard.

Most respondents from the PIA indicated that in addition to the Internal Audit mandate, they provide consulting services to the departments. Furthermore, the Internal Audit can assist the departments by facilitating the Risk Assessment workshops. Other respondents indicated that

Internal Audit can perform adhoc assignments within the departments in an effort to achieve effective and strategic planning.

Further interpretation and discussions of the management support results continue in chapter 5.3.

4.2.4 Opportunities and Challenges

Table 4.14 Does the internal audit have sufficient (capacity) skilled and knowledgeable staff to implement the annual internal audit plan?

NWPG		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Agree	24	52.2	52.2	52.2
	Strongly Disagree	3	6.5	6.5	58.7
	Disagree	14	30.4	30.4	89.1
	Not Sure	5	10.9	10.9	100.0
	Total	46	100.0	100.0	
PIA					
Valid	Strongly Agree	15	34.9	34.9	34.9
	Agree	20	46.5	46.5	81.4
	Strongly Disagree	1	2.3	2.3	83.7
	Disagree	7	16.3	16.3	100.0
	Total	43	100.0	100.0	

The majority of the North West Provincial Government respondents (58.7%) agree that the internal audit activity have sufficient capacity to implement the annual internal audit plan. Only (36.9%) disagree with the question and the remaining (10.9%) indicated that they were not sure whether internal audit activity has sufficient capacity to implement the annual audit plan.

On the other hand, (81.4%) Provincial Internal Audit respondents agree that the internal audit activity have sufficient capacity to implement the annual internal audit plan, whilst (18.3%) respondents who indicated that they disagree with the question (Table 4.14).

Table 4.15 Does the internal audit activity have a strong support within departments?

NWPG		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Agree	1	2.2	2.2	2.2
	Agree	33	71.7	71.7	73.9
	Strongly Disagree	2	4.3	4.3	78.3
	Disagree	8	17.4	17.4	95.7
	Not Sure	2	4.3	4.3	100.0
	Total	46	100.0	100.0	
PIA					
Valid	Strongly Agree	4	9.3	9.3	9.3
	Agree	22	51.2	51.2	60.5
	Strongly Disagree	1	2.3	2.3	62.8
	Disagree	9	20.9	20.9	83.7
	Not Sure	7	16.3	16.3	100.0
	Total	43	100.0	100.0	

Table 4.15 shows that (73.9%) of North West Provincial Government respondents agree that internal audit activity have strong support within their departments. However, of the respondents, (21.7%) disagree and the remaining (4.3%) indicated that they were not sure that internal audit activity has strong support within their departments.

Table 4.15 further indicates that (60.5%) of the Provincial Internal Audit respondents agree that internal audit activity have strong support within the departments. However, of the respondents, (23.2%) disagree and the remaining (16.3%) indicated that they were not sure that internal audit activity has a strong support within their departments.

Table 4.16 Do you think the internal audit activity adds value to the overall management performance of the department?

NWPG		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Agree	5	10.9	10.9	10.9
	Agree	29	63.0	63.0	73.9
	Strongly Disagree	1	2.2	2.2	76.1
	Disagree	7	15.2	15.2	91.3
	Not Sure	4	8.7	8.7	100.0
	Total	46	100.0	100.0	
PIA					
Valid	Strongly Agree	9	20.9	20.9	20.9
	Agree	30	69.8	69.8	90.7
	Disagree	1	2.3	2.3	93.0
	Not Sure	3	7.0	7.0	100.0
	Total	43	100.0	100.0	

Table 4.16 shows that of the North West Provincial Government respondents, (73.9%) agree that internal audit activity adds value to the overall management performance of their departments. However, of the respondents, (17.4%) disagree and the remaining (8.7%) indicated that they were not sure that internal audit activity adds value within their departments.

Table 4.16 further shows that of the Provincial Internal Audit respondents, (90.7%) agree that internal audit activity adds value to the overall management performance of their departments. However, of the respondents, (2.3%) disagree and the remaining (7%) indicated that they were not sure that internal audit activity adds value within their departments.

Table 4.17 Does the internal audit activity exercise professional attitude and form an independent opinion when assessing control deficiencies?

NWPG		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Agree	2	4.3	4.3	4.3
	Agree	33	71.7	71.7	76.1
	Disagree	6	13.0	13.0	89.1
	Not Sure	5	10.9	10.9	100.0
	Total	46	100.0	100.0	
PIA					
Valid	Strongly Agree	18	41.9	41.9	41.9
	Agree	23	53.5	53.5	95.3
	Strongly Disagree	1	2.3	2.3	97.7
	Disagree	1	2.3	2.3	100.0
	Total	43	100.0	100.0	

The majority of the North West Provincial Government respondents (76%) agree that the internal audit activity exercise professional attitude and form an independent opinion when assessing control deficiencies, whilst (13%) of respondents disagree. Only (10.9%) indicated that they were not sure whether internal audit activity exercise professional attitude and form an independent opinion when assessing control deficiencies (Table 4.17).

The majority of the Provincial Internal Audit respondents (95.4%) agree that the internal audit activity exercise professional attitude and form an independent opinion when assessing control deficiencies, whilst (4.6%) of respondents disagree.

Table 4.18 Does the departmental management provides support to internal audit activity during the implementation of annual internal audit plan?

NWPG		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Agree	1	2.2	2.2	2.2
	Agree	29	63.0	63.0	65.2
	Strongly Disagree	1	2.2	2.2	67.4
	Disagree	7	15.2	15.2	82.6
	Not Sure	8	17.4	17.4	100.0
	Total	46	100.0	100.0	
PIA					
Valid	Strongly Agree	7	16.3	16.3	16.3
	Agree	21	48.8	48.8	65.1
	Strongly Disagree	4	9.3	9.3	74.4
	Disagree	6	14.0	14.0	88.4
	Not Sure	5	11.6	11.6	100.0
	Total	43	100.0	100.0	

Table 4.18 table shows that (65.2%) of North West Provincial Government respondents agree that their departmental management provides internal audit with the necessary support during the implementation of annual internal audit plan. However, of the respondents, (17.4%) disagree and the remaining (17.4%) indicated that they were not sure that their departmental management provides internal audit with the necessary support during the implementation of annual internal audit plan.

Table 4.18 further indicates that (65.1%) of Provincial Internal Audit respondents agree that they receive management support during the implementation of the annual internal audit plan. However, of the respondents, (23.3%) disagree and the remaining (11.6%) indicated that they were not sure.

Table 4.19 Has the audit committee being able to set a 'tone' that enables internal audit to have a certain degree of influence in their respective departments?

NWPG	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Agree	26	56.5	56.5	56.5
Strongly Disagree	6	13.0	13.0	69.6
Disagree	9	19.6	19.6	89.1
Not Sure	5	10.9	10.9	100.0
Total	46	100.0	100.0	
PIA				
Valid Strongly Agree	8	18.6	18.6	18.6
Agree	18	41.9	41.9	60.5
Strongly Disagree	4	9.3	9.3	69.8
Disagree	4	9.3	9.3	79.1
Not Sure	9	20.9	20.9	100.0
Total	43	100.0	100.0	

The majority of the North West Provincial Government respondents (56.5%) agree that the audit committee has been able to set a tone that enables internal audit activity to have a certain degree of influence in the respective departments. Only (32.6%) disagree with the question and the remaining (10.9%) indicated that they were not sure (Table 4.19).

Table 4.19 indicates that of the Provincial Internal Audit respondents (60.5%) agree that the audit committee has been able to set a tone that enables internal audit activity to have a certain degree of influence in the departments. Only (18.6%) disagree with the question and the remaining (20.9%) indicated that they were not sure.

Table 4.20 What do you think are the main challenges that the audit committee experiences?

NWPG	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Comment	31	67.4	67.4	67.4
No Comment	15	32.6	32.6	100.0
Total	46	100.0	100.0	
PIA				
Valid Comment	29	67.4	67.4	67.4
No Comment	14	32.6	32.6	100.0
Total	43	100.0	100.0	

Table 4.20 indicates that of all the North West Provincial Government respondents, the majority (67%) made comments on what they think are the main challenges experienced by the audit committee and the remaining (33%) made no comment to that effect.

Most respondents from the NWPG are of the view that there is poor relationship between the management and the internal audit activity and as such management are often reluctant to consider internal audit recommendation. Some respondents indicate that non implementation of audit action plans poses a challenge for the audit committee whilst other are of the view that audit committee does not have any challenges only because management report quarterly to the committee and attend all sittings.

Table 4.20 further indicates that of all the Provincial Internal Audit respondents, the majority (67.4%) made comments on what they think are the main challenges experienced by the audit committee and the remaining (32.6%) made no comment to that effect.

Some of the respondents from the PIA indicated that non implementation of internal audit recommendations by the departments poses a challenge. Poor relationship between the management and the Internal Audit activity is cited as one of the reasons for such non implementation. Other respondents argued that staff capacity versus the number of audits that are undertaken per annum is the biggest challenge.

There is a general perception that the departments are not utilising internal and external assurers' reports fully. Furthermore, there is a lot of absenteeism during the audits by officials who should provide the internal auditors with information. This has resulted in limitation of scope for the internal audit. Budgetary constraints are also highlighted as a challenge. The fact that the departments do not seem to know the role that the Internal Audit plays, has also posed a challenge. There is no buy-in by the departmental management to the concept of Internal Audit. Further interpretation and discussions of the opportunities and challenges results continue in chapter 5.3.

Table 4.21 How will you describe the relationship between management of the department and the internal audit committee?

NWPG		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Good	27	58.7	58.7	58.7
	Not Good	3	6.5	6.5	65.2
	Excellent	5	10.9	10.9	76.1
	Not Sure	11	23.9	23.9	100.0
	Total	46	100.0	100.0	
PIA					
Valid	Good	23	53.5	53.5	53.5
	Not Good	6	14.0	14.0	67.4
	Excellent	1	2.3	2.3	69.8
	Not Sure	13	30.2	30.2	100.0
	Total	43	100.0	100.0	

Table 4.21 shows that when asked to describe the relationship between management of the departments and the internal audit committee, the majority of the North West Provincial Government respondents (59%) indicated that the relationship is "good" and (7%) indicated that the relationship is "not good". Only (11%) indicated that their relationship with the audit committee is "excellent" whilst the remaining respondents (24%) indicated that they were not sure.

Table 4.21 further shows that when asked to describe the relationship between management of the departments and the internal audit committee, the majority of the Provincial Internal Audit respondents (53.5%) indicated that the relationship is “good” and (14%) indicated that the relationship is “not good”. Only (2.3%) indicated that their relationship with the audit committee is “excellent” whilst the remaining respondents (30.2%) indicated that they were not sure.

Table 4.22 Comment on relationship between management and audit committee

NWPG	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Comment	26	56.5	56.5	56.5
No Comment	20	43.5	43.5	100.0
Total	46	100.0	100.0	
PIA				
Valid Comment	11	25.6	25.6	25.6
No Comment	32	74.4	74.4	100.0
Total	43	100.0	100.0	

Table 4.22 indicates that of all the North West Provincial Government respondents, the majority (57%) made comments on the choice they made in Table 21 and the remaining (43%) made no comment to that effect.

Some respondents indicated that the departmental management have a good relationship with the audit committee since the Accounting Officer provides reports to the committee on a regular basis (quarterly) and attend all the audit committee meetings. Some are of the view that the relationship between the management and the audit committee is not good due to their different views on the outcome of the internal audit reports.

Table 4.22 further indicates that of all the Provincial Internal Audit respondents, the majority (74.4%) made no comments on the choice they made in Table 21 and the remaining (25.6%) made a comment to that effect.

Even though some of the respondents from the PIA indicated that they are not sure of the relationship between management of the departments and the audit committee, others have indicated that the relationship is excellent because the departments do listen and implement the audit committee's advice, whilst other respondents feel that the relationship between the management and the audit committee is not good due to the fact that both parties are in constant disagreements.

4.2.5 Strategies for effective Implementation of Audit Recommendations

Table 4.23 Does the department and internal audit activity agree on audit findings?

NWPG	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Agree	35	76.1	76.1	76.1
Strongly Disagree	2	4.3	4.3	80.4
Disagree	6	13.0	13.0	93.5
Not Sure	3	6.5	6.5	100.0
Total	46	100.0	100.0	
PIA				
Valid Strongly Agree	8	18.6	18.6	18.6
Agree	30	69.8	69.8	88.4
Strongly Disagree	1	2.3	2.3	90.7
Disagree	3	7.0	7.0	97.7
Not Sure	1	2.3	2.3	100.0
Total	43	100.0	100.0	

The majority of the North West Provincial Government respondents (76.1%) agree that their departments always support the internal audit activity on audit findings. Only (17.3%) disagree with the question and the remaining (6.5%) indicated that they were not sure whether their departments always agree with the internal audit activity on audit findings (Table 4.23).

The majority of the Provincial Internal Audit respondents (88.4%) agree that the internal audit activity always agree with the departments on audit findings. Only (9.3%) disagree with the

question and the remaining (2.3%) indicated that they were not sure that the internal audit activity always agrees with the departments on audit findings.

Table 4.24 Is management of the department committed to implementing internal audit recommendations?

NWPG	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Agree	1	2.2	2.2	2.2
Agree	26	56.5	56.5	58.7
Strongly Disagree	2	4.3	4.3	63.0
Disagree	9	19.6	19.6	82.6
Not Sure	8	17.4	17.4	100.0
Total	46	100.0	100.0	
PIA				
Valid Strongly Agree	5	11.6	11.6	11.6
Agree	20	46.5	46.5	58.1
Strongly Disagree	4	9.3	9.3	67.4
Disagree	12	27.9	27.9	95.3
Not Sure	2	4.7	4.7	100.0
Total	43	100.0	100.0	

Table 4.24 shows that (58.7%) of the North West Provincial Government respondents agree that their departmental management is committed to implementing internal audit recommendations. However, of the respondents, (23.9%) disagree and the remaining (17.4%) indicated that they were not sure that their departmental management is committed to implementing internal audit recommendations.

Table 4.24 further shows that (58.1%) of the Provincial Internal Audit respondents agree that the departmental management is committed to implementing internal audit recommendations. However, of the respondents, (37.2%) disagree and the remaining (4.7%) indicated that they were not sure.

Table 4.25 Is internal audit committed to ensuring that action is undertaken on a recommendation?

NWPG		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Agree	5	10.9	10.9	10.9
	Agree	21	45.7	45.7	56.5
	Disagree	7	15.2	15.2	71.7
	Not Sure	13	28.3	28.3	100.0
	Total	46	100.0	100.0	
PIA					
Valid	Strongly Agree	15	34.9	34.9	34.9
	Agree	24	55.8	55.8	90.7
	Strongly Disagree	1	2.3	2.3	93.0
	Disagree	2	4.7	4.7	97.7
	Not Sure	1	2.3	2.3	100.0
	Total	43	100.0	100.0	

Table 4.25 shows that (56.6%) of the North West Provincial Government respondents agree that internal audit is committed to ensuring that action is undertaken on a recommendation. However, of the respondents, (15.2%) disagree and the remaining (28.3%) indicated that they were not sure that internal audit is committed to ensuring that action is undertaken on a recommendation.

Table 4.25 shows that (90.7%) of the Provincial Internal Audit respondents agree that internal audit is committed to ensuring that action is undertaken on a recommendation. However, of the respondents, (7%) disagree and the remaining (2.3%) indicated that they were not sure that internal audit is committed to ensuring that action is undertaken on a recommendation.

Table 4.26 Does internal audit performs monitoring and follow-up audits to ensure implementation of audit recommendations?

NWPG	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Agree	5	10.9	10.9	10.9
Agree	30	65.2	65.2	76.1
Disagree	3	6.5	6.5	82.6
Not Sure	8	17.4	17.4	100.0
Total	46	100.0	100.0	
PIA				
Valid Strongly Agree	25	58.1	58.1	58.1
Agree	17	39.5	39.5	97.7
Strongly Disagree	1	2.3	2.3	100.0
Total	43	100.0	100.0	

As shown in Table 4.26, the majority of the North West Provincial Government respondents (76.1%) agree that internal audit performs monitoring and follow-up audits to ensure implementation of audit recommendations. Only (6.5%) disagree with the question and the remaining (17.4%) indicated that they were not sure that internal audit performs monitoring and follow-up audits to ensure implementation of audit recommendations.

The majority of the Provincial Internal Audit respondents (97.6%) agree that internal audit performs monitoring and follow-up audits to ensure implementation of audit recommendations. Only (2.3%) disagree with the question.

Table 4.27 Does audit committee intervene where non-implementation of audit recommendations are reported?

NWPG	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Agree	4	8.7	8.7	8.7
Agree	25	54.3	54.3	63.0
Strongly Disagree	1	2.2	2.2	65.2
Disagree	8	17.4	17.4	82.6
Not Sure	8	17.4	17.4	100.0
Total	46	100.0	100.0	
PIA				
Valid Strongly Agree	17	39.5	39.5	39.5
Agree	18	41.9	41.9	81.4
Strongly Disagree	1	2.3	2.3	83.7
Disagree	1	2.3	2.3	86.0
Not Sure	6	14.0	14.0	100.0
Total	43	100.0	100.0	

Table 4.27 shows that (63%) of the North West Provincial Government respondents agree that the audit committee intervene where non-implementation of audit recommendations are reported. However, of the respondents, (19.6%) disagree and the remaining (17.4%) indicated that they were not sure that the audit committee intervene where non-implementation of audit recommendations are reported.

Table 4.27 further shows that (81.4%) of the Provincial Internal Audit respondents agree that the audit committee intervene where non-implementation of audit recommendations are reported. However, of the respondents, (4.6%) disagree and the remaining (14%) indicated that they were not sure.

Table 4.28 Implementation of internal audit recommendations are voluntary or compulsory?

NWPG		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Voluntary	4	8.7	8.7	8.7
	Compulsory	34	73.9	73.9	82.6
	Not Sure	8	17.4	17.4	100.0
	Total	46	100.0	100.0	
PIA					
Valid	Voluntary	18	41.9	42.9	42.9
	Compulsory	21	48.8	50.0	92.9
	Not Sure	3	7.0	7.1	100.0
	Total	42	97.7	100.0	
Missing	System	1	2.3		
Total		43	100.0		

Table 4.28 shows that when asked about implementation of internal audit recommendation, the majority of the North West Provincial Government respondents (73.9%) indicated that it is compulsory to implement internal audit recommendation and (8.7%) indicated that it is voluntary. The remaining (18%) were not sure in this regard.

Table 4.28 further shows that when asked about state of implementation of internal audit recommendations, the majority of the Provincial Internal Audit respondents (48.8%) indicated that it is compulsory to implement internal audit recommendation and (41.9%) indicated that it is voluntary. The remaining (7%) were not sure in this regard. The respondents who did not respond to the variable equal (2.3%).

Table 4.29 There is no policy for non-compliance with audit committee recommendations?

NWPG		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Agree	8	17.4	17.4	17.4
	Agree	13	28.3	28.3	45.7
	Disagree	6	13.0	13.0	58.7
	Not Sure	19	41.3	41.3	100.0
	Total	46	100.0	100.0	
PIA					
Valid	Strongly Agree	3	7.0	7.1	7.1
	Agree	12	27.9	28.6	35.7
	Strongly Disagree	2	4.7	4.8	40.5
	Disagree	4	9.3	9.5	50.0
	Not Sure	21	48.8	50.0	100.0
	Total	42	97.7	100.0	
Missing	System	1	2.3		
Total		43	100.0		

As shown in Table 4.29, of all the North West Provincial Government respondents, (45.7%) agree that there is no policy for non-compliance with audit committee recommendation. However, only (13%) disagree with the question whilst the majority (41.3%) indicated that they were not sure whether there is no policy for non-compliance with audit committee recommendation

Of all the Provincial Internal Audit respondents, (34.9%) agree that there is no policy for non-compliance with audit committee recommendation. However, only (14%) disagree and the majority (48.8%) indicated that they were not sure. The respondents who did not respond to the variable equal (2.3%).

Table 4.30 Comment on strategies for effective implementation

NWPG	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Comment	14	30.4	30.4	30.4
No Comment	32	69.6	69.6	100.0
Total	46	100.0	100.0	
PIA				
Valid Comment	9	20.9	20.9	20.9
No Comment	34	79.1	79.1	100.0
Total	43	100.0	100.0	

Table 4.30 indicates that of all the North West Provincial Government respondents, the majority (69.6%) made no additional comments on the effective implementation of audit recommendations and the remaining (30.4%) made a comment to that effect.

Most of the respondents in the NWPG are of the opinion that implementation of the audit action plans depends on the state of the relationship between the two concerned parties, namely; the audit committee and the NWPG management. Others are of the view that disciplinary action should be undertaken to enforce PFMA and Treasury Regulations were implementation of audit committee recommendations is concerned.

Table 4.30 further indicates that of all the Provincial Internal Audit respondents, the majority (79.1%) made no additional comments on the effective implementation of audit recommendations and the remaining (20.9%) made a comment to that effect.

When making further comments on strategies for effective implementation of audit recommendations the respondents from PIA indicated that in some instances lack of budget may result in non-implementation of recommendations. Some indicated that organisational behaviour may contribute to the non-implementation of recommendations and others are of the view that lack of disciplinary action toward non-implementation is also a contributing factor. Further interpretation and discussions on strategies for effective implementation of audit recommendations results continue in chapter 5.3.

CHAPTER 5 SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATION

5.1 Introduction

This chapter deals with the summary of findings, conclusions and recommendations. This analysis covers areas which include the nature and scope of the internal audit system, the extent that management supports the internal audit activity, the opportunities and challenges faced by the internal audit as well as the effective strategies for successful implementation of audit recommendations.

5.2 Summary of findings

5.2.1 Objective 1: To define the nature and scope of the Internal Audit

The results show that at least the majority (93.5%) of the NWPG respondents that participated in this study agree that their departments do have an Internal Audit system. However, while it is expected that every official within the provincial government should know of the existence of Internal Audit system within their respective departments, it was noted that there are few participants (6.5%) who are of the view that their departments do not have an Internal Audit system.

It is the responsibility of the Accounting Officer to ensure that the department has and maintains a system of Internal Audit under the control and direction of the Audit Committee according to the Public Finance Management Act. This is further emphasised by (Sarkar & Sarkar, 2012) who indicated that under Clause 49, the role of the audit committee is to provide oversight of the company's financial reporting processes and ensure the credibility, correctness and sufficiency of the disclosure under the companies' act of 1956.

What is further noted is that (6.5%) of the participants who are of the view that Internal Audit system does not exist in their departments are in the management of the North West Provincial

Government. This could be as a result of these individual residing within the units or directorates which are not considered to be high risk areas and as such not audited. Another reason could be lack of regular awareness campaigns by the PIA in an effort to market the chief directorate.

Ongeri *et al.* (2013) explain Internal Audit as a constant independent appraisal of the organisation's activities in an effort to ensure that the organisation operates in an orderly manner and is adequately managed so as to ensure adequacy of controls in such organisations. The elements of effective Internal Audit comprises of "auditor independence, good working relationship, proper staffing and training, exercising due care, evaluation of internal control systems, proper reporting and follow-ups, among others. They further indicate that it is imperative that the Internal Audit activity informs the auditee/clients of the services they offer in order to get the management buy-in.

On the issue of oversight body, the majority of both NWPG and PIA respondents are confident that the Internal Audit is under the control and direction of the Audit Committee. There is however (8.7%) and (4.7%) of NWPG and PIA respondents respectively who are not convinced that the Internal Audit is under the control and direction of the Audit Committee. Although only senior management and above are invited to attend the Audit Committee sittings on the NWPG side, the members of the PIA are of the view that the chief directorate does not always take into account the advice of the Audit Committee.

A directive issued by the Treasury Board requires departments and agencies to institute an audit committee as of 1 April 2006. The role of this committee, as indicated by Sheperd (2011), is to ensure that the Internal Audit is independent, provides objective advice, guidance, and assurance on the adequacy of the departments' controls and accountability processes. In order to give this support, the audit committee should exercise active oversight of core areas of departmental control and accountability in an integrated and systematic way.

The result on whether Internal Audit advice on the appropriateness of identified risks; provides assurance that critical financial, managerial and operational information is complete, credible and timely indicated that an overwhelming percentage of both NWPG and PIA respondents agree to the statement. The IIASA (2012) has clearly indicated the role of internal auditing in enterprise-wide risk management. The roles are outlined as follows; review of management key risks; evaluating the reporting of key risks; evaluating risk management process; and giving assurance that the risks are adequately identified and correctly evaluated.

It is however, alarming that (11.6%) of respondents from the PIA feel that they do not play any role on how risks are identified and managed in the NWPG. A further (7%) of the respondents from the PIA disagree that they provide assurance as to the completeness and credibility of the financial, managerial and operational information. Failure by management of the NWPG to invite and engage PIA when undertaking strategic processes is a contributing factor.

Management does not really understand controls, which can be a foreign concept for them. If they do understand the nature of controls they tend to consider the need for more controls as an unnecessary additional burden. There is a need for the Internal Audit to be able to talk to management in a language they understand and appreciate. Having created the common ground, the Internal Audit can now go on to discuss the potential events that might hamper the achievement of those objectives, the barriers to success; these of course, are the risks (Griffiths, 2012). The next stage would be to discuss the processes and procedures in place to mitigate the identified risks and those that appear on the horizon and the areas of concern or opportunity in relation to those processes.

Whilst the majority of the NWPG and PIA respondents agree that Internal Audit provide reasonable assurance to the effective, efficient and economical acquisition and utilisation of resources, there is still (26%) of the NWPG and (4.6%) of the PIA respondents who do not agree to the statement. There is further (11%) of the NWPG and (7%) of the PIA respondents who do not believe that Internal Audit provides assurance that legislative and regulatory issues affecting

respective departments are recognised and implemented appropriately. The respondents argue that there is inconsistency in the application of critical legislatives.

Kanellou and Spathis, (2011) explain the role of internal audit as that of examining the organisation and functioning of accounting systems and related internal controls, credibility of financial and operational information, it evaluates the economy, efficiency and effectiveness of business operations and control, application of policies, plans and procedures and conducts special checks.

5.2.2 Objective 2: To measure the extent Management supports the Internal Audit activity

Although the majority agree that their departments works hand-in-hand with the PIA in the development of their strategic plan, there is (15.2%) of the NWPG respondents which indicated that they never include Internal Audit activity in the development of the departments' strategic plan. A further 23.9% indicated that their departments do not take part in the preparation of the annual internal audit plan in the first year of the rolling three year strategic plan. This result is an indication that the NWPG and PIA strategic and operational plans do not always complement one another.

Internal audit, according to Mallin (2011), needs to understand the expectations of its primary stakeholders, namely; senior management and the audit committee; and align its activities accordingly. This alignment ensures that internal audit functions and key stakeholders share the same priorities when it comes to applying internal audit resources to risk management and control.

The results indicate that the majority of the NWPG and PIA respondents are of the view that the departments and the Internal Audit activity agree on the proposed scope. However, there is still 13.1% and 11.6% of the NWPG and PIA, respectively, which do not agree to the statement.

The disconnection between internal audit, executive management, and the audit committee is nothing new. The broken triangle has existed for decades at many organisations, with varying degrees of severity. But dysfunction that was deemed tolerable in the '80s, '90s, and '00s is unacceptable today. Regulators, analysts, stakeholders, and even litigators all have a vested interest in how well this corporate trio, so essential to good governance and effective risk management, works together to protect and propel the organisation (Deloitte, 2011).

When the question was posed about department engaging internal audit activity when a need for a special assignment arises, majority indicated that they have engaged internal audit whenever a special assignment was necessary. However, 13.1% of the NWPG respondents disagree with the statement. This is an indication that departments do not fully understand the services being offered by the Internal Audit activity.

Many organisations place reliance on their internal auditors in order to give guidance and advice at different levels of management (Badara and Saidin, 2013). This is because the internal audit plays an important role in the organisational process, and therefore it is not only required to perform ordinary assurance activities, but also to provide consulting services as well as serve as a strategic partner of the organisation and add value to its activities towards improving organisational processes and ensuring their effectiveness and efficiency.

5.2.3 Objective 3: To establish the opportunities and challenges faced by the Internal Audit

The results indicated that even though there is a high percentage that agrees that the Internal Audit activity has sufficient capacity to implement the annual internal audit plan, there is still 36.9% of the NWPG respondents and 18.6% of the PIA respondents which disagrees with the statement. This poses a challenge because it means the Internal Audit activity will have to undertake fewer audits, thus resulting in control deficiencies not been timely detected and treated accordingly.

The business environment has elevated the importance of internal audit and thus subjecting it to significant challenges (ViewPoints, 2013). The challenges the internal audit faces include recruitment, training and retaining staff that can operate on a diverse environment. More emphasis was on the relationship between the internal audit, management and audit committee. It was indicated that it is imperative to have a sound relationship between the three parties as this will increase effectiveness and efficient to ultimately achieve the organisation's objectives.

When asked whether management within the departments demonstrate strong support towards the Internal Audit activity, 21.7% of the NWPG respondents and 23.2% of the PIA do not agree to the statement. It could be because of lack of timely response by management during audits.

Another result is 17.4% of the NWPG respondents who are of the view that Internal Audit activity does not add value to the overall management performance of the departments. The argument was that if the Internal Audit activity is adding value, then the departments would be receiving clean audit reports.

In its definition, IIA (SA) define Internal Audit as an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations.

It is vivid from the results of the NWPG and PIA respondents that the majority are of the view that the Audit Committee has been able to set the tone that enables internal audit to have influence in their respective departments. There is however a 32.6% of NWPG respondents and 18.6% of PIA respondents which do not agree to the statement. Non-attendance of Audit Committee meetings and inadequate reporting by the NWPG management were cited as the reason for such result.

Ahmad *et al.* (2012) in their study concluded that the internal audit function in the public sector in Malaysia is challenged by amongst other, understaffing and hampered by inadequate support from top management while, the auditors seldom extend their full cooperation.

Khoury (2011) acknowledges that public officials are poorly remunerated, unmotivated, overworked and that most public sector organisations cannot compete with private sector salaries. Non-financial motivators should then take a greater role in the public sector environment, (e.g. Recognition of staff members through awards ceremonies; travelling opportunities; offer choice of assignments; etc)

5.2.4 Objective 4: To determine effective strategies for successful implementation of Audit recommendations

There are 17.3% of the NWPG respondents which indicated that their departments and the internal audit activity do not always agree on audit findings. This could be as a result of Internal Audit not providing adequate evidence to substantiate their findings or it simply be NWPG management which are of the view that Internal Audit activity is actually at their respective departments to police them rather than assisting the department to achieve its objectives. Position of internal audit in Netherlands according to Swinkels (2012) is to promote the implementation of audit recommendations made, without affecting the independence of the internal audit advisory role.

Furthermore, 23.9% and 37.2% of NWPG and PIA respondents respectively indicated that management of the departments are not committed to implementing internal audit recommendations. The fact that the Internal Audit keeps reporting same findings is an indication that the departments are not implementing the Internal Audit recommendations. Poor relationship between the Internal Audit and management of the departments has been highlighted as one of the reasons thereof. Once internal audit aligns itself with the priorities of its key stakeholders, the function needs to establish solid lines of communication with senior management and the audit

committee. By maintaining good communication, internal audit can also ensure that its priorities continue to match those of its key stakeholders as they evolve (Feizizadeh, 2012).

The majority of NWPG respondents at 73.9% are of the view that implementation of the internal audit recommendation is compulsory as compared to the 48.8% of PIA respondents. The PIA respondents feel that since there is no policy to deal with non implementation of internal audit and audit committee recommendation, it cannot be said that implementation is compulsory. Omar and Abu Bakar, (2012) used these variables i.e. internal audit quality, support of management, organisational setting and attributes from auditee towards determining the internal audit effectiveness and used questionnaire, interview and documentation for the research instrument and finally found that internal audit effectiveness is strongly influenced by internal audit quality and support from management.

In order to perform their role effectively, the Audit Committee should have adequate resources and authority to discharge their increasing responsibilities. Li *et al.* (2012) argue that the larger the Audit Committee, the more likely it is to uncover and resolve potential problems in the financial reporting process, because it is likely to provide the necessary strength and diversity of views and expertise to ensure effective oversight.

5.3 Recommendations

Creating awareness of the Internal Audit Role

Internal audit functions need to work on raising awareness of internal auditing in the public sector by establishing specific marketing plans. They should sell the concept that they exist to provide support to management by providing reasonable assurance that the departmental objectives will be achieved and that they are not in the departments to police management. These plans, however, must be accompanied by improved internal audit service delivery and the introduction of a quality assurance program

PIA involvement in Risk Assessment

Provincial Internal Audit should during its planning phase attend the departments' risk assessment. This will benefit the Internal Audit activity because management are present during the risk assessment exercise and as a result, the audit plan will be informed by the results of the risk assessment as well as management inputs and concerns.

Once Internal Audit aligns itself to the priorities of its key stakeholders, the function needs to establish solid lines of communication with senior management and the audit committee. By maintaining good communication, internal audit can also ensure that its priorities continue to match those of its key stakeholders as they evolve.

Improvement of HRM

The Internal Audit should develop a policy to attract, maintain and retain staff. The organisation should consider reviewing their remuneration packages and incentives as most internal auditors leave the public sector to join well paying private companies and parastatals.

Non-financial motivators should take a greater role in the public sector environment, (e.g. Recognition of staff members through awards ceremonies; travelling opportunities; offer choice of assignments; etc).

Establishment of Register of Internal and External Audit Findings

The Internal Control within the departments should establish a register of all Internal and External Audit findings. The register should be populated with amongst other information, the agreed action plans, due date and the responsible official to ensure implementation of each action plan. The Internal Control should apply pressure by performing regular spot checks in an effort to obtain progress of the implementation of action plans. Such progress or lack thereof should be reported timely to the Accounting Officer after which Internal Audit should conduct follow-up audits to ascertain that appropriate action is taken on reported audit findings. This monitoring process should be undertaken upon the due date of the agreed action plan. This approach is also emphasised by Berber *et al.* (2012).

If no action has been taken even after the follow-up audit has been taken, the audit committee should consider implementing a more systematic process in discharging its responsibilities. The management checklist is one approach the Audit Committee can adopt in an effort to ensure that audit recommendations are implemented. The checklist should consist of a series of questions that management is required to answer and submit to the Audit Committee to provide assurance that appropriate action will be undertaken to reduce audit findings (Public Sector Audit Committee, 2011).

Promoting management integrated planning culture

Through integrated planning, the internal audit will be in a position to obtain management buy-in. Management is more likely to be responsive to internal audit recommendations if they feel that the internal audit assignments were addressing the high risk areas and as such addressing real issues.

The approach the Audit Committee adopts in its interaction with senior management will have a direct bearing on the effectiveness of the committee and internal audit. If the committee demonstrates a positive culture of continuous improvement, rather than a punitive culture, the committee is more likely to effectively fulfill its role. The Audit Committee should also be alert to opportunities for senior management representatives to attend meetings so as to facilitate further discussion on action to implement audit recommendations, or to explain why any recommendation has not been addressed appropriately or in a timely way. Presentations or attendance by senior managers at an Audit Committee can be useful in building trust and effective communication links between the committee and management, particularly where the entity is managing significant risks and where internal and/or external audits have made significant recommendations. This approach is emphasised by Sarkar and Sarkar (2012).

5.4 Conclusions

It is evident that there is a lot of blame-shifting between NWPG and PIA. In North West Provincial Government, like any other provincial government should in accordance to the Public Finance Management Act 1 of 1999 have a system of Internal Audit under the control and direction of the Audit Committee. In an era where corporate governance is a baseline for accountability, transparency and operating in an effective manner, the time has come for these institutions to stop competing with one another and take the opportunity to start working as a team in an effort to ensure achievement of departmental objectives and ultimately a clean audit.

This research assessed the impact of Internal Audit management on public sector administration in the North West Province. The objectives of the study had been to define the nature and scope of the internal audit; to measure the extend management support the internal audit; the challenges, opportunities and the effective implementation of internal audit recommendations.

Chapter 1 of the study dealt with the problem statement and the scope of the study, including research objectives, questions as well as the limitation to the study. Chapter 2 addressed the literature in the internal audit field. Chapter 3 outlined the research methodology whilst Chapters 4 and 5 dealt with data collection, analysis, interpretation and recommendations of the research.

Future study could be conducted to assist in determining the extent at which Internal Audit activity adds value on public sector in the North West province.

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Appendix

Appendix 1: Permission to conduct a research study

Appendix 2: Approval from Ethics Committee

Appendix 3: Questionnaire to North West Provincial Government

Appendix 4: Questionnaire to Provincial Internal Audit

Appendix 5: Certificate of edit



NORTH-WEST UNIVERSITY
YUNIBESITHI YA BOKONE-BOPHIRIMA
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MAFIKENG CAMPUS

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Private Bag x 2946, Mmabatho
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Email: Graduateschool@nwu.ac.za

07 April 2014

**To: Mr. Maanda Pringle Raedani
The Head of Department
North West Department of Finance**

Permission to conduct research- Mr M Pule-MBA student

This letter serves to introduce Mr M Pule who is presently a registered student for Master in Business Administration (MBA) programme at the Graduate School of Business and Government Leadership of the North West University. He is conducting a research project on, **"The impact of internal audit within the public sector in the North West Province"** towards a partial fulfillment of his MBA programme.

In this regard, your office is requested to afford him full co-operation to conduct this research. In particular, Mr M Pule requires permission to access information, data or even to distribute questionnaires. In particular, Mr M Pule requires permission to access information, data or even to distribute questionnaires.

Your cooperation will be highly appreciated.

A handwritten signature in black ink, appearing to read 'FK Moruntshe'.

**FK Moruntshe
Research Officer**

Dear all,

It is a pleasure for me to announce to you that your ethical clearance has been granted, and that you may proceed with your research.

NB: PLEASE NOTE THAT YOUR ETHICAL CLEARANCE NUMBER WILL ONLY BE AVAILABLE AT A LATER STAGE

For any enquiries or further information do not hesitate contacting Estie Emtch (018 389 2873), for further assistance.

Regards,

Ismail Haffejee
Graduate School of Business & Government Leadership
Research Unit

Telephone Number: (018) 389 2827

Email: 21011478@nwu.ac.za

Cnr. Dr Albert Luthuli & University Drive Internal Box 575, Office no. G157
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Vrywaringsklousule / Disclaimer: <http://www.nwu.ac.za/it/gov-man/disclaimer.html>

INVITATION TO RESPONDENTS (NWPG management)

DEAR RESPONDENT

You are hereby invited to take part in this scholar study research. The purpose of the study is to assess the impact of internal audit management in the public sector in the North West. This study is conducted as a requirement for the fulfilment of the Masters in Business Administration (MBA) in the North West University (Mafikeng campus).

Please note that the information you provide and your identity will remain confidential and you reserve the right to participate. Please tick the most appropriate answer and provide further comments where applicable.

Thank you in advance for taking part in this study.

M Pule (Mr)

RESEARCH QUESTIONNAIRE

SECTION A (DEMOGRAPHIC DATA)

1. Number of years in the Public Service?

01-05 years	06-10 years	11-15years	16 and above

2. What is your gender?

Male	Female

3. Which department do you work for?

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4. What is your occupation?

Assistant Director (Line Management)	Deputy Director (MMS)	Director and Above (SMS)	OTHER (Specify)

5. What is your highest qualification?

Matriculation	Diploma	Degree	Post-graduate	Other (specify)

SECTION B (Nature and Scope of Internal Audit)

1. Does the department have an Internal Audit system?

Yes	No

1.1 Is this system under the control and direction of the Audit Committee?

Yes	No

2. Does Internal Audit advise on whether risks are appropriately identified and managed?

Strongly Agree	Agree	Strongly Disagree	Disagree	Not Sure

3. Does Internal Audit provide assurance that critical financial, managerial and operational information is complete, credible and timely?

Strongly Agree	Agree	Strongly Disagree	Disagree	Not Sure

4. Does Internal Audit provide assurance that resources are acquired economically, utilised with minimum waste and adequately safe-guarded?

Strongly Agree	Agree	Strongly Disagree	Disagree	Not Sure

5. Does Internal Audit provide assurance that critical legislative and regulatory issues affecting the respective departments are recognised and implemented appropriately?

Strongly Agree	Agree	Strongly Disagree	Disagree	Not Sure

6. Please provide further comments on any of the above (1 to 5)

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SECTION C (Management Support)

1. Does the department invite/include Internal Audit activity in the preparation of a three-year strategic plan?

Strongly Agree	Agree	Strongly Disagree	Disagree	Not Sure

2. Does the department take part in the preparation of the annual Internal Audit plan in the first year of the rolling three year strategic plan?

Strongly Agree	Agree	Strongly Disagree	Disagree	Not Sure

3. Does the department and Internal Audit activity agree on the proposed scope of each audit?

Strongly Agree	Agree	Strongly Disagree	Disagree	Not Sure

4. Does the department engage the Internal Audit activity when a need for a special assignment arises?

Strongly Agree	Agree	Strongly Disagree	Disagree	Not Sure

5. What other management supports does the Internal Audit provide to the Department in building an effective and sustainable strategic plan?

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SECTION D (Opportunities and Challenges)

1. Does the Internal Audit have sufficient (capacity) skilled and knowledgeable staff to implement the annual internal audit plan?

Strongly Agree	Agree	Strongly Disagree	Disagree	Not Sure

2. Does Internal Audit activity have a strong support within departments?

Strongly Agree	Agree	Strongly Disagree	Disagree	Not Sure

3. Do you think the Internal Audit activity adds value to the overall management performance of the Department?

Strongly Agree	Agree	Strongly Disagree	Disagree	Not Sure

4 Does the Internal Audit activity exercise professional attitude and form an independent opinion when assessing control deficiencies?

Strongly Agree	Agree	Strongly Disagree	Disagree	Not Sure

5. Does the departmental management provide support to Internal Audit activity during the implementation of annual Internal Audit plan?

Strongly Agree	Agree	Strongly Disagree	Disagree	Not Sure

6. Has the Audit Committee being able to set a 'tone' that enables Internal Audit to have a certain degree of influence in their respective departments?

Strongly Agree	Agree	Strongly Disagree	Disagree	Not Sure

7 What do you think are the main **challenges** that the Audit Committee experiences?

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8 How will you describe the relationship between management of the Department and the Internal audit Committee?

- 1 Good
- 2 Not Good
- 3 Excellent
- 4 Not sure

Comment on your choice in item 8

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SECTION E (Strategies for effective Implementation of Audit Recommendations)

1. Does the department and Internal Audit activity agree on audit findings?

Strongly Agree	Agree	Strongly Disagree	Disagree	Not Sure

2. Is management of the department committed to implementing internal audit recommendations?

Strongly Agree	Agree	Strongly Disagree	Disagree	Not Sure

3. Is Internal Audit committed to ensuring that action is undertaken on a recommendation?

Strongly Agree	Agree	Strongly Disagree	Disagree	Not Sure

4. Does Internal Audit performs monitoring and follow-up audits to ensure implementation of audit recommendations?

Strongly Agree	Agree	Strongly Disagree	Disagree	Not Sure

5. Does Audit Committee intervene where non-implementation of audit recommendations are reported?

Strongly Agree	Agree	Strongly Disagree	Disagree	Not Sure

6. Implementation of Internal Audit recommendations are?

- 1 voluntary
- 2 compulsory
- 3 not sure

7. There is no policy for non-compliance with Audit Committee recommendations?

Strongly Agree	Agree	Strongly Disagree	Disagree	Not Sure

8. Your **comments** on any of the above items

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Thank you for your valuable time.

INVITATION TO RESPONDENTS (Provincial Internal Audit)

DEAR RESPONDENT

You are hereby invited to take part in this scholar study research. The purpose of the study is to assess the impact of internal audit management in the public sector in the North West. This study is conducted as a requirement for the fulfilment of the Masters in Business Administration (MBA) in the North West University (Mafikeng campus).

Please note that the information you provide and your identity will remain confidential and you reserve the right to participate. Please tick the most appropriate answer and provide further comments where applicable.

Thank you in advance for taking part in this study.

M Pule (Mr)

RESEARCH QUESTIONNAIRE

SECTION A (DEMOGRAPHIC DATA)

1. Number of years in the Internal Audit field?

01-03 years	03-06 years	06-09 years	10 and above

2. What is your gender?

Male	Female

3. Which department do you audit?

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4. What occupation are you?

Internal Auditor	Senior Internal Auditor	Chief Internal Auditor	Cluster Manager and Above	OTHER (Specify)

5. What is your highest qualification?

Matriculation	Diploma	Degree	Post-graduate	OTHER (Specify)

SECTION B (Nature and Scope of Internal Audit)

1. Is Internal Audit under the control and direction of the Audit Committee?

Yes	No

2. Does Internal Audit advise on whether risks are appropriately identified and managed?

Strongly Agree	Agree	Strongly Disagree	Disagree	Not Sure

3. Does Internal Audit provide assurance that critical financial, managerial and operational information is complete, credible and timely?

Strongly Agree	Agree	Strongly Disagree	Disagree	Not Sure

4. Does Internal Audit provide assurance that resources are acquired economically, utilised with minimum waste and adequately safe-guarded?

Strongly Agree	Agree	Strongly Disagree	Disagree	Not Sure

5. Does Internal Audit provide assurance that critical legislative and regulatory issues affecting the respective departments are recognised and implemented appropriately?

Strongly Agree	Agree	Strongly Disagree	Disagree	Not Sure

6. Please provide further comments on any of the above (1 to 5)

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SECTION C (Management Support)

1. The Internal Audit activity prepares a three-year strategic plan based on provincial administration risk management strategies.

Strongly Agree	Agree	Strongly Disagree	Disagree	Not Sure

2. The Internal Audit activity prepares an annual internal audit plan for the first year of the rolling three year strategic plan having regard to the current operations of respective departments and their strategic plans.

Strongly Agree	Agree	Strongly Disagree	Disagree	Not Sure

3. The Internal Audit annual plan indicates the proposed scope of each audit.

Strongly Agree	Agree	Strongly Disagree	Disagree	Not Sure

4. The Internal Audit implements the annual plan, as approved by the Audit Committee, including any special assignments requested by respective departments' management.

Strongly Agree	Agree	Strongly Disagree	Disagree	Not Sure

5. What other management supports does the Internal Audit provide to the Departments in building an effective and sustainable strategic plan?

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SECTION D (Opportunities and Challenges)

1. Does the Internal Audit have sufficient (capacity) skilled and knowledgeable staff to implement the annual internal audit plan?

Strongly Agree	Agree	Strongly Disagree	Disagree	Not Sure

2. Does Internal Audit activity have a strong support within departments?

Strongly Agree	Agree	Strongly Disagree	Disagree	Not Sure

3. Do you think Internal Audit activity adds value to the overall management performance of the Departments?

Strongly Agree	Agree	Strongly Disagree	Disagree	Not Sure

4. Does the Internal Audit activity exercise professional attitude and form an independent opinion when assessing control deficiencies?

Strongly Agree	Agree	Strongly Disagree	Disagree	Not Sure

5. Does the departmental management provide support to Internal Audit activity during the implementation of annual Internal Audit plan?

Strongly Agree	Agree	Strongly Disagree	Disagree	Not Sure

6. Has the Audit Committee being able to set a 'tone' that enables Internal Audit to have a certain degree of influence in their respective departments?

Strongly Agree	Agree	Strongly Disagree	Disagree	Not Sure

7. What do you think are the main challenges that the Internal Audit experiences?

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8. How will you describe the relationship between management of the Departments and the Audit Committee?

- 1 Good
- 2 Not Good
- 3 Excellent
- 4 Not Sure

Comment on your choice in item 8

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SECTION E (Strategies for Effective Implementation of Audit Recommendations)

1. Does the Internal Audit and the departments agree on audit findings?

Strongly Agree	Agree	Strongly Disagree	Disagree	Not Sure

2. Is management of respective departments committed to implementing internal audit recommendation?

Strongly Agree	Agree	Strongly Disagree	Disagree	Not Sure

3. Is Internal Audit committed to ensuring that action is undertaken on a recommendation?

Strongly Agree	Agree	Strongly Disagree	Disagree	Not Sure

4. Does Internal Audit perform monitoring and follow-up audits to ensure implementation of audit recommendations?

Strongly Agree	Agree	Strongly Disagree	Disagree	Not Sure

5. Does Internal Audit activity report non-implementation of audit recommendation to the Audit Committee?

Strongly Agree	Agree	Strongly Disagree	Disagree	Not Sure

6. Implementation of Internal Audit recommendations are?

- 1 Voluntary
- 2 Compulsory
- 3 Not Sure

7. There is no policy for non-compliance with Audit Committee recommendations?

Strongly Agree	Agree	Strongly Disagree	Disagree	Not Sure

8. Your **comments** on any of the above items

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Thank you for your valuable time.

J.R. Moletsane
PrivateBag X2046
Mmabatho
27 35

06 November 2014

To whom it may concern
Editing of a mini-dissertation.

This serves to prove that I have read and edited Molefi-Waa-Pule Pule's mini-dissertation titled:

IMPACT OF INTERNAL AUDIT MANAGEMENT ON PUBLIC SECTOR

ADMINISTRATION IN THE NORTH WEST PROVINCE. The candidate corrected all language errors identified.

The document presentation is of an acceptable academic and linguistic standard.

Thank you



J.R. Moletsane (English lecturer)

Accr no 1002708