AN ANALYSIS OF CHALLENGES FACED BY INTERNAL AUDIT DEPARTMENTS IN THE PUBLIC SECTOR: A CASE STUDY OF ETHEKWINI METROPOLITAN MUNICIPALITY

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I declare that the above thesis is my own work and that all the sources that I have used or quoted have been indicated, acknowledged, and referenced accordingly.

_________________________  14/02/2023
Signature  Date
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First and foremost, I want to thank the Almighty God for giving me the opportunity, good health, strength, and time to further my study.

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The eThekwini Metropolitan Municipality management and the respondents who accorded me the opportunity to collect data from their premises without a problem. The support received from all the respondents who contributed was vital for the success of the project.

Finally, a special thanks to my wife Blessing and my son Prince for their continuous love, outstanding support, and sacrifices in helping me achieve this goal. This accomplishment would not have been possible without you.
DEDICATION

I dedicate this dissertation to the following people:

• My late mother, Rumbidzai Mutiwadirwa.
• My uncle Daniel Mutiwadirwa, who instilled the value and importance of education in me from a young age.
• My brother James and my sister Josephine.
• My wife Blessing and my son Prince, for always being there for me.
ABSTRACT

Despite the establishment of Internal Audit Departments in the South African public sector, there is still an increased rate of corruption, fraud, and mismanagement of resources. As a result, in recent years, attention has been focused on how effective these departments are. The aim of this study was to analyse the challenges faced by internal audit departments in the public sector paying particular attention to the eThekwini Metropolitan Municipality. A mixed method research design was adopted, and data was collected using questionnaires and interviews. The target population of this study was the Internal Audit staff of the eThekwini Metropolitan Municipality.

Microsoft Excel was used to analyse the collected data and the results are presented in form of tables and charts. The findings of the study showed that the lack of support from management and restrictions on available human resources were highlighted as the most significant challenges faced by employees in the unit. Based on this study's findings, it is recommended that individuals who are professionally and academically qualified be hired to supervise the Internal Audit Functions to reduce the risks associated with fraudulent activities.

KEYWORDS: Internal audit, internal audit function, good governance, public sector, governance system, risk management, internal controls
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# ACRONYMS AND ABBREVIATIONS

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<tr>
<td>AGSA</td>
<td>Auditor General of South Africa</td>
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<tr>
<td>CAE</td>
<td>Chief Audit Executive</td>
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<tr>
<td>CEO</td>
<td>Chief Executive Officer</td>
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<tr>
<td>CFO</td>
<td>Chief Financial Officer</td>
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<td>FMB</td>
<td>Financial Misconduct Board</td>
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<td>IFAC</td>
<td>International Federation of Accountants</td>
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<td>IAF</td>
<td>Internal Audit Function</td>
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<td>IAD</td>
<td>Internal Audit Department</td>
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<td>IIA</td>
<td>Institute of Internal Auditors</td>
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<td>IIARF</td>
<td>Institute of Internal Auditors Research Foundation</td>
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<td>IIA SA</td>
<td>Institute of Internal Auditors South Africa</td>
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<tr>
<td>IoDSA</td>
<td>Institute of Directors in Southern Africa</td>
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<td>IPPF</td>
<td>International Professional Practices Framework</td>
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<td>ISPPRIA</td>
<td>International standards for the professional practice of internal auditing</td>
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<td>PFMA</td>
<td>Public Finance Management Act (Act No. 1 of 1999)</td>
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<td>MFMA</td>
<td>Municipal Finance Management Act (Act No. 56 of 2003)</td>
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<tr>
<td>SCM</td>
<td>Supply Chain Management</td>
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<td>SOX</td>
<td>Sarbanes-Oxley Act</td>
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CHAPTER ONE

INTRODUCTION AND BACKGROUND

1.0 Introduction

Internal audit is regarded as a crucial control mechanism that is utilised in both public and private institutions to give assurance that controls are sufficient to ensure the accomplishment of objectives. Given that the public sector is the biggest and most significant employer, a fully functioning mechanism of accountability is required to pay attention to the administration of public funds in accordance with the applicable laws. George, Theofanis & Konstantinos (2019:117) highlight that internal audit is a critical department of public sector as it facilitates government oversight, insight, and foresight. Despite the existence of Internal Audit Functions (IAFs), allegations of corruption, fraud, and mismanagement of resources have been prevalent for a long time in public institutions. Therefore, a study that analyses challenges faced by IAFs in the public sector was considered crucial. This chapter comprised of the following which are described below: background, problem statement, aim and objectives, structure, and conclusion.

1.1 Background to the study

According to Okodo (2019:15), the need for internal auditing originated from the separation of management and ownership of entities due to the establishments of large shareholding companies. Johnsen (2019:125) and Chowdhury & Shil (2019:488) attest that internal audit guarantee that the company’s risk management, governance, and control systems are effective. Internal audit is becoming increasingly significant to the overall achievement of objectives due to its broad scope that spans across all units (Mohd-Nassir et al. 2021:11). Tomran & Ahmed (2020: 1020) alluded that the failure by organisations to incorporate internal audit functions in their processes result in organisational failure. For instance, the unexpected downfall of numerous big firms such as Aldephia Communications Corporation, Lehman Brothers, The China Medical Technologies, The National Bank of Anguilla and Caribbean Commercial Bank and The Carian Group amplified the need for dependable control mechanisms.
Collier, Dixon & Marston (2015: 23) suggest that fraud, corruption, and subsequent liquidations which transpired at the African Global Operations (Bosasa), VBS Bank and many corporations intensified the significance of internal audit. The authors added that the external audit’s failure to pick those cases gave birth to the recognition of internal audit. Enhancing control mechanisms of institutions was one of the evident measures proposed by various bodies to reduce the endless corporate failures. King IV report (2016: 8) recommends that all public entities should establish IAFs under the supervision of chief audit executive.

Internal audit plays a substantial part in ensuring that governance, internal controls, and risk management processes are effective by detecting weaknesses, testing controls, and monitoring the compliance with company policies and rules (Okodo 2019: 82). Additionally, it also assures that existing internal controls remain sufficient to prevent risks while also ensuring that company objectives are achieved (IIA 2017: 10). Internal audit also gives an independent assurance that controls, governance, and risk management systems are adequate and functioning as intended. The Auditor General (2017: 15) points out that IAFs in public sector are confronting several challenges. Lack of management support and resources constraints were the main challenges highlighted. The study sought to analyse the challenges encountered by the internal audit department at eThekwini municipality, Durban, KwaZulu-Natal.

1.2 Problem statement
Masood & Lodhi (2015: 58) state that corruption in public institutions across the country has resulted in insufficient resources to meet the rising demand for service delivery. This has created a chasm between what the people expect from their government and what they get. Consequently, this intensified the burden on state institutions to demonstrate higher level of accountability over public resources (Goodwin 2014: 127). Mlambo & Masuku (2020: 549) state that public entities are not performing well due to fraud, tender irregularities, corruption, mismanagement and a weak system of monitoring and evaluation controls. A direct consequence has been the failure to settle debts with power utilities and the widespread service delivery demonstrations which, to a large extent, have been marked by violence, damage, and loss of personal and government property as well as death in the most extreme cases.
Even though internal audit processes are in place, all the above still occurs. This raise concerns that IAFs are experiencing difficulties in carrying out their duties.

Prabowo, Sriyana & Syamsudin (2018: 51) and Mnif & Gafsi (2019: 119) further attest that the significance of internal audit across the globe is expanding. In South Africa for instance, several laws and regulations came into existence to legalise the establishment of internal audit functions. These Acts made it compulsory for all public institutions to have IAFs as part of their control mechanism to ensure that resources are safeguarded and efficiently used (Hanabe, Taylor & Raga 2017: 118). This concurs with the King IV report (2016: 8) that all public entities must have internal audit functions. The significance rose even more after financial scandals like Lehman Brothers, WorldCom, and Enron that occurred during the last three decades. Internal audit departments identify weaknesses and loopholes that may pave way for undesired activities (Mikesell 2017: 67). However, despite the establishment of internal audit departments, Goodwin (2014: 123) and Kapula (2015: 83) argue that the rate of corruption cases is increasing mostly in the public sector organisations. Likewise, Fadzil, Haron & Jantan (2015: 118) point out that internal audit departments face serious challenges, hence they cannot fulfil their mandatory roles.

Thomran & Ahmed (2020: 1019) attest that internal audit is a critical element of internal control structure of an organisation. Furthermore, claims that public-sector internal audit departments are understaffed and under-positioned have been blamed for the enormous backlog of work (Anderson et al. 2010: 6). A study conducted by Tsegaye (2017: 12) concluded that internal audit employees were not afforded the freedom to exercise the necessary independent and unbiased attitude.

Notwithstanding having mandatory internal audit functions, organisations failed to expose fraud and corruption propensities, which internal audit is intended to prevent in the first place. In South Africa, for instance, several public and private organisations with well-established internal audit functions were reported to have tolerated severe corruption and fraud with impunity in recent years. Despite the emphasis on the practice of internal auditing, research showed that most empirical studies from around
the globe were centred on the importance of internal audit to enhancing governance (Menzo 2020: 147; Mikesell 2017:65; Goodwin 2014: 125). As a result, the topic of challenges facing internal audit has become a hot topic in the public sector. Moreover, there is a lack of studies that seeks to identify barriers of internal audit. Research in this field is needed, particularly in developing nations where internal audit functions could play a significant role in deterring unethical practices. It is against this background that this research aims to analyse challenges confronted by internal audit functions. Mlambo & Masuku (2020: 556) and Seitheisho (2019: 68) are of the view that if this disparity is not reconciled, it may hinder the performance of internal audit in promoting good governance within organisations. The current study sought to fill this void by using eThekwini Metropolitan Municipality as a practical example. In this regard, it was noted that the challenges should be identified so that possible solutions could be implemented to promote good governance.

1.3 Aim of the study
To analyse challenges faced by internal audit departments in public sector paying particular attention to the eThekwini Metropolitan Municipality.

1.4 Objectives of the study
- To identify challenges confronted by internal audit department at eThekwini Metropolitan Municipality.
- To find out how the challenges confronted by internal audit department at eThekwini Metropolitan Municipality are being addressed.

1.5 Research questions
- What challenges are confronted by the internal audit department at eThekwini Metropolitan Municipality?
- How is the eThekwini Metropolitan Municipality dealing with the challenges faced by the Internal Audit Department?
- In what ways can the challenges faced by the internal audit department at eThekwini Municipality be addressed and minimised?
1.6 Significance of the study

Successful completion of this research is crucial to three main stakeholders namely the researcher, the university, and public institutions.

Firstly, this study is intended to benefit the researcher by expanding knowledge and understanding on the challenges facing internal audit functions in public entities. This research is also significant to the researcher as it fulfills the requirements for the degree to be awarded.

Secondly, the study will benefit the University because it will be used in the libraries for reference purposes by prospective students. Moreover, the researcher will be spreading positive recommendations on behalf of the institution while carrying out his research. The results of the study will also serve as reference material in future studies. This study contributes to the body of knowledge, with a focus on internal audit in public entities. It will also benefit academic research, organizations, and professionals in this field by adding to the existing literature.

Finally, the public institutions in South Africa will find this research beneficial as it will reveal the challenges confronted by internal audit functions and the causes thereof. The study also provides the recommendations to tackle the challenges identified. The research also helps to build a body of knowledge that will be used for formulation of policies, and thus for economic growth. The current study, therefore, was significant because of the importance of internal audit function in advancing good governance, which is important to all the citizens of a country. Improved accountability by government institutions and the curbing of irregular and wasteful expenditure would also benefit all citizens. Mikesell (2017: 64) states that the most important role of a government is to manage public funds efficiently and effectively. It is believed that the effective and efficient management of public finances should be one of the top priorities for post-apartheid administration in South Africa. This is even more important as government must provide services to the entire population, as opposed to the former apartheid government, which concentrated its efforts on a small group of individuals.
1.7 Conceptual framework
Steinert (2021: 49) and Cho et al. (2022: 146) described conceptual framework as a graphical representation that depicts the association among dependent and independent variables. The conceptual framework for this study demonstrates the relationship that exists between internal audit effectiveness and independent variables such as auditee attributes, organisational setting, management, and audit committee support. Figure 1.1 below shows the study’s conceptual framework.

Figure 1.1: The Conceptual Framework

1.8 Limitations of the study
- Due to confidentiality clause and the organisation’s policy, confidential data could not be presented by the participants; hence some relevant information for the study could not be made available to the researcher.
The study was carried out in a single organisation and the participants were sampled from a single geographical location (KwaZulu Natal); hence generalisations are not possible.

- Lack of anticipated support from the chosen participants; the researcher collected information through interviews and questionnaires to increase the rate of responding.
- Time constrains. The study was conducted within a limited time frame under strict conditions due to the Covid-19 pandemic.

### 1.9 Research design and methodology

Mixed methods design was used in this study. Qualitative approach was based on subjectivism, with the researcher trying to comprehend and make perception of events (Welman & Kruger 2001: 24). A quantitative was based on objectivism of the researcher. A questionnaire was sent to the eThekwini Metropolitan Municipality's internal audit function. The questionnaires were handed out to 72 internal audit staff to assess the challenges they face. Furthermore, the researcher carried out 6 semi-structured interviews with senior staff.

#### 1.9.1 Scope of the study

This research was carried out in KwaZulu-Natal and the drive of the study was to identify and analyse challenges facing internal audit functions in public entities. The study was carried out at eThekwini Metropolitan Municipality. The municipality is regarded as a Category A municipality meaning it has executive authority in its area. The decision to use the eThekwini Metropolitan Municipality as a scope for this study was based on the following reasons:

- The researcher was well acquainted with the authorities of the Municipality which helped in getting the required information.
- The researcher believed that the authorities in the organisation were very open and ready in providing the required information, which smoothened the effective achievement of the study.
- Geographically, the organisation is located close to the researcher, and this helped to get rid of limitations such as travel expenses.
1.11 Presumptions of the study
The study is based on the following suppositions.

- It was presumed that all participants understood the general phenomenon under study.
- The participants were presumed to have at least some basic understanding of internal audit and its role in public organisations.
- It was presumed that the existing status quo at eThekwini Metropolitan Municipality will remain static throughout the study period, as any changes could influence the participants' opinions and thus the findings.

1.10 Structure of the thesis
This dissertation is broken into five segments as illustrated beneath:

**Chapter 1** provides a brief overview of the study. It describes the problem statement, conceptual fragment, objectives of the study as well as the description of the methodology applied.

**Chapter 2**: This chapter examines relevant prior and current scholarly and academic writings on the subject matter to provide a comprehensive base for the study. Definition, evolution, role of internal audit, and the theoretical framework of the study were explained.

**Chapter 3** discussed the research methodology. Data collection, pilot study, validity and reliability, population and sampling were explained in detail. Lastly the chapter concludes by highlighting the limitations of the methods employed and the ethics that were followed.

**Chapter 4**: This chapter presents the analysis of data collected. Data was collected through questionnaires and interviews. Data was analysed using Microsoft excel.

**Chapter 5** provides conclusions and recommendations of research findings. It also outlines the limitations of the study and offers recommendations for future studies.
CHAPTER Two

LITERATURE REVIEW

2.0 Introduction
The preceding chapter provided an overview of the study. It explained the problem statement of the study. It also highlighted the aim and objectives of the study. It provided the methodological procedures to be followed during the research. This chapter focuses on the empirical studies related to the study in which facts are presented and explored. Literature analysis is crucial as it affords the investigator an opportunity to acquire data and ideas from other scholars who conducted related studies. The chapter comprises the introduction, the evolution of IA, theoretical framework, establishment of IA functions, legislation and the role played by the IA functions.

2.1 Internal auditing definition
In realising the transition of internal audit, various authors have come up with a new definition. Internal auditing is described as an independent, objective assurance and consulting function that adds value and improves the organisation's operations. It assists entities in accomplishing their goals through a systematic, disciplined approach to assess and enhance the effectiveness of risk management, control, and governance processes (IIA 2009; Fulop & Szekely 2017: 68; Okodo 2019: 16). In concluding as Okodo (2019: 16) point out, the modern internal audit provides organisations with an independent objective assessment and consulting services. The services ensure that control systems are functioning in assisting management to improve performance of an organisation.

The Hellenic Institute of Internal Auditors (2014: 6) indicates that the scope of modern internal audit is broad in nature, and it incorporates all the activities of an organisation. Internal auditing, like other types of auditing, has traditionally been a system of checks and balances. Nevertheless, in recent years, the emphasis of internal auditing has shifted away from transaction verification towards assisting organisations in assessing and managing risks. Sawyer, Dittenhofer & Scheiner (2013: 37) emphasise that
because of the expanded role, the IAF was elevated, and became the basis upon which effective corporate governance is built. The internal audit role has moved from compliance-based to consulting services and value-added assurance which are critical to stakeholders.

According to the new definition, internal audit engagements is categorised into assurance and consulting as explained above.

2.1.1 Assurance Activities
Assurance engagements are those that involve an objective evaluation of evidence by an internal auditor. The evaluation is carried out to give an objective judgement regarding process or system compliance. The nature and scope of assurance activities is defined by the person conducting the engagements (Onuora 2021: 87, Onyango-Delewa & Nkote 2021: 342).

2.1.2 Consulting Activities
Consulting activities are advisory in nature and are carried out at the request of internal audit department clients, who are primarily management (Nwafor & Amahalu 2021: 84; Chouhan et al. 2021: 7). The nature and scope of the consulting engagements is established by management. Nevertheless, Onyango-Delewa & Nkote (2021: 361) warn that the provision of advisory services has the danger of diminishing the autonomy of internal audit function. The rationale for this is that if internal auditor, for instance, serves as a consultant in the development of control systems, it could be challenging for the same person or function to be independent in the future while conducting an audit of the same system. Likewise, Okodo (2019: 24) assert that as internal audit responsibilities broaden, so does the need for increased responsibility, autonomy, and impartiality on their part. The author also argued that by using the internal audit function to perform advising role risks overlooking the significance of independence of the department.

In contrast to the above arguments, Onuora (2021: 96) contends that by giving advisory services, it helps ensure that management views the internal audit function as important to attaining organisational goals. Accordingly, Bacao & Oliveira (2016:
believe that developing consultative interactions between auditors and management would help in channelling audit resources and efforts to critical areas.

2.2 The evolution of internal auditing

Internal auditing has deep roots that can be traced to hundreds of years. Adeniji (2016: 18) argues that financial historical records indicate that the first audit occurred prior to AD 1500. At the time, the services entailed verifying transactions to prevent finances from being misappropriated. Moreover, in the initial phases of the profession, it was involved in checking the accurateness of financial transactions and making sure that organisations adhered to laws and regulations. This confirms that the interlinked relationship between internal control and auditing existed even at the initial stage. Researchers such as Dittenhofer & Scheiner (2013: 37) believe that the birth of internal auditing came into existence to ensure that organisational employees are carrying out their responsibilities ethically and honestly.

Since then, the profession has progressed and has changed from observing financial transactions only to include risk management and governance. Moreover, the internal audit department are now able to offer advisory services. The profession was formalised in 1941 following the formation of The Institute of Internal Auditors (IIA). The IIA’s rapid growth, global expansion, ongoing research, and improvement stimulated the growth of the profession. It focuses mainly on finance and accounting-related issues; however, issues relating to the operations also fall within their scope. In 1957, the Statement of Responsibilities was revised and expanded to incorporate other issues such as establishing the dependability of accounting data and evaluating performance. It was further revised in 1977 and 1990 to indicate the on-going and fast progress of the IA profession (Sawyers & Sumners 1973: 5; Suleiman & Dandago 2014: 6; and Adeniji 2016: 11). In 1970, the IIA adopted a framework to be used worldwide called the International Professional Practices Framework (IPPF) effectively supports and guides the profession.

2.3 Internal auditing’s code of ethics

The code of ethics for internal auditors was endorsed by the IIA board in 2000, and it applies to both individuals and organisations who provide internal audit services. The
goal of this code of ethics is to enhance and instill an ethical behavior and further explain standards expected from internal auditors (IPPF 2015). All internal auditors around the world are required to register with the IIA professional body and must always comply with the ethics of the IIA code of ethics (Dubihlela & Nqala 2017: 93). Trust and basis for reliance on their judgement are built when they demonstrate integrity. It is therefore imperative to execute duties with honesty and trustworthy. When gathering, evaluating, and communicating audit information, the highest level of professional objectivity should be demonstrated. Internal auditors, therefore, should not be influenced by their own interests, as they are anticipated to give unbiased assessment on areas examined (IIA 2016). The code of ethics state that auditors must keep information safe and confidential and not disclose such information without the authority to do so. The last principle is competency, where internal auditors must apply their full potential regarding skills, knowledge and experience needed when conducting audit assignments (IIA 2016).

Dubihlela & Nqala (2018: 165) argued that the IA department contributes to the efficiency and effectiveness of organization’s operations when it maintains its quality. A study by Okodo (2019: 37) lamented that IA quality is defined by organisational independence, quality of IA staff, regulatory authority and support received from executives. Fulop & Szekely (2017: 448) highlighted a positive working correlation between the IA department and the support it received from management. However, management employs internal auditors, and this puts them in a difficult position that could compromise their independence. IAs must therefore remain independent; however, it is upon management to allow the IAF to operate independent and effectively.

2.4 Theoretical framework of the study
According to Aparicio, Bacao & Oliveira (2016: 295), a theoretical framework is any empirical or quasi-empirical theory of social or psychological processes that can be utilised to understand a phenomenon. There are numerous collections of theoretical frameworks available to scholars that cover the entire spectrum of disciplines, from the physiological to the philosophical (Braidotti 2019: 36). Given that there are numerous techniques to investigating or interpreting a problem, the researcher must select the
theoretical framework that provides him with the best perspective for explaining the circumstances surrounding the phenomenon being investigated (Aparicio et al. 2016: 297; Braidotti 2019: 39).

Social theories are popular theoretical frameworks being used to provide rich perspectives on social events. It is critical to ensure that the study is reliable, appropriate, as well as comprehensive. It is imperative that the research should use the theoretical framework that best explains the phenomenon under study. This study is based on the Agency and the Institutional theory. These models speak to the thrust of effective internal audit activities and challenges that obstruct its efficiency. These theories are summarised below.

2.4.1 The Agency theory
According to Shogren, Wehmeyer & Palmer (2017: 64), the agency theory originated in economics and is now used by researchers in accounting and political science. Panda & Leepsa (2017: 92) and Bendickson et al. (2016: 48) described the agency relationship as an agreement between elected officials of a public organisation and public officials. Public administrators are viewed as agents of politicians, who are principals on behalf of the people who put them into power, and as such, public officials carry out work on their behalf. Nonetheless, there is a risk that public administrators will depart from their obligations and advance their self-interests. This predicament can be managed by having internal control mechanisms in place, for instance audit committees, external and internal audit, which can ensure that officers perform their duties as anticipated (Gaye & Colley 2020: 21).

Agency theory suggests that the larger the information asymmetry between administrators and elected officials, the greater the need for monitoring controls (Sakour & Laila 2015: 15). In this regard, Vafaei & Christopher (2014: 12) attest that if an audit committee is inefficient, the internal audit function cannot undertake its role of monitoring the conduct of administrators. Okodo (2019: 554) likewise applied the agency theory to emphasize how important it is to keep a strong internal audit department in place so that senior officials do not deviate from their expected duties. As a result, when the internal audit function reports to
administrators rather than the audit committee, a predicament arises, because they are also agents of audit committee and must assess the work of administrators.

Research conducted by Okodo (2019: 54); Ayoib, Oyewumi & Oluwatoyin (2017: 22) and Bendickson et al. (2016: 31) concur that when IAFs operate as agents and perform their work professionally and effectively, trust and confidence from the oversight body increases. It is, therefore, important that IAFs as agents do their work in line with the required standards, rules, and regulations. The existence of an effective oversight body is critical in boosting the autonomy of internal audit function and to prevent interferences from management and scope limitation. The Agency theory is considered in this study.

2.4.2 The Institutional theory
The advent of institutional theory followed the realization that employees' behaviour is never aligned with the expectations of owners because there are no rewards. To close this gap, society has created institutions which seek to correct the above-mentioned flaws (Mitnick 2013: 5). According to Scott (2004), institutional theory is driven by social frameworks and the procedures, such as rules and norms, through which systems become established as authoritative guidelines for social behaviour. Likewise, Mutchler (2014: 15) argue that institutional theory can explain how changes in laws and regulations influence organisational processes and structures. The Institutional theory assumes that an organisation complies with the legal requirements as set out by the company. In the case of the Institutional theory, the organisation establishes itself in the same way as other organisations in the same environment (Mitnick 2013: 2 and Peters 2019: 19).

The Institutional theory suggests that society in every country influences the organisation; therefore, the organisation should be designed in such a way that it meets public expectations (Vadasi, Bekiaris & Andrikopoulos 2019: 176). It further indicates that mutual relations define the behaviour of the organisation. Solansky (2014: 62) suggests that innovative ideas are brought by normative pressures, internal and external factors shaped by the organisational structures and practices. Mutchler (2014: 15) asserts that organisations that experience the same challenges might
demonstrate similar conduct. The author added that external forces such as laws and regulations, choices of various institutions, and professional bodies affect both individuals and organisations. This theory provides several ways of developing internal audit activity in developing nations. In most countries, Internal Audit departments were established to meet government regulations without capacitating them by providing the necessary resources such as training, education, and independence.

Vafaei & Christopher (2014: 8) and Peters (2019: 19) applied the Institutional theory to support their studies to adopt and develop the IA function. Mutchler (2014: 16), however, applied both institutional and Agency theories to evaluate the autonomy of the Internal Audit function. The study revealed several challenges regarding the management support and independence of internal audit functions in the public sector. Solansky (2014: 62) and Wright & Davidson (2008: 47) found that most departments operated with inadequate resources. The study further revealed that Internal Audit activity do not focus on performance audit, performance information, and information technology audits; instead, more effort is put on compliance audit and, consequently, the departments are not receiving the respect and recognition they deserve. Based on the above discussion, it is critical to apply the Institutional theory, as it is relevant in this research.

2.5 Legislation governing internal audit within the public sector.
Internal audit emanates from the Public Financial Management Act (PFMA) and Municipal Finance Management Act (MFMA). The Act requires the Chief Accounting Officer to establish an Internal Audit unit within his or her organisation. The purpose of this unit is to assess risks faced by the organisation to achieve its objectives and assess the adequacy and effectiveness of internal controls. Section 38 (2) of the Act further states that in establishing the unit, the Accounting Officer is guided by the International Standards for the Professional Practice of Internal Auditing (IPPIA).

2.5.1 The Public Finance Management Act (PFMA)
Sections 38(1) (a) (ii) and 76(4) (e) of the PFMA obliged all public entities to establish internal audit functions (IAFs). The section states that the Accounting Officer must ensure that the organisation comprises an internal audit unit which is kept under the
supervision of the audit committee. Selomo & Govender (2016: 37) attest that most public institutions have established internal audits in compliance with the PFMA. However, Ngoepe & Ngulube (2013: 108), Xhati (2015: 64) and Hofisi & Pooe (2017: 134) highlighted that the establishment of IAFs within the public entities is compliance-related rather than the intended purpose. This is evident by the level of corruption that has become an economic activity in public institutions.

2.5.2 The Municipal Finance Management Act (56/2003) (MFMA)

Another legislative document related to internal audit in local government is the Municipal Finance Management Act (MFMA) issued by the National Treasury (Department of National Treasury 2012: 15). Section 165(1) of the MFMA states that all municipal entities must have an internal audit department. The document provides guidance on how to implement and manage the IAFs and the audit committee (AC). The aim of this document is to help municipal entities to enhance the effectiveness of IAFs and ACs, and failure to comply with these statutory requirements constitute a violation of the MFMA.

Hofisi & Pooe (2017: 141) is of the view that municipal budgets are largely prepared for the sake of compliance with requirements of Municipal Finance Management Act and with less stress on improved basic service delivery to the people they serve. Likewise, Selby (2018: 39) highlights the persistent pattern of challenges in the application of the MFMA. The author cites lack of knowledge, no political buy-in and cost were some of the challenges in the implementation of the MFMA reforms.

2.6 The role of IAFs in the public sector

Internal audit functions serve as assurance providers of clean public entity governance by providing independent and unbiased assessments on how state resources are used in the organisation (Mihret & Berhe 2014: 75; Al-Matari & Fadzil 2014: 36; Roussy & Brivot 2016: 716; Regoliosi & D'eri 2014: 892; Coetzee & Lubbe 2014: 115; Trotman & Trotman 2015:199). For an organisation to accomplish its objectives, they must have assurance providers that apply consistent and disciplined methods for measuring and adding value that enhance organisational controls (Stačiokas & Rupšys 2015: 19 and Pickett 2013: 32). Furthermore, Bariyima (2015: 138), Asare (2009: 15) and Aderajew
content that the IAFs promotes governance and enhances accountability and transparency in the organisation and advises management on how to manage organisational risks and improve internal controls (Khalid, Haron & Masron 2018: 67). Significantly, the IAFs perform certain functions in line with the organisation’s policies and procedures to detect fraudulent activities, disclose hidden transactions and information, ensuring the safety of the organisation’s assets (Trotman & Trotman 2015: 30).

2.6.1 Risk management

Erasmus & Coetzee (2018: 37) describes risk as the likelihood of an event or activity that has a negative influence on an organisation. Morgan (2016: 93) describes risk management as a second line of defence aimed at reducing the magnitude and likelihood of unfavourable consequences, while enhancing and creating more benefits that might arise from decisions. Likewise, IIA (2013) and Hopkin (2018: 67) define risk management, as a process to identify, assess, manage, and control potential events to provide reasonable assurance regarding the achievement of the organisation’s goals. The standard stipulates that the function must determine whether:

- organisation’s objectives support and align with its mission.
- strategic and operational risks are detected and evaluated and
- sufficient risk responses are identified that align risks with the risk appetite.

The board and management must know the risks that threatens the achievement of the organisational goals so that controls could be designed and implemented to minimise the effect and likelihood of such risks, and these responsibilities lies with the accounting officer (COSO 2004). Coetzee & Lubbe (2018: 211) conducted a study which revealed that corporate governance legislations and guidance enforces the IA function to participate in risk management. Effective risk management provides reasonable assurance to management regarding the fulfilment of the organisational goals (Glendon, Clarke & McKenna 2016: 17). The study further revealed that a value-added audit plan is developed based on the results of risk management processes.

However, an organisation with no risk management could experience employee turnover, client dissatisfaction, missed opportunities, damaged reputation, and loss of
investors. Where there are strategies to reduce risks within the organisation, opportunities of maximising profits are high. Therefore, to avoid organisational surprises and losses, effective risk management should be implemented (Hass & Burnaby 2016: 107). A study by Ernst and Young (2017) found that most organisations have challenges of poor planning of their audit activities and non-completion of the audit plan due to a shortage of employees. Nankunda (2015: 64) and Aven (2016: 9) indicated that an effective risk management system enhances the organisation’s performance, even though it needs massive resource mobilisation. This includes capacitating the risk management team by appointing enough members with risk management skills and experience. Their study further revealed that strong and effective risk management enhances the performance of the entity.

2.6.2 Control
Controls are a combination of rules, processes and practices implemented by management to ensure that objectives are achieved. They are designed to provide satisfactory level of assurance that organisational goals will be accomplished (Abbott et al. 2016: 27). They also warrant that information is reliable, operations are performed efficient, resources stay secured, and there is adherence to rules and procedures. The study conducted by Dal Mas & Barac (2018: 812) on the Malaysian public entities concluded that the IAFs significantly impact the internal control system. The study also noted that there is a positive corelation between internal audit work and the strength of control system.

A study carried out on the South African Railways by Karim et al. (2020: 257) highlight that internal audit contributes towards sound financial control systems which improve good governance. The authors also acknowledge the need for internal audit due to changes in legislation and technology. They further point out that the IAFs assist organisations adhering to laws, rules, and procedures. Standard 2130 of IIA (2010) states that the internal audit functions must help business entities to maintain effective controls by assessing their effectiveness and promoting continuous improvement. Likewise, an internal audit activity assesses internal controls of the entire management process of planning, organizing, and directing to ascertain if reasonable assurance exists to accomplish objectives (Omar & Hasan 2020: 53).
2.6.3 Governance

The Institute of Directors (2016) described governance as an arrangement upon which institutions are controlled. Glendon, Clarke & McKenna (2016: 17) referred to it as a composition of associations, regulations, and practice by which authority is executed within institutions. Good governance has become a hot topic in recently due to failure in public and private sector entities that leads to corruption and financial crisis (Jachi & Yona 2019: 72). According to Kebede & Chufamo (2019: 113), metrics of good governance like accountability, transparency, fairness, equality, rule of law, and an impression of fighting corruption are lacking in developing economies thereby obliterating the growth of the economy. The King IV code stresses the significance of internal audit functions and reaffirms that it is critical to corporate governance.

Internal audit functions can be beneficial by assisting the audit committees in carrying out their duties. This assistance entails reporting on critical internal control issues, proposing topics for the audit committee's meeting agenda, and collaborating external audit and management to ensure the committee receives relevant information (Dzomira 2015: 29). It is critical that the four parties of good governance which are the board of directors, management, internal and external audit collaborate to assess risks. It is evident that there is great deal of interdependence between the parties. Therefore, effective corporate governance is dependent on a dynamic relationship between the parties, thereby making the internal audit functions an essential component of the corporate governance structure (Teoh, Lee & Muthuvelloo 2017: 225). In line with the definition of IA, IAFs should evaluate controls surrounding governance processes and recommend improvements. The IIA also responded by including corporate governance as part of the scope of IA functions. Teoh, Lee & Muthuveloo (2017: 229) state that, "internal audit functions, viewed as 'risk management specialists,' can expect to play an enormously significant role within organisations for many years to come."

According to prior studies like Harouache et al. (2021: 68); Gebre (2018: 11); Gift (2018: 36); Tesema (2018: 45), Muhammed (2016: 155) and Noor & Mansor (2019:
numerous opportunities exist for the internal audit functions to play a critical role in corporate governance. Accordingly, organisations are pushing to put in place more effective governance structures and processes. Given the current situation, it is not shocking that internal audit functions are considered as the best resource for assisting with the improvement of essential governance processes by monitoring controls and evaluating the effectiveness of management strategies and initiatives (Gift 2018: 48). The study by Othman, Hamawandy & Aziz (2020: 12) evaluated the impact of effective internal controls on governance. The study found that an effective internal control leads to a fair presentation of financial information and hence improves investors’ trust. Doski (2017: 18) analysed the correlation between internal audit and governance in state owned entities in Lebanon. The results indicated numerous significant evidence supporting the proposition that the internal audit enhances the quality of corporate governance.

2.7 Internal audit trends in other nations

The role of internal audit came into the spotlight due to the corporate scandals in the early 1990s. Recently, cases of collapse of big entities have been noted for example Carrefour in Algeria, Sainsbury in Egypt, Uchumi Supermarkets in Tanzania (Minder 2017: 55; Auditor General’s Report 2014: 25). These incidents put into question the role of internal audit with Mindra (2017: 43) criticising them as gatekeepers who may have been aware of what was happening and possibly ignored it. In a study based in Ghana by Musah (2018: 52), the results revealed that financial scandals witnessed in public entities were attributed to the weak internal audit.

Roussy & Brivot (2016: 107) believe that external auditors view internal auditors as watchdogs charged with identifying critical internal control weaknesses. On the other hand, Nkundabanyanga (2016: 84) attributes increased corporate failure cases to an ill-conceived system of internal controls. Internal Audit Functions (IAF) are blamed because there are one of the control mechanisms put in place to advise management on how well the processes and systems made to keep the organisation on track are working and to improve them where necessary (IIA 2017). Internal audit function is a valuable unit as it deals with important issues in the prosperity and survival of the institution. Internal audit's responsibilities are recognized to revolve around risk
management, evaluation of internal control effectiveness, and governance processes (IIA 2017). Internal audit departments across the globe according to Chambers & Odar (2015: 23), are facing undistinguishable challenges yet they are considered as one of the corporate governance gatekeepers.

2.7.1 Independence and objectivity challenges

Okodo (2019: 13) reported that IAFs have become akin to, “dogs with all bark and no bite”, especially in the Nigerian public sector because they are prone to much humiliation, mistreatment, and mockery. The author added that internal audit is subject to numerous dangers that undermines efficiency. Similarly, Ayoib, Oyewumi & Oluwatoyin (2017: 43) attested that the independence of IAFs is under threat and therefore, the auditors do not give objective conclusions and recommendations due to the fear of losing their lives and jobs. The situation in Nigeria does not align with the basic principle of objectivity and independence which is the foundation of the audit profession. In addition, Egbunike & Egbunike (2017: 25) and Mpakaniye (2017: 107) argue that because an internal auditor is an employee of a company, they do not have complete independence. Internal auditors are employees of the entity being audited and because they must keep management happy to get paid and promoted, their overall objectivity and independence is questionable.

2.7.2 Legislation

Nzechukwu (2014: 52) investigated several provisions relating to internal audit in Nigeria and found weaknesses in practice, policy, and administration. According to Ayoib et al. (2017: 12), statutory and regulatory bodies in Nigeria do not focus on internal audits. Firstly, the global IIA standards and guidelines are not compulsory for operational use in the Nigerian public sector. This is because its chapter has not yet been statutorily listed in Nigeria as a professional body.

It is also worth noting that an external audit is done after the fact, whilst an internal audit is done before and after. Whereas external audit focuses on the financial statement of the enterprise, internal auditing focus on all functions of the of the organisation. Akpomi & Amesi (2014: 25) reveal that despite these concerns, statutory and regulatory authorities adopt non-supervisory and theoretical approaches. As such,
IAFs are left at the mercy of management and the auditees. Given that the work of IAF depend on the needs of the organisation and the terms of the engagement, Suleiman & Dandago (2014: 30) point out the perceived lack of laid-down standards may encourage management’s unjustifiable interference, which could jeopardize the entire assignment’s reliability.

2.8 Internal audit in the South African public sector

The Institute of Directors (2016: 28) note that the public sector demands for more transparency and accountability towards stakeholders over the use of resources. The demand necessitates the design and implementation of control mechanisms by management of those entities. Control mechanisms assist accomplish the standards of financial management, transparency, accountability, safeguarding assets, and comply with rules and regulations. Hence, internal audit plays a big role to help such entities to become better in the future and to accomplish their goals. The 2018/19 audit report indicates that control systems in public entities were not implemented well (AGSA 2019: 18).

Considering the above and the atmosphere in which organisations are functioning, that is, confronted by uncertainty, diversity, and continuous transformation, it follows that internal audit is also encountering considerable challenges. Internal audit's role of control, governance, and risk management, as explained above is impractical to accomplish except the challenges are identified and addressed. Motubatse, Barac & Odendaal (2015: 401) suggest that the IAFs in public sector are confronted by many challenges ranging from management support, internal audit quality, and audit committee support to name a few. The following sections analyse the challenges confronting IAFs in the public sector.

2.8.1 Management support

The recognition and appreciation of IAFs in every organisation relies on the support it gets from management (Mafale 2014: 21). Mihret & Yismaw (2017: 38) suggests that the lack of management support points that the IAF is not significant. Management can demonstrate support of the IAF by stressing the importance of independence and objectivity of the internal audit unit through implementing the recommendations of the
IAF (Mihret & Yismaw 2013: 17). Management has plenty of opportunities to commit fraud and hide it due to their ability to manipulate the financial records directly or indirectly (Alzeban & Sawan 2013: 53). The study further revealed that undesirable opinions emanate from individuals who stand to gain if an audit is not performed and when it is completed, they are found wanting. Consequently, this results in a need to pre-emptively discredit internal audit for personal advantage.

### 2.8.1.1 Response to audit findings and commitment to strengthen internal audit.

Executives may provide support to internal audit function in various ways. Responding to audit queries and findings on time and stressing the significance of IAF are the common ways of supporting the IAFs. The role of IA activity should be understood by all members within the entity, and it is management’s responsibility to conduct awareness initiatives to ensure that everyone understand the existence of IAFs. Management should also show their commitment to internal audit function and treat it with respect.

The study by Lenz & Sarens (2017: 162) reveal that internal audit functions do not enjoy support from top executives. This was supported by reports that were issued with critical findings that management do not implement corrective actions. This reduces internal audit effectiveness and serve as evidence of undermining the function. Likewise, Mihret & Yismaw’s (2016: 63) added that critical findings and value-added recommendations would not assist the organisation unless management is committed to implement them. The study also revealed that when management implements recommendations, internal audit functions continue to display elevated levels of professionalism when executing their duties. The study conducted by Peterson & Kramer (2016: 127) in the Ghanaian public sector observed that in most organisations, management do not implement recommendations from the IAFs. This has been noticed by a pattern of repeated findings from year to year.

### 2.8.2 Lack of audit committee support

The purpose of an audit committee is to oversee internal and external audit functions and improve governance, regardless of the sector (Alzeban & Gwilliam 2014: 107).
They play an oversight role by providing an independent insight and recommendations to the board and management on the organisation’s governance, risk management and control processes (Mihret & Yismaw 2017: 218). The board must understand the functions of assurance providers as they oversee the effective utilisation of assurance services to ensure that ideal assurance is delivered.

There are circumstances in which the audit board may be perceived to lack the rendering of the support required for the IAF to successfully perform its functions. Chepkorir (2015: 105) notes that the lack of independence, diligence and expertise may adversely affect the efficiency of audit by the minister (Anon 2019: 183). In the study conducted by Peecher (2014: 30) on the plight of internal auditors, the following areas where audit committees were acknowledged to not support internal audit were identified:

- Failure to hold management accountable regarding findings and recommendations as well as agreed upon actions.
- Not taking appropriate action regarding internal audits reported allegations of intimidation and coercion.
- Failure to apply professional scepticism by being too willing to accept management explanations.
- Politically appointment of some of the audit board members; and
- Audit committee members intimidated by the seniority of the audit client.

### 2.8.3 Internal audit quality

Shokiyah & Ibrahim (2014: 103) stressed that audit quality is not defined in law, auditing standards or regulations. The study further emphasises that auditing standards guides on what must be performed for audits to be at a satisfactory level. It also highlights that compliance with the standards serves as evidence that a quality audit is being conducted. The study by Baharud-din, Shokiyah & Ibrahim (2014: 103) found that the quality of internal audit functions as one of the challenges influencing the effectiveness of the department.
2.8.3.1 Competences of internal audit team

The IIA standard on auditors’ proficiency requires IAFs to have a sound expertise required in executing their audit duties (IIA 2016; Ege 2015: 36). Proficiency can be demonstrated by attaining professional qualifications such as Certified Internal Auditors (CIA), Certified Fraud Examiner (CFE), Certified Information System Audit (CISA) to mention a few. The IAF must have a strong human resource that is competent and credible to ascertain the success of the department. Montondon & Fischer (2014: 93) also emphasise that competence is an important determining factor for a reliable and effective internal audit function.

The International Standard of Internal Auditing (Proficiency Standard) states that all engagements must be performed by individuals with proficiencies and skills required by the department. Internal audit departments should not only possess the appropriate qualifications, but also demonstrate to other employees in the organisation that they have been obtained. The IAFs efficiency and effectiveness is affected by being unable to attract staff that can respond to the required competencies and changing public sector needs (Hack 2013: 67). Meeting the demand for competent internal auditors is difficult due to the need to examine both the skills and knowledge required in internal auditing, as well as the capacity to use internal audit skills and knowledge in diverse industries. As a result, internal auditors must possess a broader set of skills, abilities, and characteristics (Brierly et al. 2012: 111).

Moreover, Coetzee & Lubbe (2013: 81) assert that internal auditors must show expertise in numerous areas, such as system analysis, operational views, and control evaluations. In their study, Ernst & Young (2018) state that the ever-increasing role of internal audits results in a skills gap and they indicate that the need for a greater number of skilled internal auditors still exists. The Finance, Accounting, Management Consulting and Other Financial Services (FASSET) Sector Education and Training Authority (SETA) is in support of this and recognises that, in South Africa, internal auditing is a scarce skill (FASSET 2017: 46).

Studies conducted by (Ismail & Kamel 2021:15; Gamayuni 2018: 252; Nugroho, Uzliawati, & Taqi 2021: 53) attest that public organisation face challenges in trying to
appeal to the perfect combination of talent that will be able to bring more value to the organisation while also meeting stakeholder needs. The authors add that public institutions struggle to retain internal audit staff for time required to enable them to contribute significantly to their organisation. The remaining staff is burdened because, in many organisations, internal auditing is used as a means of preparing employees for managerial positions (David 2014: 21). According to Anderson (2015: 92), the public sector internal audit departments have been negatively impacted by budget constraints in their ability to attract and retain talent particularly in technical areas like data mining, cybersecurity, and information system (Institute of Internal Auditors Research Foundation 2015: 28).

Further research by Kamere (2013: 62) shows that the public sector’s internal audit’s inability to rearrange skills and competence to meet new requirements, widening technical skills gap and inability to cope with diminished resources remains a serious challenge. Sahdan (2017: 145) concurs with Ahmad et al. (2009: 132) that the global shortage of qualified internal audit employees is a problem. Schyf (2015: 49) and AGSA (2017: 64) also note that the shortage of educated employees in the public sector of internal auditing in South Africa as the most pressing human concern. Other studies in developing countries, such as those on internal audit quality in the Sudanese public sector, produced similar results as stated by Brierley et al. (2013: 127). Furthermore, Gwilliam et al. (2012: 113) also point out that one of the most significant issues facing internal audit operations is a lack of qualified personnel. Mihret & Yismaw (2013: 71) add that internal audit staff lacked adequate education, expertise, and necessary skills and, and they didn’t have access to ongoing professional training to keep themselves up to date.

The PFMA (1999) and the MFMA (2003) made it compulsory for public organizations to establish IAFs. Although this shows the recognition of the value of internal audit in the public sector, it resulted in high demand of audit professionals. The study conducted by Deffor (2017: 33) at the National Treasury alluded that IAFs lacked sufficient and qualified audit team.
2.8.3.2 Scope of service

The development of the audit universe is crucial for IAFs to determine the proper scope of work that is based on understanding the business objectives, risks and strategies (Brierley et al. 2013: 131). The process requires the gathering of business knowledge first and then the audit universe is documented (IIA 2016). The audit universe is described as the auditable areas within the organisation, including units, sections, and divisions. It, therefore, should be used as the bases of the internal audit plan (Mihret & Yismaw 2013: 71)). This audit universe among others should incorporate information technology. Upon completion of the audit universe, risk assessment should be conducted on all departments within the organisation by considering risks rating and assessing the impact and likelihood of the risks (IIA 2016). Once risk assessment is done, IAF should develop an internal audit plan with areas that could add more value to the institution.

IAFs renders assurance and consulting activities within an organisation and should be done without interference. For IAF to develop a proper scope of work, various stakeholders are consulted so that their inputs and requests are incorporated in the audit plan. It is also legislative requirement that when an internal audit plan is prepared the audit committee should be consulted. IIA (2016) states that the audit plan should follow a risk-based approach, that is it should be informed by the results of the risk assessment, inputs from management, and other stakeholders. Schyf (2015: 49)) emphasised that organisational independence enables the department to perform their duties without interference. Internal audit team must access all documentation without fear of being victimised. Scope limitation arises when IAFs fail to obtain sufficient information to form an opinion. The IAF’s judgement in determining the audit scope, therefore, should be respected and treated as important. Sahdan (2017: 145) reported on the quality of IAF work in the public sector in Saudi Arabia and found that the lack of independence of internal audit activities is still a challenge.

2.8.4 Victimisation and threats

The IIA SA (2018: 37) indicated that it received reports from their members claiming that they were attacked, threatened, and forced to conceal findings. The IIA SA (2018: 45) also stated that it received several reports from internal audit professionals
expressing concern about their jobs and lives. The IIA SA conducted a study to gain a perspective on the issues that were reported in their research paper titled "The plight of Internal Auditors." The study found that victimisation and intimidation were the main challenge faced by internal auditors.

Intimidation is the application of threats or violence that would cause a person of ordinary sensibilities to fear injury or harm (Lenz & Sarens 2017: 227). From the perspective of auditing, intimidation happens when auditors are threatened to perform their work objectively by perceived or real threats by clients or interested parties (Bhattacharyya 2015: 16). According to the 2005 Global Internal Audit Survey, it was revealed that there were more instances of intimidation in Africa (48%), compared to 15% in Europe and 18% in the Middle East. As a result, the high number of incidents intimidation in Africa's public sector is a cause for concern. These incidences influence the internal audit fraternity in general. The examples below demonstrate the extreme steps taken to influence the independence and objectivity of internal auditors. The table below shows a summary of some of the extreme cases of intimidation of internal auditors.

**Table 2.1: Summary of cases of intimidation of internal auditors**

<table>
<thead>
<tr>
<th>Internal Auditor</th>
<th>Victimisation instance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Thami Zikode: SABC Chief Audit Executive</td>
<td>Zikode was followed to his home in Auckland Park in Johannesburg by unknown suspects who fired shots at his car (Zulu 2019: 39). Zikode was at the time working on a forensic investigation into fraud at the SABC (Nqola 2019: 34).</td>
</tr>
<tr>
<td>Thibello Nteso: Head of Internal Audit at Lesotho Electricity Company.</td>
<td>Nteso was heartlessly murdered in Maseru Lesotho on the 6th of February 2019. His forensic investigation with huge findings against top management is thought to have contributed to his brutal murder (Tefo 2019: 16).</td>
</tr>
<tr>
<td>Zweli Archie Duma: Internal Audit Manager at Nongoma Municipality</td>
<td>Duma was assassinated at his residence in 2016 shortly after attending a municipal meeting (Mngadi 2019: 27). Duma was killed after having opened a case of</td>
</tr>
</tbody>
</table>
Moses Tshake: Chief Internal Auditor, Free State Department of Agriculture
Tshake was abducted and brutally murdered in 2013 after reportedly questioning payments related to a controversial project (Anon 2018: 52). Numerous abnormalities were later discovered, including the fact that the project contravened the Treasury rules (DeWaal & Pienaar 2014: 15).

Andile Matshaya: Internal Auditor at National Department of Transport
Matshaya from East London was strangled to death in May 2012 at the Easy Stay Hotel in Pietermaritzburg after uncovered corruption and misuse of state funds (Fuzile 2013: 17).

2.8.5 Impaired independence and objectivity
Brinkley (2015: 32) defines independence and objectivity of an audit function as a function that is self-sufficient, self-reliant, and free of undue influence and operating independently. The IIA defines internal auditing as an independent function, and it states that internal auditors must be objective in their work. The lack of factors that jeopardize the internal audit function's capacity to carry out its obligations objectively, according to the norm, is characterized as independence. Kibara (2017: 108) postulates that the reporting hierarchy of the internal audit function determines the independence and objectivity of that function. The notion of audit independence is the cornerstone of the audit profession, as it is based on this concept that the public has faith in the function’s ability to properly carry out its engagements (Kimotho 2014: 86; Caswell & Allen 2016: 37; Holt & DeZoort 2017: 107). In this regard, studies conducted by Akpomi & Amesi 2014:15; Udeh & Nwadialor 2016: 64 and Egbunike & Egbunike 2017: 41) concur that the independence and objectivity principle is essential in both internal and external audits. Both are considered cornerstones of the profession, and without them, auditing would be akin to a giraffe without a neck. As a result, accounting and auditing regulators emphasise independence and objectivity through standards.

Standard 1120 states that internal auditors must maintain an independent, impartial attitude and make every effort to avoid conflicts of interest. Internal auditors can
perform audits in a way that gives them confidence in their work product and ensures that no compromises are made if they maintain neutrality (IIA 2011). Chepkorir (2015: 72) defines objectivity as the state of mind that places value on the services provided by members. Nonetheless, Annuar (2011: 94) believes that it is psychologically impossible for internal auditors to be impartial and independent due to pressure from management who has the power to appoint and fire them. The author also points out that if the relationship between auditors and management is established on trust, the auditor will be able to do his job well. Internal auditors' independence and objectivity may be jeopardized if the connection is built on a sense of animosity. The researcher adds that absolute objectivity of auditors is impossible to achieve, especially in the case of internal auditors.

Internal auditing is seen as the first line of defense against poor governance, financial irregularities, and inadequate reporting (Waweru & Riro 2013: 81). The IIA requires the Chief Audit Executive (CAE) to report functionally to the audit committee, board of directors, or other suitable governing organization to fulfill this job. Functional reporting includes things like approving the internal audit charter, the risk-based internal audit plan, receiving communications from the chief audit executive about the internal audit activity's performance in relation to its plan and other matters, and approving decisions about the chief audit executive's appointment and removal. Through a dual reporting approach, the CAE must have direct and unfettered access to senior management and the board to reach the level of independence required to carry out internal audit tasks (Waweru & Riro 2013: 81). When the internal audit function reports to a level inside the organisation with sufficient authority to promote and protect the function, as well as to ensure that it has broad audit coverage and is free from interference in executing its mission, the unit's independence is improved. Reporting to the audit committee, board of directors, and senior management, as well as receiving their support, can assist boost audit client engagement. The internal audit function's functional reporting line is the ultimate source of its independence and authority. At least once a year, the chief audit executive must present the board with evidence of the internal audit activity's organizational independence (Institute of Internal Auditors Research Foundation 2009).
According to Kibara (2017: 73), the positioning of internal audit unit within the organisation has a bearing impact on the scope and reporting lines, as well as the level of trust placed in the assurance and advisory services. Internal audit activity independence is strongly reliant on the activity's organisational position inside the company (Jamal 2013: 94). The organisational standing of the internal audit activity must be sufficient to allow it to carry out its tasks as outlined by its position within the organization. Internal auditing must be positioned in this light to gain auditee cooperation, free access to required information, and audit findings reports must not be exposed to potential management influence and concealment (Kirira 2014: 65). For example, the CAE should have direct and unrestricted access to the organization's governing body, such as the board of directors or equivalent entities, to give assurance to that body. This safeguards the activity's independence from potential threats. The increasing frequency of financial reporting and external audit failures, according to Alzeban & Gwilliam (2014: 67), pushed internal audit to seek greater autonomy in the organisation structure.

According to the study conducted by Mihret & Yismaw (2017: 48) on the IA functions in the Ethiopian public sector, it was discovered that the internal audit heads report both functionally and administratively to the Chief Finance Officer (CFO) and Chief Operation Officer (CEO) respectively. They also point out that management appoints and removes heads of internal audit without engaging the board of directors. The study conducted by Schyf (2015: 66) on the National Treasury of South Africa found that the key challenge facing internal audit functions in the country is lack of independence. The author voiced reservations regarding communication channels, reporting levels, and the approval of an internal audit charter, as well as the consequences for the organization's independence. Despite the importance of internal audit in the public sector, Alktani & Ghareeb (2014: 35) highlighted several challenges, including a lack of independence and training programs, the diversity of operations, frequent and ever-changing laws and regulations, non-cooperation from other departments, and financial budget constraints.

Furthermore, Montondon & Fischer (2014: 103) in their research study on the evaluation of internal audit departments of local municipalities in Israel observed that
management authorise the scope and budget of internal audit activities. The authors raise the concern that management may unlawfully influence the audit's scope, impose bias, or suppress audit results. Determining how much assurance can be taken from audit work when there is a substantial risk of sufficient and adequate independence not being achieved is difficult. Ahmad et al. (2009: 143) and Brierley et al. (2013: 59) note that internal audit independence in public institutions is a major challenge due to the sector’s complexity.

Internal audit departments have recently come under fire for failing to fulfil their role as independent auditors. They are exposed to conditions that undermine their neutrality due to their twin jobs of delivering assurance and consulting services (Mutchler 2013: 55). Sahdan (2017: 11) attempted to determine whether objectivity threats exist in the Malaysian internal auditing context. The information was acquired through an investigation of 50 internal auditors in the Malaysian public sector. According to the findings of the survey, the Malaysian public sector faces all the objectivity challenges recorded in the “International Standards for Professional Practices of Internal Auditing (IPPF): Practice Guide on Independence and Objectivity.” The most common challenges to objectivity are social pressure, personal relationships, and familiarity. Economic interests, personal relationships and social pressure were regarded as the top three dangers to objectivity by more than 75% of the participants.

2.8.6 Internal audit function used as a management training ground.

The use of internal audit departments as a training platform by management has become a widely used and growing practice in public institutions (Suh et al. 2021: 217; Koonce 2013: 112). Eller (2014: 87) investigated how using internal audit as a training ground affects the independence and the perceptions of external auditors on the internal audit function. According to the poll, more than half of all public entities with internal audit departments hire internal auditors with the goal of promoting them to managerial positions. Internal auditors who work in an internal audit function that serves as a training ground are perceived as being less objective than those who work in an internal audit function that does not serve as a management training ground. Although the status is relatively autonomous, if it functions as a management training ground, issues may arise because if the internal audit staff masters the internal audit
function and then goes on to work for a unit that will be audited, they will know how to conceal errors or fraud (Carcello et al. 2018: 127).

Although there are numerous benefits of using internal audit departments as training grounds, there are outweighed by the shortcomings (Rose & Norman 2019: 109). It has the potential to suffocate independence, particularly when senior internal audit personnel are involved. Internal auditing may not be a long-term interest for these people, and they are not motivated to increase the internal audit function's quality. Furthermore, internal audit professionals may be hesitant to take a firm stance on concerns that occur within the organization, especially if they are moved to the department, they previously investigated. When the IAF is used as a management training ground, external audit views it as less objective and they are less likely to rely on work performed by the department. Brink, Eller & Green (2022: 19) pondered a similar predicament when it came to internal auditors embarking on consulting work. Internal auditors may be less likely to take corrective action because of their relationship with management. On the contrary any threat to objectivity posed by using internal audit as a management training ground could be mitigated if the department is constantly monitored and reviewed by a robust and independent audit committee.

2.8.7 Negative public perception

The accounting scandals that occurred in the past globally and locally have brought the audit profession into question and scrutiny. The Enron crisis in 2001 and the WorldCom incident in 2002 are two examples of worldwide corporate scandals. The Passenger Rail Agency of South Africa (PRASA), the Tshwane Metro Police Department, the Department of Home Affairs, the VBS Bank and the Tongaat Hulett are only a few of the recent local financial scandals. The increased level of corruption, irregular expenditures, and poor service delivery, notwithstanding the institutions' internal audit duties, has exacerbated this (Halimah & Radiah 2016: 12). According to Beasley et al. (2018: 47), the status of internal audit functions in fostering accountability and transparency is on spotlight due to their role in corporate scandals and collapses. Stakeholders began to demand that the role of these activities in business failures be disclosed, as well as a level of liability. The existence of an expectation gap between what the public feels internal audit functions should
accomplish and how they have defined their tasks and responsibilities has received a lot of attention in recent decades (PWC 2013: 15).

The audit profession has been allowed to operate in a self-regulatory environment, but stakeholders are beginning to question whether this can be sustained. In addition, Barac & van Staden (2014: 29) argue that in exchange for establishing its professional activities and obligations, a profession must be shown to carry out the tasks outlined in its mandate. To put it another way, a profession is obligated to do what it claims it will do. In a case study of Ernest & Young's role in the Lehman Brothers collapse Wiggins et al. (2014: 127) sparked controversy about the audit's historical importance. Some of the important concerns presented in this case study has a substantial impact on this research. It is inferred that changes in the profession have rendered the auditor's obligation to the public obsolete (Wiggins et al. 2014: 125). These concerns were stated in relation to external audit, but they are also relevant to internal audit and its interaction with management. Toshiba's case, in which the firm was discovered to have inflated earnings by no less than $1.2 billion between 2009 and 2014 with the help of internal audit, demonstrates this point (Coram et al. 2015: 16). The authors further discovered that while the corporation had good corporate governance on paper, the case demonstrated that a good corporate governance framework will not always imply good corporate governance practices.

Myths disclose a lot about how other people interpret the world, according to Chambers (2012: 35). Some of the myths, according to the author, are that auditors are nit-pickers and faultfinders. Sifile & Ngwenya (2015: 227) concur with Chambers (2012:91) that these beliefs about auditors are sometimes prevalent in the minds of auditees, but that most of them are untrue. Coram et al (2015:10-18) point out that negative thoughts mostly come from those who are found wanting if an audit is conducted in a desperate attempt to denigrate audit for personal advantage. Sifile & Ngwenya (2015: 42) believe that in circumstances where audit services are outsourced, the issue of audit impression is extremely important to customers. Baskerville (2012: 18) claims that auditors have been severely chastised for failing to satisfy society's expectations for at least three decades due to the audit expectation-performance gap.
2.8.8 Compliance with standards, laws, and regulations

Legislations that vary from one nation to nation complicate the usage and application of standards in public sector (IIARF 2015: 48). The research findings on the usage and application of internal audit standards in public and private sectors shows that the public sector lags significantly behind the private sector for the use and application of internal audit standards (IIARF 2015: 58). It was also discovered that the use and application of all the Standards differs significantly between countries. Internal audit's capacity to comply with the Standards may be hampered by local restrictions. In Tanzania, for example, a national legislation - the Public Finance Regulations - defines internal audit and internal controls in a way that differs from the IIA's International Professional Practices Framework (IPPF), focusing largely on compliance and financial controls. Internal audit does not expressly address risk management and governance processes, nor does it encompass consultancy work, according to the legal definition.

Furthermore, businesses today operate in an extremely regulated environment. Numerous institutions face significant challenges because of legal requirements (Terzi 2016: 21). When significant regulatory changes occur, it forces businesses to reconfigure their systems, procedures, and practices. Udeh & Nwadialor (2016: 46) indicated that when firms face regulatory changes, their responsive abilities must be strong enough to allow for corrections that will ensure their continued existence. Legislation is a cost which can burden an organisation's resources and endangering its survival. As a result, the nature and scope of regulatory requirements can have a significant effect on the organisation. Internal audit functions must frequently remodel their strategies and reconfigure their systems to adapt to regulatory changes (Tackie, Marfo-Yiadom & Achina 2016: 187). The internal audit function's structure and mission shifted because of SOX. SOX compelled internal audit functions to drastically change to comply with the new regulatory standards (Zafarullah & Huque 2021: 46). Apart from SOX, there are many regulations which had a significant effect on the corporate environment in terms of strategies, systems, and practices. For instance, the Municipal Finance Management Act, Public Finance Management Act which compelled all public entities to establish internal audit functions.
The study conducted by Steyn et al. (2017: 211) in the Turkish public institutions found that the degree of compliance is low, and its impact has been witnessed by repetitive audit findings in the Auditor General. Faudziah, Hasnah & Muhamad (2015: 183) concurred with the study in their examination into whether internal audit departments of Malaysian public firms conform to the Standards. The lowest values were judged to be in conformity with performance standards. Internal audit's function in enhancing and developing administration of state-owned organisations was examined by Muceku & Korsita (2015: 19). They claim that internal audit in government agencies did not satisfy the standards set forth by International Standards. Fundamental issues include auditors' lack of knowledge, departures from audit schedules, and structural and communication issues within institutions. Likewise, Shkurti et al. (2014: 82) investigated the issues faced by internal audit departments in the Albanian government-owned enterprises. The introduction of new accounting standards was identified as important issues for accounting and auditing sector practitioners. These issues make internal auditing more challenging, as it appears tough to stay competitive in such a fast-paced setting.

2.10 Conclusion

The chapter presented an extensive discussion of literature on internal audit. The chapter explained the definition and evolution of internal audit, theoretical framework of the study, code of ethics, legislation, and the role of internal audit. The discussion discovered that internal audit is critical to the success of an organisation. Moreover, the chapter outlined the challenges encountered by internal audit functions in execution of their duties.

The next chapter explained the methodology used in this study.
CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

3.0 Introduction
Research can be defined as the systematic process of collecting and logically analysing data for a given purpose (Thunman et al. 2018: 29). However, this definition is generalised to some degree since many methods are used to investigate a problem. Research methods are the ways in which one collects and analyses data. These methods have been developed for acquiring knowledge reliably and validly. A research methodology is a systematic and purposeful, planned to yield data on a particular research problem (Taber 2018: 185).

This chapter aims to introduce and explain the rationale for the research methods chosen for the study. The chapter begins by providing a description of research design. Further to this, this chapter identifies and describes the population, sample, research instruments and methods of data collection utilised in the study. This chapter also provides a description of how the data was analysed and discusses the issue of reliability and validity as it pertains to the study. The chapter concludes with a summary of the chapter.

3.1 Research paradigm
It is important to rationally position research among other forms of research. Such a positioning entails what one believes about the nature of reality, and the nature of knowledge (Rehman & Alharthi 2016: 55). Traditional research paradigms make certain assumptions about the world. They assume that there is an objective reality that researchers ought to try and uncover as they conduct their research. Furthermore, it is assumed that the role of the researcher is neutral, and that the main purpose is to discover the objective reality. These are referred to as positivist paradigms. A positivist orientation assumes that reality exists ‘out there’ and that it is observable, constant, and measurable (Rahi 2017: 4). However, it became evident that capturing a reality that was ‘out there’ was difficult, if not impossible, to achieve. This led to a postpositivist
point of view, which hold that researchers should strive to capture reality using multiple methods. In such a way, reality might be approximated (Allemang & Sitter 2022: 43).

This study was based on the post-positivism approach. It points out that scientific reasoning is similar to our common-sense reasoning. This denotes that our individual understanding of day-to-day life is similar to the understanding of the scientist. Rahi (2017: 6) points out that post-positivist researchers’ observations cannot always be relied upon as they can also be subjected to error. This is why post-positivists are considered as critical realists, who are critical of the reality they study. Since they are critical of reality, post-positivists do not rely on a single method of scientific inquiry. They believe that each method can have errors. These can only be avoided if several methods are used. Post-positivism also assumes that the scientists are never objective and are biased due to their cultural beliefs (Muzari & Shava 2022: 18). In this sense, pure objectivity cannot be achieved.

### 3.2 Research method

There are three types of research methods, namely quantitative, qualitative, and mixed methods. Quantitative research is research methods dealing with numbers and anything that is measurable in a systematic way of investigating a phenomenon and their relationships. It is used to answer questions on relationships within measurable variables with an intention to explain, predict and control a phenomenon (Muzari & Shava 2022: 93). Investigators using the quantitative method identify one or a few variables that they intend to use in their research work and proceed with data collection related to those variables (Allemang & Sitter 2022: 99).

Qualitative research is a type of scientific research which seeks to understand a given research problem or topic from the perspectives of the local population it involves. Qualitative research is effective in obtaining information about the values, opinions, behaviours, and social contexts of populations. The strength of qualitative research is its ability to provide complex textual descriptions of how people experience a given problem. It provides information about the “human” side of an issue – that is, the often-contradictory behaviours, beliefs, opinions, emotions, and relationships of individuals. Qualitative methods are also effective in identifying intangible factors, such as social
norms, socioeconomic status, gender roles, ethnicity, and religion, whose role in the research topic may not be readily apparent. When used along with quantitative methods, qualitative research can help to interpret and better understand the complex reality of a given situation and the implications of quantitative data (Allemang & Sitter 2022: 20).

**Figure 3.1: Research methodology**

As shown in Figure 3.1 above, the study adopted a mixed method since quantitative method alone is insufficient to meet the research objectives. Mixed-methods research study is a study in which the researcher adopts and employs both qualitative and quantitative strategies to collecting and analysing data (Gray et al. 2021: 163 and Hou et al. 2022: 504). This method was the most suitable approach as it attempts to discover the relationship between the effectiveness of internal audit functions and the challenges they face. Janakiraman et al. (2021: 160) classify mixed method designs
into four categories: triangulation, embedded, explanatory, and exploratory. The explanatory was used as it helps the researcher increase his understanding of a given topic, ascertain how or why a particular phenomenon is occurring, and predict future occurrences. A case study was used.

### 3.3 Research design

Research design is the methodological plan of the research project that assist the investigator through the process of gathering, recording, and analysing observations. Kazdin (2021: 11) asserted that research design is the path that guides the authors of the study to accomplish the objectives of the study. It is a logical model that enables the investigator to reach inferences about the cause-and-effect relationships between the variables under research. The purpose of the research design is to address the following questions (Kazdin 2021: 18):

- what questions should be asked in a study?
- which data is relevant, and should be collected?
- how should the data be analysed?

The research design for this study is a case study. According to Jensen et al. (2022: 33), a case study is an empirical inquiry that investigates a contemporary phenomenon in depth and within its real-life context, especially when the boundaries between phenomenon and context are not clear. The authors mentioned that a case study design should be considered when: (a) the focus of the study is to answer “how” and “why” questions; (b) the behaviour of those involved in the study cannot be manipulated; (c) contextual conditions to be covered are relevant to the phenomenon under study; or (d) the boundaries are not clear between the phenomenon and context. Thomas (2021: 289) defines a case study broadly as that process of conducting systematic, critical inquiry into a phenomenon of choice and generating understanding to contribute to cumulative public knowledge of the topic. In contrast, Nägel & Nivette (2022: 14) and Stanitsa et al. (2022: 16) assert that a case study involves in-depth research into one case or a small set of cases. The ‘case’ that forms the basis of the investigation is normally something that already exists; it is a ‘naturally occurring’ phenomenon (Heale & Twycross 2018: 8). According to the authors, a case study can
be defined as an intensive, holistic description and analysis of a single entity, phenomenon, or social unit.

The research design used for the collection of data was the survey which entails the construction, distribution, and collection of questionnaires data forms as well as the examination and analysis of related literature. Survey research are procedures that investigators use when administering a questionnaire to a sample or to the entire population of self-reporting people to describe the attitudes, opinions, behaviours, or characteristics of the population. The goal of survey research is to learn about a large population by surveying a sample of the population. In this method, the researcher poses a series of questions to the respondents, summarises their responses in percentages, frequency distribution and some other statistical approaches.

3.3.1 Justification for using case study.

The aim of using a case study approach is to gain a rich, detailed understanding of the case by examining aspects of it in detail. This is in line with the aims of the study, which was to provide an in-depth understanding and description of challenges facing internal audit functions in public sector.

One of the strengths of the case study approach is that it allows the researcher to use a variety of sources, a variety of types of data and a variety of research methods as part of the investigation (Thomas 2021: 296). This, in turn, facilitates the validation of data through triangulation. The case study also offers a means of investigating complex social units consisting of multiple variables of potential importance in understanding the phenomenon (Nägel & Nivette 2022: 21). The main benefit of using a case study approach is that the focus on one or a few instances allows the researcher to deal with the subtleties and intricacies of complex social situations (Heale & Twycross 2018: 14). This results in a rich and holistic account of a phenomenon. Lastly, a case study is flexible. It is neither time dependant nor constrained by method.

While a rich, thick description and analysis is desired, researchers may not always have the time and money to engage in such an undertaking. Qualitative case studies
are also limited by the sensitivity and integrity of the researcher (Heale & Twycross 2018: 17). As a result, subjective bias is a constant threat to objective data gathering and analysis. Further limitations involve the issues of reliability, validity, and generalisability. Case studies are often perceived as producing ‘soft’ data and lacking the degree of rigour expected of social science research (Thomas 2021: 298). Also, access to documents, people and settings can lead to ethical considerations such as confidentiality. Lastly, it is difficult for case study researchers to achieve their aim of investigating situations as they naturally occur without any effect arising from their presence.

3.4 Pilot study

Pilot study should be carried out before a comprehensive investigation to allow researchers to identify any uncertainties that may need an explanation (Cantoni et al. 2021: 536). According to Okada et al. (2021: 83), a pilot study refers to a pretest project in which data is gathered from individuals like those who would be included in the main study. They are crucial in enhancing the calibre of survey questions. The researcher used ten (10) employees of the municipality’s internal audit department to test the questionnaires. The researcher believed that these staff members were skilled and well-informed about public sector internal auditing. The questionnaires were provided to determine if the respondents comprehended the questions and whether they covered the goals of the investigation. The questions were modified considering the feedback received. According to Amon et al. (2022: 72), the following are the objectives of a pilot study:

- Give researchers the opportunity to watch for nonverbal cues that might indicate dissatisfaction with the way the questions were worded.
- Assists the researcher to estimate the time needed to finish the questionnaire.
- It provides prompt caution about the possibility failure of the research project, possible breaches of study process, and the appropriateness or ambiguity of recommended techniques.

The study's pilot study was undertaken by the researcher to test the questionnaire. Due to the researcher's location, the eThekwini Metropolitan Municipality was selected for the pilot. Pilot research was conducted primarily to test the viability of the instrument intended to be utilised and to increase the validity of the questionnaire. The
respondents were selected from the same demographic groupings as the study's sample. The researcher did not think a retest was required because no significant changes to the questionnaires were made. The study's final sample did not include the respondents who took part in the pilot study.

3.5 Population and sample

Andreev & Dupre (2021: 604) described population as all the individuals, entities, and events that satisfy the sample criteria for being included in a study. Likewise, Liu et al. (2021: 107) defined population as any group of individuals that share similar traits that a researcher is interested. The defining characteristic of case study research is the delimiting of the object. The researcher chose to focus his research on the challenges facing internal audit department at the eThekwini Metropolitan Municipality. eThekwini Metropolitan Municipality is a metropolitan municipality created in 2000, that includes the city of Durban, South Africa and surrounding towns. eThekwini is one of the 11 districts of KwaZulu-Natal province. The study population comprised of all the internal audit staff working at the eThekwini Metropolitan Municipality. The eThekwini Metropolitan Municipality has an enrolment of 87 internal audit staff.

3.6 Sampling

Sampling refers to the process of picking suitable people or objects from a broad population for research purpose. A sample is a small proportion of the population that is selected for observation and analysis (Baltes & Ralph 2022: 19). For this study, all internal audit staff were chosen to answer the questionnaire and 6 of them were chosen to participate in the interview. The two sampling techniques are probability and non-probability. Probability sampling is a method of selecting samples at random from a population, giving each element the same chance to be chosen (Cash et al. 2022: 78). Probability sampling allows the researcher to generalise results of the study from the sample to the population from which it was drawn. Non-probability refers to a sampling approach in which components are selected by the investigator (Cash et al. 2022: 17).

This study utilised non-probability sampling due to several factors. It was not practical to use random probability sampling due to time and cost considerations. In
most investigations, probability sampling is the most practical method for generalising results, but it was not viewed as a realistic alternative in this study. It was decided to use non-probability sampling because there are few public organisations with internal audit departments in place. The eThekwini Metropolitan Municipality was used due to the size of its internal audit department. The eThekwini Metropolitan is the third largest metro in South Africa and the biggest in Kwa-Zulu Natal province. Non-probability sampling techniques include convenience, volunteer, purposeful and snowball sampling. For this study, purposeful sampling was found to be most appropriate for this study from which one can learn a great deal about issues of central importance to the purpose of the inquiry. The following were the criteria for participants to be included in the sample:

- Working or had experience in the public sector internal audit unit.
- Willing to participate; and
- 16 years or older.

3.6.1 Purposive sampling

This sampling technique allows the researcher to pick the subjects of the study at his discretion. The participants were chosen based on their applicability to the research questions. The purposive sampling method was chosen as the most appropriate method for this research, as the researcher could apply his knowledge of the research problem to select the participants from the population in question. The burden of the judgment of who should be included in the sample remained with the researcher. It was also, according to Lines et al. (2022: 327), more convenient and economical than other sampling methods.

The Internal Audit department of the eThekwini Municipality was selected as a representative of the general population of the study. The staff in the internal audit department has a better understanding of the problem under study. The participants were included in the sample because they have characteristics that are needed in the sample. Purposive sampling was used because the selected department was assumed to be in a better position to provide the actual data that was relevant to the study. According to Bryman (2016: 15), purposive sampling has the following benefits:
• Its adaptability allows investigators to collect data more quickly and cost-effectively. It is possible to reach a reasonable outcome that represents a specific community.

• The data that researchers get from a particular demographic sample using surveys or polls is helpful in real-world circumstances. There is less downtime because everyone in the sample group has a sufficient degree of expertise and understanding of the topic under examination.

3.6.2 Advantages of purposive sampling method
Non-probability sampling is a sampling approach which is less likely to produce accurate and representative samples than probability sampling, despite that, it is mostly used in nursing research. The researcher used the purposive sampling method as discussed because of the following reasons:

• the researcher was able to judge the subjects that were typical, or representative of the phenomenon being studied.

• the researcher was able to choose subjects that were knowledgeable about the research at issue because of their own personal experience.

• the data collected could be very informative for this research.

• it was convenient and economical as the researcher was the only one involved in the selection.

3.6.3 Disadvantages of the purposive sampling method
The researcher knew that the sample selected may not represent the target population and that it would limit the generalisation of the findings. There was also the potential for sampling bias. The researcher however decided that it would be the most suitable method to use and that the criteria set for a respondent to be selected for inclusion in the sample was followed closely.

3.7 Research instruments
According to Ai (2022: 199), case studies allow for a wide range of data collection methods. The researcher used questionnaires and semi-structured interviews to collect data for the study. The use of the questionnaire allows the researcher to collect a high proportion of usable data from a large sample. There are three procedures for
obtaining opinions and beliefs that have been used extensively in opinion research: the Thurston technique; the Likert Method and the Semantic Differential. In the questionnaire for this study, the researcher used the Likert Method, as this was of a more appropriate level for the scope of the study. The employing of multiple methods allowed the researcher to complement one with another to reduce bias and produce more appropriate data.

3.7.1 Questionnaire

A questionnaire is a collection of written questions with a range of responses devised for use in a statistical study. The data collected by a questionnaire can be compared to that collected by an interview, but the questions are frequently narrower (Kakemam et al. 2021: 1192). Due to the ease of administration and analysis, the questionnaire for this study only included closed-ended questions. The researcher utilised questionnaires because of the following reasons:

- Closed-ended questions made it simple for the researcher to compare how each item was answered.
- There was less room for bias since the questionnaires were consistent.
- It was cost-effective since less time and resources were available for the researcher.
- They assured anonymity because respondents’ identifying information were not required on the questionnaires.

In addition to the benefits mentioned above, questionnaires also have drawbacks. One such drawback is the uncertainty around the validity and accuracy of the results (Michel et al. 2020: 7). Respondents may not give honest answers, instead, they may give responses that they believe will please the researcher, which could lead to the loss of important data.

The questionnaire had two parts, section A and B. Section A sought to gain demographic data and Section B sought to ascertain the information and opinions of the internal audit team regarding the difficulties the department was facing. Instructions were given to guide respondents on how to answer questions (see Annexure). The respondents were assured that their responses would remain anonymous. The
researcher personally dropped the 72 questionnaires with the acting head of internal audit unit; explained the study to him and requested him to distribute to staff on behalf of the researcher. The participants were granted three (3) months to complete the questionnaires. The completed questionnaires were collected from the acting head of internal audit’s office.

3.7.2 Interviews
Another method used by the researcher to collect data was semi-structured interviews. The researcher conducted interviews with six senior internal audit staff to obtain the deep understanding of the information that needed more clarity from the questionnaire. The interviews were conducted at the respondents’ workplace. They were conducted after the questionnaires were completed and returned. Permission was obtained from the respondents. After the participants consented to be interviewed, appointments were set. The participants were briefed about the purpose of the study as well as the ethical considerations of their participation.

The researcher carried out all the interviews in English. Although English was not the participants first language, their command was outstanding due to their educational backgrounds. The researcher was able to transcribe the interviews because the conversations were carried out in English. The information was translated in cases where participants expressed themselves in language other than English.

3.7.2.1 Strengths of interviews
In this study, interviews were used because:

- It provided an opportunity for the researcher to discuss the subject matter in more detail; and
- When rapport was established, participants were willing to share confidential information that they are hesitant to write down.

3.7.2.2 Shortcomings of interviews
- It was costly in time, both for the participants and the researcher.
3.8 Data analysis

Data analysis is the systematic organisation and synthesis of the research data and the testing of research hypothesis using those data (Zhang & Velez 2022: 17). It also entails categorising, ordering, manipulating, summarising, and describing data in meaningful terms (Lakens 2022: 329). The researcher used descriptive statistics to analyse quantitative data obtained through questionnaires. Taber (2018: 1274) proposed that the descriptive statistics were promoted in reviewing and explaining the data obtained from the respondents. The Statistical Package for Social Sciences (SPSS) version 20 and Microsoft excel was used because of its compatibility with most other software packages and its ease of use for data analysis. The researcher tests the reliability of each element dependent on Cronbach’s alpha value. The Cronbach’s alpha value determines the internal consistency or average correlation of items in the survey instrument to gauge its reliability. The Cronbach’s alpha value varies from 0 to 1. The higher the ranking, the more accurate the scale produced. Statistics including means, percentages, medians, ranges, and variances have been measured.

This research employed thematic analysis to examine qualitative data from the interviews. Thematic analysis comprised three steps of coding. According to Byrne (2022: 1397), coding is a process of interpreting, highlighting, and relating data and it includes naming concepts and explaining and discussing them in more detailed way. First, the researcher used open coding to describe an interpretation of the pieces of text from the data in the interview transcripts. Secondly, to classify the data, the researcher used coding. Lastly, the researcher recognised the core category of the data in selective coding, and then integrated it as well as formulated the findings of the study. Those steps were done to highlight the main points of this study. In essence, the analysis entailed extracting statements from the semi-structured interviews to extract key statements which spoke explicitly to the phenomenon being studied.

3.9 Reliability and validity

3.9.1 Reliability

Reliability is a challenging aspect in the social sciences as human behaviour is never static. Afshari et al (2022: 219) describe reliability as the consistency to which a data collection produces or generates same results under constant conditions. An
instrument’s reliability is based on the premise of the existence of a single reality and that learning it multiple times will yield the same findings. This contradicts qualitative case study research. Because there are numerous interpretations, there is no standard method by which to determine reliability in the traditional sense. The critical question is whether the results are coherent with the data gathered. This is known as dependability or consistency.

The questionnaires completed by respondents revealed consistent responses. Reliability can also be guaranteed by limiting measurement error sources such as data collector bias. The researcher was the only one who administered the questionnaires. Reliability was also guaranteed by ensuring privacy and confidentiality, which made data collection more comfortable. To measure the consistency of the questionnaire particularly the Likert-type scale the reliability analysis is essential in reflecting the overall reliability of constructs that it is measuring. To carry out the reliability analysis, Cronbach’s Alpha ($\alpha$) is the most common measure of scale reliability. According to Konateke & Yılmaz (2022: 125), Prebble et al. (2022: 518) and Cronbach’s (1951: 18), a value greater than 0.600 is acceptable.

**Table 3.1 Reliability Statistics**

<table>
<thead>
<tr>
<th>Cronbach’s Alpha</th>
<th>Cronbach’s Alpha Based on Standardized Items</th>
<th>Number of Items</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.684</td>
<td>0.713</td>
<td>10</td>
</tr>
</tbody>
</table>

From table 3.1 above, the value of Cronbach’s Alpha ($\alpha$) was 0.684 for all variables. The calculated reliability values are close to 0.7000 and compared with the minimum alpha value ($\alpha$) of 0.600 advocated by Cronbach’s (1951), then the responses generated for all the variables used in this research were reliable enough for data analysis.

**3.9.2 Validity**

Weakley et al. (2021: 475) described validity as the extent to which measures is accurate. The degree to which an instrument reflects the elements under research is referred to as content validity. To ensure content validity, questionnaires included a
series of questions about respondents' understanding of challenges faced by internal audit department (Atler & Fisher 2022: 11). To ensure that the questions were reflective of what the respondents should know, they were constructed on information gathered during the literature review. The consistency with which the questionnaires were administered added to the content validity. The researcher personally handed all the questionnaires to the acting chief audit executive (CAE) to distribute them to the respondents on his behalf. The questions were written in simple language to ensure clarity and comprehension. The participants were given clear instructions and ample time to fill-out the questionnaires.

For validation, the questionnaires were picked by the researcher and the data obtained was interpreted using Microsoft Excel. To enable for valuable data analysis, some questions have been reworded to make them clearer (McRackan et al. 2021: 896). External validity was guaranteed. External validity is defined by Findley et al (2021: 384) as the degree to which research findings can be consistently applied beyond the sample used. The questionnaires were completed by majority of the participants who were approached to take part in the survey. Therefore, generalising the findings to all participants of the population was justified.

Recruiting participants to take part in a study can be challenging, especially if it requires significant time from participants. If some participants approached to take part in a study refused, it is difficult to justify generalisation of the findings to the whole population. The number of participants who were contacted but refused to participate should be indicated so that external validity risks can be ascertained. 4 of the 72 participants did not complete the questionnaires, thus representing a 94% return rate on the questionnaires. External validity reduces when proportion of those who do not take part rises (Jung et al 2022: 19).

3.10 Ethical considerations

Human beings are the primary focus of educational research. As a result, the researcher is ethically obligated to safeguard the rights and well-being of the participants who take part in the study (Holm et al. 2021: 17). The carrying out of research demands for openness and truthfulness to protect the rights of participants.
Hoft (2021: 226) stresses two fundamental ethical requirements for researchers: honesty and confidentiality. Researchers must report information truthfully and avoid reporting confidential data in their studies. When carrying out research, researchers must follow ethical guidelines.

The rights of confidentiality and informed consent were noted. It is an institutional process that all the studies that are conducted be reviewed so that a researcher will be given a permit to conduct the study. This process allows the researcher to be able to approach the external parties with an approved letter which is presented to those identified participants. The researcher obtained a written approval from the Faculty of Accounting Research Committee (FRC) to conduct the study (see Annexure 1). The researcher also received written permission from the eThekwini Metropolitan Municipality which allowed him to conduct the study (see Annexure 3).

The respondents were briefed of the study's purpose and invited to partake in the study. They were guaranteed confidentiality and anonymity, as well as the option to withdraw from the study. They agreed on dates and times to complete the questionnaires. That was the first step taken to gaining trust with the respondents. Respondents were given consent forms upon agreeing to take part, allowing them to provide informed consent. Josephson & Smale (2021: 326) describe informed consent as the respondents' voluntary decision to take part in research. Participants were made aware of their rights to agree or refuse to participate without consequence. The study's goal was explained to the respondents (see annexure 4).

Anonymity and confidentiality were assured during the study. According to Hoft (2021: 225), anonymity is the state in which respondents cannot be associated with their responses. The study assured anonymous by omitting the respondents' identifying information such as name, age, and sex. The questionnaires did not contain any identifying personal data. When respondents are assured confidentiality, their private data will not be used to in any public reports (Sadzaglishvili et al. 2021: 356). The data is kept for five years in an external back-up.
3.11 Conclusion

The chapter discussed the methodology and design used during the study. The study adopted a mixed research design which was descriptive in nature. Data collection instruments, population, and sampling methods used were used explained. Reliability and validity as they related to the data collection processes were also explained. Finally, the ethical considerations and limitations of the study were highlighted.

Presentation and analysis of the research's findings are discussed in the following chapter.
CHAPTER FOUR

PRESENTATION AND ANALYSIS OF RESULTS

4.0 Introduction
The preceding chapter explained research design used to compile data of the study. The current chapter intents to present the results of data and give a comprehensive discussion of the discoveries derived from the analysis of the responses obtained. To obtain data from the eThekwini Municipality's internal audit department, the researcher used questionnaires and interviews. A target group of 72 participants was sent questionnaires. The researcher conducted interviews with six senior internal audit staff to gain insight about the department's independence, resources, and management support. Microsoft excel was used to analyse the data with the aid of graphs, cross tabulations, and other figures.

Figure 4.1: Response rate

![Pie chart showing response rate]

Figure 4.1 above shows that 68 of the 72 respondents returned the questionnaires, thus giving in a response rate of 94 percent. Efforts were made to get the remaining four but due to circumstances beyond the researcher’s control they were not obtained. The response rate was deemed appropriate and representative of the population under study as it corresponds with Man et al. (2021: 11) who propose that an average
response rate of at least 70% is required. It can therefore be argued that the response rate accurately reflects the target population.

4.1. Section A – Background information of respondents

The current section presents the demographic features of the sample. The respondents for this study were internal auditors working at the eThekwini Metropolitan Municipality. The demographic features examined include education, professional qualifications, position occupied and work experience.

4.1.1 Education level

The researcher asked the respondents about their educational level to find out if they meet the minimum qualification required by the Institute of Internal Auditors. An entry-level internal auditor position requires at least a three-year post-matric qualification in accounting or in a related business field, such as finance, management, public administration, or information technology (IIA 2016).

Table 4.1: Education level

<table>
<thead>
<tr>
<th>Qualification</th>
<th>Frequency</th>
<th>Percent (%)</th>
<th>Cumulative Percent (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Certificate</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Diploma</td>
<td>26</td>
<td>39</td>
<td>39</td>
</tr>
<tr>
<td>Bachelor’s degree</td>
<td>32</td>
<td>46</td>
<td>85</td>
</tr>
<tr>
<td>Honours degree</td>
<td>9</td>
<td>13</td>
<td>98</td>
</tr>
<tr>
<td>Master’s degree</td>
<td>1</td>
<td>2</td>
<td>100</td>
</tr>
<tr>
<td>Others</td>
<td>0</td>
<td>0</td>
<td>100</td>
</tr>
<tr>
<td>Total</td>
<td>68</td>
<td>100</td>
<td></td>
</tr>
</tbody>
</table>

The results indicated in table 4.1 above revealed that 32 (46%) of the respondents had a first degree, 26 (39%) of the respondents had diploma certificates, 9 (13%) and 1 (2%) had honours and masters’ degree respectively. The results reflect a fair representation of educational background across the study’s respondents. The results
also show that all the respondents meet the minimum education requirement by the Institute of Internal Auditors. As such, the respondents met the minimum education qualifications required to participate in the study. The results also suggest that the eThekwini Municipality employ its internal audit staff based on academic merits.

4.1.2 Professional qualification

Respondents were requested to provide their professional credentials. The responses assisted to establish whether their qualifications are in conformity with the Institute of Internal Auditors. The Continuous Development Program of the Institute state that internal auditors must get professional qualifications such as the Certified Internal Auditor designation and other designations issued by the Institute of Internal Auditors and other professional bodies to establish their competency.

Table 4. 2: Professional qualification

<table>
<thead>
<tr>
<th>Professional qualification</th>
<th>Frequency</th>
<th>Percent</th>
<th>Cumulative Percent (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>CIA</td>
<td>3</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>CISA</td>
<td>3</td>
<td>4</td>
<td>8</td>
</tr>
<tr>
<td>CA (SA)</td>
<td>1</td>
<td>2</td>
<td>10</td>
</tr>
<tr>
<td>Others</td>
<td>1</td>
<td>2</td>
<td>12</td>
</tr>
<tr>
<td>None</td>
<td>60</td>
<td>88</td>
<td>100</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>68</strong></td>
<td><strong>100</strong></td>
<td></td>
</tr>
</tbody>
</table>

As shown in table 4.2 above, approximately 88% (60) of participants had no professional qualifications, 4% were Certified Internal Auditors (CIA), 4% were Chartered Accountants (CA SA) and 2% were Certified Information System Auditors (CISA). In addition, 2% had other professional qualifications from other professional bodies that are not prescribed by the Institute of Internal Auditors. The overall findings show that only 10% of respondents had relevant professional qualification. The results indicate that majority of internal auditors at the eThekwini Metropolitan Municipality had no professional qualifications. Betti, Sarens, & Poncin (2021: 52) posited to
increase the overall internal audit quality the IIA made serious efforts to encourage more internal auditors to undertake professional examinations which also assists with minimizing mistakes which could be costly to the department. Therefore, internal auditors should be encouraged to undertake professional examinations to be fully certified. Furthermore, it is imperative to note that to improve the level of authority of internal auditors, a strong professional association can be utilised (IIA 2018).

The results also show that the distribution of respondents by professional qualification is inversely proportional to their academic backgrounds. This negatively affects the internal audit department’s scope as internal audits will have more preference and bias towards certain aspects at the expense of vital areas. The results are in line with Tronto & Killingsworth (2021: 44) who argue that internal audit departments in the Ghanaian public sector do not have the competencies and skills required by the IIA. More so, the lack of competencies also compromises the quality of work produced.

4.1.3 Position occupied.

Figure 4.2 below illustrates the distribution of respondents by occupation. It shows that 54% of the respondents were junior internal auditors, while 26% were senior internal auditors. The results further indicate that junior and senior managers constitute 9% and 7% of respondents, respectively. It was also noted that 4% of respondents were deputy directors. The distribution of results show that the chief audit executive position is vacant.
4.1.4 Work experience

Question 4 of the questionnaire required the respondents to indicate their years of experience at the Municipality. As illustrated in Table 4.3 below, the results revealed that 23 (33%) of the respondents have worked one to two years, 35 (52%) have worked for three to six years, 6 (9%) have worked for seven to ten years, and 3 (4%) have worked eleven to fifteen years and 1 (2%) have worked more than 16 years. It is crucial to note that the respondents had attained the essential working experience required in their respective positions. The Institute holds that the internal audit function must collectively possess acceptable and sufficient resources to accomplish objectives.

The results highlight that there were few internal auditors at the eThekwini Municipality who had adequate experience as more than 80% of respondents had an experience of less than six years. The results of the survey validate the research findings of Mpakaniye (2017: 11-21) and Ege (2015: 38) who draw the same conclusion that internal audit departments of most public organisations are struggling to find and retain experienced staff. The Institute of Internal Auditors Professional Guide (IIA 2016) states that the quality of audit work performed in an organisation is determined by the competence of auditors. The institute further indicates that academic level, skills,
experience, and employee professional development determine competency of internal audit. Furthermore, it can be concluded that the selected municipality was experiencing staff challenges with adequate experience as more than 80% of respondents had an experience of less than six years.

Table 4.3: Work experience

<table>
<thead>
<tr>
<th>Years of experience</th>
<th>Number of respondents</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>2 years and below</td>
<td>23</td>
<td>33%</td>
</tr>
<tr>
<td>3 - 6</td>
<td>35</td>
<td>52%</td>
</tr>
<tr>
<td>7 - 10</td>
<td>6</td>
<td>9%</td>
</tr>
<tr>
<td>11 - 15</td>
<td>3</td>
<td>4%</td>
</tr>
<tr>
<td>16 and above</td>
<td>1</td>
<td>2%</td>
</tr>
<tr>
<td>Total</td>
<td>68</td>
<td>100%</td>
</tr>
</tbody>
</table>

4.2 SECTION B

4.2.1 Internal Audit department’s compliance with the IIA Standards

The International Standards for the Professional Practice of Internal Auditing (Standards) are mandatory, principle-based regulations that include assertions of basic requirements, interpretations, and glossary words. Internal auditing is done in several legal and cultural contexts within businesses of diverse purpose, size, complexity, and structure, as well as by individuals both inside and outside the company. While the practice of internal auditing may vary depending on the environment, compliance with the IIA Standards is necessary to meet the obligations of internal auditors and the internal audit function. Figure 4.3 below illustrates the respondents’ responses on whether the eThekwini Municipality’s internal audit department complies with the IIA Standards.
Figure 4.3 above shows that 70% of respondents believe their internal audit department does not follow the IIA Standards. According to 7% of respondents, internal auditing follows the Standards. However, the fact that almost a quarter of the respondents (24%) were not sure about their department's level of conformity with the IIA Standards is of concern.

Most respondents reported that the internal audit function does not meet with the IIA Standards, implying that the eThekwini Municipality's internal audit department was having compliance concerns. This is supported by research and the findings of the South African Auditor General (2019) who confirmed that compliance by internal audit in municipalities is minimal. Internal audit plans and charters are not approved by the audit committee, the chief audit executive lacking the minimum requirements by the standards, and organisational reporting are some of the compliance issues that were raised by Auditor General of South Africa (AGSA). It can be proved that public sector internal audit functions are facing compliance challenges as concurred by the results of this study.
### 4.2.2 Audit board appointment

The researcher aimed to understand how the audit committee was appointed to ascertain the obstacles internal audit functions face when dealing with audit committees.

The perspectives of respondents on how the audit board was appointed at the eThekwini Metropolitan Municipality are shown in Table 4.4 above. According to the findings, 67% of respondents believe audit committee were politically nominated. Of those asked, 24% indicated they had no idea how the audit committee members were selected. They do not understand how the audit committee members were chosen. Furthermore, as shown in Table 4.4, 7% of respondents believed that audit committee members were appointed through nomination, while 2% believed that the audit committee was appointed through a competitive process, even though this was the best practice. The companies act states that shareholders should appoint the audit committee at the annual general meeting. Similarly, in the context of municipalities, the audit commit should be appointed by the council through a competitive process to oversee the work of internal and external audit functions.

Committees appointed by politicians are more concerned with pleasing their appointing authorities than with delivering value to the organisation. Gabrini (2018: 18)

<table>
<thead>
<tr>
<th>Way of appointment</th>
<th>Respondents</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Politically</td>
<td>46</td>
<td>67%</td>
</tr>
<tr>
<td>Competitive</td>
<td>1</td>
<td>2%</td>
</tr>
<tr>
<td>Nomination/seconded</td>
<td>5</td>
<td>7%</td>
</tr>
<tr>
<td>Do not know</td>
<td>16</td>
<td>24%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>68</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>
expresses that the politically nominated audit committee's independence and objectivity are frequently jeopardized, rendering internal audit functions useless.

4.2.3 Audit committee composition

The audit committee members must be independent as indicated by the Companies Act and King IV.

Figure 4. 4: Audit committee composition

Figure 4.4 above depicts the responses to the question on the composition of their audit committee. The findings show that all the members of the eThekwini municipality’s audit committee worked outside of the public sector, which is in line with statutory audit committee composition guidelines. This reveals that the audit committee members appeared to be independent, thus increasing the internal audit function’s independence and impartiality. The study’s findings are in contrast with the AGSA (2019), which claims that members of audit committee of most public institutions lack independence due to their participation in the public service.

4.2.4 B1: The internal audit function has sufficient resources.

Standard 1210 of the Institute of Internal Auditors emphasises that internal auditors must have the skills, knowledge and other competencies required to perform their
specific function. It states that the internal audit function must have the necessary knowledge, skills, and other competencies to carry out its tasks. Figure 4.5 below depicts respondents’ views on whether the internal audit unit of the eThekwini Municipality is adequately resourced to carry out its obligations.

Figure 4.5: The internal audit function has sufficient resources.

![Bar chart showing respondents' views on resource adequacy]

Figure 4.5 above shows that 28% strongly disagree, 52% disagree, 13% were neutral, 4% agree and 2% strongly agree with the statement. The fact that almost 90% of respondents disagree that the Municipality’s internal audit function has the appropriate, sufficient, and effective resources to execute its duties point to the shortage of skills in the country. It also highlights the fact that the Municipality is not completely reaping the benefits of internal auditing.

The above finding was supported by the remarks that were made by the participants during the interview phase of the study. Participant #1 stated:

“Recruitment of staff into the internal audit function with no experience have been one of the greatest challenges. New recruits have only received orientation training from their seniors
so far. Most knowledgeable and experienced internal auditors are quitting the organisation because they are underpaid."

Furthermore, as stated by Participant #2:

“Our department’s main problem is a shortage of personnel. Our department is currently operating at 60% capacity, which is quite tough given the work that need to be audited.”

Participant #4 concurred with Participant #2 by indicating:

“The Municipality does not offer any courses or programs to improve the internal audit department's capacity. The issue of competency and professional development would not have arisen if regular courses or programs in internal audit, such as CIA, IT, had been offered. Performance would have become effective.”

Participant #5 highlighted the gap between the current and desired staff complement with the following comment:

“The department is currently understaffed and at no point in time has it been fully staffed since I joined five years ago. I don’t believe the real reason why our department is always understaffed is budget constraints because resources are being allocated to less important areas.”

The comments expressed above by the interview participants clearly demonstrate that the internal audit department's lack of resources is of concern, as well as further evidence that the department is inefficient. The sentiments reaffirm the widely documented scarcity of skilled internal auditors in the public sector and how severe that scarcity has revolved. The remarks show that the main causes of the Municipality not having appropriate, sufficient, and effective resources are budget constraints,
recruitment of staff with no experience and lack of training courses or programs to internal audit staff. Internal audit is a scarce resource in South Africa, according to Fourie, Coetzee & Van Staden (2013: 75), and as a result, personnel turnover is significant. This is backed by research studies by Suleiman & Dandago (2014: 62), Lenz & Sarens (2017: 535), and Jiang, Andre & Richard (2017: 11) who found that pervasive governance problems were caused by internal audit functions failing to perform their tasks. As a result, some critical risks are not prioritized. Cowan, Hammond & Walshe (2013: 129) found that CAEs and the audit committee have not given priority to key risks due to staffing challenges in internal audit functions. Furthermore, stakeholders are concerned that internal audit functions in the public sector lack business acumen and the necessary capabilities to offer adequate audit coverage (Endaya & Hanefah 2016: 167). This is because finding and maintaining qualified employees in the public sector has proven to be difficult (Protiviti 2013: 81).

In addition, Arena & Azzore (2019: 35) state that internal audit is a risk-based multidimensional function. This means that, unlike an external audit, which focuses on financial concerns, internal audit examines all aspects of the business. According to Terinte, Onofre & Firtescu (2016: 792), the scope of the combination of abilities required in the internal audit function is determined by the business in which the organization works. For instance, it would therefore be ideal for municipalities to have town planners, engineers, and other professionals in their internal audit functions. The distribution of respondents by professional qualifications as explained above also demonstrate the absence of a range of skills needed in the municipality’s internal audit function.

**4.2.5 B2: Management support to the internal audit function**

Although internal audit departments report to audit committees functionally, management should recognize the essential role played by the function rather than viewing it as a snoop, whose mission is to catch management off. Internal audit reports are viewed as an opportunity to repair and improve relationships that are not right. Internal audit departments require free access to all parts of the organization to successfully carry out their duty. Internal audit functions, as a result, require a clear signal from senior management that they are fully supported. The success of internal
audit functions is mostly driven by management support, according to Mafale (2014: 59) and Mihret & Yismaw (2017: 478). According to the authors, audit findings and recommendations would be pointless unless management backed them up. Figure 4.6 depicts respondents' responses to the question of whether management offers adequate support to the internal audit department at the eThekwini Municipality.

Figure 4.6: Management support

![Management Support Chart]

The results show that 24% strongly disagree, 57% disagree, 11% were neutral, 4% agree and 4% strongly agree with the statement. As shown in figure 4.6 above, the results point that the internal audit department at the eThekwini Municipality does not appear to be fully effective since majority (81%) of the respondents disagree with the statement. This means that one of the issues facing the eThekwini Municipality's internal audit function is a lack of managerial support. The seeming lack of management support to the internal audit unit may have adverse effects on the efficiency of the internal audit function. The unit does not seem to receive adequate support from management for it to be fully functional. The following are some of the possible reasons why management may not support the internal audit role as confirmed by Sigowo (2017: 24):

- A lack of awareness of internal audit’s purpose and mission.
- A lack of enthusiasm for the benefits internal audit can bring to the organization.
- Internal audit is viewed as intrusion, espionage, or an unneeded cost.
- An attempt to hide wrongdoing and a lack of confidence.

Furthermore, similar concern was raised during the interview process. The following remarks were quoted from the participants. Participant #1 responded:

“\textit{Our department is not as effective as it should be because management does not provide the necessary support and respect to internal audit, resulting in a high number of repeat findings that are not resolved. Their conduct demonstrates that they are unconcerned about the value delivered by internal audit}”.

According to Participant #2:

“\textit{Management’s approach towards internal audit makes it difficult to acquire the complete support and cooperation of the organization’s staff. The audit is viewed by the personnel as an attempt to impose espionage on their duties}.”

The following sentiments were also quoted from other participants during the interview sessions.

“\textit{Our relationship with management is sometimes very problematic because the IAF disclose illegal activities and management doesn’t like that and the situation is complicated by the fact that we are employees of the organization and therefore we are bound to dance according to their tune}.”

“\textit{Management side-line our department making access to information and right people difficult. It does not implement recommendations of internal audit and does not give our department sufficient budget to successfully carry out its duties}.”
The quotations above show that one of the issues facing the internal audit department of the eThekwini Municipality is a lack of management support. Based on the remarks above, the study found that the reason why respondents perceive that management lack support was because of their attitudes to act on the internal audit findings. The finding concurs with Suleiman & Dandago (2014: 81) who note that public sector internal audit functions were not as effective as they should be mostly because management do not give them the necessary support and respect.

Furthermore, Kimotho (2016: 18) and Motubatse, Barac & Odendaal (2015: 14) argue that internal audit functions are seen negatively by management in public institutions. The writers emphasize management's lack of commitment to respond to the findings and recommendations, as well as to improve the internal audit department. The findings clearly suggest that the key problem is for top management to provide adequate support for the internal audit function. More than three-quarters expressed dissatisfaction in this area. Accordingly, it can be argued that the internal audit department of the eThekwini Metropolitan Municipality is not fully supported by management.

4.2.6 B3: The internal audit department is strategically positioned to carry its work independently.

The independence of the internal audit function can be inferred from its reporting format, which also serves as a status indicator. According to IIA requirements, internal audit activity needs to be independent to carry out its duties objectively (Standard 1100). Figure 4.7 below displays the responses of the respondents to the question about their internal audit department's independence in carrying out internal audit obligations in an unbiased manner.
Figure 4.7: Internal audit department independence

The respondents were requested to indicate whether the internal audit department is strategically positioned to carry out its work independently. As illustrated in Figure 4.7 above, the results revealed that 28% strongly disagree with the statement, 46% disagree, 9% neutral, 13% agree, and 4% strongly agree. The 9% of the respondents were neutral possibly because there were still new in the organisation. It is evident from the results that the internal audit function at the selected municipality has not reached the required independence to promote good governance and objectivity.

It is crucial for the audit committee to support the internal audit staff and the CAE should be able to report inappropriate behaviours to the audit committee with full confidence. The following are some of the sentiments that were expressed by participants during the interview concerning the independence of the Municipality’s internal audit department:

“Finding a balance between independence and being part of the corporate organisation is hard and the risk of being fired if we clash with management is high….”
“Our department, I believe, is independent because the audit committee approves CAE’s hiring, removal, and salary. Although the CAE reports administrative responsibilities to the Municipal Manager, we get the benefit of the doubt because our department serves as a training ground for future managers in various portfolios…”

“Even as the CAE reports functional and administrative to the audit committee and the Municipal Manager, there are other functional responsibilities that are performed by the Municipal Manager. For example, approving of internal audit plan, internal audit charter, internal audit budgets and resource plan are approved by the Municipal Manager instead of the audit committee. This not only result in non-compliance with the IIA standards but also threat to the independence of the internal audit department”.

In practice, the chief audit executive performs the reporting function. The CAEs report administrative and functional matters on behalf of the internal audit department to the Municipal Manager and the audit committee, respectively. This is in line with recommendations of IIA Standard and governance codes. Internal audit plans, charters, budgets, and resource plans were all authorized by the Municipal Manager, according to the respondents. These are functional duties that should be performed by the audit committee. The Municipal Manager is an employee whose work must be audited, and his involvement in deciding what should be included in the audit plan, charter, budget, and resource plan jeopardizes the internal audit department's independence. The Municipal Manager is unlikely to give the internal audit department sufficient budget and resource allocation to perform its duties. In addition, the audit charter is unlikely to cover all the important areas. Furthermore, the utilisation of the internal audit department as a training ground jeopardizes the independence of the internal audit function. As per the study’s conclusions, the internal audit department of the eThekwini Metropolitan Municipality is inadequately independent to conduct internal audit activities in an unbiased manner, making it one of the difficulties.
4.2.7 B4: The internal audit is regulated and protected in my organisation.

Figure 4.8 depicts the participants' perspectives on the regulation and protection of the internal audit function and its staff in the organization.

**Figure 4.8: Regulation and protection of internal audit function**

The results show that 33% (22) strongly disagreed, 57% (39) disagreed, 7% (5) were indifferent, and 4% (2) agreed that the internal audit function in the organization was fully regulated and safeguarded. Most respondents (89 percent) disagreed that the internal audit function at the eThekwini Municipality was fully regulated and protected, according to the poll results.

The findings are in line with the literature and other researchers' findings. For example, Charles Nel, who was the acting CEO of the Institute of Internal Auditors South Africa (IIA SA), remarked on high-profile scandals such as VBS Mutual Bank, Transnet, South Africa's National Rail, and Eskom, which dominated the news in recent years by stating that:

“It is probable that many internal auditors were aware of these activities, but they aren’t required to report these instances to the
same extent as external auditors. Internal auditors do not have appropriate regulatory protection when reporting fraudulent actions because there are no substantial restrictions in this area. In South Africa, there are currently no regulations or legislative standards that govern the internal audit profession.”

On the other hand, Kariem Hoosain, partner at Mazars South Africa (2020) said:

“Using adequate internal audit legislation, the situation could have been avoided if internal audit functions had been empowered, protected, and held to the same level of accountability as external auditors. However, there has been little discussion of internal audit functions in these companies”.

Given the comments above, it can be inferred that there is a lack of regulation and protection for internal audit functions not only leads to a lack of genuine responsibility, but also to additional issues that make internal audit functions ineffective in combating corporate fraud. From the above findings, it seems that the respondents were concerned about internal audit function regulation and protection. Based on the study’s findings, it can be concluded that internal audit functions in the public sector are neither regulated nor protected.

4.2.8 B5: I fear for my life and of my family if I were to report questionable activities.

Figure 4.9 illustrate the respondents’ views when they were posed with the statement “I fear for my life and that of my family if I were to report questionable activities”.

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As shown in figure 4.9 above, was noted that 28% strongly agree, 50% agree, 9% were neutral, 11% disagree and 2% strongly disagree, that reporting suspicious behaviours will endanger their life and the lives of their families. Most of the respondents agree to the statement with only 13% disagreeing. Those who disagree might be junior staff who are not involved in decision making.

The results of the finding validated the findings of the 2016 Corruption Watch that reported that most of the reports received involve abuse of public resources by officials. When corrupt persons’ acts were uncovered, or were likely to be exposed, their reaction was to retaliate against the person who brought the illegal conduct to light (Powell 2016). The author notes that internal auditors were subjected to different forms of intimidation such as job harassment, ostracism, unemployment, and security.

Furthermore, the Institute of Internal Auditors South Africa (2019: 16) painted a bleak image of internal auditors’ safety and security in the country, with at least 20% claiming to have been victimized and intimidated while executing their responsibilities. Internal auditors were said to be afraid for their lives and the lives of their families if they
exposed suspicious activities while on the job. Internal auditors claimed they were being victimised, intimidated, and pushed into brushing findings under the rug, according to the Institute. A notable case occurred at the eThekwini Metropolitan Municipality in 2018 whereby the Auditor general’s office had to be retracted from its inquiry into supply chain management and forensic investigations unit after it was threatened. The findings of the study show that victimisation and intimidation of internal audit professionals in the public sector is a serious issue. Other notable victimisation instances that occurred are:

- Matshaya from East London was strangled to death in May 2012 at the Easy Stay Hotel in Pietermaritzburg after uncovered corruption and misuse of state funds (Fuzile 2013: 18).
- Tshake was abducted and brutally murdered in 2013 after reportedly questioning payments related to a controversial project (Anon 2018: 41). Numerous abnormalities were later discovered, including the fact that the project contravened the Treasury rules (DeWaal & Pienaar 2014: 15).
- Duma was assassinated at his residence in 2016 shortly after attending a municipal meeting (Mngadi 2019: 22). Duma was killed after having opened a case of intimidation (Wicks 2016: 19).
- Nteso was heartlessly murdered in Maseru Lesotho on the 6th of February 2019. His forensic investigation with huge findings against top management is thought to have contributed to his brutal murder (Tefo 2019: 42).
- Zikode was followed to his home in Auckland Park in Johannesburg by unknown suspects who fired shots at his car (Zulu 2019: 26). Zikode was at the time working on a forensic investigation into fraud at the SABC (Nqola 2019: 18).

4.2.9 B6: Freedom to disclose malpractices to the audit committee.
Figure 4.10 above illustrates the distribution of responses when respondents were requested to give their opinion on whether they are free to disclose audit findings relating to malpractices to the audit committee without management approval.
The survey responses show that 46% (32) disagree, 37% (25) strongly disagreed, 11% (8) neither agree nor disagree, 5% (3) agree and 2% (1) strongly agree with the statement. In general, more than 80% of respondents disagree with the statement.

The result of this question concurs with Al-Shabail & Turkic (2017: 111) who documented that the local and international accounting and financial scandals are not essentially the consequence of useless internal audit functions. The authors further argued that nearly all the exposed scandals were not discovered by internal audit functions as these may be under prohibition since they must obtain prior consent from management.

The above results mean that where management has taken part in malpractices, the internal audit reports of such incidents will not be likely the true opinion of the internal auditors concerned. The termination of contracts of Ernest & Young and KPMG at Steinhoff, VBS Mutual Bank, Tongaat Hullet and Eskom by management for allegedly ineffectiveness though they maintain to have disclosed governance malpractices to the audit committee without management approval is a testimony to this view. From the data collected, the results highlight that the internal audit function at the eThekwini
Municipality did not appear to have the freedom to disclose malpractices to the audit committee. This impairs the internal audit function’s independence.

4.2.11 B7: Management have powers to influence audit outcomes.

The results below in Figure 4.11 show the respondents' opinions when they were posed with a question on whether management has powers to influence the audit report outcomes. Figure 11 shows that 48% (33) strongly agree, 41% (28) agree, 9% (6) were neutral and 2% (1) disagree with the statement.

Figure 4. 91: Influence of management on audit outcomes

The results above show a miserable depiction of the present internal audit and governance atmosphere in South Africa’s public sector. As per previous discussion, the South African political and economic challenges have an influence on the deterioration of professional and proper norms in the corporate environment. In a functional economy, a profession like internal auditing which works under professional and proper standards would not tend to entertain interference to such an extent.

The corrosion of professional and moral standards linked to the economic environments could be that the internal auditors cannot easily find jobs from
corporations that infringe their professional standards as the employment market is dry. Additional, empirical investigation may be required to ascertain the degree of influence the economy has on the professional and moral conscience of the South African corporate ethos.

4.2.11 B8: The audit committee provide support to internal audit.

Internal auditing is only as good as the organization's audit committee’s support (Zaman & Sarens 2016: 506). According to Regoliosi (2015: 908), audit committees have a duty to ensure that management is made accountable for internal audit results and to ensure that recommendations are implemented as needed.

Figure 4. 102: Audit committee support

The distribution of respondents’ opinions regarding the audit committee’s support of internal audit function at the eThekwini Municipality is shown in Figure 4.12 above. The results revealed that 1% (1) strongly agree, 7% (5) agree, 21% (14) were neutral, 49% (33) disagree and 22% (15) strongly disagree with the statement. It can be argued from the outcome that the audit committee provide no support to the internal audit department. Consequently, the internal audit committee oversight is not strong enough to unravel anomalies shown in the organization.
As revealed in Figure 4.12, most respondents disagree that the eThekwini Municipality’s audit committee provides the support to internal audit. Lack of audit committee support implies that the internal audit function will be ineffective. It was also worthy to note the 20% who neither agree nor disagree possibly because they were not able to directly interact with the audit committee. The results are of concern and highlights that support of audit committee remains a challenge in public institutions. This is confirmed by Bhattacharyya (2015: 208), Lenz & Sarens (2017: 541) and PWC (2013). According to the authors, the following are some of the reasons why internal audit functions maybe regarded as lacking audit committee support:

- Not holding management accountable on findings and recommendations.
- Not taking internal audit concerns seriously.
- Over reliance on management information.
- Collusion between management and audit committee members.
- They have their own issues that may be exposed should they speak up.

Based on the information gathered, it seems that the eThekwini Municipality’s internal audit function lacks audit committee support. As a result, it may be argued that there is a widespread absence of audit committee support for internal audit functions in the public sector.

4.2.12 B9: Internal audit function being used as a training ground.

The internal audit function was investigated to see if it was being utilised as a training ground for other departments’ future supervisors. As shown in Figure 4.13 below that 78 percent (53) agreed, 13 percent (9) strongly agreed, and 9 percent (6) disagreed with the statement. Essentially, 91% of respondents believe that the organization has a culture that encourages internal audit personnel to go into other management positions.
Despite the opinions in favour of this practice, it might be claimed that internal audit staff will be unable to perform honestly and independently if the department is used for future career advancements. Even though there is no regulation prohibiting the use of internal audit functions as a training ground, the possible influence on the internal audit function's independence is a cause for concern. Internal audit's ability to operate freely and objectively is jeopardised because of this practice. When conducting an audit, it is reasonable to expect that the function will be biased in some way.

**4.2.13. Correlation Analysis**

The measures of correlation (here designated as \( r \)) have the characteristic of being dimensionless and scaled to lie in the range \(-1 \leq r \leq 1\). When there is no correlation between two variables, \( r = 0 \). When one variable increases as the second increases, \( r \) is positive. When they vary in opposite directions, \( r \) is negative. Correlation is also significant at \( p < 0.01 \) level (2-tailed), \( 0 < r < 0.1 \) = little or no relationship, \( 0.1 < r < 0.5 \) = weakly related and \( 0.5 < r < 0.9 \) = strongly related.
Table 4.5: Correlation analysis of challenges faced by internal audit department.

<table>
<thead>
<tr>
<th>Challenge</th>
<th>Pearson Correlation</th>
<th>1Sig. (2-tailed)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internal Audit Effectiveness</td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>Management support</td>
<td>Pearson Correlation</td>
<td>0.925</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>0.000</td>
</tr>
<tr>
<td>Resource constraints</td>
<td>Pearson Correlation</td>
<td>0.893</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>0.000</td>
</tr>
<tr>
<td>Independency of internal audit department</td>
<td>Pearson Correlation</td>
<td>0.892</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>0.000</td>
</tr>
<tr>
<td>Audit committee support</td>
<td>Pearson Correlation</td>
<td>0.875</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>0.000</td>
</tr>
<tr>
<td>Victimisation and intimidation of staff</td>
<td>Pearson Correlation</td>
<td>0.756</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>0.000</td>
</tr>
<tr>
<td>Internal audit as a training ground</td>
<td>Pearson Correlation</td>
<td>0.256</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>0.000</td>
</tr>
</tbody>
</table>

Table 4.5 above shows the six main challenges to internal audit effectiveness and their correlation coefficients. The highest correlation is between management support (.925) and internal audit effectiveness. This is followed by the correlation between resource constraints (.893), independency (.892), audit committee support (.875), victimisation and intimidation (.756) and lastly internal audit used as a training ground (.256). Furthermore, the results show that there is a significant positive relationship between the five of the challenges and the effectiveness of internal audit function. This indicates that there is strong correlation between the challenges and the effectiveness of internal audit function. Inversely there is a weak correlation between the use of internal audit function as a training ground and the effectiveness of internal audit function. Although all these correlations demonstrate positive relationship, it shows that the strengths of the relationships vary. Thus, the challenges facing internal audit functions vary in the degree depending on the environment.
4.2.14 Challenges faced during the planning and executing.
Table 4.5 below illustrates the respondents' responses on the challenges facing the eThekwini Municipality’s internal audit function during the planning and execution phase. The results show that during this phase, the primary obstacles experienced by the eThekwini Municipality's internal audit function were limited access to information, insufficient resources to carry out the plan and no collaboration from the workforce.

Table 4.6: Challenges faced during the planning and executing stage.

<table>
<thead>
<tr>
<th>Challenges faced by internal audit during the planning and executing phase</th>
<th>Yes</th>
<th>No</th>
<th>Do not know</th>
</tr>
</thead>
<tbody>
<tr>
<td>Management chooses which areas will be audited.</td>
<td>7%</td>
<td>91%</td>
<td>2%</td>
</tr>
<tr>
<td>Restriction on access to documentations and information</td>
<td>63%</td>
<td>20%</td>
<td>17%</td>
</tr>
<tr>
<td>Internal auditors' position is misunderstood by employees.</td>
<td>2%</td>
<td>98%</td>
<td>0%</td>
</tr>
<tr>
<td>Lack of resources to execute the plan</td>
<td>72%</td>
<td>24%</td>
<td>4%</td>
</tr>
<tr>
<td>Lack of cooperation by the staff</td>
<td>82%</td>
<td>9%</td>
<td>9%</td>
</tr>
</tbody>
</table>

4.2.15 Challenges faced by internal audit during the reporting and follow-up.
Table 4.6 below illustrates the challenges faced by the internal audit during the reporting and follow-up phase. As previously stated, 85 percent of respondents indicated that recommendations were not implemented. According to 96% of respondents, recommendations were not implemented timeously. Management did not disclose explanations for not adopting recommendations in 74% of cases, while auditee workers did not participate in the follow-up in 54% of cases. The survey further shows that only 11% of respondents indicated that findings were not accepted by management. The findings show that during the reporting and follow-up stage, the main challenges faced by the eThekwini Municipality's internal audit function were management's failure to provide reasons for not implementing recommendations, recommendations not implemented on time or at all. Even though respondents
reported a wide range of difficulties, some are more serious than others and could render the internal audit function useless.

Table 4.7: Challenges faced during the reporting phase.

<table>
<thead>
<tr>
<th>Challenges faced by internal audit during the reporting and follow-up phase</th>
<th>Yes</th>
<th>No</th>
<th>Do not know</th>
</tr>
</thead>
<tbody>
<tr>
<td>Findings not accepted by management</td>
<td>11%</td>
<td>89%</td>
<td>0%</td>
</tr>
<tr>
<td>Recommendations not implemented at all</td>
<td>85%</td>
<td>4%</td>
<td>11%</td>
</tr>
<tr>
<td>Recommendations not implemented timeously</td>
<td>96%</td>
<td>0%</td>
<td>4%</td>
</tr>
<tr>
<td>During follow-up, the auditee's staff is unavailable.</td>
<td>54%</td>
<td>39%</td>
<td>7%</td>
</tr>
<tr>
<td>Management refuses to explain why recommendations were not implemented</td>
<td>74%</td>
<td>11%</td>
<td>15%</td>
</tr>
</tbody>
</table>

4.3 Conclusion

The information presented in this chapter was based on data obtained through questionnaires and interviews. The findings were shown using tables, graphs, and descriptive text. According to the assessment, the eThekwini Municipality's internal audit department faces various challenges. Lack of managerial support, proper resources, independence, audit committee support, and victimisation and intimidation of internal audit staff were some of the challenges that were identified. The findings are aligned to the literature and the research question. Because this is an internal inquiry, the findings can only be applied to the eThekwini Metropolitan Municipality's Internal Audit Function. Because this was an in-house study of the eThekwini Municipality's Internal Audit Function, the findings cannot be applied to other public sector bodies because conditions may differ.

The IAF at the eThekwini Municipality reported staff vacancies and the loss of much needed skills and competencies, impacting on the IAF’s effectiveness. The turnaround time to fill posts is too long and as a result the IAF resorted to appointing internal
auditor interns. It could be argued that the time spent building skills, municipal knowledge, and expertise of newly appointed IAF interns’ impact negatively on available time that could have been spent on conducting more risk-based audits to add additional value to the organisation. In addition, though the IAF recommendations are implemented, the follow up audits indicate that the implementation rate is rather slow. A slight improvement has been noted, but progress is not satisfactory, which eventually leads to repeat findings by the IAF and AGSA on internal control deficiencies. However, action plans to improve controls and prevent recurring findings, as well as proper record keeping have been identified and monitored for implementation.

The study’s conclusion and recommendations are discussed in the next chapter, which also serves as a guide for future research.
CHAPTER FIVE

CONCLUSION AND RECOMMENDATIONS

5.0 Introduction
The preceding chapter provided with an analysis of data compiled and the discussion of the empirical findings. The empirical findings were analysed to determine if the objectives of the study were addressed. The main themes identified from the data analysis include lack of management support, resource constraints, lack of independence, and compliance with regulations.

This final chapter presented a summary of the major findings of the study. It also presented the recommendations to address challenges identified in the previous chapter. The chapter concludes with a discussion of the study's limitations and suggestions for future studies.

5.1 Overview of the study
Chapter 1 presented a brief introduction of the study. The following were discussed: the problem statement, conceptual framework, objectives of the study as well as the description of the methodology applied. As shown in Chapter 1, section 1.4, the research objectives were:

- To find out challenges confronted by internal audit department at eThekwini Metropolitan Municipality.
- To analyse how the challenges confronted by internal audit department at eThekwini Metropolitan Municipality are being addressed.
- To make possible recommendations on the challenges identified at eThekwini Metropolitan Municipality.

Chapter 2 provided a review of the prior and current literature pertinent to the research. Definition, evolution, role of internal audit, and theoretical framework were explained in detail.
Chapter 3 discussed the research methodology which were applied. Data collection, pilot study, validity and reliability, population and sampling were explained in detail. Lastly the chapter concludes by highlighting the limitations of the methods employed and the ethics that were followed.

Chapter 4 presented an evaluation of data compiled and a detailed discussion of findings of the research. Data was collected through questionnaires and interviews. Data was analysed using Microsoft excel.

5.2 Achievement of the study objectives

Objective 1: To find out challenges confronted by internal audit department at eThekwini Metropolitan Municipality.

The analysis of challenges confronted by internal audit departments was achieved in section 4.2.8; 4.2.9; 4.2.10; 4.2.11; 4.2.12 and 4.2.13. The objective was to identify them. The challenges identified in this study include lack of management support, resource limitation, lack of independence and victimization and intimidation of internal audit staff. These findings are in line with previous studies (David 2014: 127; Anderson 2015: 18; Sahdan 2017: 65) who reported that the internal audit departments in public sector faced more challenges than other departments due to the nature of the scope of their work.

Internal audit is a vital component of public financial management, with the goal of assisting management in achieving solid public financial management through reducing government spending. According to the findings, the eThekwini Metropolitan Municipality’s internal audit department faces a major problem in conducting efficient internal auditing because of shortage of resources. This needs the undivided attention of all stakeholders in the endeavor to guarantee effective governance and accountability, including the audit committee and management. The findings are further supported by Abbott et al. (2016: 17), who attested that the major impediments to internal audit effectiveness in Malaysian public sector were lack of audit personnel and audit personnel ineptitude. This finding is also in line with research carried out in the Namibian public sector by Abdallah (2018: 335), who argued that internal audit departments were understaffed in contrast to the work they were intended to do.
According to the findings, a shortage of resources in the internal audit function is problematic not only in the South African public sector, but also in other nations.

Furthermore, the study revealed insufficient support and commitment from top management. This finding is in line with those of Abdullatif & Kawuq (2015: 38) and Ackermann & Marx (2016: 43) who asserted that ineffectiveness of internal audit functions in public sector was mostly related to management's lack of stress on the role of internal auditing. The internal audit's ability to achieve its objectives is limited by top management's lack of cooperation. The internal audit function's recognition and appreciation within an organisation is highly dependent on top management's backing.

**Objective 2: To identify and analyse ways employed by the eThekwini Metropolitan Municipality to address challenges faced by their internal audit department.**

The objective was achieved in section 4.1.2; 4.2.1; 4.2.6; 4.2.7 and 4.2.8. The study found that there were no initiatives to address challenges identified. The study found that there were no career development programs specifically for internal audit staff. The organisational profile was not attractive enough to attract and retain experienced internal audit staff. The findings were in line with Mihret & Yismaw (2013: 71) who argued that internal audit staff lack adequate education, expertise and necessary skills and, and they do not have access to ongoing professional training to keep themselves up to date.

**5.3 Conclusions**

The study was carried out to find out and analysing the challenges confronted by internal audit functions. Internal audit functions play a pivotal role operation of any entity; hence it is critical to identify the difficulties they face in carrying out their duties. The study did, however, discovered the following major challenges from study participants: resource constraints, lack of management support, lack of independence, victimisation, compliance with rules and regulations. The recommendations were made in light of these findings.
5.4 Recommendations

This part outlines recommendations to address the challenges faced by internal audit functions in public entities. These recommendations will allow the internal audit functions to perform their duties effectively.

5.4.1 Resource constraints

In accordance with the analysis, the eThekwini Metropolitan Municipality should provide the internal audit department with the resources it requires to carry out its duties effectively. Most respondents were not satisfied with the internal audit department's resources, according to the survey. Staff, talents, and funds were all considered resources for this research. According to Gros, Koch & Walker (2017: 314), many internal audit departments are not functioning properly due to the lack of resources. Furthermore, the lack of competent and skilled employees in the internal audit function could be ascribed to a variety of factors, such as a lack of funding, training, promotion, opportunities, and poor compensation in the public sector in comparison to the private sector. The study recommends the following to address resource restrictions:

- Public entities should invest in in-house through training and continuous development of their employees from various departments. Special budgets should be set aside for internal audit functions.
- Introducing mentorship programs, in which less experienced auditors are mentored by more experienced internal auditors in the public sector’s IAFs that are well-functioning.
- Improving internal audit compensation to attract talented employees, perhaps through a professional allowance as a supplement to present public service pay scales. This development may inspire national department CAEs to obtain academic and professional credentials that are in line with industry standards.
- The current state of internal audit of the selected institution did not strictly follow the IIA standards 1230 which state, “Continuous Professional Development: Internal auditors must enhance their knowledge, skills, and other competencies through continuing professional development”, (IIA, 2016). Therefore, the study recommends that the heads of department should develop quality assurance and improvement program to control quality in audit activities.
5.4.2 Management support
The study recommends that the top management should support internal audit functions by providing sufficient resources, as well as implement audit recommendations. If management take the internal audit department's recommendations seriously and effectively, this will set tone to all employees within the organisation. This kind of behaviour could keep management from conveying the wrong message to all other employees. It is critical to raise awareness within top management for them to effectively fulfil their duties towards internal audit. As awareness grows, top management is likely to provide additional support that will assist IAFs become more effective.

5.4.3 Independence
The following recommendations are proposed for consideration:

- The chief audit executives should report to the audit committee or the council on functional matters pertaining the department.
- On administrative matters pertaining to the department, the chief audit executives should report to the Municipal Manager or Mayor.
- Every public institution to have an audit committee consisting of non-management individuals from various areas. The internal audit function's independence is bolstered by the presence of an audit committee.
- For each organisation, internal audit charters be written. The charter should include input from the internal audit head in addition to the audit committee. This will bind management and the internal audit department in conducting their respective tasks.

5.4.4 Compliance
The study suggests that the Ministry of Finance, as the internal audit’s custodian, enact laws to effectively govern the function and operation of internal audit units. This legislation might take the form of forcing all internal audits to follow the IIA Standards, or it could take the form of a custom-made rule that follows the IIA Standards with the aim of enhancing worldwide professional development and recognition. To address
the issue of lack of uniformity, the study suggests that audit charters be uniform, and a standardised audit manual be used.

In addition, the study suggests that as a matter of state policy, a state-funded Chapter 9 entity of the calibre of the Public Protector be established to manage the practice of internal audit functions and their governing bodies. This Chapter 9 entity would receive timely information from whistle-blowers regarding internal auditors' relationships with management of organisations, particularly in instances where exposure of fraud and corruption trends could be suppressed. Furthermore, this organisation has the potential to boost South Africa's credit ratings as an investment-friendly country.

5.5 Limitations of the study
Limitations are circumstances that the researcher cannot control but is aware that it could have an adverse effect on the study's findings (Beerbaum 2022: 53). Limitations are always present in academic studies and the present study is not exempted. The following were some of the limitations that were noted:

- Due to resource and time constraints, the researcher used one organisation and as such the sample size for the interviews were limited. If more organisations and interviews would have been used, the possibility of generalising the results of this study would have been lower, hence the results cannot be generalised to other public institutions as conditions might differ.

- Since the sample size was small, the observations and views presented in this study may not reflect the full diversity of viewpoints on the challenges confronting internal audit functions in the South African public sector. Given the large number of state-owned institutions that had not yet set in place internal audit functions, it was challenging to choose subjects for the study.

- The findings of this study were based on the internal audit environment of one organisation. As a result, extra caution is advised when applying the findings to the entire public sector.

- The study was conducted during the time when the South African public sector institutions were facing significant challenges and politics, hence the respondents' views might have been influenced by such.
• The research utilised a case study. According to Khan (2018: 79) case study cannot be used to generalise as it does not represent the entire population, hence it offers little basis for scientific generality.

• Recently, the eThekwini Metropolitan Municipality was in the spotlight for mistreating auditors (Zondi & Pillay 2022: 58). The participants may therefore have believed that this study provided them with a platform to voice their concerns.

5.6 Research implications

This study has taken place at a crucial time in South Africa. After almost thirty years of democracy and twenty-three years of PFMA implementation, a study that considered the challenges facing internal audit functions was necessary. This study contributes at two levels: theoretical and empirical level. At theoretical level, the researcher developed data collection instruments, which other researchers could improve and use in their research. In this regard, a consideration of the scientific practices of the study, which explains the weaknesses perceived by the researcher in the data collection instruments, upon reflection is provided below.

At empirical level, the study contributes to the conceptualisation of a framework for internal audit effectiveness. Furthermore, most of the recommendations made are aimed at addressing internal audit challenges that were identified at eThekwini Metropolitan Municipality. Recommendations in terms of amendments to the PFMA and/or Treasury Regulations: PFMA will benefit all public institutions that are governed by the PFMA. It is thus believed that the study will make an important contribution towards improving internal audit effectiveness in the South African public sector at large. At secondary level, it is expected that improved internal control measures will contribute to the reduction in the number of financial misconduct cases in the public sector.

The study, therefore, has important implications for government and public sector bodies. It highlights the organisational significance of internal auditing practices and the importance of internal audit functions within the public sector in South Africa. To secure quality assurance of internal audit within these state institutions, sections 38
and 76 of the PFMA and section 165 of the MFMA provided the instrument for government to manage fraud and theft by mandating all organisations to have an internal audit function or department. For public sector bodies, the results can be taken as strong evidence for them to establish internal audit departments and for state institutions to employ competent audit officials. In addition, for quality control of audit process, it is important for government and audit managers to strengthen the supervision and monitoring of internal audit processes to meet the challenges of today's business environment. Specifically, ensuring compliance with all tenets of the Institute of Internal Auditors requirements in South Africa especially independence of the internal audit function and the establishment of audit committee boards are critical to fight administrative corruption.

The results also provide legitimacy for the internal audit functions and offer policy makers the important data needed to strengthen the powers of government to enforce the establishment of internal audit function in all state organisations. In addition, the results provide the basis for internal audit practitioners in the public sector to demand proper training and appropriate remuneration to enable them to do their work competently based on the IIA's Code of Ethics. The findings show that internal auditing practices in the South African public sector are influenced by factors such as the level of independence of the internal auditors, competency of auditors, as well as the resources and size of the internal audit department: these factors are critical for internal auditing practices.

The study agrees with the agency theory which suggests that the larger the information asymmetry between administrators and officials the greater the need for monitoring controls (Sakour & Laila 2015: 15). In this regard, the study found that the challenges faced by internal audit department at eThekwini Municipality was due to information asymmetry between management, the public and officials. It was also found that it is important to keep a strong internal audit department in place so that senior officials do not deviate from their expected duties.
5.7 Area for further studies

Given the above limitations, the study identified opportunities for future research. Firstly, the study recommends that a similar study be carried out with a larger sample size to explore comparable data in several geographical locations in the public sector. The study is restricted to the South African setting, which being a developing nation has its own cultural, political, and economic characteristics compared to other countries and this may limit the generalisation of results to other contexts in other nations. The study further recommends that probability sampling technique be used for future research with a view to assemble results that are representative of the entire population. The study also recommends that research be carried out to find the attitude and support of management towards internal audit functions in the public sector. Finally, since the scope of this study was restricted to internal audit in the public sector, future research could be conducted in private sector and compare the results to the current study results.
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ANNEXURE 1: APPROVAL OF THE STUDY

From: Ayanda Mnguni <AyandaM10@dut.ac.za>
Sent: Wednesday, 10 October 2018 2:22 PM
To: R Jori (21143516)
Cc: Lulu Fortunate Jali
Subject: FRC feedback

Dear Mr. R. Jori

I would like to inform you that the Committee has Approved your PG2A Proposal: FRC Meeting 09 October 2018

Please amend the PG2a according to the FRC feedback attached from reviewers and also complete a post review report template attached.

You need to confirm with your supervisor when completed.

Once your supervisor is satisfied you can then email me the amended PG2a along with the Post review report to receive the Ethical clearance letter.

Thank you

Kind regards

Ayanda Mnguni
ANNEXURE 2: REQUEST FOR PERMISSION

67 Clark Road
Durban Central
Durban 4001

26 April 2018

eThekwini Metropolitan Municipality
750 Mary Thiphe Street
Durban 4001

Dear Mr. Pillay

RE: REQUEST FOR PERMISSION TO UNDERTAKE RESEARCH AT ETHEKWINI METROPOLITAN MUNICIPALITY.

My name is Richard Jori a registered Master student at the Durban University of Technology. As part of the requirement, I am conducting research titled: An analysis of challenges faced by internal audit departments in the public sector - A case study of eThekwini Metropolitan Municipality. I am therefore kindly asking your highly respected office to grant me permission to use your organization as a case study of the research. Please be assured that data collected will be treated with utmost confidentiality.

Should you have any questions feel free to contact me on 21143516@dut4life.ac.za, my supervisor at jalil@dut.ac.za and my co-supervisor at rajeshr@dut.ac.za. Your understanding and consideration are greatly appreciated in advance.

Yours Sincerely

Richard Jori
0832077938
26 October 2018

The Head of Department: Auditing and Taxation
Durban University of Technology
7 Ritson Road, Durban, 4001

Attention: Dr L.F. Jali and Mr. R. Ramlall

PERMISSION TO CONDUCT RESEARCH STUDY - Mr. R JORI STUDENT NUMBER 21143516

Please be informed that eThekwini Internal Audit Unit and the eThekwini Municipal Academy (EMA) have considered a request from MR JORI to use Metropolitan Municipality as a research study site.

We wish to inform you of the acceptance of his request and hereby ensure him of our cooperation towards achieving his academic goals, the outcome which we believe will help our municipality improve service delivery. The student is reminded of the ethical considerations which must be prioritized when engaging our city officials during the research. We also stipulate as conditional that the student should present results and recommendations of his study to the relevant city unit upon completion of the research study.

Wishing Mr. R JORI all the best in his studies

K Mkhathini
Head: Corporate & HR
eThekwini Municipality

Dr M Ngubane
Head: eThekwini Municipal Academy
ANNEXURE 4: LETTER OF INFORMATION AND CONSENT

LETTER OF INFORMATION

Title of the Research Study: An analysis of challenges faced by internal audit departments in the public sector: a case study of eThekwini Metropolitan Municipality

Principal Investigator/s/researchers: Mr. Richard Jori (Master of Accounting (Internal Auditing))

Brief Introduction and Purpose of the Study: Internal audit is regarded as a crucial control mechanism that is utilised in both public and private institutions to give assurance that all controls are sufficient to ensure the achievement of the organisation’s objectives. Despite the existence of Internal Audit Functions (IAFs), allegations of corruption, fraud, and resource mismanagement have been prevalent for a long time in public institutions. This raise concerns that IAFs are experiencing difficulties in carrying out their duties. Therefore, the purpose of the study will be to analyse the challenges facing internal audit departments in the public sector.

Outline of the Procedures: The research will employ a mixed approach to collect data from internal audit staff at eThekwini Municipality. A combination convenience and purposive sampling will be used to collect data. Data will be collected through questionnaires and semi-structured interviews. Data will be analysed using Microsoft Excel.

Risks or Discomfarts to the Participant: This study has no foreseeable risks or discomforts for the participants.

Benefits: The researcher will benefit through the following: publications and presentations. In addition, the findings will be made available to the Durban University of Technology.

Reason/s why the Participant May Be Withdrawn from the Study: Respondents may
voluntarily withdraw from participating at any time. However, they are no specific reasons why a respondent may be withdrawn from the study apart from personal reasons. In addition, there are no adverse consequences if respondents voluntarily decide not to participate in the study.

Remuneration: There is no remuneration for participants.

Costs of the Study: Participants are not expected to cover any costs related to the study.

Confidentiality: The researcher will ensure that confidentiality is always upheld. Names and any identification details are not included in the questionnaires. The covering letter has a clause where the researcher undertakes to uphold confidentiality and anonymity during the study. The interview questions will be used for the purpose of this study only and data will be thematically presented for this study only.

Research-related Injury: No known injuries are expected from this study and no compensation will be made for any injury or harm that may result due to participation in this study.

Persons to Contact in the Event of Any Problems or Queries:
Researcher: Richard Jori, 083 207 7938 or 21143516@dut4life.ac.za
The Institutional Research Ethics Administrator on 031 373 2375.
CONSENT

Statement of Agreement to Participate in the Research Study:

☐ I hereby confirm that I have been informed by the researcher, ______________________ (Name of researcher), about the nature, conduct, benefits, and risks of this study.
☐ I have also received, read, and understood the above written information (Participant Letter of Information) regarding the study.
☐ I am aware that the results of the study, including personal details regarding my sex, age, date of birth, initials and diagnosis will be anonymously processed into a study report.
☐ In view of the requirements of research, I agree that the data collected during this study can be processed in a computerised system by the researcher.
☐ I may, at any stage, without prejudice, withdraw my consent and participation in the study.
☐ I have had sufficient opportunity to ask questions and (of my own free will) declare myself prepared to participate in the study.
☐ I understand that significant new findings developed during this research which may relate to my participation will be made available to me.

_________________________  ___________  _______  ______________________
Full Name of Participant Date       Time       Signature       / Right
Thumbprint

I, Richard Jori, herewith confirm that the above participant has been fully informed about the nature, conduct and risks of the above study.

_________________________  ______________________
Full Name of Researcher Date                                      Signature

_________________________  ______________________
Full Name of Witness (If applicable) Date                                      Signature

_________________________  ______________________
Full Name of Legal Guardian (If applicable  ______________________
ANNEXURE 5: QUESTIONNAIRE

67 Clark Road
Durban Central
Durban 4001

25 January 2019

Dear respondent

RE: INVITATION TO COMPLETE THE QUESTIONNAIRE

You are hereby invited to take part in this study research. The purpose of the study is to analyse the challenges faced by Internal Audit Departments in the public sector. This study is conducted as a requirement for the fulfilment of the Master of Accounting (Internal Auditing) at the Durban University of Technology. Please tick the most appropriate answer and provide further comments where applicable. Thank you in advance for taking part in this study.

Please take note of the following important information:
1) Participation in the study is completely voluntary and anonymous.
2) The study was formally reviewed and approved by the DUT Research Ethics Committee
3) The information received will only be used for research purposes.
4) You are under no obligation to participate in the study.

Yours sincerely

Mr Richard Jori
21143516@dut4life.co.za
0832077938

INSTRUCTIONS TO RESPONDENTS
1) Answer all questions/statements.
2) Mark with a tick on the selected option for each question/statement
3) Please do not leave any question or statement blank.
SECTION A

Instruction: Please indicate your choice by marking with an (X) in the appropriate box.

1. What is your highest tertiary qualification?

<table>
<thead>
<tr>
<th>Certificate</th>
<th>Diploma</th>
<th>Bachelor’s Degree</th>
<th>Honours Degree</th>
<th>Masters</th>
<th>Others (please specify)</th>
</tr>
</thead>
</table>

2. Which professional qualification do you hold? (Please tick all that are applicable)

<table>
<thead>
<tr>
<th>Certified Internal Auditor (CIA)</th>
<th>Chartered Accountant (CA)</th>
<th>Certified Information System Auditor (CISA)</th>
<th>Certified Government Auditing Professional (CGAP)</th>
<th>None</th>
</tr>
</thead>
</table>

3. What position do you occupy in your organisation?

<table>
<thead>
<tr>
<th>Junior Internal auditor</th>
<th>Senior Internal auditor</th>
<th>Junior Manager</th>
<th>Senior Manager</th>
<th>Deputy director</th>
<th>Director (CAE)</th>
</tr>
</thead>
</table>

4. How many years of experience have you been an internal auditor?

<table>
<thead>
<tr>
<th>&lt; 3 years</th>
<th>3-6 years</th>
<th>6-10 years</th>
<th>10-15 years</th>
<th>+15 years</th>
</tr>
</thead>
</table>

SECTION B

5 The internal audit department in my organisation complies with the IIA Standards

<table>
<thead>
<tr>
<th>Yes</th>
<th>No</th>
<th>Unsure</th>
</tr>
</thead>
</table>

6 How is the audit committee in your organisation appointed?
 Politically Competitive recruitment Nomination/seconded Do not know

| 7. Indicate the category to which members of the audit committee fall. |
|---|---|---|---|
| Members from outside the public service. | Public service members from outside the Department. | Members from inside the Department | Others (specify) |

| 8. The audit committee meet the minimum required essential skills and competences |
|---|---|---|
| Yes | No | Unsure |

Please indicate whether you agree or disagree by marking the box that closely matches your opinion. Use 5 scale rating whereby: 1 = Strongly Disagree, 2 = Disagree; 3 = Neutral; 4 = Agree; 5 = Strongly Agree.

<table>
<thead>
<tr>
<th>Please tick the appropriate response</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>C1</td>
<td>The internal audit function is appropriately skilled and have the right mix of skills to execute its duty in your organisation</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>C2</td>
<td>Top management provide appropriate support to the internal audit function</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>C3</td>
<td>The internal audit function is adequately structured to respond to the demands of the organisation.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>C4</td>
<td>The internal audit function is fully regulated and protected in my organisation</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>C5</td>
<td>I fear for my life and that of my family if I were to report questionable activities.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>C6</td>
<td>Internal auditors are free to disclose audit findings relating to malpractices to the audit committee without management approval.</td>
<td></td>
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<tr>
<td><strong>C7</strong></td>
<td>Management has power to influence audit outcomes prior to distribution</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>C8</strong></td>
<td>The audit committee provide appropriate support to internal audit in my organisation</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>C9</strong></td>
<td>Internal audit function is used as a training ground for future managers for other departments</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

What challenges are faced by your department during the following stages?

### Planning and executing phase

<table>
<thead>
<tr>
<th>Challenge</th>
<th>Yes</th>
<th>No</th>
<th>Do not know</th>
</tr>
</thead>
<tbody>
<tr>
<td>Management decides on the areas to be audited</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Restriction on access to documentations and information</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lack of understanding the role of internal auditors by staff</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>No prescribed auditing methodologies in place</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lack of resources to execute the plan</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lack of cooperation by the staff</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Reporting and follow-up phase

<table>
<thead>
<tr>
<th>Challenge</th>
<th>Yes</th>
<th>No</th>
<th>Do not know</th>
</tr>
</thead>
<tbody>
<tr>
<td>Findings are not accepted by management</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Recommendations are not implemented at all</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Recommendations are not implemented timeously</td>
<td></td>
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<tr>
<td>Unavailability of the auditee staff during follow up</td>
<td></td>
<td></td>
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<tr>
<td>Management fails to provide reasons why recommendations were not implemented</td>
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</table>

Any other comments

........................................................................................................................................................................

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THANK YOU FOR YOUR COOPERATION
ANNEXURE 6: INTERVIEW DISCUSSION GUIDE

Challenges facing the internal audit department.

1. **Resources**
   1.1 Is your department fully capacitated?
   1.2 What challenges is your department facing regarding resources?
   1.3 What measures are put in place to deal with resource challenges facing your department?

2. **Management support**
   2.1 Is management providing sufficient support to your department to carry out its duties?
   2.2 How is management providing support to your department to carry its duties?

3. **Independence of the Internal Audit Department**
   3.1 Is your department independent to carry its work?
   3.2 In what way is your department independent to carry out its work?