Towards a Conceptual Framework for the Effective Implementation of the Internal Audit Function

The Case of the South African Social Security Agency

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ABSTRACT

In the last two years, the auditing profession (internal and external auditing) has come under the spotlight in South Africa mainly owing to the allegations of unprofessional conduct on the part of auditors. This problem calls on academics to look closely at the auditing profession with a view of identifying possible research problems and providing scholarly and practical solutions to the problems facing the profession. Within South Africa’s public sector in particular, internal audit functions are implemented within the statutory and regulatory framework provided for in the Public Finance Management Act 1 of 1999 (PFMA), which is the statute that governs the management of public finances and National Treasury regulations. This article looks at the execution of the internal audit function at the South African Social Security Agency (SASSA), by using the so-called ‘6C Protocol’ framework of policy implementation, among others. The study adopted the qualitative research design and methodology. Data was collected using the case study approach, wherein first, one-on-one interviews with senior managers were conducted, second, junior managers completed a questionnaire that comprised open-ended questions and third, a focus group discussion was held with key personnel in the supply chain management department. The research findings indicate that when the actual implementation of the internal audit function at SASSA is juxtaposed to the key elements of the 6C Protocol as emphasised in the literature, there are aspects wherein actual implementation at SASSA is in line with the literature, such
as communication and commitment. However, several challenges were identified in human resource capacity and content among other areas. The article provides solutions to the challenges identified through a conceptual framework for the effective implementation of an internal audit function.

INTRODUCTION

Internal audit functions within South Africa’s public sector are executed within the ambit of a comprehensive statutory and regulatory framework such as the PFMA and National Treasury regulations. Section 51(1) of the PFMA lists the general responsibilities of accounting authorities of public entities such as SASSA – the case study for the research. One of these responsibilities is that accounting authorities must establish a system of internal audit that is managed by an audit committee. Accordingly, the system of internal audit should comply with and operate according to regulations and instructions stipulated in sections 76 and 77 of the PFMA. Section 76 of the PFMA lists all the matters on which the National Treasury may make regulations or issue instructions. Section 77 stipulates the composition of audit committees.

The Auditor-General of South Africa (AGSA) (2016:139) postulates that during the period under review, SASSA achieved an unqualified audit outcome with findings on compliance with legislation. The findings related to a form of financial misconduct, that is, irregular expenditure. The latter was recorded at just over R1 billion up from R93 million during the 2014/15 financial year. Irregular expenditure occurs when statutes such as the PFMA, the State Tender Board Act 86 of 1968 (RSA 1968) and any other legislation that informs procurement procedures, are not complied with (RSA 1999:8). This recorded irregular expenditure could be an indication of lapses in internal controls, which could be a contributory factor to increased financial misconduct. Moreover, the lapse in internal controls could also point to weaknesses in the agency’s internal audit function.

Internal audit functions play a critical role in public institutions in ensuring that internal controls for the prevention or reduction of cases of financial misconduct, among other forms of misconduct, are instituted. However, it must be emphasised that the role of internal audit functions in this regard is indirect and of an advisory nature (Sambo 2018:234). In addition, it must be pointed out that the study aims to address a gap in literature relating to a lack of research that assesses the value of the internal audit function as described above, especially in developing countries (Sambo 2017:5). Therefore, this article reports on, inter alia, the variables of policy implementation that explain causes of non-compliance with policy stipulations,
which may lead to misconduct, including financial misconduct, such as the importance of understanding the content of a policy that is being implemented (Sambo 2017:57).

Against this background, the purpose of this article is to report on findings of an empirical study conducted at SASSA. The study was directed by using the 6C Protocol framework of policy implementation, among others, to identify potential gaps in SASSA’s internal audit function. The variables of the 6C Protocol of policy implementation are as follows: content, context, commitment, capacity, clients and coalitions, and communication (Brynard 2005:17–21). These variables are necessary for successful policy implementation, and will be explained in detail below.

Having noted the findings of the AGSA above, the following problem statement is articulated: The implementation of the internal audit function at SASSA is not in line with the variables of the 6C Protocol of policy implementation. Consequently, the research question for the article is: Is the implementation of the internal audit function at SASSA in line with what is espoused within the variables of the 6C Protocol of policy implementation?

Henceforth, the article will provide an exposition of an internal audit function and policy implementation variables. This will be followed by a description of the case study, SASSA. Thereafter, the empirical findings and framework will be provided.

THEORETICAL PERSPECTIVES

The following section provides theoretical perspectives in the domain of internal auditing and policy implementation variables.

Theoretical framework for internal audit effectiveness

Khaled and Mustafa (2013:92) posit that various theories can be used to develop a theoretical framework for internal audit effectiveness, namely, agency theory, institutional theory and communication theory. This article will only consider agency and communication theories. These theories were used to explain the role of internal auditing, and are discussed below. However, the phrase ‘internal audit effectiveness’ has to be described first because the above theories seek to provide a theoretical framework for internal audit effectiveness. Internal audit effectiveness refers to the ability of internal auditors to achieve set objectives of the internal audit function (Badara & Saidin 2014a:76; 2014b:180). Similarly, Cohen and Sayag (2010:297) argue that the effectiveness of internal auditing is determined by the subjective evaluations given to the function by management. Furthermore, Enofe,
Mgbame, Osa-Erhabor and Ehiorobo (2013:163) posit that the internal auditor’s work is not done until shortcomings have been corrected and remain corrected. Thus, the effectiveness of internal audit functions in the public sector ought to be assessed by the degree to which they play a role in the achievement of effective and efficient service delivery, since this drives demand for better internal audit services. Against this background, effective internal auditing is necessary in undertaking independent evaluations of financial and operating information and of systems and procedures, as well as in providing useful recommendations for improvements when deemed necessary.

Badara and Saidin (2014b:176) emphasise the importance of having an effective and efficient internal audit function, by contending that if an internal audit function carries out its work well, it serves as an effective means of monitoring and promoting a system of good governance within any institution. Some of the factors that have an influence on internal audit effectiveness are: experience, training, education (including continuous professional education), and professional qualifications. Regarding continuous professional education, Alzeban and Sawan (2013:445) underscore that internal auditors are required to complete 80 notional hours of acceptable continuous professional education every two years, which provides them with training on new developments in the profession.

**Agency theory**

Some authors posit that agency theory emanates from the subject of economics, and has been used by scholars in the subjects of accounting, finance, marketing, political science, organisational behaviour, and sociology (Eisenhardt 1989b:57; Mitnick 2013:2). Therefore, an agency relationship is defined as a contract that is entered into between leaders of an institution and its management (Al Mamun, Yasser & Rahman 2013:38; Khaled & Mustafa 2013:92). The managers are regarded as agents of the leaders, and as such perform work on behalf of the leaders. However, there is a possibility that managers may deviate from carrying out their duties according to how the leaders expect them to, and instead pursue their own personal interests. This situation can be managed by the presence of corporate governance mechanisms, such as audit committees and external and internal auditors, who can ensure that managers carry out their duties as expected by the leaders (Al Mamun et al. 2013:38; Vafaei & Christopher 2014:7).

There are costs to the leaders associated with appointing resources such as auditors, which Al Mamun et al. (2013:38) refer to as ‘monitoring costs’. Furthermore, if an audit committee is found to be inefficient or ineffective, this creates problems because the internal audit function is not able to perform its role of monitoring the actions of management, resulting in management being more powerful, and having influence over the internal audit function (Khaled & Mustafa...
Enoë et al. (2013:164) use agency theory to explain how critical it is to maintain a strong internal audit function in order for senior management not to deviate from carrying out their duties in the expected manner. When the internal audit function reports to senior managers instead of the audit committee, this creates a dilemma because internal auditors are also agents of a board and audit committees, and have to evaluate the work of senior management.

In addition, the loyalty of internal auditors may lie with senior management instead of with a board and audit committee because senior management may have influence over the auditors’ future positions and salaries. Eventually, this may result in internal auditors becoming agents who are biased and not objective. As agents, internal auditors should perform their audit work professionally, and they should have the required level of education, experience and competencies required for them to carry out their work in a satisfactory manner. The existence of the previously mentioned traits could result in a board/audit committee having more confidence in the competence of internal auditors. Furthermore, when the audit committee and internal audit function are effective, they are able to carry out their role of ensuring that managers do their work as expected by the leaders of the institution (Khaled & Mustafa 2013:93) who, in a public sector context, are political office-bearers.

Communication theory

Communication theory postulates that good communication between internal auditors and auditees and the members of a public institution is important in strengthening internal audit effectiveness. To this end, the manner in which internal auditors communicate their findings is critical. For example, if internal auditors communicate their findings in a way that auditees perceive as accusatory or as only identifying weaknesses, this may break trust between internal auditors and auditees, which in turn may create communication barriers. Therefore, effective communication is critical, and the communication process should focus on relaying only necessary information in a clear, simple and meaningful way, as well as on creating mechanisms for feedback (Sambo & Webb 2017:148).

Principles of policy implementation

Brynard (2005:4) accentuates that while there are many definitions of policy implementation, one worth mentioning is that policy implementation includes what both public or private individuals do, which is aimed at realising objectives, set in policy pronouncements (cf. Cloete & Wissink 2000:166). Similarly, Grindle (2017:6) asserts that the role of policy implementation is to establish a link that makes it possible for the goals of public policies to be accomplished as outcomes of government activity.
Parsons (1995:461) highlights that policy implementation studies are concerned with how change occurs, and how it may be encouraged. This is because the objective of implementing a policy is to achieve certain changes. It also seeks to understand how organisations outside and inside a political system conduct their affairs and interact with one another, what motivates them to act in the way they do, and what may motivate them to act differently. McLaughlin (1987:171) further emphasises that the success or lack thereof in policy implementation depends on how individuals interpret the policy in the policy system. Issues such as commitment, size, capacity, intra-organisational relations and institutional complexity influence the outcome of implementation. In addition, factors such as limited resources, inadequate organisational structures, ineffective communication or poor coordination because of the failure to implement policies as intended, has resulted in the unsuccessful execution of some policy outcomes (Denhardt & Catlaw 2015:146).

6C Protocol of Policy Implementation

Brynard (2005:16) identified the following six variables that are crucial in shaping the direction of policy implementation:

- **Content**: There are various types of policies such as regulatory, distributive and redistributive. The PFMA can be classified as a regulatory policy because it specifies the rules that officials in public institutions need to adhere to in the management of public finances, including the implementation of an internal audit function.

- **Context**: Institutional context in the form of social, economic, political and legal realities of the system need to be taken into account in the process of policy implementation. These components are more dependent on human interactions that occur during the process of implementation as opposed to hierarchical regulation in the system.

- **Commitment**: For successful policy implementation to take place, commitment by implementing officials is an important aspect throughout the implementation process.

- **Capacity**: Capacity refers to the structural, functional and cultural ability to implement the policy objectives of a government; that is, the ability to deliver public services intended to raise the quality of life of citizens in an effective way. This also relates to the availability of, and access to, concrete resources such as human, financial, material, technological, and logistical. Capacity also includes the incorporeal requirements of leadership, motivation, commitment, willingness, endurance, as well as other intangible features needed to convert policies into action.

- **Clients and coalitions**: It is an important factor to take into account the opinions of interest groups during the policy implementation process, whose opinions
can result in a power shift that can affect the implementation process.

- Communication: Communication has been referred to as the 6th C in the implementation protocol. It is one of the important variables of implementation. In addition, Hill and Hupe (2002:169) emphasise that all parties involved in the implementation process need to be aware of what is happening at each point in time in order for them to deliver on their respective deliverables. Therefore, the probability of successful policy implementation rises when thought was given to the potential problems that may be experienced during implementation, at the stage of policy design. Against this background, public officials who design policies should pre-empt what may go wrong during the implementation stage, and already at this stage proactively provide solutions to counter possible problems.

Gaining compliance from policy implementers

Some authors have described three types of mechanisms for gaining compliance from policy implementers, as follows (Matland 1995:161; Hill & Hupe 2002:177):

- Normative: This form of compliance encourages compliance by referring to a mutual goal between central government and the implementing institution, or by relying on the authority of the person giving the instruction.
- Coercive: This makes use of threats relating to sanctions for failure to comply with a request for action.
- Remunerative: This includes the use of incentives in the form of additional resources, which makes the desired course of action attractive to the implementing institution.

Hill and Hupe (2002:177) define involvement by an actor in policy implementation as an evaluation that the actor makes to an object. A difference is made among alienative, calculative, and moral involvement. Alienative involvement could mean that individuals participate in a programme they do not necessarily want to be a part of. In contrast, calculative involvement has both negative and positive elements, depending on what the actor stands to gain. For example, positive orientation is achieved when one has been offered a tangible reward such as cash. On the contrary, moral involvement has a positive orientation with high intensity, such as the one displayed by loyal members of a political party. The types of power and involvement are combined to form dimensions of a typology of compliance relations. Ultimately, this gives rise to the following combinations: calculative involvement and remunerative power, alienative involvement and coercive power, and moral involvement and normative power. As a result, it can be argued that institutions should strive for the combination of moral involvement and normative power because this is the more positive power and involvement combination.
EXPOSITION OF THE CASE STUDY

SASSA Act 9 of 2004 (RSA 2004b), (SASSA Act), which came into effect in May 2004, provides for the establishment of SASSA as a schedule 3A public entity in terms of the PFMA (RSA 1999:74). The main aim of the SASSA Act is to make provision for the effective management, administration and payment of social assistance and services through the establishment of SASSA (RSA 2004b:2). Accordingly, SASSA was established in April 2005 in accordance with the Social Assistance Act 13 of 2004 (RSA 2004a), (Social Assistance Act). The Act establishes a national legislative framework for the delivery of various types of social grants, social relief of distress, the delivery of social assistance grants by a national agency, and the establishment of an inspectorate for social security (RSA 2004a:5). SASSA was selected as the case study for the research because it represents a significant quantum of the budget of the Department of Social Development (DSD), and the importance of the work that the agency does. The Agency administers the application, approval and payment of social grants on behalf of the DSD.

The work done by SASSA is important to the South African population. The South African Institute for Race Relations (SAIRR) (2012:1) observed that overall, social grant beneficiaries had increased by 333% since 2001. The Overseas Development Institute (ODI) (2011:3) reports that South Africa had the largest and best-developed social security system in Africa, with social grants alone reaching 28% of the population. This percentage has since increased as noted by SASSA (2017:24), and is reported at 31% of the population or 17.2 million beneficiaries. Furthermore, the budgeted amount for social grants for the 2017/18 financial year is reported at R178 billion, which represents 3.2% of the Gross Domestic Product (GDP) (National Treasury 2018:62). Therefore, social grants comprise one element of a comprehensive approach to poverty and inequality alleviation by the South African government (ODI 2011:3). Given the background explained above, the importance of the work done by SASSA cannot be discounted, thus the current study sought to make a contribution that would improve the implementation of an internal audit function at SASSA.

RESEARCH METHODOLOGY

The study adopted the qualitative research design and methodology because this was found to be the most suitable methodology to address the research question, which fell within the realism philosophical paradigm. Data was collected in the context of the case study approach, and the three data collection techniques employed were personal one-on-one interviews, a survey questionnaire that comprised open-ended questions and a focus group discussion. The study respondents/participants (senior and junior managers) were selected based on a
criterion-based/purposive sampling method wherein a sample is chosen based on the researcher's comprehension of the population. Therefore, the researcher chooses the respondents/participants with prior knowledge that they will be able to provide answers to questions on the central themes that are being studied. Purposive sampling also allows some diversity to be included in a sample in order for the influence of differences in respondents' views owing to the positions that they occupy, to be captured (cf. Sambo 2017:131).

Based on the above, five senior internal audit managers were identified. Three of the five senior managers were interviewed at SASSA’s head office in Pretoria, where the agency’s internal audit function is situated. In consultation with the General Manager: Finance, 10 more senior managers in certain of the areas in the agency that have been identified as strategic high risk areas, were also identified and interviewed at SASSA’s head office in Pretoria, as well as at the agency’s regional office in Johannesburg, therefore incorporating the agency’s operations in Gauteng. On average, the duration of each interview was one and a half hours (total 19.5 hours). The managers in the so-called strategic high risk areas, such as the supply chain management department, were chosen because operational risks of such departments featured highly on SASSA’s internal audit plan (cf. Sambo 2017:162), implying that those are the risks that ought to be prioritised by the internal audit function. Therefore, these managers would be better suited to answer questions pertaining to the agency’s internal audit function because they have closely interacted with the internal auditors.

A survey questionnaire, which comprised open-ended questions, was completed by eight of the 14 junior managers in the agency’s internal audit department. A qualitative data expert approved the data collecting instruments. Furthermore, a pilot study was conducted, and this gave the researcher an opportunity to refine the survey questionnaire.

The literature review and relevant empirical documents formed the basis on which the questions for both interview schedule and the survey questionnaire were conceptualised. The interview schedule used for the interviews with senior internal audit managers as well as the survey questionnaire that was completed by junior internal audit managers had similar content. This was necessary in order to observe any differences in the views of the two groups of respondents in an effort to achieve the objectives of purposive sampling, as noted above. However, certain items that were believed to be privy only to senior managers were excluded from the survey questionnaire completed by the junior managers. The interview schedule used for the interviews with the other senior managers also contained similar questions to the one for senior internal audit managers. The other senior managers were a necessary inclusion in the population for the study as they were the recipients of internal audit services in the agency.

The data from the interviews and completed survey questionnaire was analysed
using the Qualitative Data Analysis software called ATLAS.ti. All research respondents had been assigned names to highlight differing opinions or minority views (SA=senior internal audit managers, SO=other senior managers, JA=junior internal audit managers). Ritchie and Lewis (2003:203) cite that when analysing qualitative data, conclusions can be drawn from themes that emerge from the data once the coding process has been completed. The data for the present study is organised in accordance with non-cross-sectional data organisation and analysis, as such, answers to questions were looked at individually and conclusions were drawn on the themes that emerged from answers to individual questions.

In addition, there is information/data the researcher had to request from SASSA in writing, which was relevant for the study. This information (inter alia on financial misconduct cases and training schedules) had to be requested in writing because not all SASSA employees are privy to it. This information could therefore not be included in the survey questionnaire or interview schedule.

Concerning ethical considerations, Brynard and Hanekom (2006:6) highlight two primary requirements for researchers pertaining to ethics, namely, honesty and confidentiality. Accordingly, researchers should report on information truthfully, as well as avoid publishing confidential information in their research. Therefore, researchers ought to observe ethical requirements whenever research is conducted. In this regard, ethical clearance for this study was obtained.

FINDINGS AND ANALYSES

The findings presented below pertain to the key variables of the theoretical framework for internal audit effectiveness, as presented above, under 'theoretical perspectives'. As highlighted above, internal auditors have set objectives that they aim to achieve, and this determines the extent of their effectiveness. In assessing the likelihood of internal auditor effectiveness, certain variables can be evaluated, as done below. It must also be noted that there are questions that could not be answered by some of the group(s) of respondents/participants. This is captured in Table 1.

The PFMA and Treasury Regulations

Table 2 presents findings on relevant sections of the PFMA. It was noted above that internal audit functions are implemented within the ambit of statutory and regulatory framework such as the PFMA and National Treasury regulations. Therefore, it was necessary to ascertain the compliance of SASSA’s internal audit function with stipulations of the PFMA and National Treasury regulations, as presented below. It must also be noted that the senior managers: internal audit, were the only group that could answer the questions. This is captured in Table 2.
<table>
<thead>
<tr>
<th>Concept</th>
<th>Opinions of senior managers – internal audit (SA 1–3)</th>
<th>Opinions of other senior managers (SO 1–10)</th>
<th>Opinions of junior managers – internal audit (JA 1–8)</th>
<th>Opinions of focus group participants (Participant 1–4)</th>
<th>Key themes</th>
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<tbody>
<tr>
<td>Experience of internal auditors</td>
<td>The overall view of these managers is that internal auditors are competent. Where there are gaps, these are addressed through training.</td>
<td>The common view of these managers is that internal auditors are competent and they have the required qualifications. However, it was also said – [They are lacking in terms of linking theory to practice (SO 8).]</td>
<td>These managers cited that internal auditors have the necessary qualifications and experience to conduct audits.</td>
<td>N/A</td>
<td>The common theme that emerged points to the fact that the internal auditors are competent. However, the minority view that points to inadequate ability to link theory to practice cannot be ignored.</td>
</tr>
<tr>
<td>Professional qualifications of internal auditors</td>
<td>Written feedback from SA 1 confirmed that all internal auditors in SASSA have the necessary qualifications in internal auditing.</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Role of audit committee</td>
<td>In general, the theme that emerged was that the audit committee was adding value in the agency by providing advice. For example, the audit committee has played an advisory role in the agency helping the agency to avoid mistakes, such as during the process of appointing a grants administration service provider. SASSA (2016: 57) confirms this opinion, and cites that the audit committee has advised the agency during the process of transition towards incorporating the agency’s grants payment role in-house. The audit committee found that the process of transition presented complexities, which would create new risks, for which both the risk management department and internal audit function would need to be prepared.</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
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<tr>
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<td>Reporting line of chief audit executive (CAE)</td>
<td>The overall response was that the General Manager: Internal Audit reports directly to the CEO. The General Manager: Internal Audit’s reporting line was also confirmed through a written reply to a list of questions, which the author sent to the incumbent prior to the interviews.</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Effectiveness of the internal audit function</td>
<td>The majority of these managers cited that objectives are always met. In addition, audit objectives are aligned with the audit procedures in order to mitigate risks that face the agency.</td>
<td>The common theme that emerged is that improvements have been noted after internal auditors had conducted audit assignments, in the form of reductions in Auditor-General findings. On the other hand, the following was pointed out:</td>
<td>N/A</td>
<td>All participants emphasised that most of the time internal audits clash with audits by external auditors. This has thus rendered the internal audit function ineffective. In addition, the participants cited that internal audit reports are submitted late, at which point they do not find them valuable.</td>
<td>Two themes emerged; Positive: There are improvements that have been realised at SASSA, because of internal audits undertaken. Negative: Some of the clients of the internal audit function are of the view that the function is ineffective and does its work for compliance purposes.</td>
</tr>
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</table>
Table 2: Findings on relevant sections of the PFMA and Treasury Regulations

<table>
<thead>
<tr>
<th>Concept</th>
<th>Opinions of senior managers – internal audit (SA 1–3)</th>
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<tbody>
<tr>
<td>Three-year rolling strategic internal audit plan (in terms of Treasury Regulation 27.2.7)</td>
<td>The managers cited that SASSA has a three-year rolling strategic internal audit plan in place, as required by Treasury Regulation 27.2.7, which is drafted in consultation with management and the office of the Auditor-General.</td>
</tr>
<tr>
<td>Reporting line of CAE (in terms of Treasury Regulation 27.2.8)</td>
<td>The opinions of the managers indicated that the General Manager: Internal Audit reports directly to the CEO, as stipulated in Treasury Regulation 27.2.8. The General Manager: Internal Audit’s reporting line was also confirmed through a written reply to a list of questions, which the author sent to the incumbent prior to the interviews. In addition, it was confirmed that the internal audit function reports at all audit committee meetings. The main items that are reported on at these meetings include progress against the audit plan, audit findings on completed audit assignments, staffing issues and training requirements.</td>
</tr>
<tr>
<td>Composition of SASSA audit committee (in terms of Treasury Regulation 27.1.4)</td>
<td>All the managers confirmed that all the SASSA audit committee members are external to the public sector. A list of SASSA’s audit committee members, which shows that they are all external, was sent to the author. Additionally, SASSA (2016:56) lists the audit committee members, which also indicates that they are all external members.</td>
</tr>
<tr>
<td>Frequency of audit committee meetings (in terms of section 77(b) of the PFMA)</td>
<td>All the managers corroborated the frequency of audit committee meetings at SASSA, which is four times a year. An additional special meeting is also held to consider financial statements prior to submitting these to the Auditor-General. SASSA (2016:56) confirms the above feedback by interview respondents, and shows that the audit committee members met four times during the year under review.</td>
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<td>Financial misconduct cases (in terms of section 83 of the PFMA)</td>
<td>When it comes to how SASSA deals with financial misconduct cases, the managers cited that the Financial Misconduct Board (FMB) in the agency, which also recommends sanctions, handles these. Where money has to be recovered from transgressors, steps are taken to recover the money. The existence of the FMB in the agency is confirmed in SASSA (2016:54). It is further explained that the board is a governance structure established to deal with matters of financial misconduct as required by section 83 of the PFMA, which mandates that cases of financial misconduct should be dealt with adequately.</td>
</tr>
<tr>
<td>Role of risk management strategy in determining the skills that managers and staff should have to improve controls and manage risks (in terms of Treasury Regulation 27.2.1)</td>
<td>The managers alluded to the existence of a risk management strategy at SASSA. A copy of this document was subsequently provided to the author. Furthermore, SASSA (2016:55) highlights that, at the time of the report, the agency had an approved fraud prevention plan that was aligned with the agency’s risk management strategy. However, it was reiterated that there is no evidence that the risk management strategy determines the skills required of managers and staff to improve controls and manage risks, as stipulated in Treasury regulation 27.2.</td>
</tr>
<tr>
<td>Concept</td>
<td>Opinions of senior managers – internal audit (SA 1–3)</td>
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<tr>
<td>Maintenance of effective controls (in terms of Treasury Regulation 27:2:10)</td>
<td>The overall impression was that internal audit reports provide recommendations that assist management and the CEO, with decision-making concerning controls. Additionally, the auditors audit high-risk areas, thereby giving assurance to the CEO on compliance with controls or lack thereof.</td>
</tr>
<tr>
<td>Development of recommendations for enhancement or improvement of internal controls (in terms of Treasury Regulation 27:2:10)</td>
<td>In general, the theme that emerged points to the fact that audit findings include recommendations for the improvement of the internal control environment.</td>
</tr>
<tr>
<td>The role of the internal audit function in assisting the accounting authority (CEO) in achieving the objectives of the institution (in terms of Treasury Regulation 27:2:11)</td>
<td>The common view was that the fact that the audit committee and CEO approve the audit plan of the agency ensures that risk areas that are identified by the CEO are addressed. The internal audit function thus assists the CEO in achieving the objectives of the institution in this way.</td>
</tr>
</tbody>
</table>

Source: (Author’s own interpretation)

The 6 C Protocol framework

The findings presented in Table 3 pertain to the variables of the 6C Protocol of policy implementation, which were presented above. As shown above, it is necessary for these variables to be in place for successful policy implementation. It must also be noted that there are questions that could not be answered by some of the group(s) of respondents. Table 3 captures the findings.

CONCEPTUAL FRAMEWORK FOR THE EFFECTIVE IMPLEMENTATION OF THE INTERNAL AUDIT FUNCTION

The conceptual framework for the implementation of the internal audit function presented below will serve the purpose of improving the implementation of the internal audit provisions of the PFMA at SASSA or any other public institution to which the PFMA applies. Most importantly, the conceptual framework also serves the purpose of providing recommendations pertaining to the necessary conditions under which the effectiveness of the internal audit function at SASSA could be improved. The framework describes the conditions, their interpretation as well as how they can be assessed. See Table 4.
Table 3: Findings on the 6 C Protocol framework

<table>
<thead>
<tr>
<th>6C Protocol variable</th>
<th>Opinions of senior managers - internal audit (SA 1–3)</th>
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</tr>
</thead>
<tbody>
<tr>
<td>Content</td>
<td>The common themes that emerged from the data pointed out that internal auditors do understand what is expected of them in terms of the PPFA. Specific reference was made to the internal auditors' role at assisting management in achieving the strategic objectives of the agency. It was cited that the role of the internal auditors is to evaluate the adequacy of internal controls, for example they support and advise management when appointing critical service providers, such as grant administration service providers, in order to ensure a smooth transition and less impact on beneficiaries.</td>
<td>The views of these managers were that internal auditors understand their role of promoting good governance. However, this way audits are done makes it difficult for the agency to implement the findings and suggested improvements. This is because internal auditors conduct audits at the same time as external auditors (Auditor-General), which leaves no time for implementation. It was also cited that the internal auditors do not communicate on time when audits are to be done. Furthermore - Internal auditors are risk-based, informed by the risk assessments performed by the agency's risk management department. As such, from the risk assessments performed, a one-year plan and a three-year plan are developed by the internal audit department based on the agency's high risk areas (JA 8);</td>
<td>Two themes emerged: Positive: The three groups were of the view that internal auditors in SASSA have a good understanding of their role, which includes inter alia evaluating the adequacy of internal controls and promoting good governance. Negative: The other senior managers who are the recipients of internal audit services in the agency were of the view that there was no synergy between the internal and external auditors.</td>
<td></td>
</tr>
<tr>
<td>Context</td>
<td>The general view was that internal auditors are always mindful of the prescripts that govern the function. In addition, it was cited that the function endeavours to avoid any political influences by striving to do its work without being influenced by politics.</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Capacity (Human resources)</td>
<td>The opinions of these managers are that the internal audit function is understaffed. Only 23 staff members were responsible for auditing nine SASSA regional offices across the country.</td>
<td>N/A</td>
<td>These managers confirmed the views of their senior counterparts by stating that there was a shortage of staff in the internal audit function of the agency.</td>
<td>The key theme by both groups who could answer this question is that the internal audit function is short-staffed.</td>
</tr>
<tr>
<td>6C Protocol variable</td>
<td>Opinions of senior managers – internal audit (SA 1–3)</td>
<td>Opinions of other senior managers (SO 1–10)</td>
<td>Opinions of junior managers – internal audit (JA 1–8)</td>
<td>Key theme(s)</td>
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<tr>
<td>Capacity (Financial)</td>
<td>The respondents were of the view that the budget that is allocated to the internal audit function is limited, which affects the work that has to be done in the various regions negatively.</td>
<td>N/A</td>
<td>The overall impression was that the financial resources allocated to the internal audit function are not adequate. This is because most of SASSA’s work is done by the regions and/or provinces wherein they submit quarterly performance reports to head office, where all reports are consolidated. Internal audit thus has to provide assurance to management on the adequacy and effectiveness of internal controls at the nine regional offices. This work requires vast financial resources.</td>
<td>The main theme that emerged points to the fact that the financial resources that are allocated to the internal audit function are not adequate.</td>
</tr>
<tr>
<td>Clients and coalitions</td>
<td>The internal audit function is situated at SASSA head office in Pretoria, and is responsible for providing value-adding auditing services to the agency’s nine regional offices (one office in each province). This view was confirmed by SASSA (2016:52).</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Communication</td>
<td>These managers were of the opinion that they communicate with others positively and always provide an opportunity for a right of reply to auditors. The majority of these managers were of the view that communication by internal auditors was professional and highlighted that most communication was in writing.</td>
<td>N/A</td>
<td>These managers reiterated that they communicate positively with stakeholders. They also highlighted that they administer a survey at the end of each audit, in order to solicit feedback from managers on their experiences from interactions with internal auditors.</td>
<td>The key theme points to the fact that internal auditors at SASSA communicate positively.</td>
</tr>
<tr>
<td>Commitment</td>
<td>The overall impression was that internal auditors are committed to their work. They always try to go beyond their scope, giving advice and assisting with processes at local offices.</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>

Source: Author's own interpretation
<table>
<thead>
<tr>
<th>Number</th>
<th>Condition</th>
<th>Interpretation of condition</th>
<th>Assessing the condition</th>
<th>Link to theory</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>An understanding of the prescripts that the internal audit function should adhere to</td>
<td>Internal audit staff are required to demonstrate an understanding of the sections of the PFMA and Treasury regulations on the internal audit function, when carrying out their work.</td>
<td>Internal audit staff’s compliance with the requirements of the PFMA and Treasury regulations.</td>
<td>This condition can be linked to the importance of understanding the content of a policy (cf. 6C Protocol on policy implementation).</td>
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<tr>
<td>2</td>
<td>Commitment of internal audit staff</td>
<td>Internal auditors’ commitment to carrying out their duties in the manner expected.</td>
<td>The efforts of internal audit staff when carrying out their work demonstrates their commitment.</td>
<td>The commitment of staff responsible for implementing a policy is one of the key requirements for successful implementation (cf. 6C Protocol on policy implementation).</td>
</tr>
<tr>
<td>3</td>
<td>HR capacity</td>
<td>Sufficient human resources in the internal audit function in order to ensure that the internal audit plan is adequately implemented.</td>
<td>Sufficient staff in the internal audit function at any given time to implement the 3-year rolling strategic internal audit plan. The number of staff required to implement the audit plan has to be stipulated in the internal audit plan.</td>
<td>Human resource capacity remains one of the key requirements for successful policy implementation (cf. 6C Protocol on policy implementation).</td>
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<tr>
<td>4</td>
<td>Communication by internal audit staff</td>
<td>Internal auditors’ ability to communicate positively with clients and stakeholders, as well as to promote open communication.</td>
<td>Positive feedback from clients and stakeholders on their interactions with internal auditors.</td>
<td>Communication by internal auditors is a key determining factor in ensuring that auditees understand the recommendations of the internal audit function (cf. description of communication theory &amp; 6C Protocol on policy implementation).</td>
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<tr>
<td>Number</td>
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<tr>
<td>5</td>
<td>Appointing and reporting line of the head of the internal audit function or CAE</td>
<td>The role of the audit committee in the appointment of a CAE and the reporting line of the incumbent.</td>
<td>An audit committee's involvement in appointing the CAE. The incumbent must report to the audit committee, in order to ensure independence from management. This will require that the PFMA be amended. Regulation 27(1)(a) of the Treasury Regulations stipulates that audit committees must report and make recommendations to the accounting authority.</td>
<td>The literature emphasizes that in order to promote independence of the internal audit function, the audit committee must be involved in the appointment of a CAE. (cf., discussion on agency theory &amp; section on findings on sections of the PFMA and Treasury regulations).</td>
</tr>
<tr>
<td>6</td>
<td>Composition of audit committee</td>
<td>An audit committee that has members with the right mix of qualifications and a balance between external and internal members.</td>
<td>First, members of an audit committee having the right combination of qualifications ranging from internal finance to accounting, legal and information systems. Second, the inclusion of both internal and external members in the committee. Internal members have the necessary insights of what is happening in the public sector and would add value to the committee.</td>
<td>It is suggested in the literature that audit committee members should have the right mix of qualifications necessary for them to carry out their work (cf., discussion on agency theory; section on findings in sections of the PFMA and Treasury regulations &amp; Smitka, 2017:35).</td>
</tr>
<tr>
<td>7</td>
<td>Audit committee meetings</td>
<td>Frequency of audit committee meetings.</td>
<td>Audit committee meetings taking place at least once every month in order for the committee to discharge its oversight role. This will require that the PFMA be amended - Section 27(6) of the PFMA states that audit committees must meet at least twice a year.</td>
<td>(cf., discussion on agency theory and section on findings on sections of the PFMA and Treasury regulations).</td>
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</tbody>
</table>
CONCLUSION

The PFMA and its regulations serve the purpose of streamlining the management of financial resources in South Africa’s public sector. The PFMA emphasises that the role of internal audit functions is to assist public institutions in maintaining effective controls, and most importantly, developing recommendations for improvement of the said controls. This is necessary in order to among other things, ensure the reliability and integrity of financial and operational information as well as compliance with laws and regulations. Therefore, the role of internal audit functions is key, and the function ought to execute its duties in accordance with the statutory and regulatory framework that governs its existence, that is, the PFMA and its regulations. From a theoretical perspective, the following aspects were considered: the theoretical framework for internal audit effectiveness, as well as policy implementation variables, key to successful implementation, the 6C Protocol.

Furthermore, the case study of the research, SASSA was briefly described. Following this was a description of the methodology that the study followed, that is, the qualitative methodology. Lastly, the findings of the study were presented in the following manner: Findings on key variables of the theoretical framework for internal audit effectiveness. The findings here pointed to among other things, that the internal audit function at SASSA was in some instances found to be effective and in some not. The ineffectiveness of the function was attributed to its inability to schedule its own audits and those of external auditors (Auditor-General) in a way that would allow auditees to first implement internal audit recommendations in time before audits by external auditors. According to the research respondents/participants, the previously mentioned clashes rendered the internal audit function ineffective.

The findings on sections of the PFMA revealed that the function was mainly discharging its duties in accordance with the PFMA. This was found to be the case in areas such as the reporting line of the CAE, the frequency of audit committee meetings as well as the existence of a three-year rolling strategic internal audit plan. However, it was also revealed that the audit committee members were external to the institution and the public sector. This status quo may mean that the audit committee lacks the insight of what actually occurs within the SASSA, and may therefore not be able to make recommendations on aspects of which they are not aware.

In answering the research question: Is the implementation of the internal audit function at SASSA in line with what is espoused within the variables of the 6C Protocol of policy implementation? the findings on the 6C Protocol framework pointed to positive gains on aspects such as communication and to an extent, the internal auditors’ understanding of what is expected of them in terms of the
PFMA. Shortcomings were highlighted in areas such as human and financial resources allocated to the internal audit function. The gaps that have been identified are possible explanations for the weaknesses that have been found in the internal audit function at SASSA. Furthermore, the weaknesses could also explain lapses in internal controls, which may have contributed to the recorded irregular expenditure as highlighted above. In addressing these gaps, a conceptual framework for the effective implementation of an internal audit function was presented. The conceptual framework provides some of the important variables that have to be in place for the successful implementation of an internal audit function.

The limitations of the study were that SASSA as the chosen case study for the research is a large organisation and as such, the research could not be conducted in all of its offices. Similar studies in the future could be conducted in other regional offices of the Agency, or in national and/or provincial service delivery departments, since this study was undertaken in a public entity. Other similar studies should be conducted at the National Treasury as the custodian of the implementation of the PFMA in order to understand what the Treasury can do to change or amend the PFMA and Treasury Regulations.

REFERENCES


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