



Internal audit's evolving performance role: Lessons from the South African public sector

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ABSTRACT

- **Purpose**

The formal adoption of internal auditing within the South African public sector was made compulsory by the Public Finance Management Act, No. 1 of 1999. Despite internal auditing's primary role of adding value and assisting organisations accomplish pre-defined strategic objectives, the increasing frequency of service delivery protests in South Africa, suggests that mandatory internal auditing may not have contributed to improving public sector performance and enhancing service delivery, as envisaged. The paper accordingly sought to identify the factors preventing internal audit from effectively contributing to improved public sector performance and service delivery.

- **Design/methodology/approach**

The study adopted a sequential mixed-methods research approach. First, a survey instrument was used to collect empirical data from survey respondents at South African national government departments. Second, semi-structured interviews and focus group discussions were held with a purposively selected sample of participants to explore the observations from the first phase. The observations from the first two phases were validated through an analysis of pertinent documents and records.

- **Findings**

Despite all departments adopting internal auditing, management's expectations of internal auditing and the services provided by the internal audit function diverged. The results suggest that the emergence of a compliance approach to organisational governance together with poor performance management skills has impaired internal auditing's ability to effectively contribute to strategic and performance management.

- **Research Implications**

Despite its South African orientation, since internal auditing is a global association and given that service delivery protests continue to occur in several countries around the world, increases the study's international relevance. Moreover, the mandate of internal auditing requires it to add value to an organisation irrespective of its geographical location.

- **Originality**

The study contributes to the existing body of knowledge on internal auditing, particularly its adoption and implementation in the South African public sector. In addition to identifying the factors inhibiting effective internal auditing, the study advances a suggested framework for the future of internal auditing.

Keywords – internal audit function (IAF); risk and strategic management; monitoring and evaluation; organisational performance management (OPM); performance information (PI) reporting; public sector.

1. Introduction

South Africa transitioned to a democratic state in 1994, with the incoming government promising to address past inequalities, and improving the living conditions for all its people (Mamokhere, 2019; Wasserman *et al.*, 2018). However, abject poverty, consistently high unemployment and limited availability of critical public goods and services (hereafter, public goods), such as potable water and sanitation, has culminated in ongoing service delivery protests throughout the country. Corruption and poor governance of public sector organisations, further increase the public's dissatisfaction, which has fuelled these service delivery protests (Mamokhere, 2019; News24, 2018; Sebugwawo, 2013; Wasserman *et al.*, 2018).

The advent of democracy provided a platform for society to increasingly demand improved service delivery, greater transparency and accountability on how the state's resources were deployed, prompting the South African government to adopt the principles of good governance (Mamokhere, 2019; News24, 2018; Sebugwawo, 2013; South Africa, 1994; Wasserman *et al.*, 2018). Financial constraints and resource constraints, as well as a desire to address increasing demands, compelled government departments and institutions to adopt measures and mechanisms to enable effective, optimal organisational performance. Optimal public sector organisational performance involves effectively providing public goods in accordance with societal expectations, in an economic and efficient manner (Chowdhury and Shil, 2017; Raum and Morgan, 2009; South Africa, 1999; Swedish National Audit Office, 1999).

Organisational performance management (OPM) was one of the mechanisms government adopted to improve service delivery and reduce service delivery protests (Pollitt, 2016). The formal introduction of OPM in the public sector has its origins in the New Public Management (NPM) ideology (Chowdhury and Shil, 2017). NPM seeks to introduce private sector managerial practices into the public sector in order to promote economical, efficient and effective organisational performance (Chowdhury and Shil, 2017). Nevertheless, service delivery protests continued unabated, negating claims of improved public sector service delivery (Mamokhere, 2019; News24, 2018; Sebugwawo, 2013; Wasserman *et al.*, 2018).

In order to improve governance, OPM, accountability and service delivery, the South African government promulgated the Public Finance Management Act, No.1 of 1999 (PFMA), which introduced mandatory internal auditing for the South African public sector (South Africa, 1999). The Treasury Regulations, issued in terms of the PFMA, compelled internal audit functions (IAFs) in the South African public sector to adopt and implement the International Standards for the Professional Practice of Internal Auditing (IAS) (South Africa, 2005). Consequently, internal auditing in the South African public sector is required to conform with International Professional Practices Framework (IPPF), which includes the Definition of Internal Auditing (IIA,

2020), the Code of Ethics and the IAS (IIA, 2017). The IPPF which was developed and formalised by the global Institute of Internal Auditors (IIA), is applicable to all IIA's across the world (IIA, 2017). Consequently, internal auditing in the South African public sector is required to comply with the IPPF.

According to the IIA definition, internal auditing must add value to national departments by assessing the probability that they will achieve their strategic objectives, by focusing on the organisation's governance, risk management, controls and business processes (IIA, 2017: IAS 2030). However, continuing service delivery protests by the community, suggest that internal auditing has not been entirely successful in adding value, failing to assist in improving service delivery (Mamokhere, 2019; News24, 2018; Sebugwawo, 2013; Wasserman *et al.*, 2018).

Since an effective IAF is mandatory in the South African public sector, this study attempts to understand why internal auditing has not concomitantly improved service delivery. Allowing for pragmatic flexibility, this multiphase sequential mixed methods study comprised three primary phases. The first phase, quantitatively analysed the responses to a survey instrument distributed to the Directors General¹ of all 44 South African national government departments (hereafter, national departments), representing the known population of national departments at the time of the study. The second phase, qualitatively analysed the observations from semi-structured interviews and focus group discussions held with purposively selected participants at national departments. To obtain deeper insights into the observations emerging from the first two phases, the third phase comprehensively analysed pertinent archival data of the selected national departments. This multiphase approach allowed for triangulation of the observations from the various phases.

Within the context of the South African government's adoption of OPM to improve public sector service delivery, as well as compelling all national departments to have effectively functioning IAFs, the ongoing service delivery protests appear to suggest that the IAF has not achieved its objective of *"help[ing] an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes"* (IIA, 2020). The emerging research question therefore relates to the factors that prevents internal auditing from effectively contributing to assisting the organisation improve its organisational performance. The study therefore aimed to understand the extent to which internal auditing assisted in improving organisational performance and accordingly service delivery. After exploring internal auditing's role in OPM at national departments and identifying the factors inhibiting internal auditing's ability to assist the organisation accomplish its objectives, the paper proposes a conceptual framework for internal auditing's likely future role.

Notwithstanding its South African orientation, the study has global relevance, in that internal auditors internationally, are required to comply with a single, formalised IPPF, as well as because protests related to

¹ In South Africa, the Director General is the effective Head, or CEO of a national government department.

dissatisfaction with government service delivery and performance is a global phenomenon. Service delivery protests have occurred in several countries around the world, including Brazil (Al Jazeera, 2019a), Venezuela (BBC, 2019), Sudan (Al Jazeera, 2019b), Turkey (Human Rights Watch, 2019), France (NBC, 2018) as well as Hong Kong (New York Times, 2019). Many of these countries have adopted internal auditing as a mechanism to assist their organisations promote optimal performance, thus rendering the observations and assertions of this study, internationally applicable.

2. Literature review

2.1 Nature of internal auditing

In order to assist the organisation achieve its strategic objectives (IIA, 2017: IAS 2130.A1), the mandate of internal auditing is not confined to providing independent assurance services relating to an organisation's governance, risk management and control processes, but also providing the organisation with consulting services (Arena and Sarens, 2015; Mihret and Grant, 2017; Tušek and Pokrovac, 2012). The official IIA definition of internal auditing requires internal auditing to be independent, objective, systematic and disciplined (IIA, 2020; Mihret and Grant, 2017).

Kapoor and Brozzetti (2012) argue that strategic management actions – the decisions taken and the activities implemented to accomplish an organisation's vision, mission and planned objectives – should be also subject to internal auditing, in compliance with IAS 2110 (IIA, 2017). Consequently, IAFs provide assurance on whether planned objectives and organisational strategies are appropriately developed and approved (Kapoor and Brozzetti, 2012). Similarly, IAFs evaluate whether line managers, supervisors and employees of national departments, have effectively implemented approved strategies aimed at achieving planned service delivery objectives (Arena and Sarens, 2015; Dumitrescu-Peculea and Calota, 2014; Kapoor and Brozzetti, 2012). Dumitrescu-Peculea and Calota (2014), accordingly postulate that internal auditing has a futuristic orientation insofar as it must provide assurance that the organisation's planned activities will contribute to sustainable future organisational performance.

The IPPF enables IAFs to provide organisations with consulting services (Arena and Sarens, 2015; IIA, 2020; Mihret and Grant, 2017; Selim *et al.*, 2009). Florina *et al.* (2013) suggest that internal auditing consulting services should provide solutions on specific projects and problems to effectively assist management accomplish planned objectives. Selim *et al.* (2009) posit that providing consulting services allows the IAF to advise and offer value-adding input to the organisation, which in turn translates into enhanced service delivery by national departments. Verschoor (2014) adds that consulting services encompass a variety of fields, such as business reengineering, project management and information technology (IT) development. The arguments advanced (IIA, 2020; Mihret and Grant, 2017; Selim *et al.*, 2009; Verschoor, 2014), emphasise that internal auditing's consulting role is intended to assist management, by performing specific tasks to

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2 improve organisational performance and accordingly service delivery, thereby adding value as envisaged in
3 the definition of internal auditing, but without compromising internal auditing independence.
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6 Improved organisational performance is promoted when the organisation embraces good governance
7 principles and practices (Australia, 2010; Carlei and Marra, 2010; Feizizadeh, 2012). Successful organisations
8 are generally those that have created and sustained a governance environment exceeding mere compliance
9 with laws, regulations and other prescripts, but also by embracing the principles of efficiency, effectiveness
10 and long-term sustainability (Waitzer and Enrione, 2005). Consequently, strong organisational governance
11 promotes improved service delivery (Australia, 2010; Carlei and Marra, 2010; Feizizadeh, 2012), with internal
12 auditing usually providing the organisation with assessments and value-adding recommendations to
13 entrench strong organisational governance practices (IIA, 2017).
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21 **2.2 Internal auditing in the South African public sector**

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23 The PFMA makes it compulsory for the Accounting Officers of South African public sector organisations to
24 establish an IAF (South Africa, 1999). Furthermore, the Treasury Regulations compel IAFs in the South African
25 public sector to have internal audit charters consistent with the IIA's definition of internal auditing, and
26 compliant with the IASs (South Africa, 2005). The appropriateness of the South African public sector's
27 approach to internal auditing is supported by Aikens (2011) who confirms that IAF services are frequently
28 utilised to improve accountability over the use of public funds. Moreover, internal auditing assists in
29 detecting, preventing and correcting the uneconomical, inefficient and ineffective use of public funds, by
30 noting their adverse impacts on achieving strategic objectives and consequent service delivery to the public
31 (Aikens, 2011). Internal auditing is also responsible for evaluating business processes to establish whether
32 such business processes support optimal organisational performance (Aikens, 2011). Wherever necessary,
33 internal auditing provides recommendations for improvement of these processes, thereby increasing the
34 probability that the organisation will achieve its service delivery objectives (Aikens, 2011).
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44 **2.3 Theoretical bases for internal auditing**

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47 National departments are created to address a community need by providing the community with public
48 goods. Public goods must address societal needs and be provided in the most optimal manner – economically,
49 efficiently and effectively. However, society demands accountability in the manner in which state resources
50 are utilised to provide the required public goods. Thus, national departments are required to report to the
51 community on their relative performance and achievement of strategic objectives, through community
52 elected representatives (Steccolini, 2019). Despite locating such accountability within the postulations of
53 NPM, Steccolini (2019) concedes a risk of under-theorisation when other relevant theoretical philosophies
54 are ignored when exploring public sector accounting and accountability. Therefore, from an institutional
55 perspective, public sector accountability is currently underpinned by NPM (Steccolini, 2019).
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2 Reporting or accounting for performance is located within accountability theory, which in turn is rooted
3 within agency theory, which postulates that agents must account to their principals for their performance
4 (Bosse and Phillips, 2016; Clark, 2016; Coupet and McWilliams, 2017; Pouryousefi and Frooman, 2017;
5 Ștefănescu *et al.*, 2016). Accountability involves justifying actions provided by a person, or group of persons,
6 to others (Lerner and Tetlock, 1999). Within the context of this paper, accountability means government's
7 accountability to the public relating to its performance (Grizzle and Sloan, 2016). Accountability also requires
8 accounting for performance through comprehensive, complete and veracious reporting (Ștefănescu *et al.*,
9 2016). Where intended performance is not achieved, explanations must be provided, and corrective
10 measures implemented (Ștefănescu *et al.*, 2016).

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12 Moreover, it may be argued that citizens, residents or taxpayers, are the key stakeholders to whom
13 governments should account. National departments should therefore not only account to government, but
14 more importantly to the South African population as well. Therefore, the reporting obligations of national
15 departments should be responsive to normative stakeholder expectations (Ferrero-Ferrero *et al.*, 2018).
16 Stakeholder theory holds that organisations should consider and accommodate the different perspectives
17 and expectations of a variety of constituents, with a legitimate interest in their performance, and not only
18 those of government (Ferrero-Ferrero *et al.*, 2018). National departments are therefore also expected to
19 account to their broader stakeholders, to whom they are obliged to provide public goods and services, using
20 public funds.

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22 Since this study argues that public sector internal auditing is *inter alia* located within NPM, the accountability
23 and stakeholder theories, are also underpinned by agency theory. The limitations of these theories therefore
24 make it appropriate to use a multi-theoretical approach to describe the conflicting relationships between an
25 organisation's management and its stakeholders (Hussain *et al.*, 2018). Moreover, the tripartite relationship
26 among employees, government and civil society, necessitates the adoption of a multi-theoretical approach
27 (Fernando and Lawrence, 2014). However, several authors argue that the theories relevant to internal
28 auditing largely remain under-researched, necessitating further studies into the theoretical underpinning of
29 internal auditing (Mihret, 2014; Mihret and Grant, 2017; Wood, 2016).

3. Research methodology

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31 Research pragmatism provides the study with a more flexible research approach to study the phenomenon
32 (Asdal, 2018; Dittrich and Seidl, 2018). This included a sequential mixed methods approach, incorporating
33 aspects of both quantitative and qualitative research approaches, conducted in three primary phases
34 (Onwuegbuzie, 2012; Venkatesh *et al.*, 2016).

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36 The first phase involved using a self-administered survey questionnaire to collect quantitative data (Delattre
37 *et al.*, 2009; Onwuegbuzie, 2012), from potential survey respondents at all 44 South African national

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2 departments. Potential survey questionnaire respondents, identified as senior internal audit executives and
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4 managers, were requested to use a five-point Likert scale to indicate the extent to which their respective
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6 departments had adopted OPM, and its perceived effectiveness, as well as the extent to which the IAF was
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8 adopted and involved. The questionnaire was designed to elicit insightful information rather than simple
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10 binary answers, with the scale ranging from 1 (one) representing “not implemented” to 5 (five) representing
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12 “fully implemented”. Additionally, survey respondents were requested to provide any further information,
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14 including archival documentation, that their national departments were willing to provide. The resultant data
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16 were quantitatively analysed using MS Excel spreadsheet software, which enabled the analysis of data and
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18 the presentation of results using quantitative tools such as tables, graphs and charts.

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19 The second phase involved collecting qualitative data from a sample of employees at predetermined national
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21 departments, through interviews, focus group discussions and limited observations (Annanasingh and
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23 Howell, 2016; Highfield and Bisman, 2012; Lektorskii, 2011). Interview and focus group participants were
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25 purposively selected at four national departments, on the assumption that they could comprehensively
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27 provide meaningful responses to the questions posed. To ensure a reasonable cross-sectional representation
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29 of government performance, the four departments selected were based on the results of statutory audits by
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31 the Auditor General of South Africa (AGSA) on their financial and operational performance. Department A
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33 was chosen because it consistently received favourable audit reports. The audit opinions for Department B
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35 reflected generally consistent financial and operational performance, whereas Department C displayed
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37 inconsistent financial and operational performance, but more recently reflecting significant improvement.
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39 By contrast, Department D consistently received unfavourable audit reports. To preserve confidentiality, the
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41 national departments are anonymised and not directly related to the information in Table 1 below.

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40 Interview participants included accounting officers or senior executives, chief risk officers, chief audit
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42 executives (CAEs), heads of planning and performance reporting, and heads of monitoring and evaluation.
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44 Focus group participants included internal audit managers, internal audit supervisors, as well as internal
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46 auditors. These participants operated at various levels including strategic, operational, financial, accounting,
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48 risk, audit, planning and performance reporting, as well as monitoring and evaluation functions. They were
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50 selected based on their responsibilities in relation to organisational governance and performance and the
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52 resultant influence on service delivery, broad representation and their perceived ability to meaningfully
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54 contribute to the study.

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54 The Directors General of the selected national departments formally granted permission for their staff to
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56 participate in the interviews and focus groups. Potential interview and focus group participants were
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58 informed about the nature of the study and advised that the necessary permissions and approvals for the
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60 study had been obtained (Shea and Onwuegbuzie, 2008; Singh, 2015; Venkatesh *et al.*, 2016). Prior to the
interviews and focus groups, participants were provided with a schedule of guiding questions and copies of

1 the approvals, after which interviews were scheduled with those who consented (Bouma and Ling, 2004; De
2 Vos *et al.*, 2011; Maree, 2008). On average, each interview lasted about an hour, and were therefore not
3 unduly lengthy (Bricki and Green, 2007; Shea and Onwuegbuzie, 2008).
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8 Survey questionnaire respondents, as well as interview and focus group participants were assured that their
9 identities would remain confidential and that their responses would be anonymised. This qualitative research
10 approach allowed for the collection of narrative empirical data to obtain deeper insights into the observed
11 phenomena emanating from the quantitative phase (Delattre *et al.*, 2009; Onwuegbuzie, 2012). Where
12 archival documents such as annual reports, strategic plans and annual performance plans (APPs) of the
13 selected national government departments were provided, these were comprehensively analysed (Highfield
14 and Bisman, 2012).
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21 To assist in understanding the observations from the first two phases, the third phase involved
22 comprehensively analysing pertinent archival data related to the selected national departments. The
23 qualitative data were analysed using the NVIVO™ software, which enabled the organisation and analyses of
24 narrative and archival data. The themes emerging from the data analysis (concepts or ideas, representing key
25 words such as “organisational governance”), were progressively recorded (Annanasingh and Howell, 2016;
26 Highfield and Bisman, 2012; Kaplan and Norton, 2006; Lektorskii, 2011). Emerging themes were placed into
27 “child” nodes on NVIVO™, which were further analysed by grouping similar “child” nodes into a “parent”
28 node, which allowed for further careful analysis and interrogation. The results of the qualitative data analysis
29 were constantly compared with the quantitative data results.
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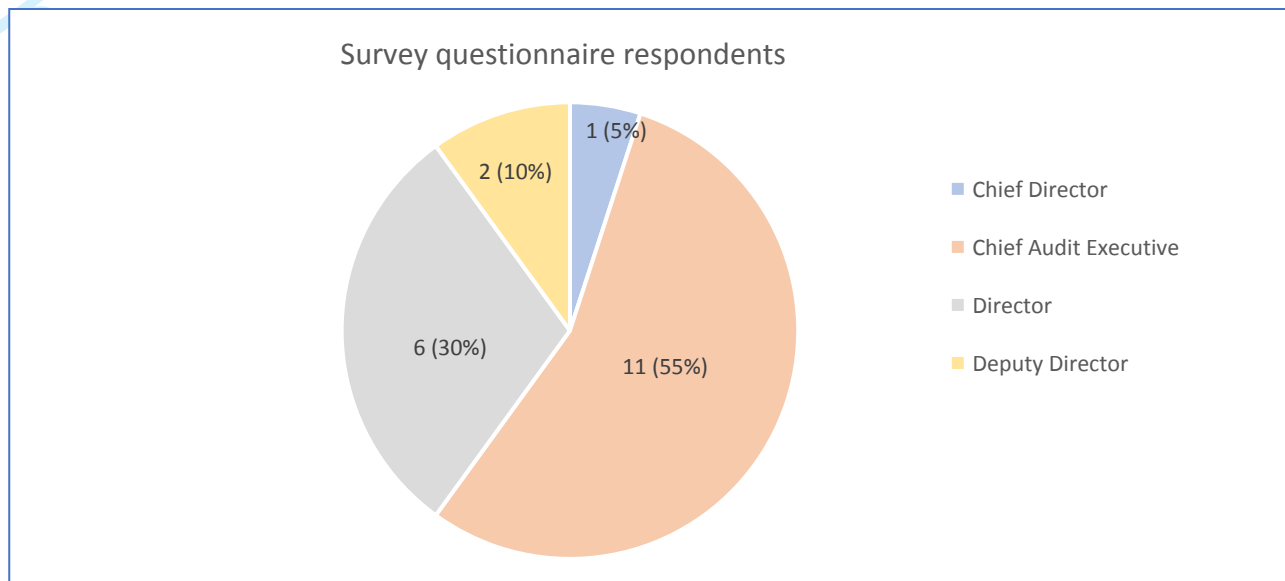
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37 The multiphase mixed methods research approach adopted enabled the triangulation of the observations
38 and results from each data collection phase, enhancing the study’s credibility and trustworthiness
39 (Onwuegbuzie, 2012). Furthermore, triangulation facilitated comparing and validating the themes and
40 patterns emerging from the data (Ratcliff, 2012; Singh, 2015; Thorne, 2000), thereby enhancing the
41 trustworthiness and dependability of the data, and mitigating potential bias (Venkatesh *et al.*, 2016).
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46 **4. Research respondents and participants**

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49 The survey questionnaire was administered to the known population of national departments (i.e. 100%),
50 during March and April 2017. In total, 20 officials, either chief audit executives (CAEs), or senior internal
51 auditing employees, from 18 departments, responded to the questionnaires (i.e. 41% of national
52 departments). This response rate is considered reasonable, especially since government officials are subject
53 to strict confidentiality requirements, resulting in the reluctance of officials to complete such questionnaires.
54 Moreover, since the questionnaire was sent to the entire population of 44 national departments, the
55 responses are considered representative and sufficient for meaningful analysis. Figure 1 groups the
56 respondents to the survey questionnaire (all from internal audit), according to the positions held in their
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2 respective IAFs.
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24 **Figure 1 – Internal audit respondents to survey questionnaire**

25 Although figure 1 reveals that two responses (10%), were received from Deputy Directors, during the
26 interviews it was confirmed that they were Internal Audit Managers. The remaining 18 responses (90%) were
27 received from Chief Directors, Directors, or CAEs (typically representing the Heads of Internal Audit). Thus,
28 all 20 survey respondents occupied sufficiently senior positions in the IAFs of their respective national
29 departments, to provide meaningful responses to the survey questionnaire.
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35 **Table 1 – Interviews conducted**

Department	Number of interviews	Related references
Department 1	4	D1P1; D1P2; D1P3; D1P4
Department 2	3	D2P1; D2P2; D2P3
Department 3	2	D3P1; D3P2
Department 4	3	D4P1; D4P2; D4P3
Monitoring and Evaluation (M&E) departments	2	M&E1; M&E2
Total	14	

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49 Interviews and focus groups were conducted from March to June 2017, dependent on the availability of
50 research participants. As reflected in table 1, a total of 14 semi-structured interviews were conducted. To
51 preserve the anonymity of both the participants and the national departments, participants were allocated
52 to department and participant numbers. Illustrating the seniority of the participants, it is noteworthy that
53 interviews were conducted with six officials at the Deputy-Director General level, one at Chief Director level
54 and three at Director level.
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60 Table 2 reveals that seven focus group discussions were held with internal audit officials, at various levels of

seniority. Similar to the interview participants, focus group participants were anonymised using department and participant numbers.

Table 2 – Focus group discussions

Department	Number of discussions	Number of participants	Related references
Department 1	2	8	D1FG1; D1FG2
Department 2	2	5	D2FG1; D2FG2
Department 3	2	7	D3FG1; D3FG2
Department 4	1	2	D4FG1
Total	7	22	

5. Analysis, interpretation and implications of discussion of results

All survey respondents confirmed the adoption of functioning IAFs, which actively participated in OPM, at their respective national departments. These responses were confirmed by the documentary analysis, with interview and focus group participants contributing to explaining the quantitative observations. The study observations are discussed under the themes below:

5.1 Roles of internal auditing in an organisation

Internal auditing was found to perform several roles in an organisation. The majority of interview and focus group participants, emphasised that evaluating the national departments' governance processes, enabled internal auditing to significantly contribute to organisational governance. One interview participant (D2P2) argued that the IAF's focus on organisational governance was based on the assumption that poor organisational governance implied that general operational performance would similarly be poor. According to this interview participant (D2P2):

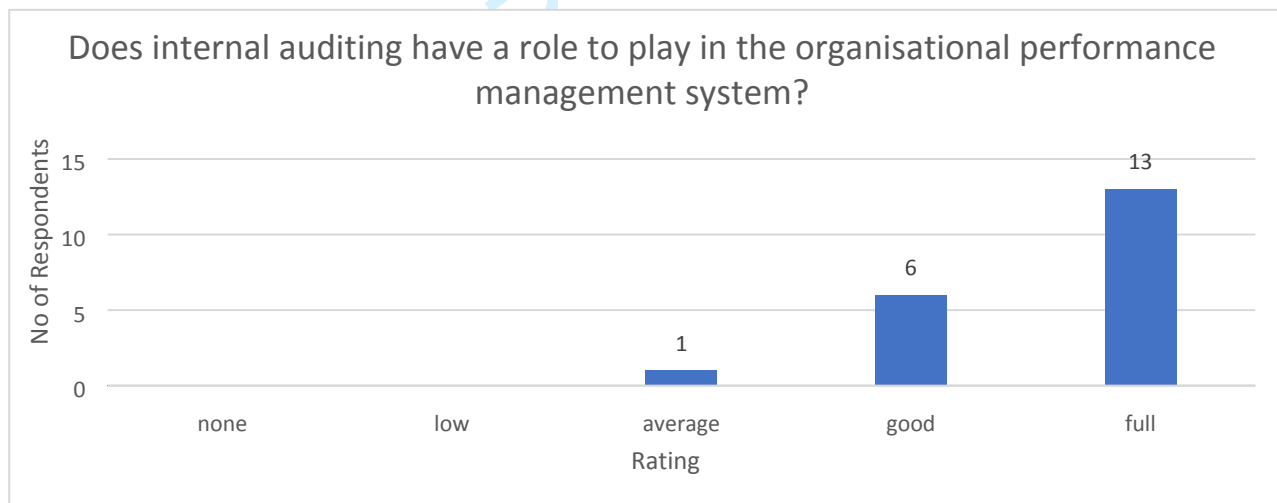
"...in terms of corporate governance and then related to that when you look at governance, we look at issues related to the performance of an organisation, whether an organisation is performing, or is not performing, because that will then indicate whether we are going to be able to achieve our targets, we are going to achieve our strategy."

Additionally, internal auditing played a role in the risk management of national departments. Several interview and focus group participants (D1P2; D2FG1; D3FG2; D3P1; D3P2; D4FG1) indicated that when conducting internal auditing assignments, internal auditors were expected to identify potential risks facing the department, and recommending appropriate remedial action to mitigate those risks. An executive management interview participant (D1P2) confirmed that management relied on internal auditors to identify potential risks to which the department was exposed and to recommend appropriate and effective response strategies, stating:

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2 *“And I used to say to the internal auditors, if you didn’t pick it up, I wouldn’t know about it and therefore*
3 *I wouldn’t manage it. If I didn’t manage it, it will either destroy the system or collapse it altogether. So,*
4 *I cannot over emphasise enough the importance of the role of the internal audit in risk management*
5 *within our systems.”*
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10 The study also highlighted the role of internal auditing in the systems of internal control. Interview and focus
11 group participants asserted that internal auditing’s role in national departments included assessing and
12 evaluating whether the control processes designed and implemented by management, were adequate and
13 effective. Interview and focus group participants confirmed that internal auditing assessments are designed
14 to provide reasonable assurance that organisational objectives will be achieved as intended, on the proviso
15 that the system of internal controls functions as intended.
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20 All survey questionnaire respondents confirmed that internal auditing played a role in OPM and accordingly
21 service delivery. However, the extent to which this role was entrenched varied, as illustrated in Figure 2
22 below:
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43 **Figure 2: The role of internal auditing in OPM**

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45 Figure 2 reveals that the majority of respondents (n=13 or 65%) asserted that internal auditing’s OPM role
46 was fully implemented, although one respondent (5%) indicated that internal auditing’s OPM role was only
47 “average”, while six respondents (30%) described internal auditing as having a “good” role.
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51 Although the survey observations were largely confirmed by the interviews and focus group discussions,
52 several areas for improvement were proposed. One interview participant indicated that internal auditing was
53 not involved in the strategic processes at his/her national department. In the words of the dissenting
54 interview participant (D4P1): *“So what we do is, we don’t involve internal audit as part of the planning of*
55 *what goes in there. Okay? So, we don’t actually use them to determine what goes into the plan.”* The
56 participant argued that internal auditors were consequently not in a position to understand the planning
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1 process, nor the resultant departmental plans, the relative importance of each strategic objective to the
2 department's mandate and were not therefore able to meaningfully assess the effectiveness of the planning
3 processes, limiting the potential of internal auditing to contribute to the national department's strategic
4 processes. The participant further argued that instead of focusing on the efficacy of the department's
5 strategic processes, internal auditing tended to compete with the external auditors, thereby diluting the
6 impact of internal auditing. A different interview participant (D1P3), argued that internal auditors were not
7 adequately experienced, nor suitably qualified, to assess and evaluate the national department's strategic
8 processes.

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16 The study observed that national departments measured their actual performance against planned
17 performance on a quarterly basis, and reported the results to executive management in formal performance
18 information (PI) reports. Several interview and focus group participants (D1FG1; D1FG2; D1P1; D2FG2; D2P1;
19 D2P2; D2P3; D3FG1; D4P1; D4P2; D4P3; M&E1; M&E2) confirmed that internal auditing accorded
20 considerable attention to assessing and evaluating the reported quarterly PI, thus playing a role in OPM. Two
21 interview participants (M&E1; D4P3) suggested that because of the knowledge acquired by internal auditing
22 while assessing and evaluating all areas of the national department, that internal auditing should be involved
23 throughout the national department's entire OPM processes, from start to finish. Arguing that adopting a
24 collaborative approach reduces costs, minimises duplication, and mitigates possible reporting fatigue, one of
25 these interview participants (D4P2) postulated that all assurance providers should collaborate to assess and
26 evaluate OPM, with internal auditing taking the leading role.

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36 One focus group (D4FG1) identified internal auditing's consulting roles as participating in education and
37 awareness programmes and conducting *ad hoc* assignments, such as forensic and information technology
38 audits. However, another interview participant (D1P2) opined that the IAF within his/her department lacked
39 the requisite levels of knowledge or skills to assess the department's automated (IT) systems.

40 41 42 43 **5.2 Theories supporting internal auditing**

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46 The empirical data analysed during the study failed to produce adequate information relating to the
47 theoretical frameworks applicable to internal auditing. Nevertheless, confirming the assertion that internal
48 auditing's theoretical underpinnings are not binary, and that several theories may apply concurrently, it is
49 submitted that internal auditing may be more appropriately explained through the adoption of a multi-
50 theoretical approach. However, one archival document analysed, identified stakeholder theory as one of the
51 primary theories underpinning OPM and therefore by extension, also underpinning internal auditing.
52 Considering the various theories underpinning internal auditing as discussed in the literature review, as well
53 as the limited scholarly research into this dimension, additional attention should be accorded to formulating
54 an overall theory applicable to internal auditing.

5.3 Management expectations

The study observes that management are increasingly expecting more from internal auditing. Several interview and focus group participants argued that in addition to internal auditing's role in evaluating the organisation's systems of governance, internal control and risk management, its primary role was to assist national departments achieve their planned objectives. This was confirmed by a senior official (M&E2) who emphasised that the role of internal auditing was "to assist management to ensure that all that is promised in this pipeline is actually delivered". Similarly, another interview participant (D4P3) maintained that in order to determine its relative importance to the national department as a whole, the IAF should assess each strategic objective.

Both interview and focus group participants accorded significant attention to strategic imperatives. One interview participant (M&E1) suggested that the IAF should focus on organisational aspects such as the relevance of departmental plans to the department's mandate, whether targets and indicators were specific, measurable, achievable, realistic and time-bound (SMART), and pitched at the correct levels. The interview participant also suggested that the IAF should ensure that targets were not pitched so low that they would be easy to achieve, resulting in poor standards of service delivery. In the words of the interview participant (M&E1):

"They need to be involved in the whole organisational performance management process. They need to be involved in the planning process. They need to be involved in the in-year monitoring process, in the annual report process and in the HR performance management process, and it's very important that they're involved in the planning process because you spoke about the issue of compliance planning. They would need to look at the plans and see whether it is relevant to the mandate of the department. Is the department planning for the AG, do they have easy-to-achieve indicators and targets, are they actually planning for their mandate, just from a planning perspective? From a monitoring perspective, of course you look at the data and the evidence to see whether it's actually reliable. Similarly, with the annual reporting process."

Another interview participant (D4P1) stated that the IAF in his/her department was not involved in the departmental strategic and operational planning processes, and was accordingly insufficiently conversant with the planning process and the plans of the department. The IAF was thus unable to meaningfully assess the relative importance of each strategic objective within the context of the department's mandate, or the effectiveness of the planning processes, thereby reducing the value that internal auditing provides to the department. Furthermore, the interview participant revealed that internal auditing tends to mainly focus on the accuracy and completeness of PI reporting and not on the strategic processes and OPM. Therefore, in order to add value to the national department, the study found that internal auditors should participate, even as observers, in the strategic processes of the national department, but without compromising their

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2 independence and objectivity. Internal auditors should thus, at the very least, obtain sufficient information
3 about the department's strategic dimensioning, planning and processing, which should be incorporated in
4 the future plans of internal auditing.
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8 Furthermore, management expected internal auditing to focus their efforts on areas with the greatest impact
9 on the national department. One interview participant (D4P3) expressed concern that 90% of internal
10 auditing's efforts appeared to focus on departmental support areas, which only represented 10% of the
11 department's budget, largely ignoring the line function units which spend 90% of the departmental budget.
12 The interview participant therefore questioned the effectiveness of the risk-based approach adopted by the
13 IAF. Citing internal auditing of performance agreements and annual reviews of individual performance as
14 examples, the interview participant argued that internal auditing focused on minor matters, such as signing
15 of performance agreements, rather than more strategic matters such as the content of performance
16 agreements and their alignment with the organisational mandate. The interview participant asserted that by
17 incorrectly focusing on support services rather than on line functions, the IAF added little value to the
18 department. The same interview participant posited that the findings of internal auditing tended to be trivial
19 and at a very low level, such as exceeding telephone account limits, or operational plans not being correctly
20 signed, rather than the broader issues that could impede the achievement of planned service delivery
21 objectives.
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32 Another research participant (D4P1) suggested that internal auditors were so caught up in transactional
33 auditing, that they lost sight of the important strategic dimensions. According to the interview participant
34 (D4P1): *"I think they're so caught up in auditing the documentation rather than seeing the bigger picture. So
35 that's where I see them falling short"*. Internal auditors consequently failed to consider the bigger strategic
36 picture and service delivery priorities. A different interview participant (D4P2) concurred, also questioning
37 the effectiveness of internal auditing, by arguing that the IAF was not auditing the strategic processes of the
38 national department.
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45 Two interview participants (D4P1; D4P2) asserted that internal auditors should analyse the national
46 department's actual performance and provide constructive, well-thought out recommendations that
47 promote optimal organisational performance. These interview participants revealed that internal auditors
48 frequently raised "independence" as the reason for not becoming involved in the department's strategic
49 processes. However, the interview participants rejected the notion that independence would be
50 compromised, pointing out that not only did the IAS permit consulting, but also that once the
51 recommendations are accepted, their implementation become the responsibility of management and not
52 the IAF.
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59 Two interview participants (D1P2; D4P2) mentioned that management expected the IAF to evaluate the
60 alignment between the department's mandate and plans. One interview participant (D1P2), indicated that

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2 in addition to reporting on historical performance, management also expected the IAF to recommend the
3 interventions required to promote optimal, sustained future performance, including reducing duplication of
4 systems or effort that may impede sustained, optimal future performance. The interview participant further
5 argued that management expected a new breed of internal auditors to emerge who could assist in building
6 systems, while concurrently ensuring that sufficient quality had been built into these systems. Another
7 interview participant (D4P3) suggested that the IAF should adopt a more outcomes-based auditing approach
8 to determine whether the expected organisational impacts were effectively achieved.
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14 The various study observations relating to the mandate and focus of internal auditing, reveals a disconnect
15 between the expectations of management and perception of internal auditors about their role in OPM and
16 the related service delivery. Addressing this audit expectation gap, presents a strong case for the global
17 internal auditing profession, represented by the IIA, to review its current stance and approach on the value
18 that internal auditing should add to an organisation. Senior government officials postulated that the IAF's
19 involvement, especially relating to strategic processing and OPM, should be significantly enhanced and
20 strengthened, but without compromising the fundamental principle of independence. The interview
21 participants' assertions that management expected internal auditors to assist national departments achieve
22 their strategic objectives, suggests that internal auditing should adopt a futuristic orientation, as postulated
23 by Dumitrescu-Peculea and Calota (2014). This would provide reasonable assurance that departmental
24 efforts will result in such strategic objectives being achieved. Although it may be argued that internal auditing
25 already address some management expectations, more work still needs to be done to precisely articulate the
26 role of internal auditing in the future, as well as the scope of its activities, which will address management's
27 emerging expectations and contribute to enhanced service delivery. This may require the IIA to review and
28 adapt the current IPPF to include sub-frameworks addressing the specific elements depicted in figure 3
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42 **5.4 Assertions**

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45 Three main assertions arose from the data collected and analysed. The first, is that internal auditing has
46 inadvertently contributed to the emergence of the compliance-driven orientation of national departments
47 on how they manage organisational performance, with the internal auditing of OPM conducted within the
48 guidance and frameworks provided by the Department of Planning Monitoring and Evaluation (DPME) and
49 National Treasury. This assertion is illustrated in Figure 1 that confirms internal auditing's involvement in the
50 OPM of the national department as directed by the frameworks of the National Treasury and DPME. No data
51 emerged from the interview and focus group participants to suggest that IAFs went beyond the bounds of
52 managerialism, new public management, or the National Treasury and DPME frameworks to explore the
53 most effective approaches to strategic focus, planning and performance, as well as the internal auditing
54 thereof.
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The second, as reflected in Figure 3 below, is that the performance of both the national department and the IAF were inhibited by their immersion in rational frameworks, rather than embracing innovative thinking.

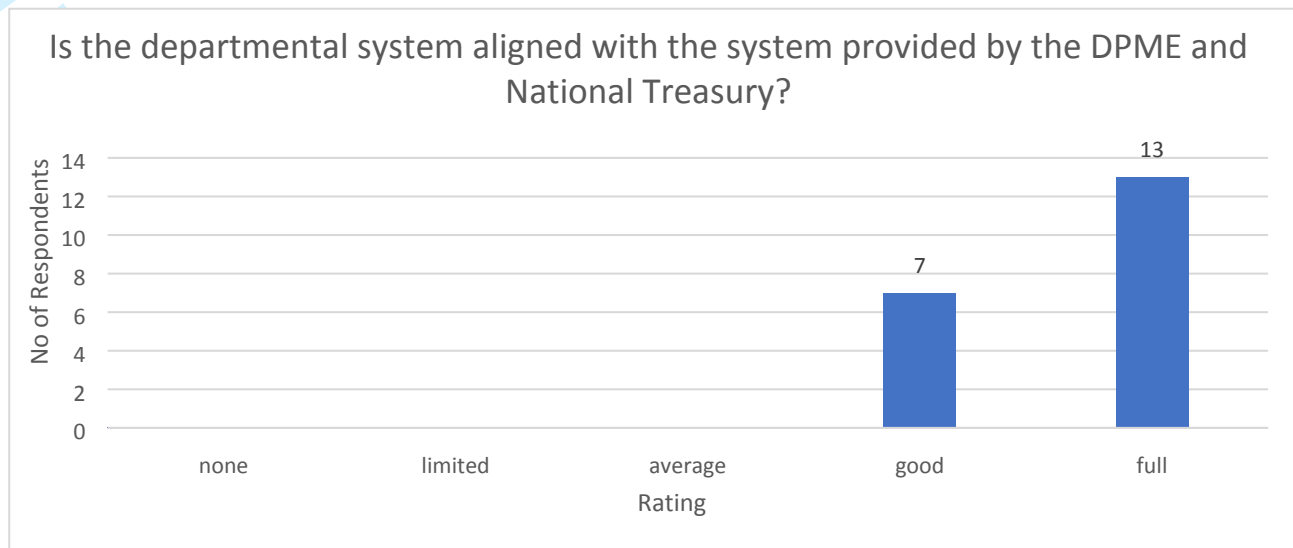


Figure 3: Alignment of departmental OPM with the DPME and National Treasury frameworks

Figure 3 reveals that 35% of survey respondents (n=7) confirmed good implementation of the OPM frameworks issued by DPME and National Treasury, with 65% (n=13) of respondents confirming full compliance by their respective departments.

The third assertion was that strategies anchored in linear flows, inhibit opportunities for richer, theory-driven internal auditing performance. The study found that internal auditing practice at the South African national government level was in conformance with the IPPF. The IPPF conformance is attributed to the Treasury Regulations compelling internal auditing to comply with the IASs (South Africa, 2005). Consequently, public sector IAFs must comply fully with the IASs, thereby entrenching a linear flow from the IASs through to IAFs, and to internal auditing practitioners. Such a linear flow, consequently, does not allow for rich, theoretical interrogation of the IASs by internal auditing practitioners. The IPPF makes it compulsory for internal auditing practitioners to comply with, rather than analyse and interrogate, the IASs. Although internal auditors may provide the IIA with recommendations to improve and amend the IASs, revising the IASs requires the involvement of several structures within the IIA, such as the local chapters, the national body and its committees, as well as the international body and its committees. Consequently, the ability of the IASs to evolve and transform in tandem with its theoretical bases is likely to be slow and limited. The linear flow approach to internal auditing, does not therefore sufficiently allow for a richer, theory-driven perspective.

Consequently, the new theoretical knowledge created by the study's empirical observations, are accordingly depicted in figure 4 below:

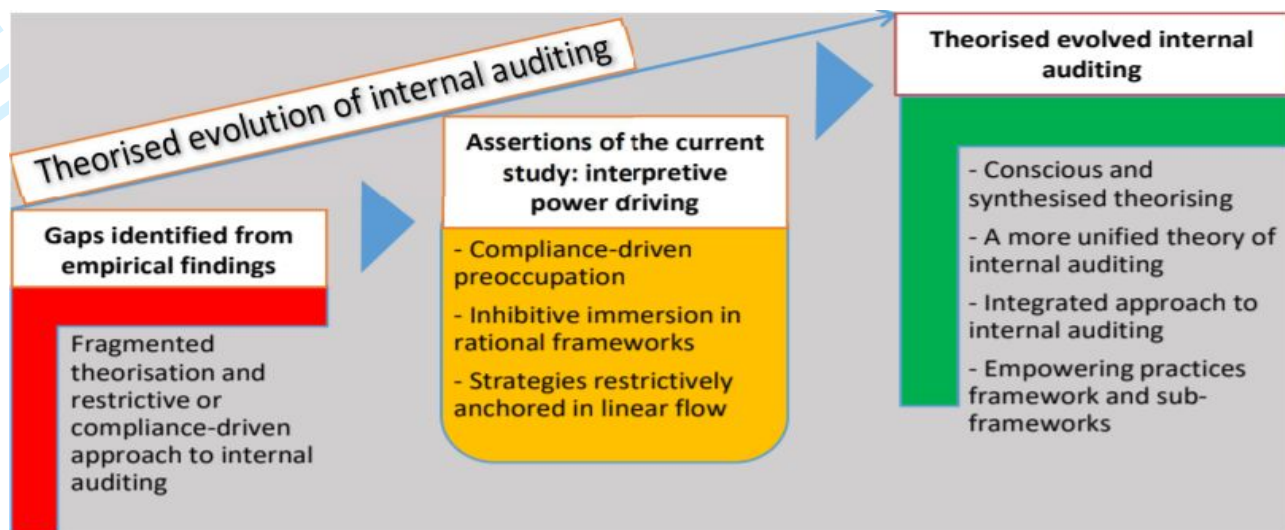


Figure 4: Natural evolution of internal auditing to its next level

Figure 4 illustrates the limited theorisation and the compliance-driven approach to internal auditing that emerged from the study's observations. The three assertions discussed above, representing the pinnacle of analysis, reflects the interpretive power of this study. The four elements required to propel internal auditing to its next logical level, applicable to both the public and private sectors, are reflected under the section "Theorised evolution of internal auditing" and discussed further under "Elements to a future approach to internal auditing" below.

5.5 Elements of a future-oriented approach to internal auditing

The study observations, particularly the input by several interview and focus group participants, highlighted several suggestions that, when duly considered, portray internal auditing in a different, but progressive light. Positive consideration of these suggestions may contribute to propelling internal auditing to the next level as part of its natural evolutionally progression, to potentially become the most important partner to management and the organisation, thereby facilitating the attainment of organisational objectives.

The suggestions explored in this paper, highlighted in figure 5 below, which give effect to the natural evolution of internal auditing illustrated in figure 4, include: (i) developing a unified theory of internal auditing, (ii) frameworks and standards, (iii) strategic understanding, (iv) intensified focus on strategic perspectives, (v) high-levels of training and skills, (vi) courageous reporting, and (vii) internal auditing leadership in coordinated assurance.



Figure 5: Elements of a conceptual framework for the future of internal auditing

5.5.1 Unified theory of internal auditing

The study identified limited theoretical research in the field of internal auditing, inhibiting the natural theoretical progression of internal auditing. The data analysis conducted in this study reveals that the evolution of internal auditing to its next logical level locates the discipline within a comprehensive, unified theoretical base. Accountability theory, the theory of performance and stakeholder theory were collectively identified as the theoretical bases underpinning internal auditing. Consequently, the theories emanating from the literature review and the empirical data, illustrates the complex nature of internal auditing spanning across several theoretical bases. The adoption of a multi-theoretical foundation for this paper reflects the tripartite relationship among national departments, government and stakeholders (both as taxpayers and as the intended beneficiaries of the public goods and services provided by national departments on behalf of government) (Fernando and Lawrence, 2014).

It is submitted that the lack of a coherent comprehensive theoretical approach inhibits the logical growth, development and evolution of the internal auditing profession. An exploratory exercise should therefore be conducted by leaders, practitioners and scholars of internal auditing, to identify and amalgamate the various theoretical bases for internal auditing, in order to develop a unified (grand) theory of internal auditing. Such a unified theoretical base would enable a richer and higher-reaching profession while promoting optimal internal auditing practice.

5.5.2 Frameworks and standards

An interview participant referred to the lack of standards or guidelines to assist the IAF and other evaluators to audit OPM and PI. Consequently, each assessing/evaluating body tends to follow its own approaches and methodologies, often resulting in the department receiving inconsistent feedback, creating confusion. Another interview participant indicated that the standardised internal auditing methodologies applied by the

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2 IAF to assess and evaluate OPM, was very broad and does not adequately address the specific processes and
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4 procedures required to effectively evaluate OPM. Consequently, several interview participants suggested
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6 that a framework should be specifically designed to evaluate OPM, which could assist IAFs provide consistent,
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8 uniform, corroborated and comparable assessments of OPM, applicable to all national departments.

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10 While the IPPF has been formalised and made available to all internal auditors, it is pertinent that the IPPF
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12 includes the IASs that all practicing internal auditors must comply with. However, an incisive interrogative
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14 exercise should be conducted to evaluate the suitability of the existing IPPF, in relation to the absence of a
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16 unified theoretical framework underpinning internal auditing. This may require the development of several
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18 sub-frameworks to support the core IPPF. For example, sub-frameworks for an integrated approach to
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20 internal auditing, for the internal auditing of OPM, or for coordinated assurance may become necessary.

21 **5.5.3 Strategic understanding**

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23 Several interview and focus group participants mentioned that for internal auditing to be effective and
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25 perceived as value-adding, internal auditors must thoroughly understand the mandate, priorities, goals,
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27 objectives and performance environment of the national department, as well as its systems and processes.
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29 The participants explained that since internal auditing advises departments on how to improve their business
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31 and operating processes, it is imperative for internal auditors to possess a sound knowledge of the
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33 department. This would necessitate internal auditors immersing themselves in the departmental planning
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35 process from inception. Acquiring such a thorough understanding should enable the IAF to comprehensively
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37 analyse and evaluate the department's processes and systems.

38 **5.5.4 Strategic perspectives**

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40 An interview participant observed that the IAF not being part of the executive structure of his/her
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42 department, was considered a disadvantage. Firstly, because the IAF loses the opportunity to gain necessary
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44 insights into important strategic information discussed in executive meetings. Consequently, this information
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46 is not available to the IAF to inform the internal auditing plans and workload allocation. Secondly, the national
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48 department loses the value that IAF representatives could offer by providing recommendations, or other
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50 information at executive meetings. The participant claimed that the broad scope of internal auditing
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52 engagements, allows it to provide comprehensive insights into the entire department, uniquely positioning
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54 internal auditors to significantly contribute to these discussions. Furthermore, since internal auditing
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56 provides independent assurance on departmental operations and performance, the IAF's attendance at
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58 executive meetings would allow it to obtain pertinent information on how the department intends achieving
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60 its objectives. The interview participant argued that such attendance would provide internal auditors with
high-level, insightful information that would improve its ability to provide management with value-adding
advice and recommendations. This view is supported by IAS 2110 (IIA, 2017), insofar as the IAF must ensure

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2 that the processes adopted by management assist to accomplish planned departmental objectives. The IAF
3 should however, preserve its independence and not assume any executive responsibilities (IIA, 2017).
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6 An interview participant cautioned that internal auditors were so focused on auditing documentation, that
7 they often failed to see the department's bigger strategic picture and its essential service delivery
8 imperatives. Two interview participants suggested that internal auditors should interrogate the department's
9 actual performance, and recommend how its plans and overall performance could be improved, rather than
10 simply focusing on documentation.
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15 The views of the participants discussed in this section, suggest that the IAF should involve itself more fully in
16 the strategic imperatives of their departments by attending all strategic discussions and fully understanding
17 the department's strategic performance environment. Additionally, the IAF should review its operating
18 models to provide recommendations that assist and enable the department to optimise its performance. The
19 IAF should therefore evaluate both the processes and results relative to the strategic focus of the national
20 departments, including the alignment of the plans to the departmental mandate and strategic objectives.
21 The scope of internal auditing assessments should include assessing the performance indicators, measures
22 and targets to determine whether optimal and not mediocre, easy-to-achieve performance, is promoted.
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30 **5.5.5 Training and skills**

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32 Several interview participants emphasised that effective internal auditing performance was anchored in high
33 levels of training and skills of internal auditors. One participant claimed that this was necessary because
34 internal auditors were expected to provide management with advice and guidance on the national
35 department's strategic management, as well as its business processes and procedures. The importance of
36 training and skills was confirmed by another interview participant who stressed that acquiring relevant, high-
37 level, professional qualifications was an important consideration for internal auditors intending to evaluate
38 OPM. Another interview participant added that adequate internal auditing skills were absolutely imperative,
39 since management placed considerable reliance on the work of internal auditors. Consequently,
40 management decisions, which impact departmental performance, were often influenced by the
41 recommendations made by internal auditors. A different interview participant, a CAE, however suggested
42 that the skill level of internal auditors involved in assessing and evaluating PI and OPM, still needed significant
43 improvement, particularly since auditors were trained in generic internal auditing processes and
44 methodologies, but had not specifically been trained to evaluate OPM.
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55 **5.5.6 Courageous reporting**

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57 An interview participant stated that the national department expected the IAF to fearlessly and courageously
58 report the results of its internal audits. Firstly, to improve departmental performance, and secondly, to report
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any corruption or other irregularities detected, without fear or favour. The participant confirmed that the prevalence of fraud and corruption had a considerably negative impact on departmental performance and service delivery.

The IASs thus oblige internal auditors to identify the probability of fraud or other irregularities occurring and to report such, to management. It is therefore recommended that the IASs should be expanded to require all internal auditors to obtain, at the very least, basic training on fraud and corruption and to develop the necessary investigative techniques to enable them to effectively identify, assess and report probable instances of fraud, corruption, or other irregularities.

5.5.7 Leadership in coordinated assurance

Several interview participants referred to the duplication of effort by various assurance providers within a single national department, causing auditing fatigue and resulting in increased costs and inefficiencies. The participants suggested that embracing the principle of combined assurance, would *inter alia*, result in significant cost savings and positively impact on departmental performance. It is however submitted, that at a national department level, coordinated assurance would be more appropriate than combined assurance, especially considering the nature of combined assurance as recommended in The King IV Report on Corporate Governance for South Africa (King IV) (IoDSA, 2016).

The overlapping mandates and duplication of effort by the various assurance providers of national departments, strongly support the case for the immediate adoption of a coordinated assurance approach. As recommended in King IV, as one of the primary assurance providers, the IAF should take the lead in implementing a coordinated assurance model. It is consequently recommended that the IIA should formalise a practice guide for internal auditing practitioners and CAEs to take the lead in this regard, by incorporating and adapting relevant aspects of the combined assurance approach described in the King IV report.

6. Areas for further research

The scope limitations of the study highlighted the following areas for future research:

- 6.1 The under-theorisation of internal auditing may have inhibited the natural evolution of internal auditing practice to its logical next level. Future research could develop a unified theory of internal auditing, which should consider appropriate theories, such as the accountability theory, the stakeholder theory, the theory of performance as well as other relevant theories.
- 6.2 One of the key findings of this study relates to government's accountability to stakeholders. Within this context, an area for future research involves further exploration of the ideology of democratisation and accountability (Steccolini, 2019).

7. Conclusion

As described in this paper, the PFMA and its associated Treasury Regulations, not only made internal auditing obligatory in the South African public sector, it also made it mandatory for the IAF to comply with the IIA's definition of internal auditing and the IAS. Notwithstanding the formal adoption of internal auditing as a mechanism to add value to South African national departments in order to enhance service delivery, service delivery protests continue unabated, suggesting that internal auditing has not fully discharged its responsibility "to add value and improve an organization's operations" (IIA, 2020).

Within this context, the study set out to understand why the mandatory adoption of internal auditing in the South African public sector, did not result in a concomitant improvement in service delivery. The exploratory multiphase sequential mixed methodological approach adopted for this study, included analysing empirical data from respondents to a survey instrument distributed to all national departments, as well as from purposively selected participants from predetermined national departments in semi-structured interviews and focus groups. Together with relevant data from archival records, the primary data from the empirical study phases were triangulated to provide deeper insights into the phenomenon, simultaneously improving the rigour of the study.

Despite finding that all national departments had implemented internal auditing as prescribed, and that the IAFs were involved in OPM at their respective national departments, the study found that the extent of this involvement varied. These responses were confirmed by the analysis of archival documents, with the interview and focus group participants' insights contributing to explaining the observed phenomena. Notwithstanding internal auditing's involvement in OPM, these efforts were not always effective, contributing to the South African public sector's inadequate delivery of public goods and services. The inability of internal auditing to contribute to the ability of government to optimally provide public goods and services, is primarily attributed to the compliance driven approach to governance of both the IAF and the national departments, exacerbated by internal auditors not necessarily being included in the strategic planning processes of their national departments, together with not being sufficiently knowledgeable, or skilled, to deal with OPM. The paper postulates that the root of the problem may actually lie in the inappropriate theorisation of the internal auditing profession, which suggests that a future-oriented theoretical model should be developed to create a more relevant and robust internal auditing profession, which adds value to the organisations they serve, as prescribed by the IPPF.

Despite the study's South African orientation, the results have international relevance given the global nature of the internal auditing profession, as well as the observation that service delivery and dissatisfaction with government performance has resulted in protests across the world. This assertion is strengthened by components of the IPPF being mandatory for internal auditing practitioners; in particular, those relating to the fundamental objective of internal auditing to provide added-value to the organisations that they audit.

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Annexure – Covering letter and structured questionnaire

Dear Respondent

Please accept my gratitude for making the time and effort to complete this questionnaire which will enable us to continue our research into the role of internal auditing in organisational performance management at the national departmental level in South Africa.

Responses to questions are required as per a Likert scale from 1 to 5, as follows:

1	Not implemented
2	Implementation is in initial stages
3	Average extent of implementation
4	Good implementation with room for improvement
5	Fully implemented

It is anticipated that no more than 30 minutes will be required to complete the questionnaire.

The completed questionnaire may be returned by email at the following email address XXX@123.com, or you may call the following mobile number 0123456789 should any aspect require further clarification or explanation.

Should you wish the completed questionnaire to be collected, please send an email to the abovementioned email address and arrangements will be made for the completed questionnaire to be collected.

Again, many thanks indeed for your cooperation and responses.

Name of department: _____

Job title of person completing questionnaire: _____

Please place an "X" in the appropriate response column

No	Question	1	2	3	4	5
1.	Has your department adopted systems of organisational performance management? i.e. to manage the accomplishment of planned objectives?					
2.	If so, is the departmental system aligned with the system provided by the Presidency and National Treasury?					
3.	Is the organisational performance management system fully implemented?					
4.	Does internal auditing have a role to play in the organisational performance management system?					
5.	Is the role of internal auditing in organisational performance management clearly defined in a written document?					
6.	Does the internal audit activity (IAA) have a written policy on the internal auditing of organisational performance management?					
7.	Has the IAA developed written approaches and procedures with regard to organisational performance management?					
8.	Has the IAA developed a standard audit programme for the internal auditing of organisational performance management?					
9.	Is the internal auditing of organisational performance at your department efficient and effective?					

Note: Where possible, could you please provide copies of any documentation that may assist with this study.

Detailed response to the comments of the Reviewers and Editor on Manuscript ID JAOC-05-2021-0063.R1 entitled " Internal audit's evolving performance role: Lessons from the South African public sector"

Dear Editor and Anonymous Reviewers

Thank you once again for the invaluable time that you have all spent reviewing and providing constructive comments on the above manuscript, as well as the opportunity afforded to submit a further revision. Unlike the previous submission which involved a substantial revision, this submission only required a minor revision to address the reviewers' comments and concerns, further improving the quality of the submitted article manuscript.

As suggested by the editor (below), we have ensured that the revised paper adheres to the manuscript preparation guide, and is less than 11,000 words (including the abstract, key words, article, references and appendices, the entire paper is now 10,524 words).

Although the revised manuscript has been uploaded as the "Anonymous Article File", in order to allow the reviewers to track the manuscript revisions, for ease of reference, the revised manuscript, using "track changes", has also been uploaded as a "Supplementary File for Review". In addition, the detailed response to the reviewers (this document), explaining how the comments and suggestions have been addressed, has also been uploaded as a "Cover Letter".

Trusting that the JAOC reviewers and editorial team will now consider the revised submission to be acceptable for publication.

11-Oct-2021

Manuscript ID JAOC-05-2021-0063.R1 entitled "Internal audit's evolving performance role: Lessons from the South African public sector" which you submitted to the Journal of Accounting & Organizational Change, has been reviewed. The comments of the reviewer(s) are included at the bottom of this letter.

As you can see from the reviewers' comments, they are happy with your revisions but they have recommended further minor revisions to the submitted manuscript, before it can be considered for publication. Therefore, I invite you to respond to the reviewer(s)' comments and revise your manuscript.

Please follow the journal's manuscript preparation guide and make sure that the length of the paper doesn't exceed 11,000 words.

To revise your manuscript, log into <https://mc.manuscriptcentral.com/jaoc> and enter your Author Centre, where you will find your manuscript title listed under "Manuscripts with Decisions." Under "Actions," click on "Create a Revision." Your manuscript number has been appended to denote a revision.

You will be unable to make your revisions on the originally submitted version of the manuscript. Once the revised manuscript is prepared, you can upload it and submit it through your Author Centre.

When submitting your revised manuscript, you will be able to respond to the comments made by the reviewer(s) in the space provided. You can use this space to document any changes you make to the original manuscript. In order to expedite the processing of the revised manuscript, please be as specific as possible in your response to the reviewer(s).

IMPORTANT: Your original files are available to you when you upload your revised manuscript. Please delete any redundant files before completing the submission.

Please note that Emerald requires you to clear permission to re-use any material not created by you. If there are permissions outstanding, please send these to Emerald as soon as possible. Emerald is unable to publish your paper with permissions outstanding.

Once again, thank you for submitting your manuscript to the Journal of Accounting & Organizational Change and I look forward to receiving your revision.

To help support you on your publishing journey we have partnered with Editage, a leading global science communication platform, to offer expert editorial support including language editing and translation.

If your article has been rejected or revisions have been requested, you may benefit from Editage's services. For a full list of services, visit: authorservices.emeraldpublishing.com/

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Sincerely,

Prof. Zahirul Hoque

Editor, Journal of Accounting & Organizational Change

hzahirul@yahoo.com.au

Reviewer(s)' Comments to Author:

Reviewer: 1

Recommendation: Minor Revision

Comments:

The manuscript is well written and illustrates deep understandings on the mechanisms of internal audit in South African public sector. However, please allow me to a few suggestions.

1. Since the paper focuses on the public sector aspect, some comparisons on the findings, particularly when compared to those of private sectors found in prior studies, will be useful for future research, such as whether there is a difference in the elements of Figure 5 between the two sectors, or the theories driven in Figure 4, etc. That will make readers to get a comprehensive picture of IA and use a proper framework in future research work.

Thank you. The text in red (below) has now been added to the manuscript to indicate the applicability to both the public and private sectors:

p.17 - "The four elements required to propel internal auditing to its next logical level, in both the public and private sectors, are reflected under the section 'Theorised evolved internal auditing' [in figure 4] and are discussed further under 'Elements to a future approach to internal auditing' below".

p.17 - "The suggestions explored in this paper, highlighted in figure 5 below, which give effect to the natural evolution of internal auditing illustrated in figure 4, include: (i) developing a unified theory of internal auditing, (ii) frameworks and standards, (iii) strategic understanding, (iv) intensified focus on strategic perspectives, (v) high-levels of training and skills, (vi) courageous reporting, and (vii) internal auditing leadership in coordinated assurance."

2. I personally disagree on the agency theory used in this context because there are none of shareholders in public sector. Stakeholder theory or else may be more fit to explains why the government needs to have IA in the national departments and the linkages from the theory to the studied variables. The authors actually mention the stakeholder theory; however, I do not see clearly on the linkages from the theory to the studied variables. Also, the authors may reconsider whether the agency theory should be kept or not.

Thank you. Although an argument can be made that using taxpayers' funds, governments, their departments and entities are actually agents of the public and accordingly accountable to the public, since this may be a rather controversial issue, and given the negligible impact on the observations, assertions and conclusions, for the purposes of this paper, the primary narrative on agency theory has been removed. However, an indirect reference to agency theory is retained as reflected below:

1
2 *p.5 - "Reporting or accounting for performance is located within accountability theory, which in turn is rooted*
3 *within agency theory, ..."*

4
5 *p.5 - "Since this study argues that internal auditing in the public sector is inter alia located within NPM, the*
6 *accountability and stakeholder theories are also be underpinned by agency theory. The limitations of these*
7 *theories therefore make it appropriate to use a multi-theoretical approach to describe the conflicting*
8 *relationships between an organisation's management and its stakeholders (Hussain et al., 2018)."*
9

10 **Reviewer: 2**

11 **Recommendation: Accept**

12 **Comments:**

13
14 Overall, the paper has much improved. I still think the authors could have done more to develop the
15 "democratisation and accountability" issues in the papers, but that would require far deeper engagement with
16 pertinent development studies/accounting literature (such as that cited in my earlier review). However, it's
17 evident from their responses that is not really their primary interest and I consider the paper has developed
18 sufficiently.
19

20 *Thank you. No further amendments required.*

21
22 I hope the authors (or others) do pick up on the broader issues in future work - as I think there is much more to
23 be said in this area (e.g. say in relation to Steccolini's forward-looking agenda). If the authors wished to, they
24 could suggest future research in this direction.

25
26 *Thank you. The reviewer's input is well received and will be considered for future studies. Moreover, as*
27 *recommended, the following has now been included in the article:*

28 **"6. Areas for further research [p.21]**

29
30 The scope limitations of the study highlighted the following areas for future research:

31
32 *6.1 The under-theorisation of internal auditing may have inhibited the natural evolution of internal auditing*
33 *practice to its logical next level. Future research could develop a unified theory of internal auditing, which*
34 *should consider appropriate theories such as the accountability theory, the stakeholder theory, the theory of*
35 *performance as well as other relevant theories.*

36
37 *6.2 One of the key findings of this study relates to government's accountability to stakeholders. Within this*
38 *context, an area for future research involves further exploration of the ideology of democratisation and*
39 *accountability (Steccolini, 2019)."*

40
41 DEADLINE: 11-Nov-2021. If you need additional time to complete your revision please contact me to ask for an
42 extension.

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44 To go straight to your paper, click this link: *** PLEASE NOTE: This is a two-step process. After clicking on the
45 link, you will be directed to a webpage to confirm. ***

46 https://mc.manuscriptcentral.com/jaoc?URL_MASK=9e75872536524a83b32d0dde3e135d3f

47
48 *Thank you once again for the invaluable time that has been spent reviewing the manuscript and providing*
49 *constructive recommendations which has certainly improved the quality of the revised paper. Your collective input*
50 *is truly appreciated.*

51 **The Authors**

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Internal audit's evolving performance role: Lessons from the South African public sector

ABSTRACT

• Purpose

~~Adoption-The~~ of formal ~~adoption of~~ internal auditing within the ~~South African~~ public sector was made compulsory ~~by the South African government through~~by the Public Finance Management Act, No. 1 of 1999. Despite ~~the primary role of~~ internal auditing's ~~primary role being to of~~ adding value ~~by and~~ assisting organisations accomplish ~~their~~ pre-defined strategic objectives, ~~the increasing frequency of~~ ~~in~~ service delivery protests in South Africa, suggests that mandatory internal auditing may not have ~~effectively~~ contributed to ~~improved-improving~~ public sector performance and ~~enhanced-enhancing~~ service delivery, ~~as envisaged~~. The ~~study~~We paper accordingly sought to identify ~~and understand~~ the factors preventing internal audit from effectively contributing to ~~improving-improved public sector organisational~~ performance and service delivery ~~in the South African public sector~~.

• Design/methodology/approach

The study adopted a sequential mixed-methods research approach. ~~Initially-First, a survey instrument was used to collect quantitative~~ empirical data ~~were collected~~ from survey respondents at South African national government departments. ~~Thereafter-Second, qualitative~~ semi-structured interviews and focus group discussions were held with a ~~sample of~~ purposively selected ~~sample of~~ participants to explore the observations from the first phase. The ~~results-emerging observations~~ from the first two phases were validated through an analysis of pertinent documents and records.

• Findings

Despite all ~~government~~ departments ~~having-adopted~~ing internal auditing, ~~a divergence emerged between what~~ management's ~~expectations of~~ed from internal auditing and the services provided by the internal audit function ~~diverged~~. The results suggest that the emergence of a compliance approach to organisational governance ~~and together with limited skills in poor~~ organisational performance management ~~skills~~ has ~~inhibited-impaired the ability of~~ internal auditing's ~~ability~~ to ~~contribute to~~ effectively ~~contribute to~~ strategic and performance management, ~~resulting in the perception that internal auditing was ineffective~~.

• Research Implications

Despite its South African orientation, since internal auditing is a global association and given that service delivery protests continue to occur in several countries around the world, ~~increases~~ the study's ~~has~~ international relevance. Moreover, ~~the wider implications are boosted since~~the mandate of internal

auditing requires it to add value to an organisation irrespective of ~~the organisation's~~ geographical location.

- **Originality**

The study contributes to ~~the~~ existing body of knowledge on internal auditing, ~~in particular~~ its adoption and implementation in the South African public sector. In addition to identifying the factors inhibiting effective internal auditing, the study advances a suggested framework for the future of internal auditing.

Keywords – internal audit function (IAF); internal controls; governance; risk management, strategic management; monitoring and evaluation; organisational performance management (OPM); performance information (PI) reporting; assurance; public sector.

1. Introduction

South Africa transitioned to a democratic state in 1994, with the ~~current incoming~~ government promising ~~the people to address that~~ past inequalities ~~will be addressed, resulting and in improved improving the~~ living conditions for all ~~it people~~ (Mamokhere, 2019; Wasserman *et al.*, 2018). However, abject poverty, consistently high unemployment and limited availability of critical public goods and services (hereafter, public goods), such as potable water ~~and~~, sanitation, ~~roads and electricity~~ has ~~resulted culminated~~ in the ~~country experiencing~~ ongoing service delivery protests ~~throughout the country~~. ~~In addition, c~~Corruption and poor governance of public sector organisations, ~~further contributed to increase~~ the public's dissatisfaction, ~~with government~~ which ~~has~~ fuelled these service delivery protests (Mamokhere, 2019; News24, 2018; Sebugwawo, 2013; Wasserman *et al.*, 2018).

~~South Africa's new democratic government projected that the demand for public goods would progressively increase notwithstanding the limited availability of the necessary funding and resources necessary to provide these goods and services being limited (South Africa, 1994). The advent of democracy provided a platform for society to increasingly demand improved service delivery, greater transparency and accountability on how the state's resources were deployed, prompting the South African government to adopt the principles of good governance (Mamokhere, 2019; News24, 2018; Sebugwawo, 2013; South Africa, 1994; Wasserman *et al.*, 2018). These Ffinancial constraints and resource constraints, as well as a desire to address increasing demands, compelled government departments and institutions to adopt measures and mechanisms to enable effective, optimal organisational performance. Optimal public sector organisational performance involves effectively providing public goods in accordance with societal expectations, in an economic and efficient manner (Chowdhury and Shil, 2017; Raam and Morgan, 2009; South Africa, 1999; Swedish National Audit Office, 1999).~~

~~Moreover, the advent of democracy provided a platform for society to increasingly demand improved~~

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10 ~~service delivery, as well as greater transparency and accountability on deployment of how the state's~~
11 ~~resources were deployed, prompting the South African government to respond by adopting the principles of~~
12 ~~good governance (Mamokhere, 2019; News24, 2018; Sebugwawo, 2013; Wasserman et al., 2018).~~
13 Organisational performance management (OPM) was one of the mechanisms government adopted to
14 improve service delivery and reduce service delivery protests (Pollitt, 2016). The formal introduction of OPM
15 in the public sector has its origins in the ~~ideology of~~ New Public Management (NPM) ideology (Chowdhury
16 and Shil, 2017). ~~According to Chowdhury and Shil (2017),~~ NPM seeks to introduce private sector managerial
17 practices into the public sector in order to promote economical, efficient and effective organisational
18 performance ~~(Chowdhury and Shil, 2017).~~ ~~Despite this intervention~~ Nevertheless, service delivery protests
19 continued unabated, negating claims ~~that of improved~~ public sector service delivery ~~has improved~~
20 (Mamokhere, 2019; News24, 2018; Sebugwawo, 2013; Wasserman et al., 2018).
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24 In order to improve governance, OPM, accountability and service delivery, the South African government
25 promulgated the Public Finance Management Act, No.1 of 1999 (PFMA), ~~which.~~ ~~The PFMA~~ introduced
26 mandatory internal auditing ~~as a mandatory requirement~~ for the South African public sector (South Africa,
27 1999). The Treasury Regulations, issued in terms of the PFMA, compelled ~~South African public sector~~ internal
28 audit functions (IAFs) in the South African public sector to adopt and implement the International Standards
29 for the Professional Practice of Internal Auditing (IAS) (South Africa, 2005). Consequently, internal auditing
30 in the South African public sector is required to conform with International Professional Practices Framework
31 (IPPF), ~~that which~~ includes the ~~definition~~ Definition of ~~internal~~ Internal auditing (IIA, 2020), the Code
32 of Ethics and the IAS (IIA, 2017). The IPPF which was developed and formalised by the global Institute of
33 Internal Auditors (IIA), ~~and~~ is applicable to all IIA's across the world (IIA, 2017). Consequently, internal
34 auditing in the South African public sector ~~in South Africa~~ is required to comply with the international
35 framework issued by the global IIA IPPF.
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40 According to the IIA definition, internal auditing ~~is required to~~ must add value to national departments by
41 assessing the probability that they will achieve their strategic objectives, by focussing on the organisation's
42 governance, risk management, controls and business processes (IIA, 2017: IAS 2030). However, continuing
43 service delivery protests by the community, suggest that internal auditing has not been entirely successful in
44 adding value, ~~by failing to assist in~~ achieving improving service delivery ~~objectives~~ (Mamokhere, 2019;
45 News24, 2018; Sebugwawo, 2013; Wasserman et al., 2018).
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47

48 ~~Given that~~ Since an effective IAF is mandatory in the South African public sector, this study accordingly
49 attempts to understand why ~~the imposition of~~ internal auditing has not concomitantly improved service
50 delivery. Allowing for pragmatic flexibility, this multiphase sequential mixed methods study comprised three
51 primary phases. The first phase, quantitatively analysed the responses to a survey instrument distributed to
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10 the Directors General¹ of all 44 South African national government departments (hereafter, national
11 departments), representing the ~~total~~ known population of national departments at the time of the study.
12 The second phase, qualitatively analysed the observations from semi-structured interviews and focus group
13 discussions held with purposively selected participants at national departments. To ~~provide-obtain~~ deeper
14 insights into the observations emerging from the first two phases, the third phase ~~involved-a~~
15 ~~comprehensively~~ ~~analysis-analysed~~of pertinent archival data of the selected national departments. This
16 multiphase approach allowed for triangulation ~~of the observations from the various phases, facilitating the~~
17 ~~ability to enabling the compare comparisonng and validationng ofe the themes and patterns emerging from~~
18 ~~the data, thereby enhancing the trustworthiness and dependability of the data, thereby and mitigating~~
19 ~~potential bias.~~

22
23 Within the context of the South African government's adoption of OPM to improve public sector service
24 delivery, as well as compelling all national departments to have effectively functioning IAFs, the ongoing
25 service delivery protests appear to suggest that the IAF has not achieved its objective of "*help[ing] an*
26 *organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve*
27 *the effectiveness of risk management, control, and governance processes*" (IIA, 2020). The emerging research
28 question therefore relates to the factors ~~inhibiting-that prevents the ability of~~ internal auditing ~~to-from~~
29 effectively ~~contribute-contributing~~ to assisting the organisation improve its organisational performance. The
30 study therefore aimed to understand the extent to which internal auditing assisted in improving
31 organisational performance and accordingly service delivery. After exploring internal auditing's role in OPM
32 at national departments and identifying the factors inhibiting ~~the ability of~~ internal auditing's ~~ability~~ to assist
33 the organisation accomplish its objectives, the paper proposes a conceptual framework ~~onreflecting how for~~
34 internal auditing's ~~likely future~~ role ~~is likely to evolve in the future.~~

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39 Notwithstanding its South African orientation, the study has global relevance, in that internal auditors
40 internationally, are required to comply with a single, formalised IPPF, as well as because protests related to
41 dissatisfaction with government service delivery and performance is a global phenomenon. Service delivery
42 protests have occurred in several countries around the world, including Brazil (Al Jazeera, 2019a), Venezuela
43 (BBC, 2019), Sudan (Al Jazeera, 2019b), Turkey (Human Rights Watch, 2019), France (NBC, 2018) as well as
44 Hong Kong (New York Times, 2019). Many of these countries have adopted internal auditing as a mechanism
45 to assist ~~their~~ organisations promote optimal performance, thus rendering the observations and assertions
46 of this study, internationally applicable.

49 2. Literature review

54 ¹ In South Africa, the Director General is the effective Head, or CEO of a national government department.

2.1 Nature of internal auditing

In order to assist the organisation achieve its strategic objectives (IIA, 2017: IAS 2130.A1), the mandate of internal auditing is not confined to providing independent assurance services ~~focusing on~~ an organisation's governance, risk management and control processes, but also providing the organisation with consulting services (Arena and Sarens, 2015; Mihret and Grant, 2017; Tušek and Pokrovac, 2012). The ~~Institute of Internal Auditors' (IIA)~~ official IIA definition of internal auditing requires internal auditing to be independent, objective, systematic and disciplined (IIA, 2020; Mihret and Grant, 2017).

Kapoor and Brozzetti (2012) argue that strategic management actions – the decisions taken and the activities implemented to accomplish ~~the an~~ organisation's vision, mission and planned objectives – should be also subject to internal auditing, in compliance with IAS 2110 (IIA, 2017). Consequently, IAFs provide assurance on whether planned objectives and organisational strategies are appropriately developed and approved (Kapoor and Brozzetti, 2012). Similarly, IAFs evaluate whether line managers, supervisors and employees of national departments, have effectively implemented approved strategies aimed at achieving planned service delivery objectives (Arena and Sarens, 2015; Dumitrescu-Peculea and Calota, 2014; Kapoor and Brozzetti, 2012). Dumitrescu-Peculea and Calota (2014), accordingly postulate that internal auditing has a futuristic orientation insofar as it must provide assurance that the organisation's planned activities will contribute to sustainable future organisational performance.

The IPPF enables IAFs to provide organisations with consulting services (Arena and Sarens, 2015; IIA, 2020; Mihret and Grant, 2017; Selim *et al.*, 2009). Florina *et al.* (2013) suggest that internal auditing consulting services should provide solutions on specific projects and problems to effectively assist management accomplish planned objectives. Selim *et al.* (2009) posit that providing consulting services allows the IAF to advise and offer value-adding input to the organisation, which in turn translates into enhanced service delivery by national departments. Verschoor (2014) adds that consulting services encompass a variety of fields, such as business reengineering, project management and information technology (IT) development. The arguments advanced (IIA, 2020; Mihret and Grant, 2017; Selim *et al.*, 2009; Verschoor, 2014), emphasise that ~~the consulting role of~~ internal auditing's ~~consulting role~~ is intended to assist management, by performing specific tasks to improve organisational performance and ~~the resulting~~ service delivery, thereby adding value as envisaged in the definition of internal auditing, but without compromising internal auditing independence.

Improved organisational performance is promoted ~~by when~~ the organisation ~~embracing~~ good governance principles and practices (Australia, 2010; Carlei and Marra, 2010; Feizizadeh, 2012). Successful organisations are generally those that have created and sustained a governance environment exceeding mere compliance with laws, regulations and other prescripts, ~~but by~~ also ~~by~~ embracing the principles of efficiency, effectiveness and long-term sustainability (Waitzer and Enrione, 2005). Consequently, strong

organisational governance promotes improved service delivery (Australia, 2010; Carlei and Marra, 2010; Feizizadeh, 2012), with internal auditing usually ~~required to provide~~ing the organisation with assessments and value-adding recommendations to entrench strong organisational governance ~~practices~~ (IIA, 2017).

2.2 Internal auditing in the South African public sector

The PFMA makes it compulsory for the Accounting Officers of South African public sector organisations to establish an IAF (South Africa, 1999). Furthermore, the Treasury Regulations ~~issued pursuant to the PFMA~~, compel ~~IAFs in the~~ South African public sector ~~IAFs~~ to have internal audit charters consistent with the IIA's definition of internal auditing, and compliant with the IASs (South Africa, 2005). The appropriateness of the South African public sector's approach to internal auditing is supported by Aikens (2011) who confirms that IAF services are frequently utilised to improve accountability over the use of public funds. Moreover, internal auditing assists in detecting, preventing and correcting the uneconomical, inefficient and ineffective use of public funds, by noting their adverse impacts on achieving strategic objectives and consequent service delivery to the public (Aikens, 2011). Internal auditing is also responsible for evaluating business processes to establish whether such business processes support optimal organisational performance (Aikens, 2011). Wherever necessary, internal auditing provides recommendations for improvement of these processes, thereby increasing the probability that the organisation will achieve its service delivery objectives (Aikens, 2011).

2.3 Theoretical bases for internal auditing

National departments are created to address a community need by providing the community with public goods. Public goods must address societal needs and be provided in the most optimal manner – economically, efficiently and effectively. However, society demands accountability in the manner in which states resources are utilised to provide the required public goods. Thus, national departments are required to report to the community on their relative performance and achievement of strategic objectives, through community elected representatives (Steccolini, 20198). Despite locating such accountability within the postulations of NPM, Steccolini (20198) concedes a risk of under-theorisation when other relevant theoretical philosophies are ignored when exploring public sector accounting and accountability. Therefore, from an institutional perspective, public sector accountability is currently underpinned by NPM (Steccolini, 20198).

However, national departments employ people to execute their mandates and to implement approved plans in pursuance of service delivery objectives. Thus, all employees in national departments are considered to be the agents of government – the principal. Employees (as agents) are expected to work in the interests of and create value or benefits for the government (as the principal) (Attila, 2012; Bosse and Phillips, 2016; Coupet and McWilliams, 2017; Dawson *et al.*, 2016; Pouryousefi and Frooman, 2017). The relationship between government and its employees is therefore located within agency theory that creates a contractual

arrangement between the principal and its agents (Clark, 2016; Coupet and McWilliams, 2017; Dawson *et al.*, 2016; Grizzle and Sloan, 2016; Pouryousefi and Frooman, 2017; Velotti and Justice, 2016). Agency theory, which emerges from the principal-agent relationship, is based on the seminal work of Mitnick (1973) which introduces the existence of an agency problem (Bosse and Phillips, 2016; Clark, 2016; Coupet and McWilliams, 2017; Dawson *et al.*, 2016; Mitnick, 2006; Pouryousefi and Frooman, 2017). The agency problem arises when the goals of agents differ from those of the principal, and may result in agents pursuing their own personal interests to the detriment of the principal (Attila, 2012; Coupet and McWilliams, 2017; Grizzle and Sloan, 2016; Mihret, 2014; Ștefănescu *et al.*, 2016). Several measures were introduced to ameliorate the agency problem, including that agents should regularly report to their principals, on their performance (Attila, 2012; Bosse and Phillips, 2016; Taga, 2017). However, the agency problem recognises that in the normal course of organisational reporting, goal divergence and agents pursuing their own interests may result in employees not providing principals with symmetrical or perfect information, or that national departments may not provide society with symmetrical information (Bosse and Phillips, 2016; Clark, 2016; Coupet and McWilliams, 2017; Dawson *et al.*, 2016; Pouryousefi and Frooman, 2017). However, the reporting of imperfect and asymmetrical information may be partially mitigated by ensuring that the veracity of the reported performance information is independently assured (Bosse and Phillips, 2016; Clark, 2016; Coupet and McWilliams, 2017; Dawson *et al.*, 2016; Pouryousefi and Frooman, 2017). In this regard, internal auditing is usually well placed within organisations to undertake independent assessments of the veracity of information reported by the organisation (Arena and Sarens, 2015; Asare, 2009; Gajevszky, 2015; IIA, 2017; IAS 2130; Khurana and Raman, 2004). Veracious information that has been independently assured, enhance the ability of readers to make informed decisions (Ismail *et al.*, 2008).

Reporting or accounting for performance is located within accountability theory, which in itself is rooted within the agency theory, which postulates that agents must account to their principals for their performance (Bosse and Phillips, 2016; Clark, 2016; Coupet and McWilliams, 2017; Pouryousefi and Frooman, 2017; Ștefănescu *et al.*, 2016). Accountability involves justifying actions provided by a person, or group of persons, to others (Lerner and Tetlock, 1999). Within the context of this paper, accountability therefore means government's accountability to the public on relating to its performance to the public agents conforming to a set of standards, as directed by the principal (Grizzle and Sloan, 2016). Accountability also requires agents to regularly accounting for their performance through comprehensive, complete and veracious reporting (Ștefănescu *et al.*, 2016). Where intended performance is not achieved, explanations must be provided, and corrective measures implemented (Ștefănescu *et al.*, 2016).

Moreover, it may be argued that governments are actually the agents of the citizens, residents or taxpayers, are the key governmental stakeholders and accordingly the real principals to whom governments should account. National departments should therefore not only account to government, but more importantly to the South African population as well. Therefore, in addition to agency and accountability theories described

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10 | ~~above~~, the reporting obligations of national departments should ~~therefore~~ be responsive to normative
11 stakeholder expectations (Ferrero-Ferrero *et al.*, 2018). Stakeholder theory holds that organisations should
12 consider and accommodate the different perspectives and expectations of a variety of constituents, with a
13 legitimate interest in their performance, and not only those of government (Ferrero-Ferrero *et al.*, 2018).
14 National departments are therefore also expected to account to their broader stakeholders, to whom they
15 are obliged to provide public goods and services, using public funds.
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18 | Since this study argues that ~~public sector internal auditing in the public sector is located, inter alia located,~~
19 ~~within NPM, the agency, accountability and stakeholder theories and that additionally, mayare also be~~
20 ~~underpinned by the agency theory government accountability is located within NPM, the~~ The limitations of
21 these theories therefore make ~~it appropriate the to use of~~ a multi-theoretical approach ~~appropriate to~~
22 describe the conflicting relationships between ~~an organisation's the management of organisations and their~~
23 ~~its stakeholders~~ (Hussain *et al.*, 2018). Moreover, the tripartite relationship among employees, government
24 and civil society, necessitates the adoption of a multi-theoretical approach (Fernando and Lawrence, 2014).
25 However, several authors argue that the theories relevant to internal auditing largely remain under-
26 researched, necessitating further studies into the theoretical underpinning of internal auditing (Mihret, 2014;
27 Mihret and Grant, 2017; Wood, 2016).
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31 Research methodology

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33 | Research pragmatism ~~provided provides~~ the study with a more flexible research approach ~~to study the~~
34 ~~phenomenon~~ (Asdal, 2018; Dittrich and Seidl, 2018). This included a sequential mixed methods approach,
35 incorporating aspects of both quantitative and qualitative research approaches, conducted in three primary
36 phases (Onwuegbuzie, 2012; Venkatesh, ~~Brown and Sullivan et al.~~, 2016).
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39 | The first phase involved using a self-administered survey questionnaire to collect quantitative data (Delattre
40 *et al.*, 2009; Onwuegbuzie, 2012), from potential survey respondents at all 44 South African national
41 departments. Potential survey questionnaire respondents, identified as senior internal audit executives and
42 managers, were requested to use a five-point Likert scale to indicate the extent to which their respective
43 departments had adopted OPM, and its perceived effectiveness, as well as the extent to which the IAF was
44 adopted and involved. The questionnaire was designed to elicit insightful information rather than simple
45 binary answers, with the scale ranging from 1 (one) representing "not implemented" to 5 (five) representing
46 "fully implemented". Additionally, survey respondents were requested to provide any further information,
47 including archival documentation, that their national departments were willing to provide. The resultant data
48 were quantitatively analysed using MS Excel. ~~MS-Excel, a spreadsheet application software, which enabled~~
49 ~~the analysis of ing-data and the presentation of ing-results~~ using quantitative tools such as tables, graphs and
50 charts.
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10 The second phase involved collecting qualitative data from a ~~purposively-selected~~ sample of employees at
11 ~~predetermined~~ national departments, through interviews, focus group discussions and limited observations
12 (Annanasingh and Howell, 2016; Highfield and Bisman, 2012; Lektorskii, 2011). Interview and focus group
13 participants were ~~purposively~~ selected at four national departments, ~~based-on~~ the assumption that they
14 could comprehensively provide meaningful responses to the questions posed. ~~To ensure a reasonable cross-~~
15 ~~sectional representation of government performance, The the~~ four departments ~~were~~ selected ~~were~~ based
16 on the results of statutory audits ~~conducted~~ by the Auditor General of South Africa (AGSA) on their financial
17 and operational performance, ~~ensuring that they broadly represented government performance.~~
18 Department A was chosen because it consistently received favourable audit reports ~~from AGSA~~. The ~~AGSA's~~
19 audit opinions for Department B reflected generally consistent financial and operational performance,
20 whereas Department C ~~had displayed~~ inconsistent financial and operational performance, ~~but more recently~~
21 reflecting significant improvement ~~more recently~~. ~~By contrast,~~ Department D consistently received
22 unfavourable audit reports ~~from the AGSA and was included to provide a reasonable cross-sectional~~
23 ~~representation of government performance.~~ To preserve confidentiality, the national departments are
24 anonymised and not directly related to the information in Table 1 below.
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29 Interview participants included accounting officers or senior executives, chief risk officers, chief audit
30 executives (CAEs), heads of planning and performance reporting, and heads of monitoring and evaluation.
31 Focus group participants included internal audit managers, internal audit supervisors, as well as internal
32 auditors. These participants operated at various levels including strategic, operational, financial, accounting,
33 risk, audit, planning and performance reporting, as well as monitoring and evaluation functions. ~~They, and~~
34 were selected based on their responsibilities in relation to organisational governance and performance and
35 the resultant influence on service delivery, broad representation and their perceived ability to meaningfully
36 contribute to the study.
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39 The Directors General of the selected national departments formally granted permission for their staff to
40 participate in the interviews and focus groups. Potential interview and focus group participants were
41 informed about the nature of the study and advised that the necessary permissions and approvals for the
42 study had been obtained (Shea and Onwuegbuzie, 2008; Singh, 2015; Venkatesh *et al.*, 2016). Prior to the
43 interviews and focus groups, participants were provided with a schedule of guiding questions and copies of
44 the approvals, after which interviews were scheduled with those who consented (Bouma and Ling, 2004; De
45 Vos *et al.*, 2011; Maree, 2008). On average, ~~the each~~ interviews lasted about an hour, and ~~were~~ therefore
46 ~~was-not~~ unduly lengthy (Bricki and Green, 2007; Shea and Onwuegbuzie, 2008).
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50 Survey questionnaire respondents, as well as interview and focus group participants were assured that their
51 identities would remain confidential and that their responses would be anonymised. This qualitative research
52 approach allowed for the collection of narrative empirical data to obtain deeper insights into the observed
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phenomena emanating from the quantitative phase (Delattre *et al.*, 2009; Onwuegbuzie, 2012). Where archival documents such as annual reports, strategic plans and annual performance plans (APPs) of the selected national government departments were provided, these were comprehensively analysed (Highfield and Bisman, 2012).

To assist in understanding the observations from the first two phases, the third phase involved a comprehensive analysis of pertinent archival data related to the selected national departments. The qualitative data were analysed using the NVIVO™ software, which enabled the organising-organisation and analysing-analyses of narrative and archival data. The themes emerging from the data analysis (concepts or ideas, representing key words such as “organisational governance”), were progressively recorded (Annanasingh and Howell, 2016; Highfield and Bisman, 2012; Kaplan and Norton, 2006; Lektorskii, 2011). In this regard, themes refer to the concepts or ideas, representing key words such as “organisational governance”, emerging from the data analyses (Annanasingh and Howell, 2016; Highfield and Bisman, 2012; Kaplan and Norton, 2006; Lektorskii, 2011). These emerging themes were placed into “child” nodes on NVIVO™, which were further analysed by grouping similar “child” nodes into a “parent” node, which allowed for further careful analysis and interrogation. The results of the qualitative data analysis were constantly compared with the results of the quantitative data analyses conducted.

The multiphase mixed methods research approach adopted enabled the triangulation of the observations and results from each data collection phase, enhancing the study’s credibility and trustworthiness (Onwuegbuzie, 2012). Furthermore, triangulation facilitated the comparison and validation-validating of the themes and patterns emerging from the data (Ratcliff, 2012; Singh, 2015; Thorne, 2000), thereby enhancing the trustworthiness and dependability of the data, and mitigating possible-potential bias (Venkatesh *et al.*, 2016).

4. Research respondents and participants

The survey questionnaire was administered to the known population of national departments (i.e. 100%), during March and April 2017. In total, 20 officials, either chief audit executives (CAEs), or senior internal auditing employees, from 18 departments, responded to the questionnaires (i.e. 41% of national departments). This response rate is considered reasonable, especially since government departments officials are subject to strict confidentiality requirements, resulting in a-the reluctance of officials to complete such questionnaires. Moreover, since the questionnaire was sent to the entire population of 44 national departments, the responses are considered representative and sufficient for meaningful analysis. Figure 1 groups the respondents to the survey questionnaire (all from internal audit), according to the positions held in their respective IAFs.

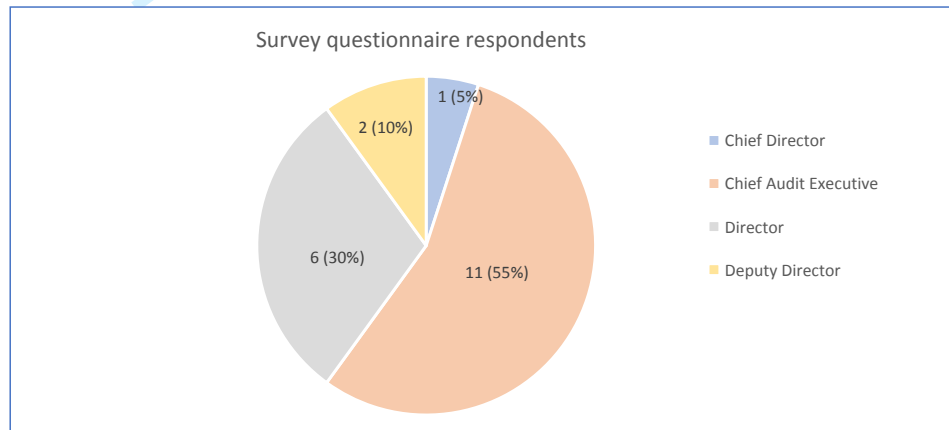


Figure 1 – Internal audit respondents to survey questionnaire

Although figure 1 reveals that two responses (10%), were received from Deputy Directors, during the interviews it was confirmed that they were Internal Audit Managers. The remaining 18 responses (90%) were received from Chief Directors, Directors, or CAEs (typically representing the Heads of Internal Audit). Thus, all 20 survey respondents occupied sufficiently senior positions in the IAFs of their respective national departments, to provide meaningful responses to the survey questionnaire.

Table 1 – Interviews conducted

Department	Number of interviews	Related references
Department 1	4	D1P1; D1P2; D1P3; D1P4
Department 2	3	D2P1; D2P2; D2P3
Department 3	2	D3P1; D3P2
Department 4	3	D4P1; D4P2; D4P3
Monitoring and Evaluation (M&E) departments	2	M&E1; M&E2
Total	14	

Interviews and focus groups were conducted from March to June 2017, dependent on the availability of research participants. As reflected in table 1, a total of 14 semi-structured interviews were conducted. To preserve the anonymity of both the participants and the national departments, participants were allocated to department and participant numbers. Illustrating the seniority of the participants, it is noteworthy that interviews were conducted with six officials at the Deputy-Director General level, one at Chief Director level and three at Director level.

Table 2 reveals that seven focus group discussions were held with internal audit officials, at various levels of seniority. Similar to the interview participants, focus group participants were anonymised using department and participant numbers.

Table 2 – Focus group discussions

Department	Number of discussions	Number of participants	Related references
Department 1	2	8	D1FG1; D1FG2
Department 2	2	5	D2FG1; D2FG2
Department 3	2	7	D3FG1; D3FG2
Department 4	1	2	D4FG1
Total	7	22	

5. Analysis, interpretation and implications of discussion of results

All survey respondents confirmed the adoption of functioning IAFs, which actively participated in OPM₂ at their respective national departments. These responses were confirmed by the documentary analysis, with interview and focus group participants contributing to explaining the quantitative observations. The study observations are discussed under the themes below:

5.1 Roles of internal auditing in an organisation

Internal auditing was found to perform several roles in an organisation. The majority of interview and focus group participants, emphasised that in-evaluating the national departments' governance processes, **enabled** internal auditing **to** significantly contributed **d** to organisational governance. One interview participant (D2P2) argued that the IAF's focus on organisational governance was based on the assumption that poor organisational governance implied that general operational performance would similarly be poor. According to this interview participant (D2P2):

"...in terms of corporate governance and then related to that when you look at governance, we look at issues related to the performance of an organisation, whether an organisation is performing, or is not performing, because that will then indicate whether we are going to be able to achieve our targets, we are going to achieve our strategy."

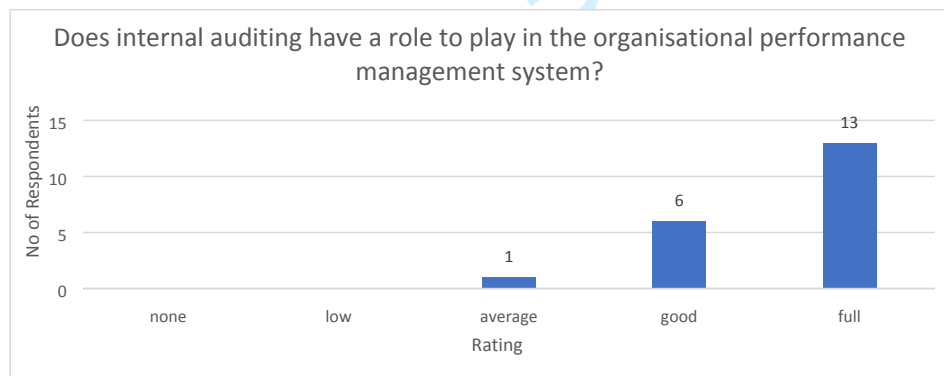
In-**a**Additionally, internal auditing played a role in the risk management of national departments. Several interview and focus group participants (D1P2; D2FG1; D3FG2; D3P1; D3P2; D4FG1) **mentioned-indicated** that **when conducting internal auditing assignments**, internal auditors were expected to identify **potential risks to whichfacing** the department **may-be-exposed**, **when-conducting-internal-auditing-assignments** **and to recommending appropriate** remedial actions to mitigate **these-those identified** risks. An executive management interview participant (D1P2) confirmed that management relied on internal auditors to identify **potential risks that-to which** the department was exposed **to** and to recommend appropriate and effective response strategies, stating:

"And I used to say to the internal auditors, if you didn't pick it up, I wouldn't know about it and therefore

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10 *I wouldn't manage it. If I didn't manage it, it will either destroy the system or collapse it altogether. So,*
11 *I cannot over emphasise enough the importance of the role of the internal audit in risk management*
12 *within our systems."*

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14 The study also highlighted ~~the role of~~ internal auditing's role in the systems of internal control ~~of national~~
15 ~~departments~~. Interview and focus group participants asserted that internal auditing's role in national
16 departments included assessing and evaluating whether the control processes designed and implemented
17 by management, were adequate and effective. Interview and focus group participants confirmed that
18 internal auditing assessments are designed to provide reasonable assurance that organisational objectives
19 will be achieved as intended, on the proviso that the system of internal controls functions as intended.

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22 All survey questionnaire respondents confirmed that internal auditing played a role in OPM and ~~its~~
23 ~~related accordingly~~ service delivery. However, the extent to which this role was entrenched varied, as
24 illustrated in Figure 2 below:



39 **Figure 2: The role of internal auditing in OPM**

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41 Figure 2 ~~shows-reveals~~ that ~~the majority of respondents (n=13 or 65%) asserted that internal auditing's OPM~~
42 ~~role was fully implemented, although~~ one respondent (5%) indicated that ~~the internal auditing's OPM role in~~
43 ~~the OPM processes of the national department~~ was only "average", while six respondents (30%) indicated
44 ~~described that~~ internal auditing ~~had-as having~~ a "good" role. ~~The majority of respondents (n=13 or 65%)~~
45 ~~asserted that internal auditing's OPM role was fully implemented.~~

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48 Although the survey ~~information-observations was-were~~ largely confirmed by the interviews and focus group
49 discussions, several areas for improvement were proposed. ~~Apart-for-O~~one interview participant ~~who~~
50 indicated that internal auditing was not involved in the strategic processes at his/her national department.
51 ~~the majority of interview and focus group participants agreed that internal auditing played a role in assessing~~
52 ~~and evaluating the strategic processes at their national departments.~~ In the words of the dissenting interview

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10 participant (D4P1):— “So what we do is, we don’t involve internal audit as part of the planning of what goes
11 in there. Okay? So, we don’t actually use them to determine what goes into the plan.” The participant argued
12 that internal auditors were ~~accordingly-consequently~~ not in a position to understand the planning process,
13 ~~nor the resulting-resultant~~ departmental plans, the relative importance of each strategic objective to the
14 department’s mandate and were not therefore ~~in-a-positionable~~ to meaningfully assess the effectiveness of
15 the planning processes, limiting the potential of internal auditing to contribute to the national department’s
16 strategic processes. The participant further argued that instead of focusing on the efficacy of the
17 department’s strategic processes, internal auditing tended to compete with the external auditors, thereby
18 diluting the impact of internal auditing. A different interview participant (D1P3), argued that internal auditors
19 were not adequately experienced, nor suitably qualified, to assess and evaluate the national department’s
20 strategic processes.
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24 The study observed that national departments measured their actual performance against planned
25 performance on a quarterly basis, and reported the results to executive management in formal performance
26 information (PI) reports. Several interview and focus group participants (D1FG1; D1FG2; D1P1; D2FG2; D2P1;
27 D2P2; D2P3; D3FG1; D4P1; D4P2; D4P3; M&E1; M&E2) confirmed that internal auditing accorded
28 considerable attention to assessing and evaluating the reported quarterly PI, thus playing a role in OPM. Two
29 interview participants (M&E1; D4P3) suggested that because of the knowledge ~~acquired by~~ internal auditing
30 ~~acquires~~ while assessing and evaluating all areas of the national department, that internal auditing should be
31 involved throughout the national department’s entire OPM processes, from start to finish. Arguing that
32 adopting a collaborative approach reduces costs, minimises duplication, and mitigates possible reporting
33 fatigue, one of these interview participants (D4P2) ~~asserted-postulated~~ that all assurance providers should
34 collaborate to assess and evaluate OPM, with internal auditing taking the leading role.
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38 One focus group (D4FG1) identified internal auditing’s consulting roles as participating in education and
39 awareness programmes and conducting *ad hoc* assignments, such as forensic and information technology
40 audits. However, another interview participant (D1P2) opined that the IAF within his/her department lacked
41 the requisite levels of knowledge or skills to assess the department’s automated (IT) systems.
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44 5.2 Theories supporting internal auditing

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46 The empirical data analysed during the study failed to produce adequate information relating to the
47 theoretical frameworks applicable to internal auditing. Nevertheless, confirming the assertion that internal
48 auditing’s theoretical underpinnings are not binary, and that several theories may apply concurrently, it is
49 submitted that internal auditing may be more appropriately explained through the adoption of a multi-
50 theoretical approach. However, one ~~analysed~~ archival document ~~analysed~~, identified stakeholder theory as
51 one of the primary theories underpinning OPM and ~~therefore~~ by extension, ~~therefore~~ also underpinning
52 internal auditing. Considering the various theories underpinning internal auditing as discussed in the
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10 literature review, as well as the limited scholarly research into this dimension, additional attention should be
11 accorded to formulating an overall theory applicable to internal auditing.

12 13 **5.3 Management expectations**

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15 The study observes that management are increasingly expecting more from internal auditing. Several
16 interview and focus group participants argued that in addition to internal auditing's role in evaluating the
17 organisation's systems of governance, internal control and risk management, its primary role was to assist
18 national departments achieve their planned objectives. This was confirmed by a senior official (M&E2) who
19 emphasised that the role of internal auditing was "*to assist management to ensure that all that is promised*
20 *in this pipeline is actually delivered*". Similarly, another interview participant (D4P3) maintained that in order
21 to determine its relative importance to the national department as a whole, the IAF should assess each
22 strategic objective.
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26 Both interview and focus group participants accorded significant attention to strategic imperatives. One
27 interview participant (M&E1) suggested that the IAF should focus on organisational aspects such as the
28 relevance of departmental plans to the department's mandate, whether targets and indicators were specific,
29 measurable, achievable, realistic and time-bound (SMART), and pitched at the correct levels. The interview
30 participant also suggested that the IAF should ensure that targets ~~are~~ ~~were~~ not pitched so low that they
31 would be easy to achieve, resulting in poor standards of service delivery. In the words of the interview
32 participant (M&E1):
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35 *"They need to be involved in the whole organisational performance management process. They*
36 *need to be involved in the planning process. They need to be involved in the in-year monitoring*
37 *process, in the annual report process and in the HR performance management process, and it's*
38 *very important that they're involved in the planning process because you spoke about the issue*
39 *of compliance planning. They would need to look at the plans and see whether it is relevant to*
40 *the mandate of the department. Is the department planning for the AG, do they have easy-to-*
41 *achieve indicators and targets, are they actually planning for their mandate, just from a*
42 *planning perspective? From a monitoring perspective, of course you look at the data and the*
43 *evidence to see whether it's actually reliable. Similarly, with the annual reporting process."*
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48 Another interview participant (D4P1) stated that the IAF in his/her department was not involved in the
49 departmental strategic and operational planning processes, and was accordingly insufficiently conversant
50 with the planning process and the plans of the department. The IAF was thus unable to meaningfully assess
51 the relative importance of each strategic objective within the context of the department's mandate, or the
52 effectiveness of the planning processes, thereby reducing the value that internal auditing provides to the
53 department. Furthermore, the interview participant revealed that internal auditing tends to mainly focus on
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10 the accuracy and completeness of PI reporting and not on the strategic processes and OPM. Therefore, in
11 order to add value to the national department, the study found that internal auditors should participate,
12 even as observers, in the strategic processes of the national department, but without compromising their
13 independence and objectivity. Internal auditors should thus, at the very least, obtain sufficient information
14 about the department's strategic dimensioning, planning and processing, which should be incorporated in
15 the future plans of internal auditing.
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18 Furthermore, management expected internal auditing to focus their efforts on areas with the greatest impact
19 on the national department. One interview participant (D4P3) expressed concern that 90% of internal
20 auditing's efforts appeared to focus on departmental support areas, which only represented 10% of the
21 department's budget, ~~but largely ignored ignoring~~ the line function units which spend 90% of the
22 departmental budget. The interview participant therefore questioned the effectiveness of the risk-based
23 approach adopted by the IAF. Citing internal auditing of performance agreements and annual reviews of
24 individual performance as examples, the interview participant argued that internal auditing focussed on
25 minor matters, such as signing of performance agreements, rather than more strategic matters such as the
26 content of performance agreements and their alignment with the organisational mandate. The interview
27 participant asserted that ~~the IAF therefore added little value to the department, by~~ incorrectly focusing on
28 support services rather than on line functions, ~~the IAF added little value to the department.~~ The same
29 interview participant posited that the findings of internal auditing tended to be trivial and at a very low level,
30 such as exceeding telephone account limits, or operational plans not being correctly signed, rather than the
31 broader issues that could impede the achievement of planned service delivery objectives.
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36 Another research participant (D4P1) suggested that internal auditors were so caught up in transactional
37 auditing, that they lost sight of the important strategic dimensions. According to the interview participant
38 (D4P1): *"I think they're so caught up in ~~the~~ auditing the documentation rather than seeing the bigger picture.*
39 *So that's where I see them falling short".* Internal auditors consequently failed to consider the bigger strategic
40 ~~focus-picture~~ and service delivery priorities. A different interview participant (D4P2) concurred, ~~also~~
41 questioning the effectiveness of internal auditing, ~~by~~ arguing that the IAF was not auditing the strategic
42 processes of the national department.
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45 Two interview participants (D4P1; D4P2) asserted that internal auditors should analyse the national
46 department's actual performance and provide constructive, well-thought out recommendations that
47 promote optimal organisational performance. These interview participants revealed that internal auditors
48 frequently raised "independence" as the reason for not becoming involved in the department's strategic
49 processes. However, the interview participants rejected the notion that independence would be
50 compromised, pointing out that not only did the IAS permit consulting, but also that once the
51 recommendations are accepted, ~~their implementation~~ become the responsibility of management and not
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10 ~~that of~~ the IAF.

11 Two interview participants (D1P2; D4P2) mentioned that management expected the IAF to evaluate the
12 alignment between the department's mandate and plans. ~~One of these~~ interview participants (D1P2), ~~argued~~
13 ~~indicated~~ that in addition to reporting on historical performance, management also expected the IAF to
14 recommend the interventions required to promote optimal, sustained future performance, including
15 reducing duplication of systems or effort that may impede sustained, optimal future performance. The
16 interview participant further argued that management expected a new breed of internal auditors to emerge
17 who could assist in building systems, while concurrently ensuring that sufficient quality had been built into
18 these systems. Another interview participant (D4P3) suggested that the IAF should adopt a more outcomes-
19 based auditing approach to determine whether the expected organisational impacts were effectively
20 achieved.
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25 The various ~~views emerging from the study~~ ~~observations about relating to~~ the mandate and focus of internal
26 auditing, reveals a disconnect between the expectations of management and ~~perception of~~ internal auditors'
27 ~~perception of about~~ their role in OPM and the related service delivery. ~~Addressing This this audit expectation~~
28 ~~gap~~, presents a strong case for the global internal auditing profession, represented by the IIA, to review its
29 current stance and approach on the value that ~~it internal auditing~~ should add to an organisation. ~~A case was~~
30 ~~made by s~~Senior government officials ~~postulated~~ that the IAF's involvement, especially relating to strategic
31 processing and OPM, should be significantly enhanced and strengthened, but without compromising the
32 fundamental principle of independence. The interview participants' assertions that management expected
33 internal auditors to assist ~~the national departments~~ ~~to~~ achieve ~~its their~~ strategic objectives, suggests that
34 internal auditing should adopt a futuristic orientation, as postulated by Dumitrescu-Peculea and Calota
35 (2014). ~~This would, by providing~~ reasonable assurance that departmental efforts will result in such strategic
36 objectives being achieved. Although it may be argued that internal auditing already ~~addresses~~ some ~~of~~
37 management's expectations, more work still needs to be done to precisely articulate the role of internal
38 auditing in the future, as well as the scope of its activities, which will address management's emerging
39 expectations and contribute to enhanced service delivery. This may require the IIA to review and adapt the
40 current IPPF to include sub-frameworks addressing the specific elements depicted in figure 3 below.
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45 5.4 Assertions

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47 Three main assertions arose from the data collected and analysed. The first, is that internal auditing has
48 inadvertently contributed to the emergence of the compliance-driven orientation of national departments
49 on how they manage organisational performance, with the internal auditing of OPM ~~being~~ conducted within
50 the guidance and frameworks provided by the Department of Planning Monitoring and Evaluation (DPME)
51 and National Treasury. This assertion is illustrated in Figure 1 that confirms internal auditing's involvement
52 in the OPM of the national department as directed by the frameworks of the National Treasury and DPME.
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No data emerged from the interview and focus group participants to suggest that IAFs went beyond the bounds of managerialism, new public management, or the National Treasury and DPME frameworks to explore the most effective approaches to strategic focus, planning and performance, as well as the internal auditing thereof.

The second, as reflected in Figure 3 below, is that the performance of both the national department and the IAF were inhibited by being their immersed-immersion in rational frameworks, rather than embracing innovative thinking, as reflected in Figure 3 below.

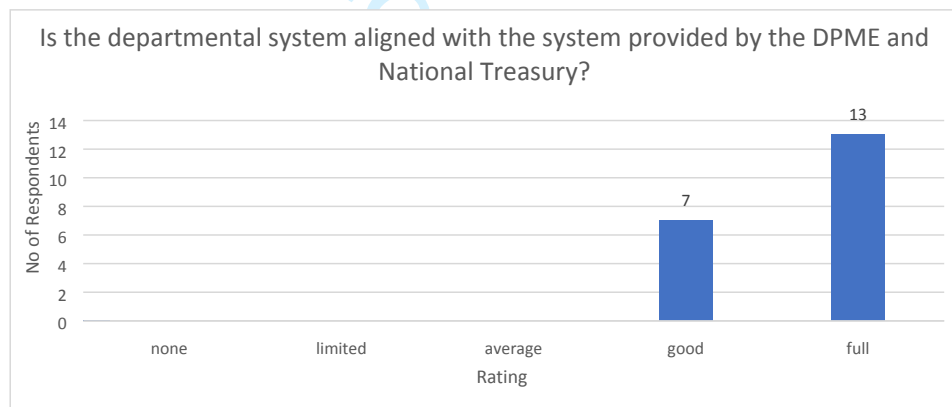


Figure 3: Alignment of departmental OPM with the DPME and National Treasury frameworks

Figure 3 reveals that 35% of the survey respondents (n=7) confirmed good implementation of the OPM frameworks issued by DPME and National Treasury, with 65% (n=13) of respondents confirming full compliance by their respective departments.

The third assertion was that strategies anchored in linear flows, inhibit opportunities for richer, theory-driven internal auditing performance. The study found that internal auditing practice at the South African national government level was in conformance with the IPPF. The IPPF conformance is attributed to the Treasury Regulations government compelling internal auditing to comply with the IASs in the Treasury Regulations (South Africa, 2005). Consequently, public sector IAFs must comply fully with the IASs, thereby entrenching a linear flow from the IASs through to IAFs, and to internal auditing practitioners. Such a liner flow, consequently, does not allow for rich, theoretical interrogation of the IASs by internal auditing practitioners. The IPPF makes it compulsory for internal auditing practitioners to comply with, rather than analyse and interrogate, the IASs. Although internal auditors may provide the IIA with recommendations to improve and amend the IASs, revising the IASs requires the involvement of several structures within the IIA, such as the local chapters, the national body and its committees, as well as the international body and its committees. Consequently, the ability of the IASs to evolve and transform in tandem with its theoretical bases is likely to be slow and limited. The linear flow approach to internal auditing, does not therefore sufficiently allow for a

richer, theory-driven perspective.

Consequently, the new theoretical knowledge created ~~based on~~ ~~by~~ the study's empirical observations, are accordingly depicted in figure 4 below:

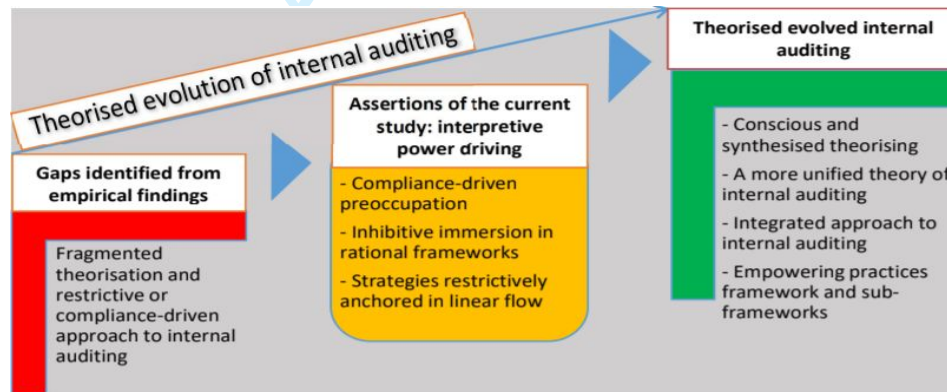


Figure 4: Natural evolution of internal auditing to its next level

Figure 4 illustrates the limited theorisation and the compliance-driven approach to internal auditing that emerged from the study's observations. The three assertions discussed above, representing the pinnacle of analysis, which reflects the interpretive power of this study. The four elements required to propel internal auditing to its next logical level, inapplicable to both the public and private sectors, are reflected under the section "Theorised evolved evolution of internal auditing" and are discussed further under "Elements to a future approach to internal auditing" below.

5.5 Elements of a future-oriented approach to internal auditing

The study observations, particularly the input ~~of~~ ~~by~~ several interview and focus group participants, highlighted several suggestions that, when duly considered, portray internal auditing in a different, but progressive light. Positive consideration of these suggestions may contribute to propelling internal auditing to the next level as part of its natural evolutionally progression, to potentially become the most important partner to management and the organisation, thereby facilitating the attainment of organisational objectives.

The suggestions explored in this paper, highlighted in figure 5 below, which gives effect to the natural evolution of internal auditing argued in Figure 4, include: (i) developing a unified theory of internal auditing, (ii) frameworks and standards, (iii) strategic understanding, (iv) intensified focus on strategic perspectives, (v) high-levels of training and skills, (vi) courageous reporting, and (vii) internal auditing leadership in coordinated assurance.



Figure 5: Elements of a conceptual framework for the future of internal auditing

5.5.1 Unified theory of internal auditing

The study identified limited theoretical research in the field of internal auditing, inhibiting the natural theoretical progression of internal auditing. The data analysis conducted in this study reveals that the evolution of internal auditing to its next logical level locates the discipline within a comprehensive, unified theoretical base. Agency theory, Accountability theory, the theory of performance and stakeholder theory were collectively identified as the theoretical bases underpinning internal auditing. Consequently, the theories emanating from the literature review and from the empirical data, illustrates the complex nature of internal auditing spanning across several theoretical bases. The adoption of a multi-theoretical foundation for this paper reflects the tripartite relationship among national departments, government and stakeholders (both as taxpayers and as the intended beneficiaries of the public goods and services that provided by national departments provide on behalf of government) (Fernando and Lawrence, 2014).

It is submitted that the lack of a coherent comprehensive theoretical approach inhibits the logical growth, development and evolution of the internal auditing profession. An exploratory exercise should therefore be conducted by leaders, practitioners and scholars of internal auditing, to identify and amalgamate the various theoretical bases for internal auditing, in order to develop a unified (grand) theory of internal auditing. Such a unified theoretical base would enable a richer and higher-reaching profession while promoting optimal internal auditing practice.

5.5.2 Frameworks and standards

An interview participant referred to the lack of standards or guidelines to assist the IAF and other evaluators to audit OPM and PI. Consequently, each assessing/evaluating body tends to follow its own approaches and methodologies, often resulting in the department often receiving inconsistent feedback, creating confusion. Another interview participant indicated that the IAF applies standardised internal auditing methodologies

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10 | ~~applied by the IAF~~ to assess and evaluate OPM. ~~However, this was generic methodology is~~ very broad and
11 | does not adequately address the specific processes and procedures required to effectively evaluate OPM.
12 | Consequently, several interview participants suggested that a framework should ~~be~~ specifically ~~be~~-designed
13 | to evaluate OPM, which ~~would-could~~ assist IAFs provide consistent, uniform, corroborated and comparable
14 | assessments of OPM, applicable to all national departments.

16 | While the IPPF has been formalised and made available to all internal auditors, it is pertinent that the IPPF
17 | includes the IASs that all practicing internal auditors must comply with. ~~It is h~~However, ~~recommended that~~
18 | an incisive interrogative exercise should be conducted to evaluate the suitability of the existing IPPF, in
19 | relation to the ~~lack-of-beingabsence of underpinned by~~ a unified theoretical framework ~~underpinning for~~
20 | internal auditing. This may require the development of several sub-frameworks to support the core IPPF. For
21 | example, sub-frameworks for an integrated approach to internal auditing, for the internal auditing of OPM,
22 | or for coordinated assurance may become necessary.

26 | 5.5.3 Strategic understanding

28 | Several interview and focus group participants mentioned that for internal auditing to be effective and
29 | perceived as value-adding, internal auditors must thoroughly understand the mandate, priorities, goals,
30 | objectives and performance environment of the national department, as well as its systems and processes.
31 | The participants explained that since internal auditing advises departments ~~on~~ how to improve their business
32 | and operating processes, it is imperative for ~~the~~ internal auditors to possess a sound knowledge of the
33 | department. This would necessitate internal auditors immersing themselves in the departmental planning
34 | process from inception. Acquiring such a thorough understanding should enable the IAF to comprehensively
35 | analyse and evaluate the department's processes and systems.

39 | 5.5.4 Strategic perspectives

41 | An interview participant observed that the IAF ~~is-not~~ ~~being~~ part of the executive structure of his/her
42 | department, ~~which-the-participantwas~~ considered a disadvantage. Firstly, because the IAF loses the
43 | opportunity to gain necessary insights into important strategic information discussed in executive meetings.
44 | Consequently, this information is not available to the IAF to inform the internal auditing plans and workload
45 | allocation. Secondly, the national department loses the value that IAF representatives could offer by
46 | providing recommendations, or other information at executive meetings. The participant claimed that
47 | ~~because-of-its-the~~ broad scope ~~of~~; internal auditing ~~engagements, allows it to~~ provides comprehensive
48 | insights into the entire department, uniquely positioning internal auditors to significantly contribute to these
49 | discussions. Furthermore, since internal auditing provides independent assurance on departmental
50 | operations and performance, the IAF's attendance at executive meetings would allow it to obtain pertinent
51 | information on how the department intend~~sed to achieve~~ing its objectives. The interview participant argued
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10 | that such attendance would ~~allow-provide~~ internal auditors ~~to-obtainwith~~ high-level, insightful information
11 | that would improve its ability to provide management with value-adding advice and recommendations. This
12 | view is supported by IAS 2110 (IIA, 2017), insofar as the IAF must ensure that the processes adopted by
13 | management assist ~~the-department~~ to accomplish ~~its-planned~~ departmental objectives. The IAF should
14 | however, preserve its independence and not assume any executive responsibilities (IIA, 2017).
15 |

16 | An interview participant ~~argued-cautioned~~ that internal auditors were so focused on auditing documentation,
17 | that they often failed to see the department's bigger strategic picture and its essential service delivery
18 | imperatives. Two interview participants suggested that internal auditors should interrogate the department's
19 | ~~actual performance-of-the-department~~, and ~~provide-recommendations-on~~ how its plans and overall
20 | performance could be improved, rather than simply focusing on documentation.
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23 | The views of the participants discussed in this section, suggest that the IAF should involve itself more fully in
24 | the strategic imperatives of their departments by attending all strategic discussions and fully understanding
25 | the department's strategic performance environment. Additionally, the IAF should review its operating
26 | models to provide recommendations that assist and enable the department to optimise its performance. The
27 | IAF should therefore evaluate both the processes and results relative to the strategic focus of the national
28 | departments, including the alignment of the plans to the departmental mandate and strategic objectives.
29 | The scope of internal auditing assessments should include assessing the performance indicators, measures
30 | and targets to determine whether optimal ~~and not mediocre performance, as opposed to mediocre~~, easy-to-
31 | achieve performance, is promoted.
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34 | 5.5.5 Training and skills

35 | Several interview participants emphasised that effective internal auditing performance was anchored in high
36 | levels of training and skills of internal auditors. One participant claimed that this was necessary because
37 | internal auditors were expected to provide management with advice and guidance on the national
38 | department's strategic management, as well as its business processes and procedures. The importance of
39 | training and skills was confirmed by another interview participant who stressed that acquiring relevant, high-
40 | level, professional qualifications was an important consideration for internal auditors intending to evaluate
41 | OPM. Another interview participant added that adequate internal auditing skills were absolutely imperative,
42 | since management placed considerable reliance on the work of internal auditors. Consequently,
43 | management decisions, which impact departmental performance, were often influenced by the
44 | recommendations made by internal auditors. A different interview participant, a CAE, however ~~asserted~~
45 | suggested that the skills level of internal auditors involved in assessing and evaluating PI and OPM, still
46 | needed significant improvement, particularly since auditors were trained in generic internal auditing
47 | processes and methodologies, but had not specifically been trained to evaluate OPM.
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5.5.6 Courageous reporting

An interview participant stated that the national department expected the IAF to fearlessly and courageously report the results of its internal audits. Firstly, to improve departmental performance, and secondly, to report on any corruption or other irregularities detected, without fear or favour. The participant confirmed that the prevalence of fraud and corruption had a considerably negative impact on departmental performance and service delivery.

The IASs thus introduce an obligation for internal auditors to identify the probability of fraud or other irregularities occurring and to report as such, to management. It is therefore recommended that the IASs should be expanded to require all internal auditors to obtain, at the very least, basic training on fraud and corruption and to develop the necessary investigative techniques to enable them to effectively identify, assess and report probable instances of fraud, corruption, or other irregularities.

5.5.7 Leadership in coordinated assurance

Several interview participants referred to the duplication of effort by various assurance providers within a single national department, causing auditing fatigue and resulting in increased costs and inefficiencies. The participants suggested that embracing the principle of combined assurance, would *inter alia*, result in significant cost savings and positively impact on departmental performance. It is however submitted, that at a national department level, coordinated assurance would be more appropriate than combined assurance, ~~duly especially~~ considering the nature of combined assurance as recommended in The King IV Report on Corporate Governance for South Africa (King IV) (IoDSA, 2016).

The overlapping mandates and duplication of effort by the various assurance providers ~~to of~~ national departments, strongly support the case for the immediate adoption of a coordinated ~~approach to~~ assurance approach. As recommended in King IV, ~~the IAF~~, as one of the primary assurance providers, ~~the IAF~~ should take the lead in implementing a coordinated assurance model. It is consequently recommended that the IIA should formalise a practice guide for internal auditing practitioners and CAEs to take the lead in this regard, by incorporating and adapting relevant aspects of the combined assurance approach described in the King IV report.

6. Areas for further research

The scope limitations of the study highlighted the following areas for future research areas:

6.1 The under-theorisation of internal auditing may have resulted in inhibited the natural evolution of internal auditing practice not naturally evolving to its logical next level. Future research should develop a unified theory of internal auditing, which should consider appropriate theories, such as the

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10 accountability theory, the stakeholder theory, the theory of performance and as well as other relevant
11 theories.

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13 6.2 One of the key findings of this study relates to government accountability to stakeholders. Within this
14 context, An area for future research –relatesinvolves to–further exploration of the ideology of
15 democratisation and accountability (Steccolini, 20198).
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17 6.7. Conclusion

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19 As described in this paper, the PFMA and its associated Treasury Regulations, not only made internal auditing
20 obligatory in the South African public sector, it also made it mandatory for the IAF to comply with the IIA's
21 definition of internal auditing and the IAS. Notwithstanding the formal adoption of internal auditing as a
22 mechanism to add value to South African national departments in order to enhance service delivery, service
23 delivery protests continue unabated, suggesting that internal auditing has not fully discharged its
24 responsibility "to add value and improve an organization's operations" (IIA, 2020).
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28 Within this context, the study set out to understand why the mandatory adoption of internal auditing in the
29 South African public sector, ~~has did~~ not resulted in a concomitant improvement in service delivery. The
30 exploratory multiphase sequential mixed methodological approach adopted for this study, included analysing
31 empirical data from respondents to a survey instrument distributed to all national departments, as well as
32 from purposively selected participants ~~from predetermined national departments~~ in semi-structured
33 interviews and focus groups. Together with relevant data from archival records, the ~~primary~~ data from the
34 empirical ~~study~~ phases ~~of the study~~ were triangulated to provide deeper insights into the phenomenon,
35 simultaneously improving the rigour of the study.
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38 ~~Although the study found~~Despite finding that all national departments had implemented internal auditing as
39 prescribed, and that the IAFs were involved in OPM at their respective national departments, the ~~study found~~
40 ~~that the~~ extent of this involvement varied. These responses were confirmed by the ~~analysis of archival~~
41 ~~documentary documents analysis~~, with ~~the insights from~~ the interview and focus group participants' ~~insights~~
42 contributing to explaining the observed phenomena. ~~Despite~~–Notwithstanding internal auditing's
43 involvement in OPM, these efforts were not always effective, contributing to the South African public sector's
44 inadequate delivery of public goods and services. The inability of internal auditing to contribute to the ~~ability~~
45 ~~of government's ability~~ to optimally provide public goods and services, is primarily attributed to the
46 compliance driven approach ~~to governance~~ of both the IAF and the national departments, exacerbated by
47 internal auditors not necessarily being included in the strategic planning processes of their national
48 departments, together with not being sufficiently knowledgeable, or skilled, to deal with OPM. The paper
49 postulates that the root of the problem may actually lie in the ~~inappropriate theorisation of the~~ internal
50 auditing profession ~~being inappropriately theorised~~, which suggests that a future-oriented theoretical model
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should be developed to create a more relevant and robust internal auditing profession, ~~that~~ ~~it~~ ~~they~~ ~~serves~~, as prescribed by the IPPF.

Despite the study's South African orientation, the results have international relevance given the global nature of the internal auditing profession, as well as the observation that service delivery and dissatisfaction with government performance has resulted in protests across the world. This assertion is strengthened by components of the IPPF being mandatory for internal auditing practitioners; in particular, those relating to the fundamental objective of internal auditing to provide added-value to the organisations that they audit.

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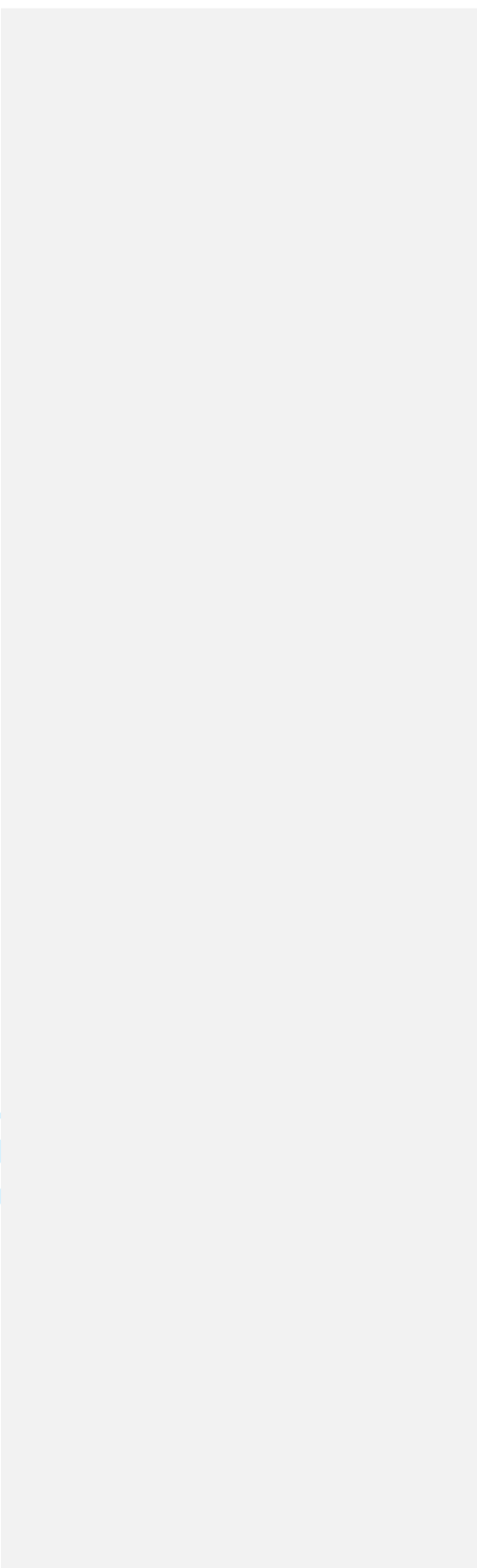
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Journal of Accounting & Organizational Change



Change

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10 **Annexure – Covering letter and sStructured questionnaire**

11
12 Dear Respondent

13 Please accept my gratitude for making the time and effort to complete this questionnaire which will enable
14 us to continue our research into the role of internal auditing in organisational performance management at
15 the national departmental level in South Africa.

16 Responses to questions are required as per a Liked-Likert scale from 1 to 5, as follows:

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1	Not implemented
2	Implementation is in initial stages
3	Average extent of implementation
4	Good implementation with room for improvement
5	Fully implemented

27 It is anticipated that no more than 30 minutes will be required to complete the questionnaire.

28 The completed questionnaire may be returned by email at the following email address XXX@123.com, or you
29 may call the following mobile number 01223456789 should any aspect require further clarification or
30 explanation.

31 Should you wish the completed questionnaire to be collected, please send an email to the abovementioned
32 email address and arrangements will be made for the completed questionnaire to be collected.

33 Again, many thanks indeed for your cooperation and responses.
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Name of department: _____

Job title of person completing questionnaire: _____

Please place an "X" in the appropriate response column

No	Question	1	2	3	4	5
1.	Has your department adopted systems of organisational performance management? i.e. to manage the accomplishment of planned objectives?					
2.	If so, is the departmental system aligned with the system provided by the Presidency and National Treasury?					
3.	Is the organisational performance management system fully implemented?					
4.	Does internal auditing have a role to play in the organisational performance management system?					
5.	Is the role of internal auditing in organisational performance management clearly defined in a written document?					
6.	Does the internal audit activity (IAA) have a written policy on the internal auditing of organisational performance management?					
7.	Has the IAA developed written approaches and procedures with regard to organisational performance management?					
8.	Has the IAA developed a standard audit programme for the internal auditing of organisational performance management?					
9.	Is the internal auditing of organisational performance at your department efficient and effective?					

Note: Where possible, could you please provide copies of any documentation that may assist with this study.