Performance of Audit Committee and Internal Audit Functions in South Africa’s Public Sector

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Presentation Structure

1. Introduction
2. Contribution
3. Theoretical framework
4. Literature review
5. Methodology
6. Findings & Discussion
7. Conclusion
8. Implications
Preamble

• Public sector agencies are commonly fretful with service delivery to the public only with a social motive instead of profit maximisation.

• In the public sector internal audit function is part of an agency, and hence is in a fine spot to comprehend the organization and the associated risks.
Nevertheless, the effectiveness of the internal audit is a function of the audit committee which is a central part of an organization's public accountability and governance.

Audit committees have a role to measure the performance of the internal audit function, appoint heads of internal audit, support and promote the audit function within the organisation.
Contribution

- Study is directed in the South African context concerning part of governance issues on audit committee and internal audit units’ performance examination using content analysis.
- Probing studies on performance of audit committees and internal audit units in the public sector of South Africa, focused on information provided by Auditor General on Provincial Audit Outcomes are comparatively rare in the literature.
Theoretical framework

- **stakeholder theory** was used as the theoretical underpinning for the study (Freeman, 1984)
- Freeman and Phillips (2002) the fundamental idea is that an organization's sensation is dependent on how well it manages the relationships with key groups that can affect the realization of its purpose.
Literature review

• Governance in the public sector merits the same consideration as governance in the corporate sector.

• Erasmus, 2008

• Van der Nest (2008)

• Ogoro & Simiyu (2015) - Kenya

• Kenya, Ogoro & Simiyu (2015)

• Emmanuel, Ajanya & Audu (2013) - Nigeria
Cont.

• Alzeban & Gwilliam (2014) – Saudi Arabia
• O'Riordan (2013) – Irish Gvt
• Malthus (2010) - NewZealand
Methodology

- **Qualitative approach** using descriptive research design (du-Pooley-Cilliers, Davi, & Bezuidenhout, 2014) using *content analysis* was used.
- Sample size was made up of 8 out of the 9 provinces in South Africa.
- Auditor General Reports on The Provincial Audit Outcomes for the *periods (2014-2015)* were used as primary documents for data analysis.
- Data analysis and scoring of the findings for each province was conducted through a content analysis using *Atlas-ti qualitative research data analysis software*. 
Findings & Discussions

• In South Africa’s public sector an audit committee is an independent body that advises on such matters such as internal controls, risk management, performance management, as well as evaluation and compliance with legislation.

• Internal audit units are expected to assist accounting officers and authorities in the execution of their duties by providing independent assurance on internal controls, financial information, risk management, performance management and compliance with legislation.
## Internal Audit Performance

<table>
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<tr>
<th>Scores</th>
<th>Eastern Cape</th>
<th>Gauteng</th>
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<th>Mpumalanga</th>
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Conclusion

• The findings reflect that both audit committees and internal audit units are in existence in all the provinces and they provide assurance. However, absence of advice, implementation of recommendations and inadequacy of resources has undermined the performance of audit committees and internal audit units in South Africa public sector.
Cont

• All in all, the performance of the audit committees and internal audit units can be more effective if the internal audit units are adequately resourced, audit committees oversee and support their operations and accounting officers and senior management take the findings seriously, cooperate and respond to their recommendations.
Implications

• As much as the Auditor General gives the audit reports on the performance of the public sector in South Africa, there is a bigger concern on the acceptance and recognition of the audit outcomes by the government.

• The relevant authorities must take these audit reports more gravely since they address governance issues such as effective operation of the audit committees and internal audit units. If these audit reports are taken more critically then the concerns of the involved stakeholders would be addressed through better service delivery.
Thank you
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Contributions & Questions