



UNIVERSITY OF KWAZULU NATAL

Developing a conceptual framework for factors that influence the effectiveness of internal audit within eThekweni Municipality

By

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DECLARATION

I, Mfanufikile Khethabahle Mwelase student number 200306032, hereby declare that the thesis for the degree of Doctor of Business Administration is my own work and that it has not previously been submitted for assessment or completion of any postgraduate qualification to another university or for another qualification.



Mfanufikile Khethabahle Mwelase

DEDICATION AND ACKNOWLEDGEMENTS

This thesis is dedicated to my sons, Phekahle and Mpumelelo Mwelase. In a world full of noise and distractions, may you find courage and inspiration to confront the biggest noise from within, may you have the necessary composure and tenderness to connect and learn to understand your spiritual self for it is your realness and may you always allow the wisdom of your inner self to provide guidance and direction in your life. If you do that, you would have met God himself. He will lead you through all your trials and tribulations. Your creator has a messenger who lives within you, for you are never alone.

I would like to express my gratitude to everyone who contributed towards the completion of this study. In particular I would like to express my appreciation to God for providing me the guidance, determination and perseverance in this endeavour; my family for time spent away from them whilst completing this study; all the respondents to the study for their time and insights and my supervisor, Prof BZ Chummun, for all the guidance and support she provided.

ABSTRACT

Internal Audit effectiveness (IAE) is a relatively new field of study in the South African public sector. There are limited studies that have been conducted in this field, especially as it relates to Local Government. This study sought to identify factors that influence Internal Audit effectiveness for the development of a conceptual framework within the eThekweni Municipality. The study comprises of a qualitative and quantitative component. Twelve officials (92%) occupying senior management roles within Internal Audit were interviewed in the performance of the qualitative component whilst three hundred and eighty-eight (95%) municipal officials were surveyed during the performance of the quantitative component of the study. Quantitative data was analysed using the Statistical Package for Social Sciences and thematic analysis was applied to the qualitative data.

The quantitative results indicate the need to improve Internal Audit Effectiveness within eThekweni Municipality. Municipal officials surveyed indicated that there were several improvement areas within specific factors influencing IAE which should be implemented to improve the effectiveness of the Unit. Respondents to the qualitative component of the study agreed with the quantitative results and further confirmed key factors with an influence on Internal Audit effectiveness, namely; the Chief Audit Executive Profile, Internal Audit Team Competency, Internal Audit Independence, Internal Audit Functioning, Effective Communication, Internal Audit Status, Compliance With IIA Standards, Senior Management Support, an effective Audit Committee and support by Political office-bearers. Both components of the study agreed that the Internal Audit Unit faced challenges, in varying degrees, on all the identified factors and that reforms should be introduced to improve Internal Audit effectiveness.

A conceptual framework was then developed to serve as a basis for reforms to improve Internal Audit effectiveness. Internal Audit effectiveness, therefore, is a sum of all the influences of the identified factors and improvements thereto is not caused by improving one factor. There is a need to bring change through each of the identified factors.

Keywords: Chief Audit Executive Profile, Compliance with IIA Standards, Effective Audit Committee, Effective Communication, Internal Audit Effectiveness, Internal Audit Functioning, Internal Audit Team Competency, Internal Audit Independence, Internal Audit Status, Senior Management Support, Political office-bearers support.

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LIST OF ACRONYMS

Auditor General of South Africa	AGSA
African National Congress	ANC
Annual Report	AR
Chief Audit Executive	CAE
Co-operative Governance and Traditional Affairs	CoGTA
Democratic Alliance	DA
Division of Revenue Act	DoRA
Enterprise Risk Management	ERM
eThekweni Municipality Audit and Risk Assurance Services	EMARAS
eThekweni Municipality Area	ETA
eThekweni Municipality	ETM
Executive Committee	EXCO
Institute of Internal Auditors	IIA
Integrated Development Plan	IDP
Internal Audit	IA
Internal Audit Effectiveness	IAE
Internal Audit Recommendations	IAR
International Professional Practices Framework	IPPF
International Standards for the Professional Practice of Internal Auditing	ISPPA
KwaZulu-Natal	KZN
Municipal Finance Management Act	MFMA
Municipal Public Accounts Committee	MPAC

Municipal Systems Act	MSA
Republic of South Africa	RSA
Service Delivery and Budget Implementation Plan	SDBIP
South African Police Service	SAPS

CHAPTER ONE

INTRODUCTION TO THE STUDY

1.1 INTRODUCTION

The traditional role of internal audit which was mainly concerned about monitoring internal controls has evolved in the past few years (Huong, 2018). All internal audit stakeholders are increasingly looking to internal audit for more value-add (Institute of Directors Southern Africa, 2016). Indeed, Internal Audit's role has undergone major changes since the economic instability, the rise of business risks and corporate financial scandals which took place in the early 2000s. Internal Audit is now looked on for value-add sideways alongside the Audit Committee, external auditors and executive management (Dellai & Omri, 2016). Barac, Coetzee and van Staden (2016) indicate that Internal auditing is being requested to enhance its value proposition for businesses through demonstrating its effectiveness. Gros, Koch and Wallek (2017) support this sentiment and further indicate that internal audit has become the cornerstone of good corporate governance with an expected contribution to efficiency, productivity and the performance of an organisation. According to the Auditor General of South Africa (AGSA) (2019), Internal controls are the necessary preventative mechanisms to maintain the reliability of accounting and finance information, to prevent fraud and error and to promote accountability. Internal audit should, therefore, play a very central role in efforts to improve organisational performance. The definition of Internal Audit by the Institute is that Internal Audit is an objective, independent consulting and assurance function intended to enhance the management of risk by the organisation, governance and internal control processes, and to add value in the organisation by utilising a methodical, orderly, and risk-founded approach (IIA, 2017b). The effectiveness of Internal Audit is, therefore, paramount to the achievement of the objectives of an organisation as Internal Audit is an impartial, autonomous consulting and assurance function intended to create added value for the organisation and to enhance its operations (IIA, 2017b). Studies aimed at identifying factors influencing Internal

Audit's effectiveness within an organisation have, therefore, become vital due to the need for internal audit to add more value.

On 8 May 1996 the South African Constitution (the Constitution) was adopted by the then Constitutional Assembly as Act no. 108 of 1996 (RSA, 1996). The preamble to the Constitution reads;

We, the people of South Africa, recognise the injustices of our past; honour those who suffered for justice and freedom in our land; respect those who have worked to build and develop our country; and believe that South Africa belongs to all who live in it, united in our diversity. We therefore, through our freely elected representatives, adopt this Constitution as the supreme law of the Republic so as to heal the divisions of the past and establish a society based on democratic values, social justice and fundamental human rights; Lay the foundations for a democratic and open society in which government is based on the will of the people and every citizen is equally protected by law; Improve the quality of life of all citizens and free the potential of each person; and build a united and democratic South Africa able to take its rightful place as a sovereign state in the family of nations (RSA, 1996:1).

Moller and Dickow (2002), in their quality of life survey examining the South African environment, indicate that the intention of the government through the Constitution was to empower communities at local government to take responsibility for community services. In addition, the government further intended to encourage people to take an active role in effective governance and service delivery practices (Mafunisa, 2004). The vehicle being utilised by the state to advance the ideals enshrined in the constitution is the government machinery which consists of three spheres, namely; local, national and provincial sphere of government (RSA, 1996). Section 151(1) of Chapter Seven of the Constitution dealing with the local government level stipulates that the local sphere of government comprises of municipalities, which essentially have to be demarcated for the entire terrain of South Africa (RSA, 1996). Aligned with this constitutional requirement, a total of 257 municipalities are in existence and which cover the entire territory of South Africa.

The Municipal Systems Act 117 of 1998 provides for three municipal categories, namely; Category A municipalities which are metropolitan municipalities, Local municipalities which are category B and Category C municipalities which are District municipalities. It contains a criteria for determining what area falls within which category (RSA, 1998). There are only eight metropolitan municipalities (metros) in the country, namely; eThekweni Municipality, Tshwane Municipality, Johannesburg Municipality, Cape Town Municipality, Ekurhuleni Municipality, Nelson Mandela Bay Municipality, Buffalo City Municipality and Mangaung Municipality. The remaining 249 Municipalities are either local or district municipalities. The Constitution in section 152(1) stipulates the objectives of each Municipality within South Africa (RSA, 1996). Three objectives as stipulated in section 152(1) are key. These have to do with ensuring service delivery to communities in a manner that is sustainable, stimulating socio-economic development, and encouraging a safe and healthy atmosphere (RSA, 1996). The Constitution in section 153(a) demands of every Municipality to arrange and manage its planning, budgeting and administration instruments to prioritise the basic necessities of the public, and to stimulate social and economic development of the public. To ensure proper and maintained management of the financial activities of municipalities, the Municipal Finance Management Act No.56 of 2003 (hereon denoted as the MFMA) was enacted into law by the Parliament of the Republic of South Africa (RSA, 2003). The MFMA identifies key role players in its efforts to ensure proper and sustained financial management of Municipal affairs, these include assurance services provider: The Auditor General of South Africa (AGSA) and Internal Audit (RSA, 2003).

Every single person in the estimated population of the Republic is accounted for in a specific Municipality as stipulated by the Constitution. In 2016, the population of South Africa was estimated at 55.6 million (Statistics South Africa, 2019a). A slight increase has been experienced in this number from 2016 to 2018 where the estimated population is reported to be 57.73 million people with the black African majority accounting for 44.9 million people (Statistics South Africa, 2019a). It is imperative to indicate the number of black Africans in the population as the majority of these people rely heavily on government for every-day amenities owing to the

racially-based means of access to resources which characterised the period before the dawn of democracy in South Africa. Numerous newspapers report that the noble intentions of the Constitution seem not to have become a reality for the majority of South Africans (Mbewu & Barac, 2017). Public rebellion (Ngubane, 2016) and declining local government audit results indicating Local Government failures (AGSA, 2018a), result in municipalities not achieving their set objectives and which further results in a negative impact on the lives of citizens. The country is experiencing high levels of societal challenges including crime incidents. The South African Police Service (2018) reported a total of 1 662 815 crimes for the country in the 2017/2018 reporting period with 252 301 of these offences being reported in KwaZulu-Natal. The official unemployment rate in the country is reported at 27.1% using the narrow definition and 37% when using the expanded definition (Statistics South Africa, 2019c). This rate reaches 52% amongst the youth.

Inequality between the rich and the poor has reached the highest levels since the dawn of democracy whilst poverty levels have worsened (Statistics South Africa, 2018a). Local Government continues to be criticised for demonstrating poor governance throughout South Africa (Mbewu & Barac, 2017). The Department of Co-operative Governance and Traditional Affairs (CoGTA) indicates that about 30% of Municipalities are dysfunctional (Naicker, 2019), forty five municipalities regressed in audit outcomes whilst quality financial statements were produced by only 33 municipalities (Ncapayi & Ntsebeza, 2018). Reasons provided by the Minister of CoGTA regarding the identified local government failures are: mismanagement, political interference, corruption and incompetence (Naicker, 2019).

eThekwini Municipality is amongst the eight Metropolitan Municipalities in the country and is located within the KwaZulu-Natal province. KwaZulu-Natal is reported to have a total population of 11.4 million with black Africans constituting 87.2% of this number whilst over 3.8 million people are reported to be residents of the eThekwini Metro (Statistics South Africa, 2018b). This research specifically focussed on the work of Internal Audit at eThekwini Municipality within the context of its legislated mandate and the many challenges that the Municipality faces. The study

culminates in the development of a conceptual framework of factors within eThekweni Municipality that influence the effectiveness of its Internal Audit Department as a solution for the Metro. Finally, this study will assist executive management and oversight structures at the Metro to identify challenges and opportunities affecting the effectiveness of Internal Audit.

1.2 RATIONAL OF STUDY

Several issues relating to eThekweni Metro failures and/or conduct have been reported through the media, i.e. print media, radio, television and social media. Recently reported issues include; an increase in community protests relating to service delivery issues (Singh K, 2019b), flooding damages to public and private property as a result of infrastructure failures (Singh K, 2019a), growing inequalities (The Mercury, 2019a), alleged irregularities with the appointment of municipal personnel resulting in maladministration (Singh O, 2019b), corruption allegations involving municipal tenders (Mngadi, 2017) and an increase in incidences of contact crimes (SAPS, 2018). An analysis in relation to the reported issues indicates that governance failures, lack of appropriate management of risk and deficiencies in internal mechanisms of control are the main root causes that result in these organisational failures. These challenges are experienced despite the Municipality having an established internal audit department whose mandate is to advise management in relation thereto. The Institute of Internal Auditors (2017), through the International Professional Practices Framework (IPPF) in Standard 2100 – Nature of Work, sets out that the internal audit department must appraise and add to efforts aimed at the enhancement of management of risk within an organisation, governance and internal control mechanisms (IIA, 2017). The reported failures, therefore, raise questions as to the effectiveness of internal audit with eThekweni Municipality given that its mandate is to assist management in addressing the identified root causes. Studies relating to Internal Audit's effectiveness are limited within the South African government or public sector. Specific enquiry relating to factors within eThekweni Municipality that influence internal audits' effectiveness remains an unexplored area of research. Inspired by the necessity to fill the above-

stated empirical knowledge gap, this study intends to make a practical input by developing a conceptual framework for factors that influence the efficacy of Internal Audit within eThekweni Municipality. The resultant framework will form the basis for measures to be instituted by executive management and those charged with governance in order to achieve the desired Internal Audit effectiveness and thereby positively contributing to the achievement of eThekweni Municipality's objectives.

1.3 PROBLEM STATEMENT

eThekweni Municipality is facing many organisational shortcomings due to governance failures, inadequate risk management and internal control deficiencies (AGSA, 2017; AGSA, 2018b; AGSA, 2019; Singh O, 2019a). These shortcomings impends on the ability of the Municipality to deliver on its mandate as demanded in section 152(1) of the constitution and are present regardless of the fact that the Municipality has an established internal audit department which is mandated to advise management. This, therefore, raises questions as to the efficacy of the Internal Audit Unit within eThekweni Municipality. The effectiveness of internal audit in the provision of consulting and assurance services to the Municipality is impacted upon by key factors which must positively contribute to the environment within which the internal auditors operate for them to be able to make the envisaged and necessary contribution. Various studies have been performed with the aim of identifying factors influencing internal audits' effectiveness (Dellai & Omri, 2016; Drogalas, Karagiorgos & Arampatzis, 2015 & Gros, et al., 2017), the current study is however different in that it is being performed within the eThekweni Municipality internal audit. Drogalas, et al. (2015) identify the quality of internal audit, the internal audit team's competence, the impartiality of internal audit, and support of top or executive management for internal audit as key factors affecting internal audit effectiveness. Dellai and Omri (2016) state that in addition to the above-stated factors, in-sourcing of internal audit should also be examined. In addition to these, political support for internal audit is also a factor that must be examined. The identified factors' influence on the effectiveness of internal audit within eThekweni Municipality will be examined in the development of a conceptual framework.

1.4 RESEARCH OBJECTIVES

The principal objective of this empirical project was to develop a conceptual framework for factors that influence the effectiveness of internal audit within eThekwini Municipality. Consequentially, the following four secondary objectives were derived from the principal objective:

- Understand how internal audit within eThekwini Municipality is performing in responding to its mandate.
- Identify factors that impact upon Internal Audit within eThekwini Municipality effectively discharging its mandate.
- Explore the relationship between each identified factor and the effectiveness of Internal Audit of eThekwini Municipality.
- Present recommendations based on the results of the statistical analysis.

1.5 RESEARCH QUESTIONS

The key research questions for this study and which are in alignment with the research objectives are:

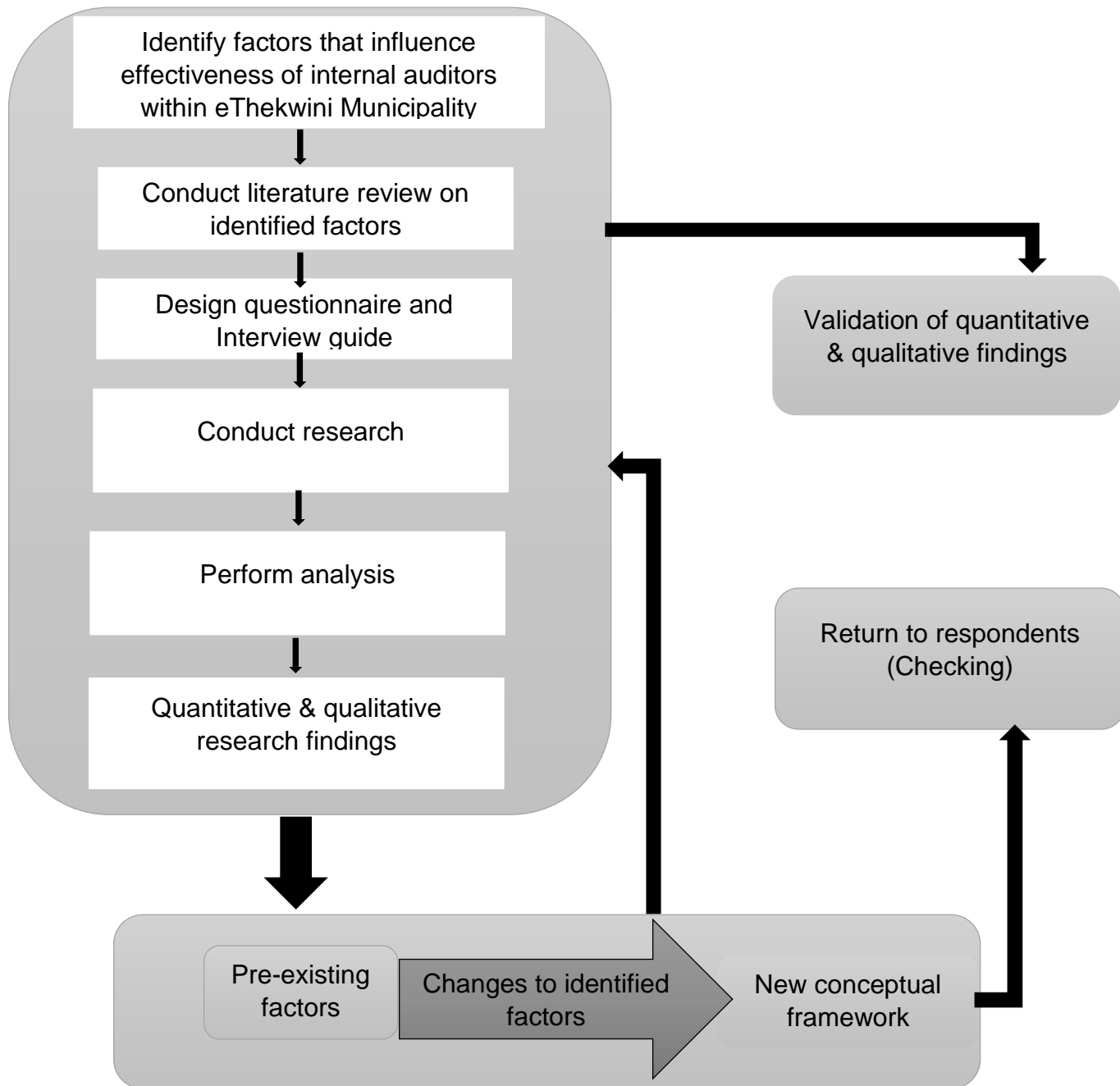
- How is the eThekwini Municipality internal audit performing in efforts to discharge its mandate?
- What are the factors that impact upon internal audit within eThekwini Municipality being able to effectively discharge its mandate?
- What is the relationship between each identified factor and the effectiveness of internal audit of eThekwini Municipality?
- What recommendations can be presented based on the results of the statistical analysis?

1.6 RESEARCH FRAMEWORK

The research process consisted of analysing the relevant theory and research literature to identify latent variables and factors to support a conceptual model for factors that influence the effectiveness of internal audit within eThekwini Municipality. Once the parameters of the conceptual model had been developed, the

network of relationships between variables (measured variables and latent constructs) that emerged were tested for consistency with empirical data obtained from the relevant respondents.

Figure 1.1 Research Framework as Compiled by the Researcher



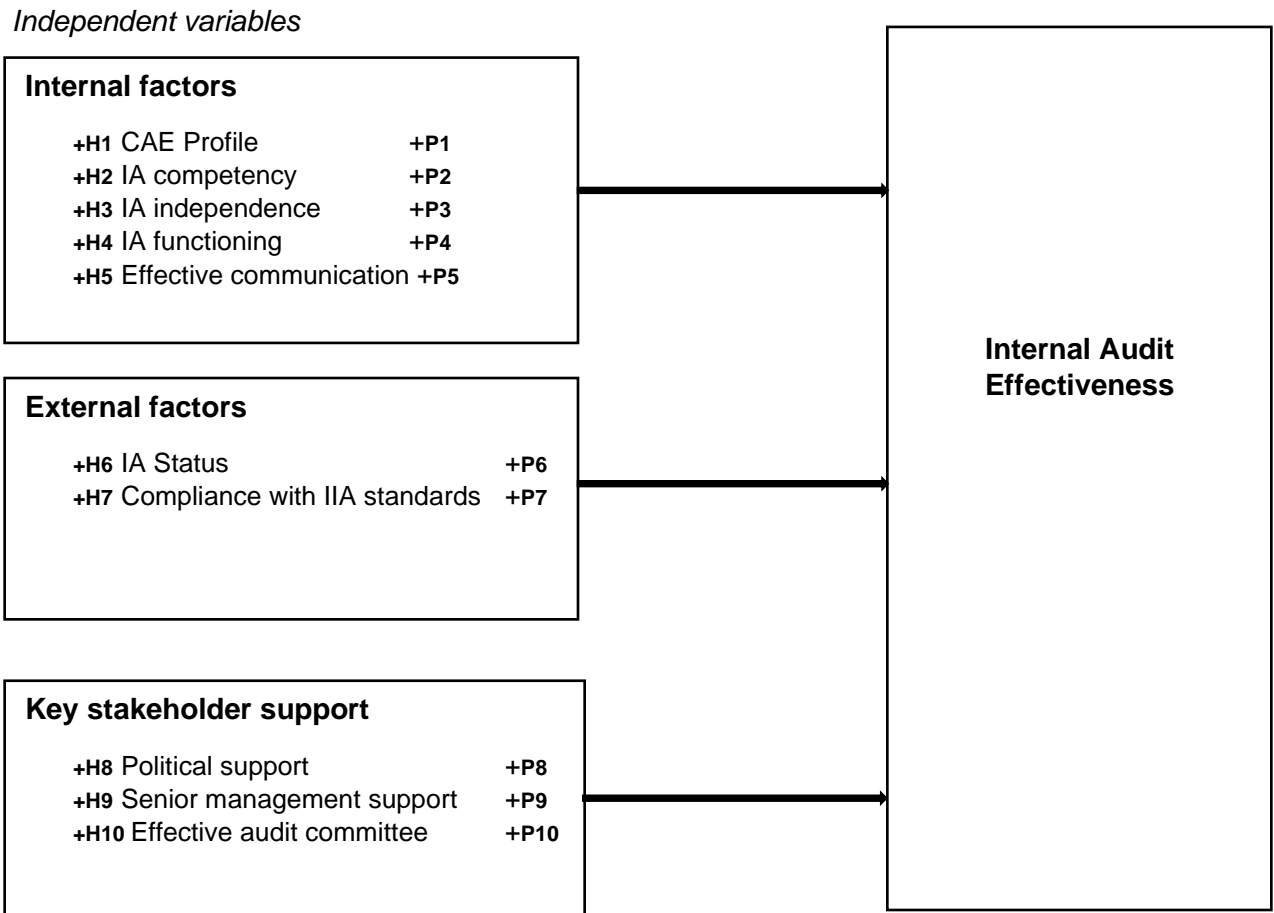
(Source: Researcher's own construction)

1.7 PROPOSED CONCEPTUAL FRAMEWORK

The theoretical model construction process is described as a process of conceptualising systems and translating them into figurative expressions (Jaccard & Jacoby, 2010). A number of other definitions have been suggested for models. However, for the purposes of this document, a model will be defined as a simplified version of theories (Jaccard & Jacoby, 2010).

The literature review conducted revealed four key theories together with two additional frameworks underpinning IAE, namely; the Agency Theory, the Institutional Theory, the Communication Theory (Endaya & Hanefah, 2018); the Resource-based Theory (Barney, 1991); the International Standards for Internal Audit Professional Practice as well as the International Professional Practice Framework (IIA, 2017). Based on these theories and frameworks, as well as other qualitative factors considered, ten key factors were identified to have an influence on the efficiency of internal audit within eThekweni Municipality. These were, namely; the CAE profile, competency of the internal audit team, internal audit independence, internal audit functioning, effective communication, internal audit status, compliance with IIA standards, political support, executive management support and an effective Audit Committee. All ten key factors were examined, and their influence was determined informing the development of a conceptual framework. Figure 1.2 below illustrates the conceptualised research framework.

Figure 1.2 Conceptual Framework



(Source: Researcher’s own construction)

1.8 HYPOTHESES AND PROPOSITIONS OF THE STUDY

Saunders, Lewis and Thornhill (2009) define hypotheses and propositions as referring to testable propositions stating that there is a substantial difference or relationship between two or more variables and usually referred to as H1 and P1. Hypotheses and propositions for this study, as presented below, were formulated out of the conceptual framework and they are as follows:

1.8.1 The Research Hypotheses

The formulated hypotheses are founded on a series of relationships that were tested through the quantitative element of the study. Chapter Three presents an in-depth discussion on the development of these hypotheses.

H1: There is a positive relationship between the CAE profile and IAE.

H2: There is a positive relationship between the IA team competency and IAE.

H3: There is a positive relationship between Internal audit independence and IAE.

H4: There is a positive relationship between Internal audit functioning and IAE.

H5: There is a positive relationship between Effective communication and IAE.

H6: There is a positive relationship between the Internal audit status and IAE.

H7: There is a positive relationship between Compliance with IIA Standards and IAE.

H8: There is a positive relationship between the Political head support and IAE.

H9: There is a positive relationship between senior management support and IAE.

H10: There is a positive relationship between effective audit committee and IAE.

1.8.2 The Research Propositions

The formulated propositions are based on a series of associations that were tested through the qualitative element of the study. Chapter Three presents an in-depth discussion on the formulation of these propositions.

P1: The Chief Audit Executive profile has a positive impact on IAE.

P2: Internal audit team competency has a positive impact on IAE.

P3: Internal audit independence has a positive impact on IAE.

P4: Internal audit functioning has a positive impact on IAE.

P5: Effective communication has a positive impact on IAE.

P6: Internal audit status has a positive impact on IAE.

P7: Compliance with IIA Standards has a positive impact on IAE.

P8: Political head support has a positive impact on IAE.

P9: Senior management support has a positive impact on IAE.

P10: Effective audit committee has a positive impact on IAE.

1.9 EXPECTED CONTRIBUTION TO KNOWLEDGE

Studies relating to the efficiency and or effectiveness of Internal Audit are limited within the South African government or public sector. No research has ever been performed into factors influencing the effectiveness of Internal Audit within eThekweni Municipality. Inspired by the necessity to fill the above stated empirical knowledge gap, this study sought to provide a practical input towards the development of a conceptual framework for factors influencing the effectiveness of Internal Audit within eThekweni Municipality. The resultant framework will form the basis for measures to be put in place by executive management as well as those charged with governance in order to achieve the desired Internal Audit effectiveness. This study, therefore, will add to the literature or body of knowledge by identifying dynamics that impact upon the efficiency of internal audit within eThekweni Municipality for use by eThekweni Municipality executive management. Furthermore, this study will provide evidence for decision-makers within the eThekweni Municipality on what measures to take in order to manipulate key factors impacting upon the effectiveness of Internal Audit in their endeavour to improve internal audit's effectiveness within the Municipality

1.10 DELIMITATIONS OF THE RESEARCH

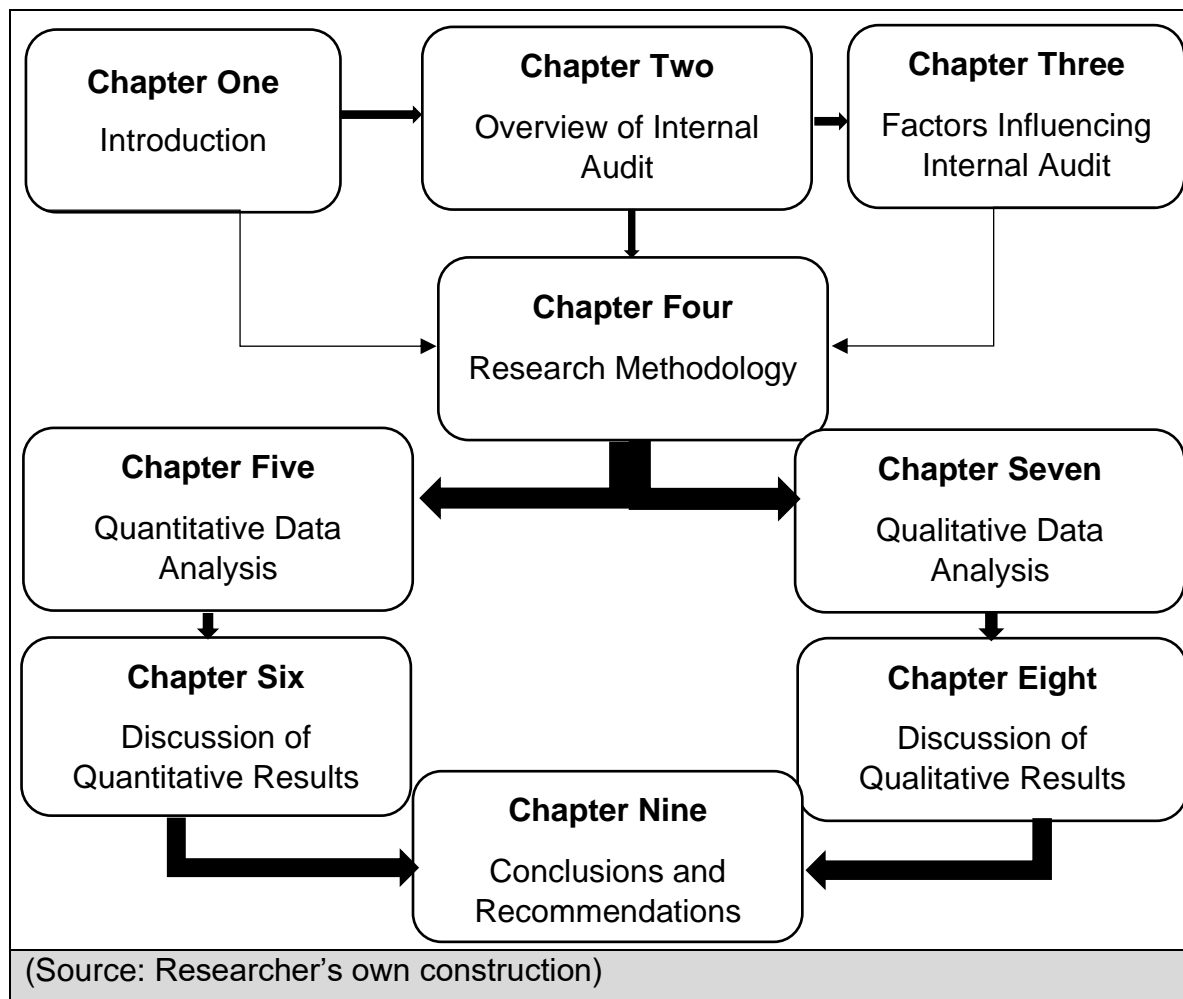
The research will be conducted within the following delimitations:

- The research is limited to the identified research field of effectiveness of internal auditors within the eThekweni Municipality.
- The research population is limited to professional internal audit personnel within eThekweni Municipality, together with the auditees.
- The physical scope of the study is confined to Durban, KwaZulu-Natal.

1.11 STRUCTURE OF THE THESIS

Figure 1.3 depicts the structure and associations among the chapters of this thesis.

Figure 1.3 Structure of Chapters



Chapter One: Introduction. Chapter One serves as an introduction and forms the foundation and direction of the study and the research design and comprises the research objectives and questions.

Chapter Two: Overview of Internal Audit. Chapter Two discusses the literature review relating to internal audit of the eThekweni Municipality encompassing the legislative framework applicable to the Municipality, the background information relating to the Municipality, the mandate of the Municipality and its challenges, the internal audit mandate within eThekweni Municipality, internal audit operations as well as Auditor General outcomes on municipalities.

Chapter Three: Factors influencing internal audit effectiveness. Chapter Three encompasses a discussion on factors influencing internal audit effectiveness as well as the theoretical background within which the study was conducted.

Chapter Four: Research methodology. The adopted techniques utilised in conducting this research are defined and motivated for in this chapter. This chapter also defines how mechanisms and data interpretation procedures are established. In addition, a mixed method methodology which was adopted in the performance of this study is also explained.

Chapter Five: Quantitative data analysis. Chapter Five presents quantitative data analysis emanating from the responses of the participants.

Chapter Six: Discussion of quantitative results. Chapter Six presents a discussion of the quantitative results derived from the empirical assessments of the factors that influence the effectiveness of internal auditors within eThekweni Municipality.

Chapter Seven: Qualitative data analysis. Chapter Seven present outcomes from the qualitative component of the study.

Chapter Eight: Discussion of qualitative results. A discussion on qualitative results is presented as part of Chapter Eight and is derived from the empirical

assessments of the factors that influence the efficiency of internal auditors within eThekweni Municipality.

Chapter Nine: Conclusions and Recommendations. Chapter Nine provides the research results summary according to the research problem and research objectives as outlined above. It also contains the conclusions and limitations of the study. In addition, this chapter offers recommendations and the developed conceptual framework for factors influencing the effectiveness of internal auditors within eThekweni.

CHAPTER TWO

OVERVIEW OF INTERNAL AUDIT

2.1 INTRODUCTION

The abstract basis of this thesis is formed by the literature review performed. The aim of Chapter Two is to detail an overview of Internal Audit and the legislative framework within which eThekweni Municipality and eThekweni Municipality Internal Audit operates, including the background to that legislation. The discussion, therefore, begins by exploring sections of the highest law of the country (i.e., the Constitution of the Republic of South Africa) that relates to the Municipal environment. The discussion further explores the Municipal Finance Management Act (MFMA), Municipal Structures Act as well as the Municipal Systems Act and which are the main acts that regulate the establishment and functioning of a municipality. In addition, other applicable regulations, guidelines, standards, circulars and interpretation statements are explored. This chapter further provides a background to the establishment of the eThekweni Municipality. In so doing, a detailed account of how smaller Local Municipalities within the Durban area were amalgamated, including the merger of its systems, personnel, operations, services and infrastructure is provided. This discussion further outlines the demographic information and other relevant municipal indicators pertaining to eThekweni Municipality. The mandate of the eThekweni Municipality as derived from the legislation and from the strategic documents of the Municipality informed by the vision of the majority party in council, are discussed. This discussion will provide the strategic direction of the Municipality as detailed in its Integrated Development Plan (IDP) and will include the operational targets that have been articulated in the Municipality's Service Delivery and Budget Implementation Plan (SDBIP). This chapter details an account of shortcomings that the Municipality has experienced in its efforts to discharge its mandate. In so doing, a detailed account is provided of service delivery public protests, maladministration and corruption cases that have been reported in the media, infrastructure failures, governance failures and infighting that has impacted on the image of the organisation.

The eThekweni Municipality has, and sustains, a system of Internal Audit as required by Section 165 of the MFMA. The Unit within eThekweni Municipality with an allocated responsibility to discharge the Internal Audit mandate is referred to as eThekweni Municipality Audit and Risk Assurance Services (EMARAS) (EMARAS, 2016). EMARAS is designed to add value in support of the goals of the eThekweni Municipality, by helping to improve the Municipality's processes and help the Municipality in accomplishing its goals by applying a methodological, orderly technique to assess and enhance the efficacy of governance, management of risk and control processes in line with the ISPPF as further espoused by the King code and by the MFMA (eThekweni Municipality, 2019c). EMARAS consists of both the internal audit function as well as the enterprise risk and advisory function. The two functions were combined in 2014 in order to ensure integration in all assurance services within the City and to strengthen governance and oversight. The amalgamation of the two functions was further executed to ensure the implementation of the combined assurance function within the Municipality and which aims to foster and enhance accountability and good governance across all levels of the Municipality (EMARAS, 2016). EMARAS reports administratively to the Municipal Manager who is the Municipality's Accounting Officer and functionally to the Audit Committee. The legislative framework under which EMARAS operates is discussed. Furthermore, a detailed account of EMARAS operations together with a discussion of some aspects of its audit methodology and procedure manual is provided.

2.2 MUNICIPAL LEGISLATIVE FRAMEWORK

The South African Municipal Legislative Framework consists of all legislation and / or laws or acts, regulations, guidelines, standards, circulars and interpretation statements that Municipalities must comply with. Legislation is a vital instrument of government in its efforts to organise society and protect citizens, for through legislation government is able to allocate rights and obligations to individuals and authorities to whom the legislation applies (de Jager, 2000).

2.2.1 The Republic of South Africa Constitution

The Constitution is the supreme law of the country. It was adopted as Act No.108 of 1996 on 8 May 1996 by the Constitutional Assembly following the abolishment of apartheid in South Africa (RSA, 1996). The Constitution consists of fourteen chapters. The government machinery utilised by the state to advance the ideals enshrined in the constitution consists of three levels, namely; local, national and provincial level of government (RSA, 1996). This section of the paper focuses mainly on Chapter Seven of the Constitution as it relates to Local Government. Section 151(1) of Chapter Seven of the Constitution dealing with the local government level stipulates that the local government level comprises of municipalities, which essentially have to be demarcated for the entire terrain of South Africa (RSA, 1996). Aligned with this constitutional requirement, a total of 257 municipalities are in existence and cover the entire territory of South Africa (AGSA, 2018). The Constitution in section 152(1) stipulates the objectives of each Municipality within the Republic of South Africa.

Moller and Dickow (2002), in their quality of life survey examining the South African environment, indicate that the intention of government through the establishment of these objectives was to empower people at local government to take responsibility for community services. In addition, the government further intended to encourage people to take an active role in effective governance and service delivery practices (Mafunisa, 2004).

In section 155(1) of the Constitution, it is stipulated that there should be Municipalities split into three categories, i.e. Category A, B and C. In line with that constitutional requirement, the Municipal Structures Act was enacted into law. Section 2.2.2 of this paper explores the key provisions of that Act which are relevant for this study. The Constitution in Section 153(a) demands that a Municipality must arrange and manage its planning, budgeting, and administration instruments to prioritise the basic necessities of the public, and to stimulate social and economic development of the public. To ensure proper and sustained management of the financial activities of Municipalities, the MFMA No.56 of 2003 (hereon referred to as

the MFMA) was enacted into law by the Parliament of the Republic of South Africa (RSA, 2003). In addition, the Municipal Systems Act was also enacted into law in November of 2000. A thorough discussion on the key provisions of the Municipal Systems Act and the MFMA that are relevant to this study is provided below in Sections 2.2.3 and 2.2.4 respectively.

2.2.2 The Municipal Structures Act

The Municipal Structures Act was enacted into law on 11 December 1998. This act is derived from the requirements of the Constitution and it aims, in part, to “*provide for the establishment of municipalities in accordance with the requirements relating to categories and types of municipality*” (RSA, 1998:1). The Structures Act has six chapters.

In this Act, there are three municipal categories, namely; Category A municipalities which are referred to as Metropolitan municipalities, Category B Local municipalities and District municipalities which are category C (RSA, 1996). Section 2 of the Municipal Structures Act stipulates that “*an area must have a single category A municipality if that area can reasonably be regarded as; (a) a conurbation; (b) a centre of economic activity with a complex and diverse economy; (c) a single area for which integrated development planning is desirable; and (d) having strong interdependent social and economic linkages between its constituent units*” (RSA, 1998:8). An area that falls outside the criteria outlined in section 2 above, can either be a category B or a category C municipality. Section 4 allocates the demarcation responsibility to the demarcation board. A municipal council must be established for each municipality and must meet at least quarterly, these are the requirements stipulated by Section 18 of Chapter Three. Section 22 details the provisions applicable to the election of metropolitan and local councils. The five-year municipal council term is stipulated in Section 24. Those are the key sections within this legislation relevant for this paper. However, there are other sections which are important for the functioning of a council, the executive committee and other council committees. In addition, there are sections dealing with the functions of mayors and their election to office; the establishment of ward committees and their functions; and the appointment of municipal managers and their powers and functions.

2.2.3 The Municipal Systems Act

The Municipal Systems Act was enacted into law on 20 November 2000. This act is derived from the requirements of the Constitution and in part, it aims “*to provide for the core principles, mechanisms and processes that are necessary to enable municipalities to move progressively towards the social and economic upliftment of local communities, and ensure universal access to essential services that are affordable to all...*” (RSA, 2000:2). The Municipal Systems Act has twelve chapters. Section 2 of Chapter Two stipulates what a municipality is. Section 4 outlines the rights and duties of municipal councils whilst section 5 contains provisions dealing with duties and rights of local community members. There are several key sections within Chapter Five which require a discussion. Section 23(1) stipulates that a municipality must implement developmentally inclined planning to ensure that it; “*(a) strives to achieve the objects of local government set out in section 152 of the Constitution; (b) effects its developmental duties as required by section 153 of the Constitution; and (c) together with other organs of state contribute to the realisation of the fundamental rights contained in sections 4, 25, 26, 27 and 29 of the Constitution*” (RSA, 2000:19).

Section 25 of the same chapter stipulates that each municipal council must, within a specified time period after the commencement of its elected term of office, approve a single, broad and strategic plan for the development needs of the municipality, i.e. an IDP and which, amongst others, must coordinate the available resources and capability of the municipality with the execution of the plan and must create the policy framework and be the foundation of annual budgets of the organisation. Core components of an integrated development plan are outlined in section 26.

2.2.4 The Municipal Finance Management Act

The MFMA was enacted into law in the year 2003. This act is derived from the constitutional requirement contained in section 153 and it aims; “*to secure sound and sustainable management of the financial affairs of municipalities and other institutions in the local sphere of government, to establish treasury norms and*

standards for the local sphere of government, and to provide for matters connected therewith” (RSA, 2003:23). This act has sixteen chapters and Chapters Fourteen is important for purposes of this study. This chapter deals with general treasury matters and stipulated in Section 165(1), is that it is essential for each municipality to have a Unit or Department of Internal Audit. Subsection (2) stipulates that “the internal audit unit of a municipality must;

(a) prepare a risk-based audit plan and an internal audit program for each financial year; (b) advise the accounting officer and report to the audit committee on the implementation of the internal audit plan and matters relating to

(i) internal audit;

(ii) internal controls;

(iii) accounting procedures and practices;

(iv) risk and risk management;

(v) performance management;

(vi) loss control; and

(vii) compliance with this Act, the annual Division of Revenue Act and any other applicable legislation” (RSA, 2002:152).

Section 166 stipulates that an Audit Committee must exist for each municipality and that the Audit Committee has to be independent in order to effectively advise the municipal council, political officials, accounting officer and management staff on matters relating to;

“(i) internal financial control and internal audits;

(ii) risk management;

(iii) accounting policies;

(iv) the adequacy, reliability and accuracy of financial reporting and information; (v) performance management;

(vi) effective governance;

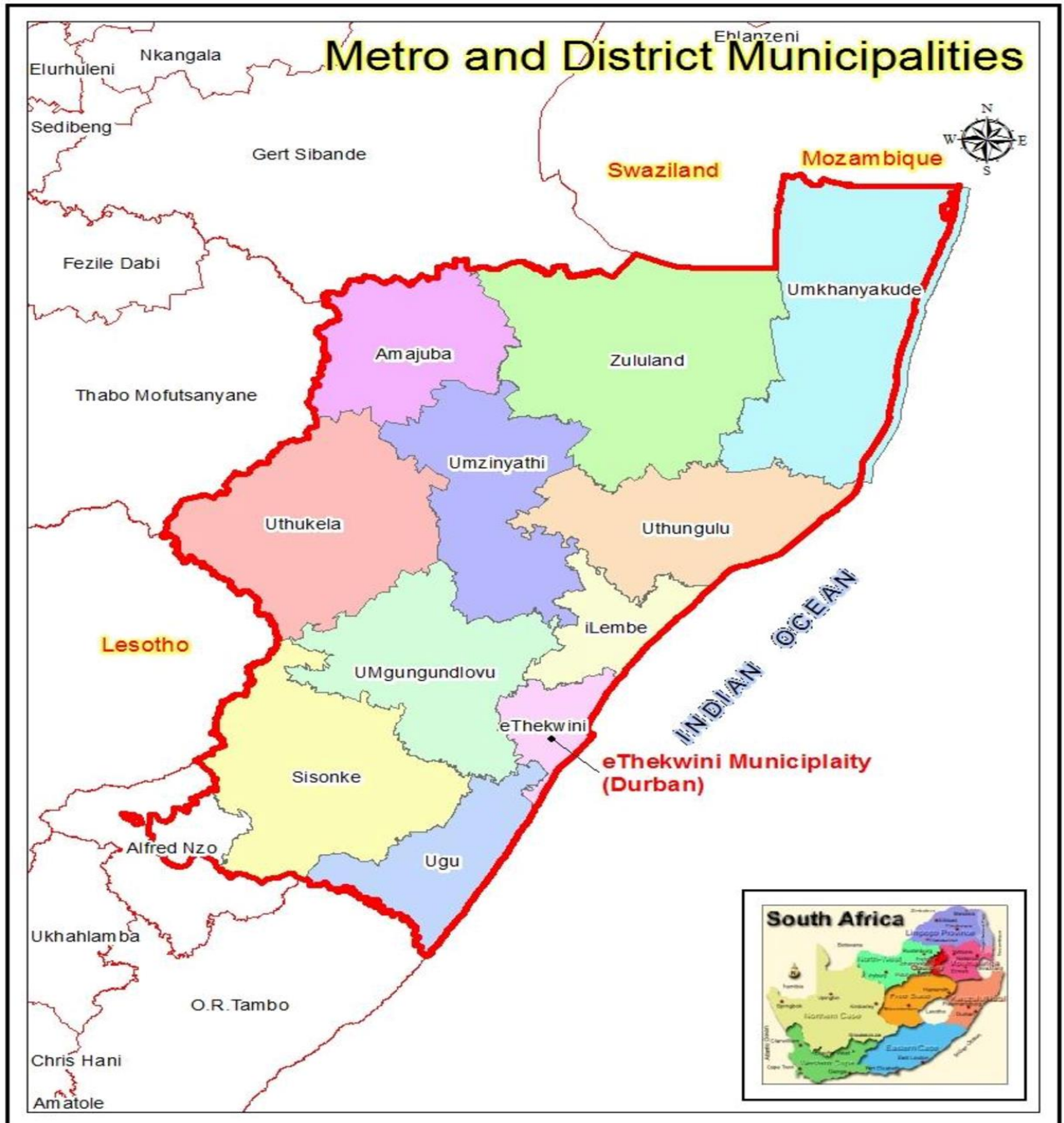
(vii) compliance with this Act, the annual Division of Revenue Act and any other applicable legislation; and

(viii) performance evaluation” (RSA, 2003:154).

2.3 ETHEKWINI MUNICIPALITY BACKGROUND

eThekwini Municipality is situated on the east coast of South Africa in the KwaZulu-Natal Province and is a category C municipality (eThekwini Municipality, 2017).

Figure 2.1 eThekwini Spatial Context



Source: eThekwini Municipality, 2017:45

The eThekwini Municipality covers an area of approximately 2 555 square kilometres and has over 3.8 million residents (eThekwini Municipality, 2019c). Key indicators relating to demarcation information, demographics of the eThekwini population, the economy of eThekwini as well as the health profile of the residents of the eThekwini area are contained in the sections below.

2.3.1 Demarcation

eThekwini Municipality is one of eight category A municipalities in South Africa. Durban was proclaimed as a town in 1835 and was named after the then Governor of the Cape, Sir Benjamin D'Urban (eThekwini Municipality, 2011). An expansion of Durban was implemented in 1996 by the inclusion of large areas both north, south and west of the city to become the Durban Metropolitan Region or Durban Metro. The metropolitan boundaries increased by 68% in terms of the actual physical size of the City whilst the population increased by approximately 9% (Marx & Charlton, 2002). Areas incorporated within the City were largely rural and, therefore, had challenges of being underdeveloped.

2.3.2 Demographics

The population of eThekwini Municipality is estimated by Statistics South Africa to be rising on average at 1.13% annually, with the next census scheduled to take place in 2021. Statistics South Africa provides five-year short-term demographic forecasts and estimated the population of eThekwini Municipality to be 3 811 167 in 2019 and 3 853 278 in 2020 (Statistics South Africa, 2019a). Other demographic indicators from Statistics South Africa relating to eThekwini Municipality indicate that the sex ratio for the municipal population is 96 males for every 100 females. Black Africans are in the majority constituting 74%, Indians constitute 17%, Caucasians constitute 7%, Coloureds constitute 2% whilst other nationals constitute 0.4% (eThekwini Municipality, 2019c). Statistics SA forecasts indicate that 63% of the eThekwini population is below 35 years of age. Persons between 0 years and 14 years account for 29% of the population and the 15-34 age group accounts for 34% of the population. Twenty-eight per cent of the population are individuals between 35 years and 59 years of age and those people who are 60 years old and above account for

9% of the population. The education profile of the population of eThekweni Municipality indicates that 26% have secondary education, those with primary education constitute 25 % of the population, those who never attended school constitute 7% of the population while those with a tertiary-level education are only 5% of the population (eThekweni Municipality, 2019c).

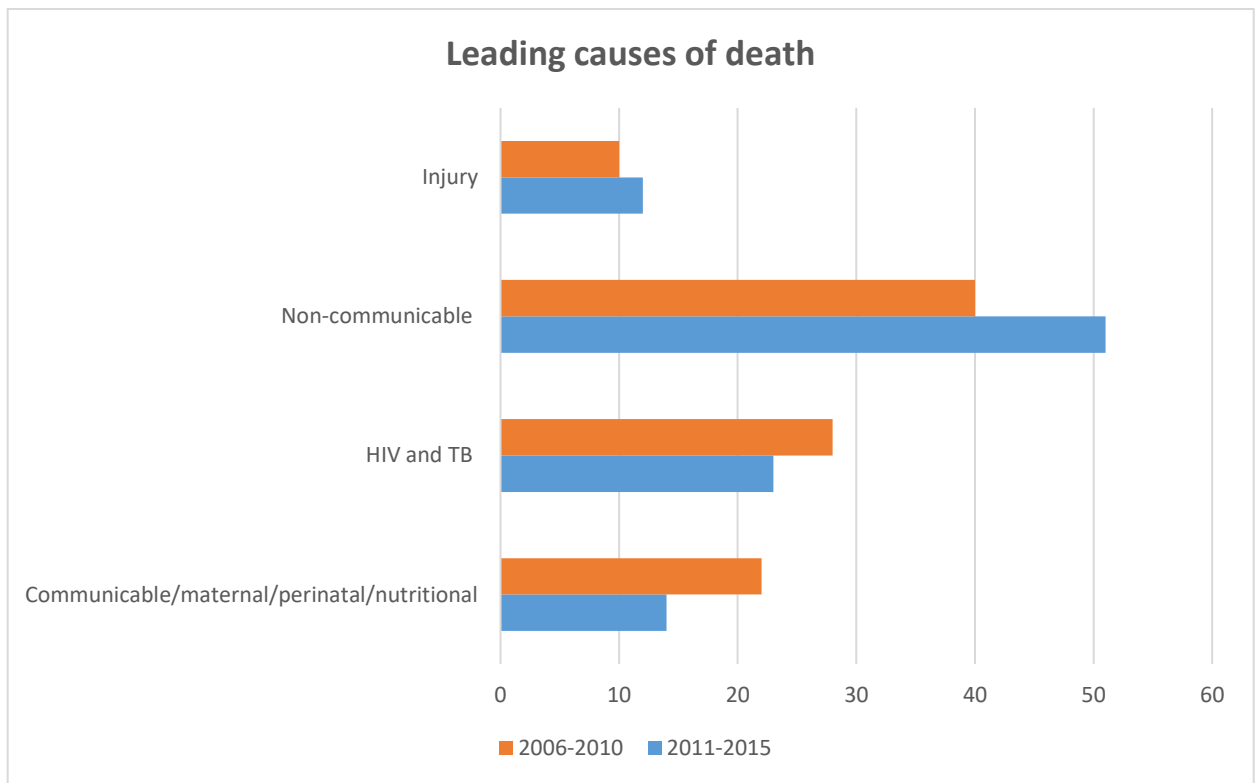
2.3.3 Economy

While the global economy has been growing at an average growth rate of 3% since 2008 and the sub-Saharan African economy growing at about 2.5%, the South African economy has been growing at less than 2% with a forecast of 0.4% growth in 2019 (Maharaj, 2017). The KwaZulu-Natal province contributes approximately 15% to the South African GDP while Durban contributes approximately 55% to the KwaZulu-Natal economy (Maharaj, 2017). The Durban economy has seen growth of about 1% annually which is less than the population growth rate, year-on-year. The largest contributing sectors to the economic growth of Durban are the finance, community services and manufacturing sectors. Other important sectors are the agricultural sector, logistics sector as well as the tourism and communication sectors (eThekweni Municipality, 2019c). In the second quarter of 2019, the South African unemployment rate was at 29% using the narrow unemployment rate definition. In the same period, Durban's unemployment rate was 21.9% (eThekweni Municipality, 2019b). In addition, the labour force absorption rate indicated an immaterial increase of 2.7% (from 43.1% to 45.8%) whilst the participation rate decreased by 0.21% (from 59.31% to 59.1%) in the same period which suggests that more individuals are seeking employment opportunities and the probability of them finding employment has decreased (eThekweni Municipality, 2019b). The Statistics South Africa SA Living Conditions survey indicates that eThekweni households are on average poorer than similar metropolitan municipality households in Johannesburg and Cape Town. Households constituting approximately 60% are considered low-income households as they earn below R38 400 per year, in comparison to around 48% for Cape Town and to Johannesburg's 46%. Middle- and higher-income households in eThekweni are consequently proportionally fewer when compared to other metros in the country (eThekweni Municipality, 2019b).

2.3.4 Health

The morbidity and mortality profile of Durban reveals challenges of escalating lifestyle diseases (non-communicable diseases), high child and maternal mortality, the persistent increase in injuries and accidents, and the stubbornly high incidence rate of infectious diseases such as Tuberculosis and HIV/AIDS. All these challenges have had the effect of reducing life expectancy of residents of the metro (eThekweni Municipality, 2019c). An inferred estimate of the prevalence of HIV in KwaZulu-Natal suggests an average rate of 25% infection for individuals between 15 and 45 years, a rate that is much higher than the national average of 18% (Massyn, Pillay & Padarath, 2017). This has further implications for opportunistic infections such as tuberculosis and pneumonia as demonstrated in Figure 2.2 below.

Figure 2.2 eThekweni Leading Causes of Death

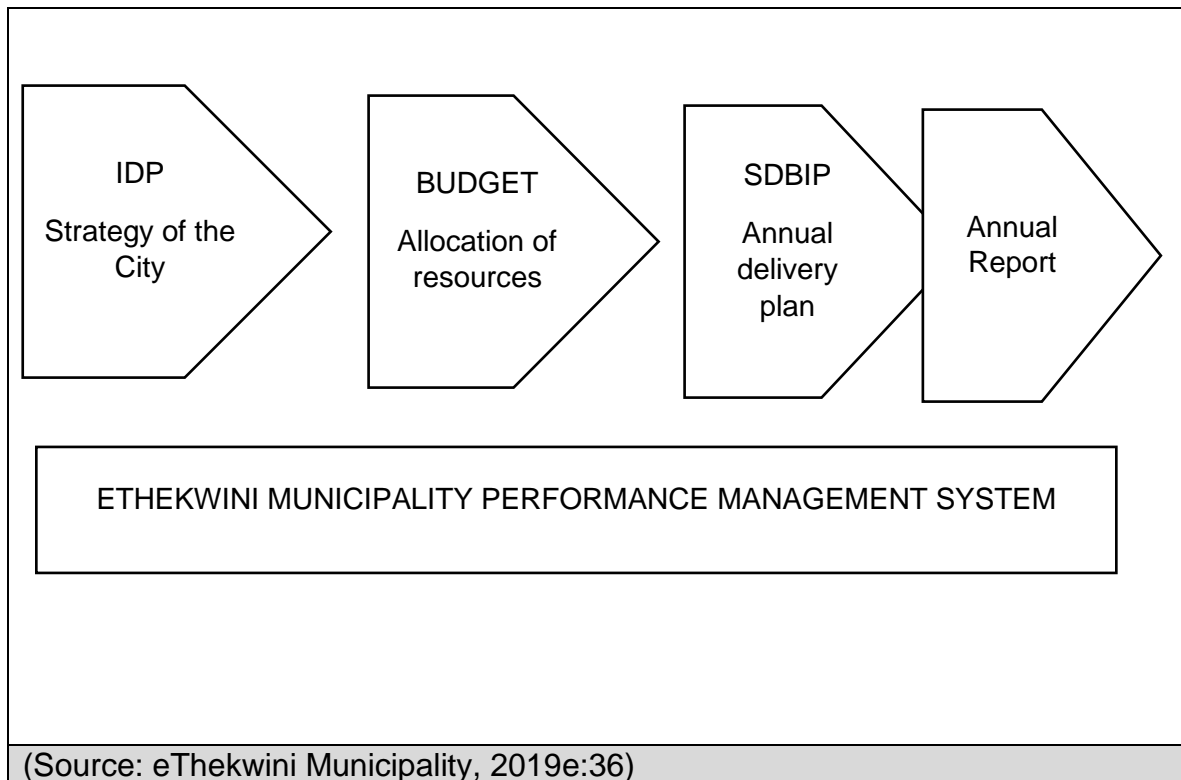


(Source: Massyn, Pillay & Padarath, 2017: 548)

2.4 ETHEKWINI MUNICIPALITY MANDATE

eThekwini Municipality's overarching mandate is stipulated in section 152(1) of the Constitution which outlines the objectives of each municipality within South Africa (RSA, 1996). This section stipulates five objectives, namely; to ensure democratic and responsible government for local communities, to provide to the public basic services in a way that is sustainable, to stimulate social and economic development, to encourage a healthy and safe ambiance and to stimulate the participation of the public and public organisations in the Local Government matters (RSA, 1996). Key objectives as postulated in section 152(1) of the Constitution and relative to this study are, *"to ensure the provision of services to communities in a sustainable manner; to promote social and economic development; and to promote a safe and healthy environment"* (RSA, 1996: 74). In accordance with the provisions of section 34 of the Municipal Structures Act and section 25 of the Municipal Systems Act, the eThekwini Municipal Council, following the August 2016 local government election results, developed and adopted an IDP. The current integrated development plan of eThekwini Municipality is a five-year plan from the 2017/18 financial year to 2021/2022. In addition to adopting the plan, Council has adopted a process to guide the preparation, writing, approval and evaluation of the IDP as required by section 28 of the Municipal Systems Act (eThekwini Municipality, 2019d). Figure 2.3 below reflects the planning, budgeting and reporting process adopted by eThekwini Municipality. The IDP identifies key strategic objectives of the Municipality for a five-year period. These include; a budget which is informed by the strategic objectives and strategic direction of the municipality as contained in the IDP and is then drafted annually with a three year projection, the SDBIP which is an annual delivery plan of the City with a three year projection period and is drafted informed by the IDP and the available resources as contained in the budget and finally, an Annual Report which contains the performance results of the Municipality and which is then compiled annually at the end of each financial year (eThekwini Municipality, 2019e).

Figure 2.3 Implementation of the Integrated Development Plan



eThekwini municipality further adopted a Performance Management System (PMS) which enables the municipality to monitor and assess organisational performance against targets set in its SDBIP and the broad goals outlined in the IDP. The section below examines in detail the mandate of eThekwini Municipality as contained in its 2017/18 to 2021/2022 IDP with a specific focus on the 2019/20 financial year and its budgeted resources for the 2019/20 financial year, together with the targets contained in its SDBIP of the same period.

2.4.1 Integrated Development Plan

In 2010, eThekwini Municipality developed a vision statement which is a single strategic statement that all units or departments within the Municipality are working towards. The vision of eThekwini Municipality is: *“to be Africa’s most caring and liveable City by 2030 and where all citizens live in harmony”* (eThekwini Municipality, 2019e:19).

To ensure that the Municipality delivers on the above identified vision, the IDP of the Municipality is implemented through an eight-point plan which essentially consist of eight separate but related plans. The eight-point plans are in alignment with the global, national, provincial and municipal imperatives. In addition, the plans are further aligned to the specific Municipal priorities which are key towards the achievement of the municipal vision of ‘being Africa’s most caring and liveable City where all citizen live in harmony’. Figure 2.4 below illustrates the eight plans within eThekweni Municipality’s IDP.

Figure 2.4 Components of the Municipal 8 Point Plan

Plan 1: Develop and Sustain Our Spatial, Natural and Built Environment
Plan 2: Develop a Prosperous, Diverse Economy and Employment Creation
Plan 3: Create a Quality Living Environment
Plan 4: Foster a Socially Equitable Environment
Plan 5: Create a Platform for Growth, Empowerment and Skills Development
Plan 6: A Vibrant and Creating City – The Foundation for Sustainability and
Plan 7: Good Governance and Responsive Local Government
Plan 8: Financially Accountable and Sustainable Municipality
Source: eThekweni Municipality, 2019e:324

2.4.2 Service Delivery and Budget Implementation Plan (SDBIP)

The SDBIP provides: “*in-year tools of managing and implementing quarterly service delivery and monthly budget targets and links each service delivery output to the*

budget of the organisation, thereby providing credible management information and a detailed plan for how the Municipality will provide such services and the inputs and financial resources to be used' (eThekweni Municipality, 2019a:20). The SDBIP is an instrument that ensures alignment between the IDP and Budget. The SDBIP is utilised by the executive, council and the community at large when performing oversight over the use of municipal resources. The process of developing an SDBIP follows a six-stage cycle which is reflected in Figure 2.5 and explained below.

Figure 2.5 The Service Delivery and Budget Implementation Plan Cycle



(Source: Researcher's own construction)

The eThekweni Municipality's 2019-2020 SDBIP has a total of eight plans, Table 2.1 below reflects the programmes and projects that are linked to key performance indicators in each plan. Plan 6 is broken down into two separate plans, with a plan 6A and a plan 6 B, whilst plan 7 also has two parts, namely; plans 7A and 7B. In addition to the eight plans, the eThekweni Municipality has two wholly owned entities, i.e. the Durban International Convention Centre (DICC) and the Durban Marine Theme Park (DMTP), T/A Ushaka Marine World.

Table 2.1 eThekweni Municipality SDBIP 2019-2020

		Target for 2019/20 SDBIP per Quarter (Targets per quarter refers to planned activities)			
Plan Number	Plan Name	Planned Targets for 1st Quarter	Planned Targets for 2nd Quarter	Planned Targets for 3rd Quarter	Planned Targets for 4th Quarter
Plan 1	Develop and Sustain our Spatial, Natural and Built Environment	25	25	25	27
Plan 2	Develop a Prosperous, Diverse Economy and Employment Creation	98	99	99	102
Plan 3	Create a Quality Living Environment	60	63	65	87
Plan 4	Foster a Socially Equitable Environment	44	45	45	51
Plan 5	Support Design, Human Capital Development and Management	47	48	48	62
Plan 6A	A vibrant and creative city – the foundation for sustainability and social cohesion	20	20	20	20
Plan 6B	Stadia Facilities Unit	9	9	9	9
Plan 7A	Good Governance and Responsive Local Government	43	46	47	61
Plan 7B	Good Governance and Responsive Local Government	44	46	48	51
Plan 8	Financially Accountable and Sustainable City	40	41	44	53
Plan 21	Durban International Convention Centre	15	17	17	19
Plan 22	Durban Marine Theme Park T/A Ushaka Marine World	15	15	15	21

(Source: eThekweni Municipality, 2019a:18-75)

2.4.3 Budget

The Municipal Council approved the final operating and capital budget on 28 May 2019 following extensive public hearings which were held in April and May 2019 (eThekweni Municipality , 2019a). A municipal budget process is guided by prescripts contained in the Municipal Finance Management Act, the Municipal Budget and Reporting Regulations, the Municipal Systems Act, the Municipal Structures Act and the Municipal Budget Circulars. The budget of the City of Durban for the 2019-2020 financial year was a total R50.6 billion with R42.8bn, which constitutes 85% of that amount, budgeted towards operating expenditure which includes cost of employees whilst R 7.8 bn (15%) is budgeted towards capital expenditure (eThekweni Municipality, 2020b). A reconciliation of the IDP and the budget for the 2019-2020 financial year is reflected below in Table 2.2.

Table 2.2 The Reconciliation of eThekweni Municipality 2019-2020 IDP and Budget

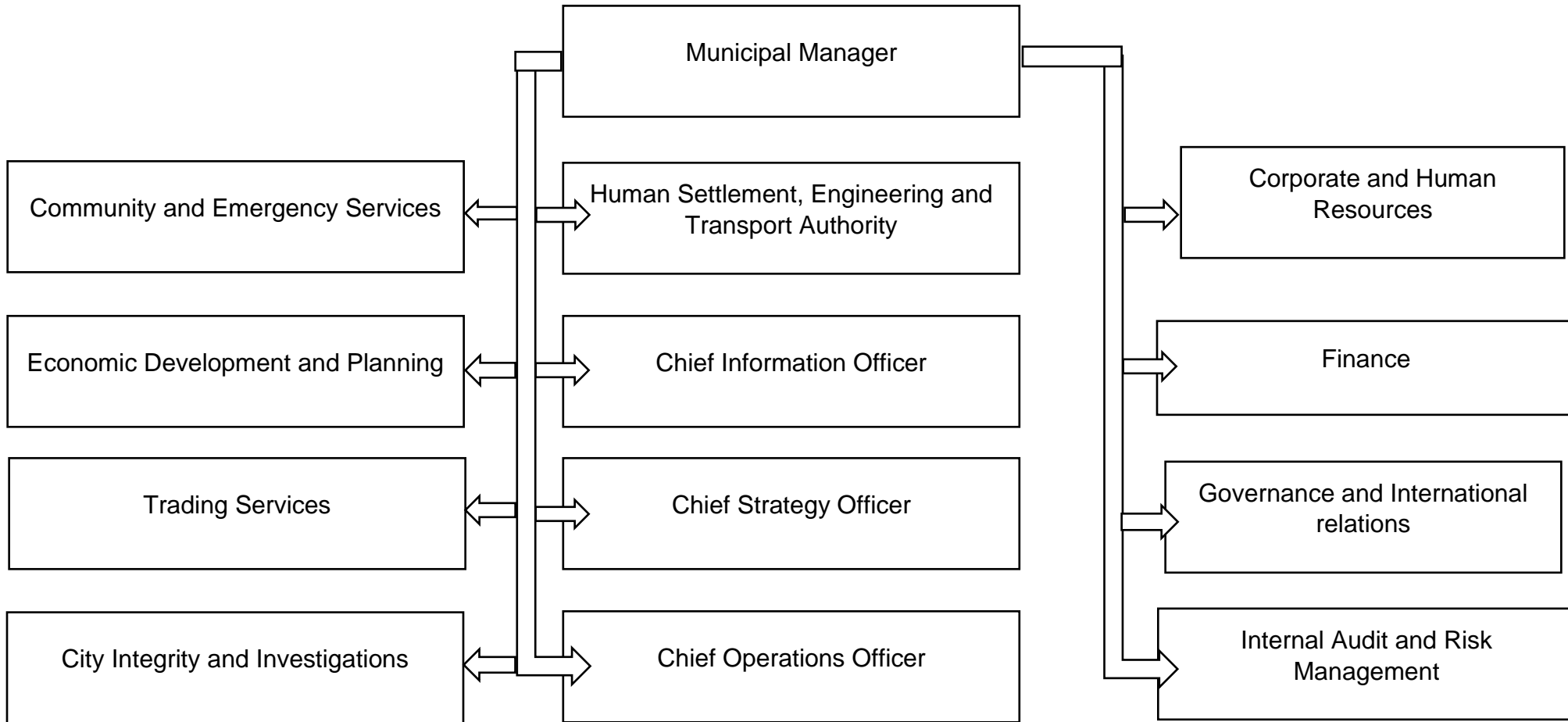
Plan Number	Plan Name	Allocated Capital Budget	Allocated Operating Budget
		R'000	R'000
Plan 1	Develop and Sustain our Spatial, Natural and Built Environment	29 610	462 087
Plan 2	Develop a Prosperous, Diverse Economy and Employment Creation	521 603	1 373 384
Plan 3	Create a Quality Living Environment	5 785 004	26 368 756
Plan 4	Foster a Socially Equitable Environment	164 768	2 920 262
Plan 5	Support Design, Human Capital Development and Management	4 516	653 664
Plan 6	A vibrant and creative city – the foundation for sustainability and social cohesion	498 731	2 519 963
Plan 7	Good Governance and Responsive Local Government	424 669	1 817 006
Plan 8	Financially Accountable and Sustainable City	425 704	2 613 771
Total		7 854 605	38 728 893

(Source: eThekweni Municipality, 2020b:71)

2.4.4 Organisational Structure

A structure exists in order to make sure that there is execution of the strategy of the organisation. The Municipal Council is the final decision-making structure of the Municipality. It considers inputs and recommendations from its support committees, with the Executive Committee (EXCO) serving as a Principal Committee. The African National Congress (ANC) is the majority party in council holding 127 seats out of the 219 available. The Democratic Alliance (DA) is the official opposition party with 60 seats. Council consists of two hundred and nineteen (219) councillors, one hundred and ten of that number are ward councillors and one hundred and nine are proportional representative councillors. The organisational structure which assists the Accounting Officer delivers on the constitutional mandate of the organisation which is in place. Figure 2.6 below provides an overview of how the organisation is structured per cluster. As at 30 June 2019, the Municipality had a total 28 045 funded positions in its organogram. However, only 24 476 of that number had been filled leaving a vacancy rate of 12.72% or 3 569 vacant positions (eThekweni Municipality, 2020a). The 28 045 positions are allocated to the different units or departments based on the requirements of that unit. The Water and Sanitation Department has 3 956 positions; the Electricity Department has 3 125 positions; Waste Management has 2 352 positions; Housing has 501 positions; Waste Water has 1 604 positions; Roads Engineering has 249 positions; Transportation has 217 positions; Planning has 125 positions; Local Economic Development has 43 positions; Community and Social Services has 3 740 positions; Environmental Protection has 53 positions; the Health Department has 385 positions; Security and Safety has 4 318 positions; Sport and Recreation has 18 positions and Corporate Policy Offices and others have 7 359 positions (eThekweni Municipality, 2020a). The organisation has initiated an intense campaign to employ suitably qualified persons in critical and vacant positions while it accepts that there will almost always be a vacancies in any organisation.

Figure 2.6 eThekweni Municipality Organisational Structure



(Source: eThekweni Municipality, 2020a:90)

2.5 ETHEKWINI MUNICIPALITY CHALLENGES

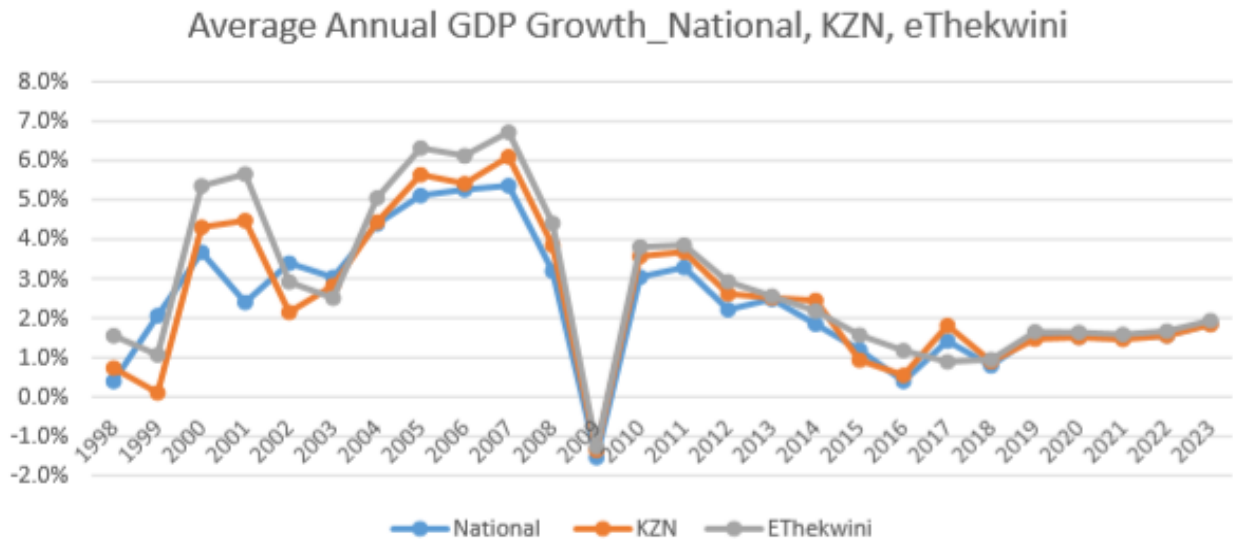
The eThekwini Municipality is experiencing a number of community protests relating to service delivery issues, flooding damages to public and private property as a result of infrastructure failures, growing inequalities, alleged irregularities with the appointment of municipal personnel resulting in maladministration, corruption allegations involving municipal tenders and an increase in incidences of contact crimes. The eThekwini Municipality's internal report on the 2019 flooding tabled at the Executive Committee estimated flooding damages that occurred during the month of April 2019 in the South and Western regions of eThekwini to cost R650 million (Singh K, 2019a). The damages were as a result of failures by the infrastructure to deal with floods. Restoration of the damaged properties will certainly place more pressure on the already limited resources of the metro whilst other reported issues are causing irreparable reputational damage to the municipality. In May 2019 Municipal employees within the Water and Sanitation Department embarked on a protest action following a dispute over salary increases granted to some employees and not others (Singh O, 2019b). This protest action resulted in complete chaos in the Durban CBD as protesting workers damaged concrete bins and offloaded garbage onto the streets. Thirty-one people were arrested and businesses operating within the CBD were severely affected (The Mercury, 2019a). Meanwhile Umlazi residents, from the township located South-West of Durban, have also taken to the streets to demonstrate their dissatisfaction with poor service delivery relating to refuse collection (Singh K, 2019b). Challenges faced by the Municipality have also been acknowledged by CoGTA through Minister Dr Nkosazana Dlamini-Zuma in her address to the eThekwini Municipal Council in July 2019 (COGTA, 2019). These issues and other organisational performance issues as contained in the KwaZulu-Natal CoGTA report into the state of local government: eThekwini Metro, point towards governance failures within the Metro which necessitated an intervention by the governing party wherein the Municipal Mayor and some members of the Executive Committee were removed from office (Erasmus, 2019). A new Mayor together with replacements on the Executive Committee, were sworn into office on 5 September 2019 (Singh, O 2019a).

Mainly governance failures, inadequate risk management and deficiencies in organisational internal controls are the causes of the issues facing the eThekweni Municipality. This section of the study provides literature on the main challenges facing the eThekweni Municipality.

2.5.1 High Rates of Unemployment and Low Economic Growth

eThekweni Municipality's economic development efforts are guided by the relevant policy positions pronounced by the KwaZulu-Natal Province and national government. These include policies such as the Industrial Policy Action Plan (RSA, 2018), the National Development Plan (NDP) (National Planning Commission, 2011) and the Provincial Growth and Development Strategy (KZNPPC, 2012). In addition, economic planning in the city is also effected by world-wide policy positions such as the Sustainable Development Goals and other international protocols such as climate change targets. The city of Durban has a host of challenges in so far as it relates to economic development and economic growth. The City has to deal with local, national and global challenges consisting of high unemployment (especially relating to the youth), lack of employable skills sets for the workplace, negative investment sentiment, high poverty levels, low-growth path, and impacts from global trade tensions (eThekweni Municipality , 2020a).

Figure 2.7 Average Annual GDP Growth – National, KZN, eThekwini



(Source: Massyn, Pillay & Padarath, 2018)

The South African economy mirrors global trends with weak economic growth. This has contributed to below targeted employment growth, poor investment and diminished business confidence. Figure 2.7 above reflects national, KZN and eThekwini annual economic growth percentages. The period from 2003 to 2007 reflected the desired economic growth percentages which were targeted in order to achieve robust employment and development. The 2010 World Cup period also provided much needed relief after the economic meltdown which characterised 2008 and 2009. At present GDP growth within Durban is estimated to average just under 3% whilst targeted growth which would achieve the employment targets as set in the NDP is between 4% to 7.5% (eThekwini Municipality, 2020a). eThekwini’s GDP is composed of the manufacturing sector which contributes 19%, the electricity sector which contributes 2%, the construction sector which contributes 5%, trade which contributes 17%, the transport sector which contributes 14%, the finance sector which contributes 21%, community services which contributes 21%, the agricultural sector which contributes 1% and the mining sector which contributes less than 1% (eThekwini Municipality, 2020a).

Global unemployment has remained between 4% and 6% from 2001 to 2019 whilst in South Africa, unemployment has remained stubbornly above the 25% mark when using the narrow definition (eThekwini Municipality, 2019b). This means that South Africa's unemployment rate is almost six times the global average rate. The South African quarterly labour force survey (QLFS) results for 2019 fourth quarter indicate that the rate of unemployment did not change and remained at 29,1% compared to the preceding quarter (Statistics South Africa, 2020). The detailed results indicate further that the number of individuals who are employed increased by 45 000 to reach 16,4 million and the number of individuals who are unemployed decreased by 8 000 to reach 6,7 million in quarter four of 2019. A resultant overall increase of 38 000 in the labour force was thus reported. The 45 000 increase in the number of employed persons in the fourth quarter of 2019 emanated mainly from the community and social services which contributed 113 000, followed by the finance sector which contributed 76 000 new jobs and the transport sector which contributed 36 000 new jobs whilst declines in employment of persons were recorded in the trade sector which laid off 159 000 persons, the manufacturing sector with a reduction of 39 000 jobs and the utilities sector with a decrease of 14 000 jobs (Statistics South Africa, 2020). The number of individuals residing in eThekwini who were unemployed in the first quarter of 2019 was approximately 347 000 indicating an unemployment rate of 23% (eThekwini Municipality, 2020a). This number decreased in the 2nd quarter of the year to 324 000 and has remained above 300 000 at the end of quarter four. There was generally an increase in unemployment in the city when comparing unemployment figures of quarter four of 2019 to quarter four of 2018 where only 292 000 individuals living in Durban were reported to be unemployed.

2.5.2 Limited Access to Basic Services

The eThekwini Municipality Council approved an updated household count for use by all units providing services within the City. Households within the city are reported to be 1 125 767 based on the Statistics South Africa 2016 Community Survey (eThekwini Municipality, 2020a). Reported service delivery numbers for the 2018-2019 financial year indicate that water provision to the identified households in the City is at 84.09% whilst the percent of sanitation service delivery is at 75.19%

(eThekweni Municipality, 2019c). Therefore this means that approximately 16% (180 122) of Durban households do not have access to uninterrupted clean water whilst approximately 25% (279 303) of Durban households do not have access to sanitation services. eThekweni Municipality supplies electricity to approximately 740 000 households which constitutes 66% of its total household count. Therefore, it means that around 385 767 households within Durban are without a constant electricity supply. The Department of Cleansing and Solid Waste (DSW) has the responsibility for waste management in the eThekweni Metropolitan Area has thirty-two operational centres, seven transfer stations, three landfill sites, twenty-two recycling plants, three landfill gas projects and two leachate plants. This allows DSW to provide services to 3.4 million residential, industrial and commercial customers (eThekweni Municipality, 2019c). Therefore, this means that approximately 400 000 of the estimated 3.8 million of eThekweni residents do not have access to cleansing and solid waste services, which further translates to a reach of 1 063 624 households, leaving 62 143 households of the total 1 125 767 without access.

2.5.3 Low Levels of Skills Development and Literacy

Statistics South Africa generated a report which was released in 2018 relating to KwaZulu-Natal based on the community survey conducted in 2016 in the province. One of the key indicators examined in that survey was the education level amongst KZN citizens. The report revealed that within the population aged between 5 and 24 years residing in eThekweni Municipality, only 73.7% were attending an educational institution, resulting in the exclusion of 26.3% of those who should be attending but were not attending (Statistics South Africa, 2018b). The KZN Provincial Department of Basic Education has invested many resources in its effort to increase access to early childhood development education in the rest of the province. This has achieved an overall provincial attendance rate of 66,8% of those aged between 0 and 5 years whilst the eThekweni Municipality rate is slightly above this rate at 69.6% (Statistics South Africa, 2018b). This report indicated that over 30% of children aged between 0 and 5 years were not attending an education institution. Lack of access by some individuals aged between 0 and 24 years to an educational institution as indicated

above, has negative consequences for the Province of KwaZulu-Natal and for eThekweni Municipality.

The results of the same report by Statistics South Africa indicated that the level of education for the population aged 20 years and older within eThekweni Municipality was such that 8.6% have no formal education, 5.5% have a primary level education only, 79.5% went until the secondary level of education and only 6.5% had acquired higher educational qualifications (Statistics South Africa, 2018b). These statistics indicate that the City of Durban would have challenges in its quest to ensure economic development in order to reduce unemployment figures due to lack of skills within its residents. The majority of eThekweni Municipality residents only have a secondary education and that limits their ability to participate meaningfully in the development of the City as they are unemployable. Jobs available in the current economy require specialised skills which are much more advanced in nature than what a secondary level can offer.

2.5.4 High Levels of Poverty

The 'cost-of-basic-needs' approach was used to construct the South African national poverty lines. This approach associates the consumption of services and goods and the lines encompassing both food and non-food components of household consumption expenditure to welfare (Statistics South Africa, 2019b). There are three poverty lines which are determined per person per month in Rands, these are the *food poverty line* – R 561 (in April 2019 prices) per month per person; the *lower-bound poverty line* – R810 (in April 2019 prices) per month per person; and the *upper-bound poverty line* – R1 227 (in April 2019 prices) per month per person (Statistics South Africa, 2019).

In 2018, over a million people (1,025,829) were living below the food poverty line in the eThekweni Municipality area. The majority of those people are black Africans following by Asians, then Coloureds and Whites (Global Insight, 2018). The eThekweni Municipal area is reported to have the largest number of persons living lower than the food poverty line when compared to other metropolitan areas in South Africa. Johannesburg holds the second spot, followed by Cape Town, Tshwane and

Nelson Mandela Bay (eThekweni Municipality, 2020a). This view is supported by the World Bank in its report on defeating poverty and inequality in South Africa. The World Bank's assessment revealed that poverty levels are higher in rural than in urban areas, and that the gap is widening; the report further reported that poverty drops with rising levels of education and that poverty levels are higher in female headed households in comparison to male headed households and that black African South Africans were continuously the most affected group in relation to poverty (World Bank, 2018). A report generated by the KwaZulu-Natal Government concurs with the sentiments contained in the Global Insight report as well as those contained in the World Bank's report. This report further indicates that in areas where poverty levels are relatively high, there are low levels of human development (KwaZulu-Natal Provincial Government, 2018).

2.5.5 Increased Incidents of HIV / AIDS

The province of KwaZulu-Natal has made strides in reducing mortality rates in KZN. However, the Human Immunodeficiency Virus (HIV) and Acquired Immune Deficiency Syndrome (AIDS) prevalence rates and high numbers of AIDS orphans continue to rise (KwaZulu-Natal Provincial Government, 2018). There are fewer HIV and AIDS-related deaths, indicating that persons living with the disease(s) are living longer and this can be attributed to the success of the Antiretroviral roll-out programme initiated by government. KwaZulu-Natal, however, needs to intensify its efforts aimed at preventing new HIV and AIDS infections within the province. An extrapolation of the HIV Sero prevalence study outcomes to the South African general populace indicates an approximately 18% HIV prevalence in the populace between the ages of 15 and 45 years with KwaZulu-Natal at 25% which is much higher than the national average (eThekweni Municipality, 2019). eThekweni Municipal Area shows a slight but continuing rise in HIV/AIDS infections across different ethnic groups. This is indicated by factors such as population, social and economic factors together with access to ARVs and HIV/AIDS awareness programmes. eThekweni Municipality estimates indicate that the HIV/AIDS prevalence rate in the year 2020 will be 28.3% of Black Africans, 12.7% of coloureds, 7.2% of Asians and 5.1% of Caucasians (eThekweni Municipality, 2019c).

Behavioural risk factors identified to be significant contributors to HIV incidences in KwaZulu-Natal include; (a) age at first sexual encounter, (b) large age gap between sexual partners, (c) limited access to condoms in school, (d) no condom use during sexual engagement, (e) more than one partner in the past twelve months, and (f) high proportion of sexually active males with concurrent partners (KwaZulu-Natal Provincial Government, 2018). The obstinately high incidence of infectious diseases in the eThekweni Municipal Area has had an influence in falling life expectancy in persons living within the eThekweni Municipal Area in addition to its impact on reducing productivity in the workplace (eThekweni Municipality, 2020a). The eThekweni Municipality, therefore, is faced with the problem of reducing the HIV/AIDS infection rate in order to effectively respond to its mandate as contained in the Constitution.

2.5.6 High Levels of Crime

Crime Stats SA (2019) indicates in its crime statistics report that there were 2 003 204 crime acts reported in South Africa in 2019 across all nine provinces. This marks a 4% (84 390) decrease from the 2 087 594 reported in 2018. KwaZulu-Natal is number three on the list of provinces based on the total number of incidents reported. Gauteng occupies the first spot with 536 794 incidents and in the second spot is the Western Cape with 436 259 incidents. KwaZulu-Natal reported a total number of 311 505 of those crime acts which constitutes 15.5% of the overall national total. A downward trend can be noted in those stats as KwaZulu-Natal had reported 328 924 crime acts in the previous year. A further analysis of the stats in the last ten years also indicates that crime occurrences were at their lowest in the year 2019. The highest reported crime occurrences were in the year 2013 where 365 812 crimes were reported. The average for the ten years from year 2010 to 2019 is 341 513 cases.

Crimes with more significant occurrences at provincial level in 2019 include sexual offences (reported at 9 202 cases), assault with the intention to cause grievous bodily harm (26 616 cases), common assault (23 386 cases) and robbery with aggravating circumstances (21 933 cases). Statistics South Africa (2018b) reported in its

community survey of 2016 that 6,9% of households in KwaZulu-Natal had experienced crime in the preceding 12 months. The same report indicated that in the eThekweni Metropolitan Area, 6.3% of the households experienced crime. This general view has been supported by reports from the South African Police Service which indicated that in the 2018-2019 financial year, a total of 1 074 crime incidents were reported in the eThekweni Municipal Area in addition to 128 common law offences and 5 402 statutory offences (SAPS, 2018).

In 2019 Durban Central was the leading precinct in KwaZulu-Natal in terms of the number of crime cases reported at 14 436 crimes followed by Umlazi which had a total of 8 388 reported cases (Crime Stats SA, 2019). Whilst policing is not a competency of local government, the eThekweni Municipality has to ensure community safety if it is to discharge its mandate as contained in the Constitution of the Republic of South Africa and in its strategic documents. Partnerships with provincial and national government as well as other social partners are, therefore, crucial.

2.5.7 Financial Sustainability

Lack of economic growth in the eThekweni Municipal Area and the resultant unemployment numbers negatively impact on the Municipality's ability to remain financially sustainable. In addition, corruption and maladministration in the Municipality has also affected the organisation's ability to offer services and remain financially sustainable. In the financial year ended 30 June 2019, the Municipality reported a total revenue of R 36.9 billion with R 5.8 billion included in this amount relating to grant funding received from National Government whilst the rest was generated from the citizens of eThekweni through the offering of services, rental of facilities and equipment, other income, payment of fines, payment of property rates and licences and permits (eThekweni Municipality, 2020a). This indicates that the Municipality is largely dependent on the economy of the area for its survival. eThekweni Municipality (2020b) reported total expenditure amounting to R 34.7 billion in the year ended 30 June 2019 arising from payments to its suppliers and employees which resulted in a surplus for the year of R 2.2 billion. The cash reserves

of the Municipality were R 6.6 billion as at 30 June 2019. This level of reserves indicates a cost coverage ratio, which is a ratio reflecting the capacity of the municipality to pay for all fixed operating expenditures with available cash and investments, of only 2.91. In addition, the liquidity ratio of the Municipality which is a ratio that measures the short-term liquidity of the organisation, i.e. the extent to which monetary assets could be utilised to cover current liabilities, is at 0.5. The current ratio of 0.5 is significantly lower than the 1.5 general benchmark and which, therefore, indicates that the municipality is at risk of not being able to honour its short-term debts as these become due utilising its current liquid assets.

Whilst the Municipality's staff-associated costs as a percentage of total revenue has decreased from the previous year and remained within the norm of between 25% and 40% at 30.1%, the Municipality continues to underspend on its capital budget, which will impact on its ability to generate much needed revenue in the future. The Municipality spent R 4.9 billion of its budgeted capital expenditure of R 6.5 billion (eThekweni Municipality, 2020a). Lack of spending emanates from the many challenges experienced by the Municipality within its Supply-Chain Management processes. The Municipality's long-term borrowings are also increasing with R 1 billion borrowed in the 2019 financial year and a further long-term loan of R 1.5 billion borrowed in the 2020 financial year (eThekweni Municipality, 2019c).

2.5.8 Infrastructure Degradation

The eThekweni Municipality has to deal with ageing infrastructure assets which have a carrying value amounting to R 39.6 billion as at 30 June 2019 (eThekweni Municipality, 2020a). These assets include engineering infrastructure (rivers and coastal engineering), roads and motorways, street lighting, traffic equipment, stormwater drainage, solid waste, airport infrastructure, water and sanitation, major substations, transformers and related equipment and conventional and prepaid metering (eThekweni Municipality, 2020a). The estimated useful lives of these assets are on average between 20 years and 80 years with most assets close to the maximum of their useful lives.

In addition to challenges associated with aging infrastructure assets, incidents of infrastructure theft within the City are higher than previously reported. All these challenges create administrative mayhem in addition to also affecting the residents of the City due to the resulting outages. On 10 October 2017 the City centre, Amanzimtoti and South Durban Basin experienced an extreme rainfall event resulting in the CSCM Department carrying out repairs and the reinstatement of damaged infrastructure (Singh K, 2019a). The eThekweni Municipal area again experienced widespread heavy rainfalls on 10 March 2019 where areas worst hit were the Western and Northern parts of eThekweni. The Inanda dam / Kloof areas received a total of 109 mm whereas the Inanda-Ntuzuma-KwaMashu areas received a total 136 mm in a 24-hour period (eThekweni Municipality, 2020a). The storm event resulted in significant damage across the Inanda-Ntuzuma-KwaMashu areas and the estimated damages amounted to approximately R112 million. A further storm event which took place on Monday, 22 April 2019, resulted in additional significant damage across large sections of the eThekweni Municipal area including the Southern eThekweni area (i.e. Umlazi, Malvern, Chatsworth and Amanzimtoti), whilst other specific areas in the Central and Western regions were also impacted. The rainfall of 22 April 2019 resulted in 299 mm of rain falling over a 24-hour period and thus caused damage estimated at approximately R254 million (eThekweni Municipality, 2019c). The Auditor General of South Africa further reported that material water losses of 126,18 million kilolitres in the 2018-19 financial year (2017-18: 105,22 million kilolitres) were incurred by the eThekweni Municipality resulting in revenue losses of R968 million in that financial year (2017-18: R714 million) because of old and failing infrastructure and illegal connections within various communities (AGSA, 2020).

2.5.9 Lack of Housing

eThekweni Municipality has a human settlements department whose primary role is to establish new housing stock using the National and Provincial housing grants; eradicate informal settlements using various housing initiatives; establish, manage and maintain community hostels; manage and maintain municipal rental units; enable the establishment of new social housing initiatives as well as create

ownership prospects for the affordable market and undertake remedial programmes (i.e. title deeds hand over and rectification of Infrastructure (eThekweni Municipality, 2019c). The human settlements unit of eThekweni Municipality has met and exceeded its targets set for the 2018 and 2019 financial years relating to the construction of new, fully subsidised housing units. However, the unit is faced with backlogs dating back to over 40 years. This results in the invasion of privately-owned land and buildings within the City which has, in many cases, resulted in the courts compelling the City to accommodate invaders (eThekweni Municipality, 2020a). The accommodation of invaders has disrupted the City's budgeting processes, jeopardised the entire housing programme and has encouraged queue jumping amongst the residents of the City requiring housing. Statistics South Africa (2019a) reported that there are 1 125 767 households within the eThekweni Municipal Area which consist of 917 812 formal households, 150 039 informal households, 50 430 traditional households and 7 486 unspecified. The housing provision backlog as at 30 June 2018 was 380 571 households and this number is growing daily due to rapid urbanisation where people move from other parts of KwaZulu-Natal into Durban (Statistics South Africa, 2019a). The Municipality's projections indicate that between 45 and 80 years is required to respond to the current backlog based on current funding levels (eThekweni Municipality, 2019c). The Municipality has initiated various projects in partnership with the private sector and which are aimed at addressing the housing challenges it faces. The one flagship project of the City is the Cornubia Integrated Human Settlement project with Phase One of this project producing 2 662 fully subsidised houses that are complete and occupied. Phase Two of the same project is anticipated to produce 12 000 subsidised housing units for persons who earn between R3 500 and R15 000 a month and 10 000 affordable housing units for persons who earn above R15 000 a month (eThekweni Municipality, 2020a).

2.5.10 Corruption and Maladministration

eThekweni Municipality has a unit whose objective is to assist the municipality build an ethical organisation that is without fraud, corruption or maladministration. The City Integrity and Investigations Unit (CIU) provides effective forensic investigations and promotes good governance principles and human rights within the eThekweni

Municipal area (eThekweni Municipality, 2019c). In the financial year ending 30 June 2019, the CIU had a total of 1 670 cases which had been reported for investigation. Only 528 (32%) cases were finalised and 1 142 (68%) remain in progress (eThekweni Municipality, 2020a). It is important to note however that of the 1 670 cases, only 684 had been reported in the 2018-2019 financial year with 986 cases being brought forward from the previous period. These figures are indicative of an organisation that is plagued by unethical activities and conduct perpetrated by internal employees and stakeholders. This view is supported by the Auditor General whose report indicated that there was instability in the leadership of the Municipality in the 2018-2019 financial year due to political leadership that was redeployed as a result of alleged corruption with the administration of the Municipality (AGSA, 2020). The leadership instability emanates from various allegations of corruption and maladministration directed at the previous political office bearers. Councillors and contractors, as well as officials of the eThekweni Municipality, were arrested and released on bail following their appearance at the Durban Specialised Commercial Crimes Court in relation to a R 208 million Durban Solid Waste tender scandal (Etheridge, 2019). This precipitated the withdrawal of some of the councillors, including the Mayor, from the Exco and motivated the appointment of other councillors into the Exco to replace the withdrawn members. Corruption and maladministration challenges facing the Municipality have escalated in the 2019-2020 financial year. The Municipal Manager was arrested on 10 March 2020 and released on R 50 000 bail (Beukes, 2020). His arrest is also linked to the same Durban Solid Waste tender which involves the previous political office bearers.

2.6 INTERNAL AUDIT MANDATE

EMARAS is a strategic partner to the administrative function of the City as well as to the Municipality's political leadership. The unit serves as a catalyst for accountability and good governance whilst driving the assurance responsibility through various activities. Strategic inputs from EMARAS includes the provision of meaningful engagements in all operational areas within the Municipality whilst continuing to provide strategic support to all the oversight structures of the municipality and the

provision of expert advice on matters of risk assurance (EMARAS, 2016). Driven by the vision of the Municipality and committed to improving the citizens' lives, EMARAS specialises in the following disciplines:

- Information communication and technology
- Financial and technical
- Operational and business performance
- Corporate entities and grants
- Special projects and or transversal projects
- Technical quality and continuous planning
- Special upgrades, projects and infrastructure
- Governance and compliance
- Data analytics and continuous audit monitoring
- Business continuity management and resilience advisory
- Project risk specialist
- Information technology project assurance
- Business risk profile
- Enterprise risk framework

In the process of incrementally implementing the building blocks towards the attainment of the 2030 vision, the Municipality is faced with hidden opportunities in risks. The Enterprise Risk Management (ERM) function, as a central part in the approach adopted by EMARAS in its quest to discharge its mandate, has the responsibility to support the achievement of municipal objectives by addressing the full spectrum of its risks, which includes opportunities and challenges; and informed decision-making, prioritisation and budget allocation, thereby assisting the Accounting Officer to manage the combined impact of these risks as an interrelated strategic risk portfolio (EMARAS, 2016).

2.6.1 Legislative Framework

The requirement for a municipality to either establish or outsource an Internal Audit function is legislative as per Section 62(1)(ii) of the MFMA (RSA, 2003). This

requirement is further supported by Section 165 (1) of the same Act whilst Section 165(2) deals with the establishment of the mandate of an Internal Audit function. Section 45 of the Municipal Systems Act provides a further mandate to Internal Audit by stipulating that internal auditing processes must cause for the results of performance measurements of a Municipality to be audited (RSA, 2000).

2.6.2 Internal Audit Charter

Responsibilities and mandated roles of Internal Audit are defined clearly in the approved eThekweni Municipality's Internal Audit Charter. EMARAS was established as an assurance and consulting function under the direction of the CAE in terms of the MFMA. An Internal Audit Charter was then drafted and was approved by the Audit Committee to clearly indicate the roles and responsibilities of the CAE and his/her team. The purpose of the Internal Audit Charter, therefore, is to provide the CAE and management of eThekweni Municipality with a broad framework of Internal Audit's mandate, authority, roles and responsibilities, independence and organisational status as well as the scope of internal audit activities (EMARAS, 2020b). The Charter begins by stipulating the mandate of EMARAS which is based on the legislation indicated in the above section and relating to the applicable legislative framework. Essentially it represents the general authorisation of the CAE by the Audit Committee of eThekweni Municipality to conduct internal audit activities based on an approved scope of work. The Charter further indicates that the CAE is permitted to review all areas of the Municipality's financial, operating, governance, risk management and information systems; to have unlimited access to all personnel, records, property and any other thing determined by the CAE for the effective functioning of Internal Audit in line with the standards of Internal Audit. In addition, the Charter indicates that the CAE is permitted to apportion resources, determine occurrences, select topics, determine the scope of work and apply the tools required to realise internal audit goals. More specifically, the Charter authorises the CAE to determine the scope of internal audit work to be included in the strategic-three year rolling internal audit plan which is approved by the Audit Committee, concurred by management and executed quarterly by Internal Audit under the direction of the CAE. Amongst the exclusions included in the Charter, are that the

CAE (or his/her team) will not initiate nor approve transactions of an accounting nature which are outside the internal audit function; will not direct the work of any department or staff member not employed by Internal Audit; will not directly participate in the design, development and implementation of new internal and financial controls and systems other than in an advisory and or a consulting capacity; and will not perform line function operational duties (EMARAS, 2020b). These exclusions are aimed at protecting the impartiality and neutrality of Internal Audit. The reporting requirements of Internal Audit as contained in the Charter indicate that the CAE accounts operationally to the Audit Committee and administratively to the City Manager (Accounting Officer) and that the Audit Committee is responsible for the performance evaluation of the Internal Audit function.

2.6.3 Audit Committee Charter and Terms of Reference

The Audit Committee of eThekweni Municipality is functional and was established in line with Section 166 of the MFMA (RSA, 2003). The establishment of the committee necessitated the drafting and ultimate approval of the Audit Committee Charter which outlines the legislative mandate of the committee and also ensures alignment with the Code of Corporate Governance. The MFMA, in Section 166, stipulates the areas where an Audit Committee should play oversight (RSA, 2003). Section 166(3) of the same Act further supports the role of the Audit Committee by indicating its rights to have unfettered access to all the records of the Municipality (including all financial records) and other relevant information of the Municipality (RSA, 2003). The Audit Committee Charter sets out the status, authority, role and responsibility of the eThekweni Municipality Audit Committee. Section Two of the Charter deals with six areas of focus, namely; the size of the committee, the appointment of members, independence of the committee, term of office, secretarial services and remuneration (EMARAS, 2020a). The subsection regarding the size of the committee indicates that the Audit Committee should consist of not less than seven but not more than nine suitably qualified, independent individuals. The Charter allocates the responsibility to appoint and to terminate the services of Audit Committee members to the Council of the Municipality. Safeguards on independence of the Audit Committee against undue influence have also been

outlined in the Charter. These include the fact that the chairperson, together with the Committee members, should be independent of the Municipality and that all members should declare their private and business interests which may cause them to be biased and that all audit committee members should not be involved in business dealings with the Municipality (EMARAS, 2020a). The office term of all Audit Committee members is three years, renewable for only one additional term of another three years. The Charter further outlines, amongst others; the code of conduct for the individual Audit Committee members, authority of the Audit Committee, the responsibility of the Audit Committee towards the Municipal Entities, relationships with stakeholders and meetings and proceedings (EMARAS, 2020a). One other key section within the Charter is Section Six which outlines the statutory functions and responsibilities of the Audit Committee (EMARAS, 2020a).

2.7 INTERNAL AUDIT OPERATIONS

The CAE has to operationalise the Internal Audit Charter on a daily basis. The Internal Audit Charter places the ultimate responsibility of Internal Audit work on the CAE. The CAE is responsible for the determination of tools, methodologies, procedures and standards within which Internal Audit is to operate and for the determination of resource requirements as well as for the determination of the required skills, education levels, experience for recruitment into the function and decisions on the possible temporary contracts, co-sourcing and outsourcing of capacity required (EMARAS, 2020a).

2.7.1 Guiding Principles

The Institute of Internal Auditors Global (2013:2) defines Internal Audit as, “an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations; in addition, Internal Audit helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes”. EMARAS has established values which have been brought or adopted into the culture of the organisation and this continues to be nurtured through various initiatives. These are values complementary to Batho Pele

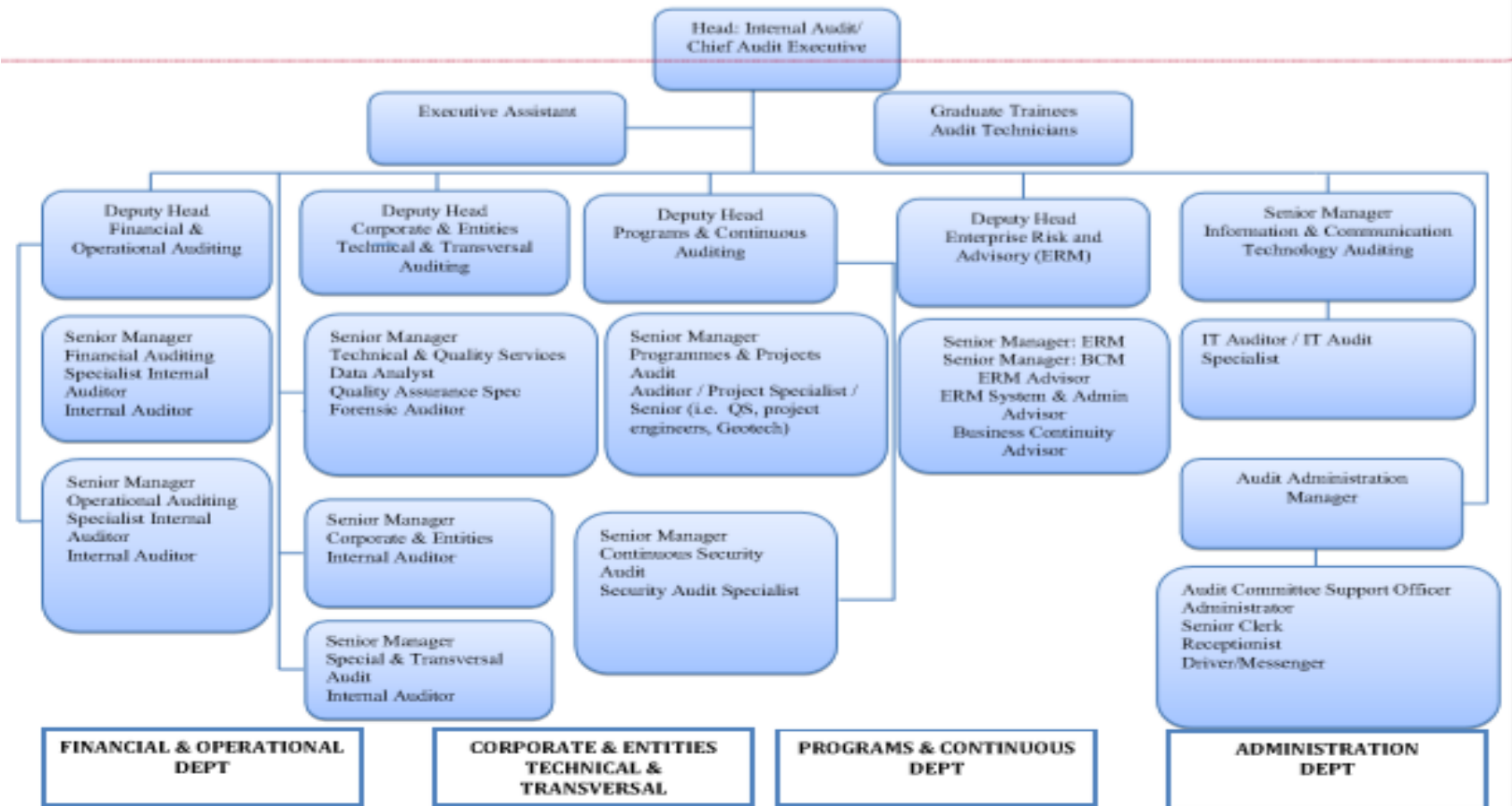
Principles of government and include; Honesty and Integrity; Confidentiality; Equality; Accountability; Fairness; Objectivity and independence; and Competency (EMARAS, 2016). In addition, EMARAS has a well-researched and relevant motto which is “We assure, we consult, and we add value i.e. we belong to assure, we consult to serve, and we care to add value” (EMARAS, 2016).

2.7.2 Organisational Structure

The Internal Audit Charter indicates that the Chief Audit Executive must ensure appropriate and sufficiency of internal audit resources and must effectively employ those same resources to executive the approved Internal Audit plan (EMARAS, 2020b). In terms of the IPPF, an ‘appropriate’ Internal Audit resource means the mix of skills, knowledge and all other relevant competencies while ‘sufficient’ means the amount of resources required to deliver on the approved plan, and the ‘effective’ deployment of resources is achieved when personnel are planned in such a way that maximum value is derived (IIA-Global, 2013). EMARAS employs a team of professionals with various skills sets in each organisational area of strategic competence with a diversity of skills in the following; Information Technology and IT governance; Financial; Operational; Compliance (Laws and regulations, standards and best practices, amongst others; ERM, COSO, COBIT, ISO 3100) remits, and further blends a unique skills set of enterprise risk management techniques and corporate governance professionals specialising in and providing advisory services. These are complemented by co-source and outsourced capacities which are activated when required (EMARAS, 2016). A recent addition into the EMARAS function is the security / forensic auditing activity which is not tolerant towards incidences of corruption and fraud in the organisation (eThekwini Municipality, 2020a). In addition to its robust recruitment process that ensures proper placement of individuals, EMARAS secured programmes through which it identifies young talent and helps shape it for future use. In that regard, EMARAS has various programmes which aim to build Internal Audit capacity. Those programmes include; the Internship and Learnership Programme which recruits unemployed graduates, the Talent and Skills Development and Management Programme which builds a pool of talent suitable for the eThekwini Municipality environment; and the Progression

Programme which recognises on-the-job experience in an effort to upskill current employees (EMARAS, 2016). The Institute of Internal Audit South Africa (IIA SA) performed a skills audit within EMARAS which identified the skills and training gaps. The gaps identified have been addressed through the establishment and further filling of the approved EMARAS organogram as reflected below in Figure 2.8

Figure 2.8 eThekweni Municipality Audit and Risk Assurance Services Organogram



(Source: EMARAS, 2016:9)

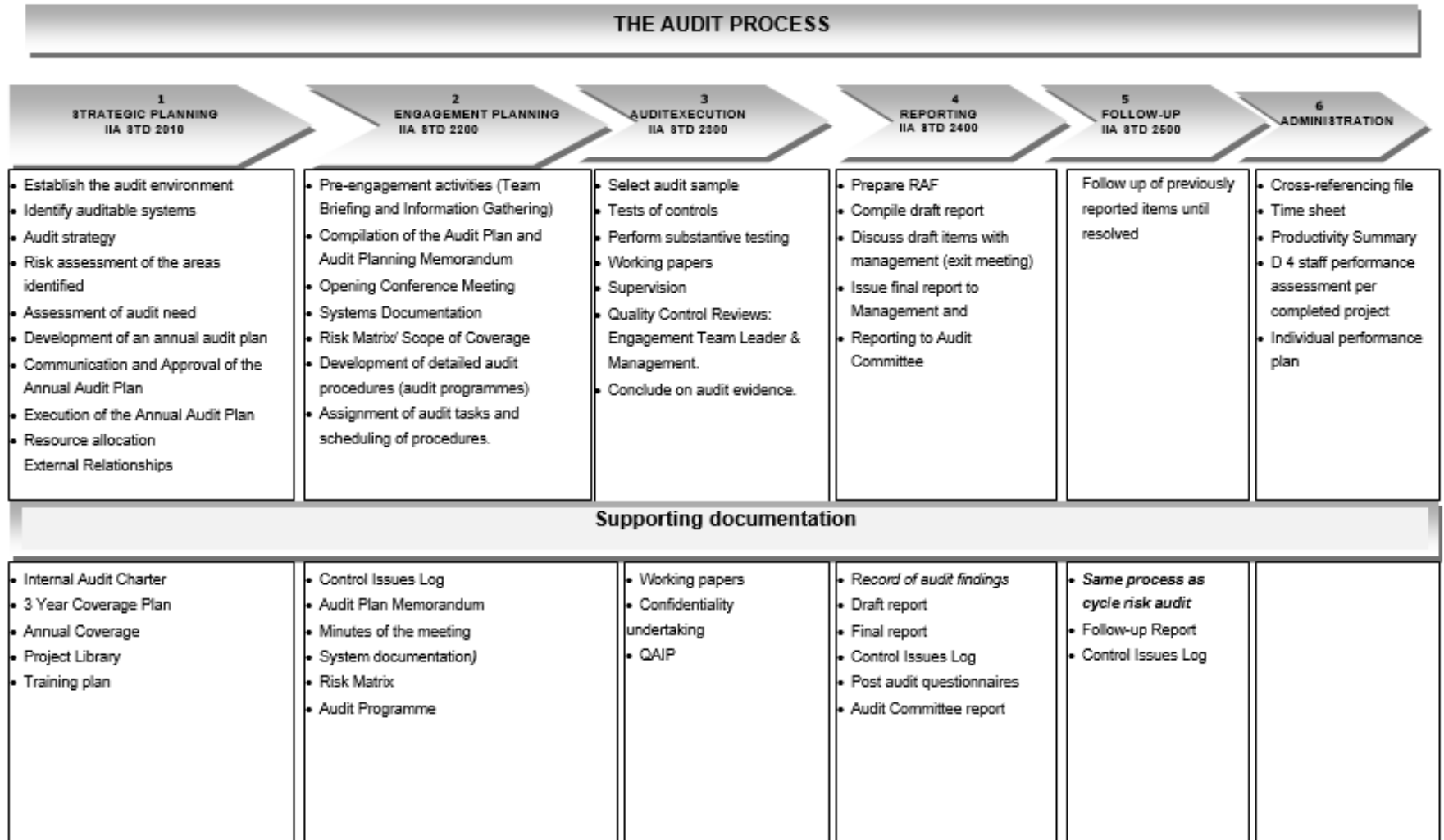
2.7.3 Budget

The Chief Audit Executive and his or her staff have a responsibility to render Internal Audit services to the eThekweni Municipality and its entities in adherence to the IIA code of conduct read in conjunction with eThekweni Municipality's code of conduct (EMARAS, 2020b). The Internal Audit Charter empowers the CAE to submit to eThekweni Municipality's top management and the Audit Committee an Annual Internal Audit Plan consisting of the work schedule to be undertaken by Internal Audit supported by an Annual Financial Budget which must include all resource requirements of Internal Audit for the following financial year (EMARAS, 2020b).

2.7.4 Annual Planning Process

The Internal Audit Annual Plan is formulated based on the audit universe prioritisation through a risk-based methodology that includes inputs from senior management and Council (EMARAS, 2020b). The risk-based internal audit methodology developed for eThekweni Municipality's Internal Audit function was drafted in line with IIA Standards for the Professional Practice of Internal Auditing to which the South African chapter of the Institute of Internal Auditors subscribes (EMARAS, 2015). The main aim of the risk-based internal audit methodology is to offer guidance to EMARAS on the procedures to be executed in the performance of internal audit services and which includes assurance and consulting activities. Internal Audit work is executed mainly to provide management with reasonable assurance regarding the design and implementation of internal controls whilst the Council and management are responsible, inter alia, for creating and maintaining operations and maintaining cost effective systems of internal control and ensuring that business objectives are attained, by developing and maintaining an environment that fosters control and mitigates risks (EMARAS, 2015). The internal audit process involves planning, fieldwork execution, reporting and follow-ups as reflected in the sub-components in Figure 2.9 below.

Figure 2.9 Diagrammatic illustration of the Audit Process



(Source: EMARAS, 2015:8)

The strategic planning phase addresses the requirements of the ISPPIA Standard: 2010 – Planning. The IPPF Standard 2010 stipulates that the “The chief audit executive must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organization’s goals” (IIA, 2017b:10). The strategic planning phase, therefore, is a critical phase in ensuring that the activities of the Internal Audit function respond to management and Audit Committee expectations whilst ensuring that the activities of the Internal Audit function respond to the risk profile of the Municipality. Municipal strategic objectives are contained in key strategic documents which informs the strategic focus areas of the Internal Audit unit (eThekweni Municipality, 2020a). Accordingly, the Chief Audit Executive guides a process to formulate a strategic 3-5 year plan, policies of the internal audit unit, performance auditing standards, monitoring and evaluation standards, enterprise risk management processes and oversee the development of strategies that will enable the achievement of these goals (EMARAS, 2015). The Internal Audit Methodology indicates stages which pertains to the preparation of internal audit’s strategic plan and those are outlined below:

2.7.4.1 Determining the Audit Environment

The point of departure for the strategic planning process is to obtain an understanding of the context within which the Internal Audit Department operates (IIA, 2017a). Obtaining an understanding of the business process involves considering management’s attitude towards internal controls, information about internal controls in the entire organisation, the overall risk appetite of the organisation and managements’ willingness to accept and embrace change (EMARAS, 2015). Knowledge of the business would often dictate the terms of the broad audit strategy and the appropriate period for the plan (IIA, 2017a).

2.7.4.2 Identifying Auditable Systems and Processes

Understanding the audit universe enables the audit team to then identify auditable systems and processes (EMARAS, 2015). This stage requires that the Senior Audit Managers must understand the following; the business objectives of the

department/business unit under audit, the strategic and operational risks that the business is exposed to, the operations of the department / business unit in a fair amount of detail, the control environment prevailing at the department / business unit, the management structure and the prevailing management culture at that department/business unit; as well as having a detailed understanding of the operational system, the accounting and the internal control systems (EMARAS, 2015). Understanding auditable systems and processes enables the Internal Auditor to use expert judgement to evaluate the audit risk and to draft procedures to make sure that the audit risk is decreased to an acceptably low level (IIA-Global, 2013).

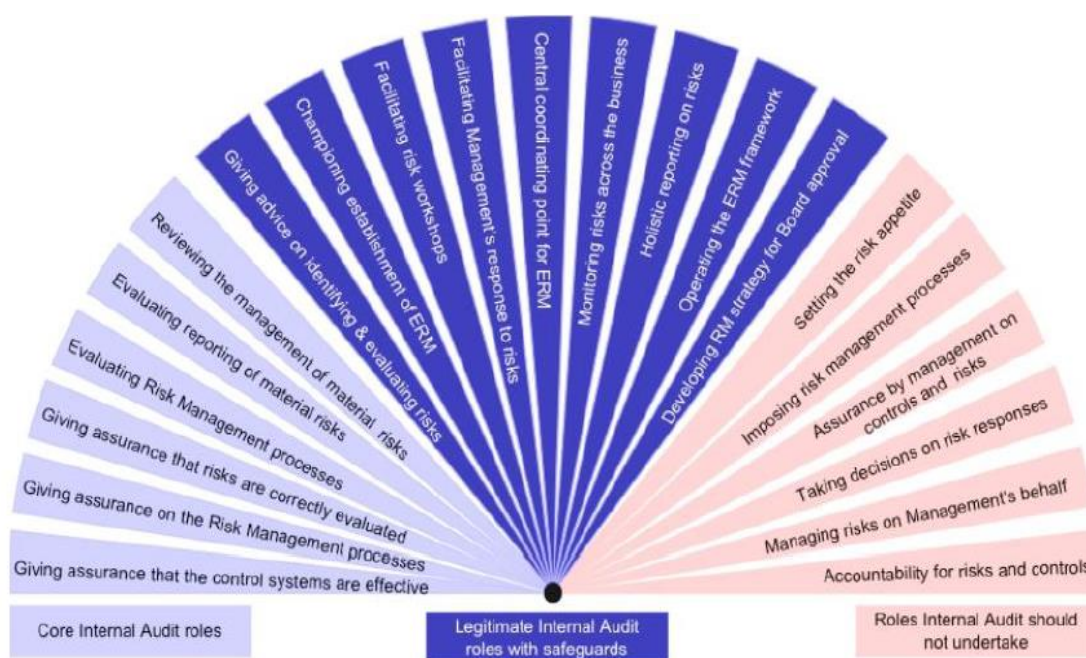
2.7.4.3 Risk Assessment of Identified Auditable Processes and Systems

The Internal Audit standard 2120 on Risk Management indicates the need for the Internal Audit Activity to evaluate risk exposures to the organisation. In order to ensure that the overall audit risk of a given audit engagement is kept below the acceptable limit, the auditor must evaluate the level of risk relating to each component of audit risk (IIA, 2017b).

EMARAS as an autonomous, impartial assurance and consulting function which encompasses both the internal audit function as well as the enterprise risk and advisory function under the Chief Audit Executive (EMARAS, 2016). The Enterprise Risk and Advisory Management Department which offers advisory / consulting services relating to risk management performs the strategic risk evaluation of the organisation together with the operational risk evaluation for each department, taking into account inputs from senior management and the resultant risk registers are then distributed for use by all key stakeholders which include Internal Audit (EMARAS, 2015). Safeguards have been implemented in order to ensure the continued independence of the Internal Audit Activity given that the enterprise risk and advisory function also reports to the Chief Audit executive. Figure 2.10 below provides guidance based on the position paper that was drafted by the IIA on the core and legitimate functions that the Internal Audit activity may provide in relation to Risk Management whilst it further highlights the function that the Internal Audit Activity should not undertake. The centre of Figure 2.10 reflects the consulting roles that

EMARAS assumes in relation to the enterprise risk management function and those roles include; availing tools and techniques used by internal auditors to analyse risks and controls to management of the organisation, championing the enterprise risk management process in the organisation by leveraging on its expertise in risk management and control and its overall knowledge of the organisation, providing risk management advice, facilitating workshops, coaching senior management within the organisation on risk and control as well as promoting the development of a framework of understanding on risk management, coordinating, monitoring and reporting on risk management activities within all departments/business units within the organisation, and providing appropriate support to managers as they work to identify the best way to mitigate risks (eThekweni Municipality, 2019c).

Figure 2.10 Enterprise Risk Management



(Source: EMARAS, 2016:16)

Professional safeguards have been implemented to ensure that whilst assisting management in establishing and improving risk management processes, EMARAS shall remain professionally independent (EMARAS, 2016). These are documented in the Internal Audit Charter.

2.7.4.4 Establishment of an Audit Strategy Document

The establishment of an audit strategy is an important element within the strategic planning phase. Auditable systems and process definitions and the risk indices calculation are discussed and agreed to between the CAE and management. These form the bases of the audit strategy document (EMARAS, 2015). The main objective of the audit strategy document is the provision of adequate coverage of the primary areas to enable an overall audit opinion to be provided on the adequacy of the mechanisms of control (IIA-Global, 2013). The broad audit strategy document provides a good starting point for the Internal Audit activity for any given period and is aligned to the broader eThekweni Municipality strategic plan which ensures that the Internal Audit strategic plan coverage and scope meets the objectives of management and the Audit Committee (IIA, 2017b).

2.7.4.5 Assessment of Internal Audit Requirements

The ISPPIA Standard 2030 on Resource Management indicates that the CAE is responsible for ensuring that internal audit has appropriate and adequate resources which must be employed effectively to deliver on the approved plan (IIA, 2017b). This means that the CAE must determine the resource requirements of the internal audit activity. The standard refers to the necessity to determine estimates of staff time by auditor grade for each audit assignment as well as all financial resources required to enable Internal Audit to execute all planned audit engagements (EMARAS, 2015).

2.7.4.6 Development of an Audit Plan

The EMARAS *Methodology and Procedure Manual* (2015), which in accordance with the ISPPIA requires that internal audit senior management, led by the CAE, must develop audit plans to identify audit activities or projects that should be conducted. The standards require the establishment of a three-year rolling plan which is derived from an independent enterprise-wide risk assessment comprising macro and micro risks affecting eThekweni Municipality's environment.

The Three-year Plan is annually reviewed after an independent risk assessment by EMARAS to determine the focus and delivery of the assignments undertaken and to realign the following years' planned audit cycles (EMARAS, 2015). Internal Audit incorporates inputs from clients, external auditors and other relevant stakeholders in the process of developing the Three-year Plan which is then drafted and tabled for discussion and approval at the last Audit Committee meeting of each financial year for the following financial year (eThekweni Municipality, 2020a). The Three-year Rolling Plan is further broken down into an Annual Audit Plan which is implemented and executed in recurring cycles or quarters taking into account specific client requests, the existing environment and available resource (EMARAS, 2016). In the development of the strategic audit plan, therefore, the work of management and other assurance functions are considered (EMARAS, 2020a). This approach is also supported by the Three Lines of Defence Model, as articulated in the King Report (Institute of Directors, 2016). Accordingly, the strategic internal audit risk-based plan is driven and influenced by several factors and assumptions, inter alia; the risk universe, compliance universe, Municipal Manager critical business issues, the IDP and SDBIP, audit hotspots per the International Auditing Community, the audit committee top ten items, the State of the Nation Address by the President of the Republic of South Africa, CoGTA issues, the South African Local Government Association issues, ad hoc assignments from management and/or oversight committees (including the MPAC and Audit Committee), Auditor General of South Africa Annual Report, management Letter and dashboard, and the continuous audit log (EMARAS, 2015).

The Internal Audit strategic plan has a built in element of flexibility which enables it to remain relevant and responsive as it is assessed on an on-going basis by the CAE and the Audit Committee and thus provides for the opportunity for ad hoc requests and assignments from key stakeholders to address emerging risks to be undertaken (IIA-Global, 2013). The Internal Audit presents to the Audit Committee the Status Update Report against the Annual Audit Plan on a quarterly basis (EMARAS, 2015).

2.7.4.7 Communication and Approval of the Annual Audit Plan

The EMARAS Internal Audit Charter (2020b), requires that the draft annual audit plan be discussed and agreed to with the responsible management, specifically the Unit Heads and Deputy City Managers. The Chief Audit Executive (his or her Deputy as delegated) presents the Annual Audit Coverage Plan to the Audit Committee at its last meeting of a financial year for the following financial year for approval (EMARAS, 2020b). Whilst the Annual Audit Plan is presented and approved at least a month before the commencement of each financial year, the EMARAS Methodology and Procedures Manual allows for adjustments to be made during the year (EMARAS, 2015). Those adjustments are reported to the Audit Committee and senior management through quarterly audit reporting, including a plan to address the impact on the approved Annual Audit Plan and management actions by the Chief Audit Executive who is responsible for all adjustments to the plan (EMARAS, 2020a). This is in accordance Internal Auditing Standards which indicate that the CAE reviews and adjusts the audit plan as necessary in response to developments in the Municipality business operations, programmes, systems and controls (IIA, 2017b).

2.7.5 Engagement Planning

In order for EMARAS to assist the Municipal Manager by performing the necessary assurance responsibilities, the applicable Internal Auditing Standard 2200 (engagement planning) indicates that the internal auditors must develop and document a plan for each engagement, including the engagement's objectives, scope, timing and resource allocations (IIA, 2017b). EMARAS (2015), provides the necessary guidance in its audit methodology in order to discharge its responsibility in line with the requirements of the Internal Auditing standards by performing all necessary pre-engagement activities which include:

- Obtaining the statement of independence from all audit officials, including consultants.

- Holding a team briefing to discuss audit objectives, critical issues identified during the planning stages of the audit or project, team members responsibilities and performance expectations, client notification as well as logistics.
- Obtaining sufficient information about the operations of the business unit being audited in order to assess the environment in which it operates.
- Compiling the audit planning memorandum which forms a basis of engagement with the client in areas under review.
- Holding an opening meeting with key management personnel to set the tone for the audit engagement.
- Documenting the processes and control mechanisms within the environment of the client.
- Undertaking and documenting a detailed risk matrix which is a systematic process of identifying and rating risks into high, medium and low.
- Developing detailed audit procedures based on the areas identified as 'adequate' and/or 'needs improvement' in the detailed risk matrix.
- Assigning audit tasks and scheduling of procedures based on the nature and complexity of each engagement.

(EMARAS, 2015)

The Internal Audit unit has a mix of skills and competencies which is deployed to execute audits based on the specific requirements of each engagement. EMARAS (2016), in the unit profile indicates that the organogram of the unit is organised in sections referred to as 'remits' with the aim of executing audit projects covering the entire municipal universe in segments as outlined below:

- Financial Auditing
- Operational Auditing
- Specialised and Transversal Auditing
- Corporate and Entities Auditing
- Programmes and Continuous Auditing
- Projects and upgrade auditing

- Continuous Security Auditing
- Information and Communication Technology Auditing
- Technical and Quality Services
- Administration

2.7.6 Audit Execution

The relevant International Auditing Standards, Standard 2300 (performing the engagement), has specific provisions in relation to the execution of an audit engagement whilst Standard 2310 further specifies additional requirements which includes; identifying sufficient, reliable, relevant and useful information to achieve the engagement's objectives (IIA, 2017b). The audit methodology applicable within EMARAS aligns with the requirements of the above standards on executing an audit engagement and provides that fieldwork can take various approaches including; observations, interviews, examining and corroborating documentation, data and information analysis, re-performances and recalculations, sampling, testing of controls and questionnaire (EMARAS, 2015). The EMARAS audit methodology further provides that the approach chosen by the internal auditor should be based on a range of verification and observation procedures deemed appropriate to allow the internal auditor to independently and objectively comment on the control environment and management of risk by the client and that the internal auditor is not restricted nor limited by any procedures in the number or kind of approaches to be used, thus allowing use of any approach or combination of approaches to be used as determined by the nature of the assignment and the results required (EMARAS, 2015). The audit methodology of EMARAS provides that Internal Auditors should perform their procedures on a sample basis as it may be impractical to audit the entire population of transactions being audited (EMARAS, 2015) This is in line with the International Internal Auditing Standards (IIA, 2017b). In the performance of their audit work, the audit methodology dictates that Internal Auditors should prepare working papers which record the information obtained and the analyses made in planning and conducting an internal audit. In addition, working papers provide the supporting basis for the findings and recommendations reported by internal audit (EMARAS, 2015). This is in line with the International Internal Auditing Standards

which indicate that the primary purpose of working papers is to provide details to prepare the report and that working papers also serve the purposes of providing evidence that audit standards were followed in the performance of internal audit work (IIA-Global, 2013). The International Internal Auditing Standard 2340 (engagement supervision) indicates that engagements must be properly supervised to ensure objectives are achieved, quality is assured and staff is developed (IIA-Global, 2013). In line with this requirement, EMARAS (2015), indicates in its audit methodology that the execution phase of the audit project should be properly supervised to ensure that objectives are achieved and quality is assured.

2.7.7 Reporting

The Internal Audit Charter of EMARAS stipulates that the CAE and, therefore, Internal Audit reports to the Audit Committee, functionally, and administratively to the City Manager (EMARAS, 2020b). The reporting requirements articulated by the Internal Audit Charter are supported by the Audit Committee Charter. In addition to the requirements of the Internal Audit Charter and the Audit Committee Charter, International Auditing Standard 2400 (communicating results) indicates that internal auditors must communicate the engagement results including the engagement's objectives and scope as well as applicable conclusions, recommendations, and action plans (IIA, 2017b).

The audit methodology further indicates that the final audit report must only be issued to management by the Chief Audit Executive after he or she has satisfied him/herself of the following; the proper completion of the planned internal audit work, the complete review and approval of the internal audit working papers, the proper clearing of all queries and items requiring follow-up after the end of the field work and the review by the Project Manager, whether the report meets the assurance requirements of the Audit Committee and adds value to management, and the discussion and agreement of the report with client management. The internal audit work reported to the Audit Committee forms the basis of the quarterly progress reports to the Executive Committee prepared by the Audit Committee in writing and

which include matters contained in the Audit Committee's terms of reference and related recommendations.

The Executive Committee to which the Audit Committee reports is ultimately responsible for a number of issues including; ensuring that strategies and budgets are aligned to the Council mandate and that objectives are achieved, managing the performance of management, guiding the Council in performing its role of political oversight on the municipality and the management of the administration, receiving and considering reports from the other committees of Council and forwarding those reports together with its recommendations to Council when it cannot dispose of the matter in terms of its delegated powers, and reporting to the Municipal Council whenever the Executive Committee takes a decision (eThekweni Municipality, 2020a). The Municipal Council to which the Executive Committee reports is ultimately responsible for providing oversight and direction to the municipality on the risk management related strategy and policies (eThekweni Municipality, 2019c).

In addition to the above identified structures, there are different Portfolio Committees and the Municipal Public Accounts Committee (MPAC) with specific terms of reference to encourage compliance (eThekweni Municipality, 2020a). Other key stakeholders and users of Internal Audit and Audit Committee information include the National and Provincial Treasury as well as the Auditor General of South Africa (AGSA). The AGSA is ultimately responsible for auditing and reporting on accounts of government institutions (AGSA, 2020).

The ultimate leadership of the municipality is located within the mayor's office. The responsibilities of the mayor include, amongst others; monitoring the municipality's performance, monitoring the Accounting Officer and the Chief Financial Officer in the exercise of their financial responsibilities without interfering with the exercise of their responsibilities, organising the processes for the preparation of the annual budget and reviewing the IDP and budget-related procedures to ensure they are mutually consistent and credible, providing political leadership over the financial matters of the municipality, and ensuring that the municipality attends to all issues raised by the AGSA in the audit report (RSA, 2000).

2.7.8 Monitoring

The Internal Auditing Standard on Monitoring Progress (Standard 2500) indicates that the CAE must create and sustain a mechanism to monitor the implementation of audit recommendations in the form of audit results communicated to management (IIA-Global, 2013). The said standards further indicate that a follow-up process must be in place for the CAE to monitor and ensure that senior management implements Internal Audit recommendations or that it accepts the risk of not acting. Follow-up audits must include activities to monitor the implementation of agreed upon recommendations emanating from consulting engagements as agreed upon with the client (IIA, 2017b). In response to this requirement, EMARAS has executed a continuous audit log process that is tested and authenticated by Internal Audit monthly and is presented at the Audit Committee meeting quarterly (EMARAS, 2015).

2.7.9 Administration

The administration activities of EMARAS include; keeping and maintaining a sign on/off register for all employees which must be completed daily, an outstation register which must be completed daily, timesheets which must be completed monthly, a productivity summary which must be completed per employee on a monthly basis, a staff performance assessment which must be completed per completed project, individual performance agreements which must be completed annually per employee, individual performance assessments which must be completed bi-annually, declaration of interest which must be completed annually and the Status of work update which must be completed every two weeks (EMARAS, 2015).

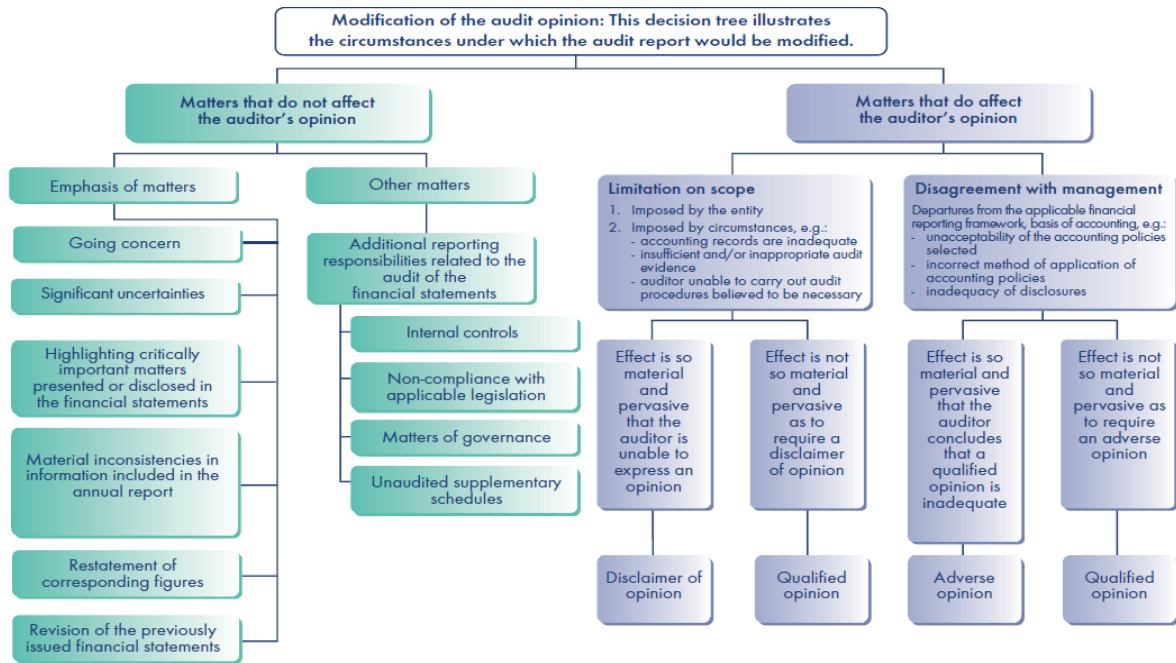
2.8 AUDITOR GENERAL OUTCOMES

The Constitution of the Republic of South Africa in Chapter Nine calls for the establishment of state institutions whose aim is to strengthen the South African constitutional democracy. These state institutions include, amongst others, the Public Protector and the Auditor-General (RSA, 1996). In Chapter Nine of the Constitution, Section 181(2), of the Constitution stipulates that “*these institutions are*

independent, and subject only to the Constitution and the law and they must be impartial and must exercise their powers and perform their functions without fear, favour or prejudice” (RSA, 1996:92). The Constitution further stipulates in section 181(4) that no person or organ of state may interfere with the functioning of these institutions and in section 181(5) that *“these institutions are accountable to the National Assembly and must report on their activities and the performance of their functions to the Assembly at least once a year”* (RSA, 1996:92). Key for purposes of this study is the establishment and functions of the AGSA. Section 188(1) of the Constitution indicates that *“the Auditor General of South Africa must audit and report on the accounts, financial statements and financial management of; (a) all national and provincial state departments and administrations, (b) all municipalities, and (c) any other institution or accounting entity required by national or provincial legislation to be audited by the Auditor-General”* (RSA, 1996:95). The Public Audit Act further solidifies the Auditor General’s mandate as well as its independence whilst establishing principles for the day-to-day functioning of its affairs (RSA, 2004). This section of the study focuses on the report by the AGSA relating to the audit of the 257 municipalities that are in existence and which cover the entire territory of the Republic of South Africa (AGSA, 2018b).

The AGSA audit methodology dictates the process which must be adhered to in determining the appropriate audit opinion for each auditee. Figure 2.11 illustrates the decision tree.

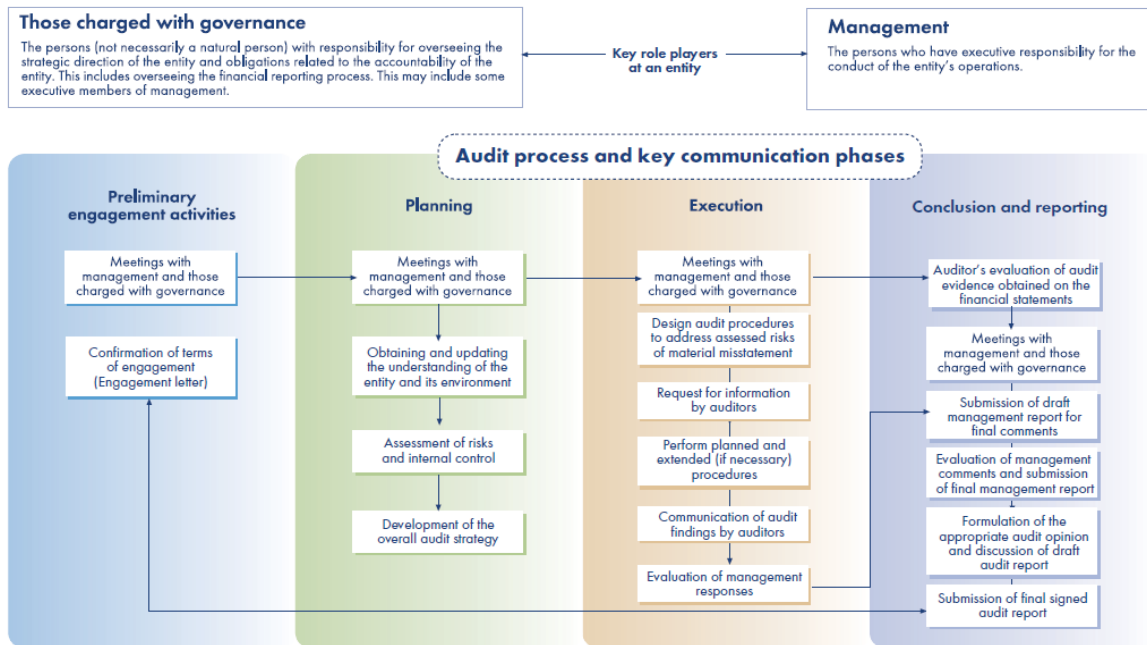
Figure 2.11 Modification of the AGSA Audit Opinion



Source: AGSA, 2020:192 (adapted)

In accordance with the AGSA audit process and audit methodology, the AGSA can express one of five possible opinions as indicated in the decision tree contained in Figure 2.11. The AGSA audit process and audit methodology further provide guidance on how the audit process which will culminate into an audit opinion must be conducted as well as how the AGSA must report on its findings. Figures 2.12 below illustrates AGSA communication in the audit process. The audit process and key communication phases as indicated in Figure 2.12 below, encompass activities relating to preliminary engagement activities, planning of the audit engagement, execution of the audit engagement as well as conclusion and reporting on the audit engagement (AGSA, 2012).

Figure 2.12 AGSA Communication In the Audit Process



Source: AGSA, 2020: 192 (Adapted)

In accordance with its reporting methodology, the AGSA compiles a general report for all municipalities and municipal entities which contains audit outcomes in each year. This section of the study will focus on the audit outcomes as included in the general report of the AGSA for the last three financial years i.e. the 2016-2017, 2017-2018 and 2018-2019 financial years.

2.8.1 AGSA General Report for 2016-2017

In the consolidated MFMA general report on the audit outcomes of the Local Government for the 2016-2017 financial year, the AGSA indicated an overall regression in audit outcomes where 45 municipalities regressed whilst only 16 improved when compared to the 2015-2016 audit outcomes. Only 13% of the total municipalities obtained clean audit outcomes which is 7% less than the 20% achieved in the 2015-2016 financial year. The AGSA further reported a regression in the quality of annual financial statements submitted for audit. The financial year 2015-2016 saw a submission of 68% quality financial statements whilst in 2016-2017, only 61% of the financial statements submitted were of a quality standard.

Compliance with legislation deteriorated as well with municipalities with no findings on compliance with legislation issues decreasing from 21% in the 2015-2016 financial year to only 14% in the 2016-2017 financial year, thus marking a 7% reduction in the overall compliance levels. Only 37% of municipalities submitted quality performance reports which is 11% less than the 48% achieved in the 2015-2016 financial year. The AGSA was unable to audit procurement of R 1,296 billion due to missing or incomplete information whilst a total amount of R 2,075 billion was spent on prohibited awards to other state officials. The AGSA further noted that 1 440 suppliers made false declarations of interest whilst 67% of municipalities engaged in uncompetitive and unfair procurement processes (AGSA, 2017). Other observations reported by the AGSA revealed that the status of internal controls has also regressed with the overall internal controls regression affecting 22% of municipalities. Seventeen per cent of municipalities showed a regression in basic financial and performance management controls whilst 20% of municipalities showed a slight improvement in information technology controls and 27% of municipalities had vacancies in the Municipal Manager portfolio for at least six months or more whilst 28% had vacancies in the Chief Financial Officer portfolio for six months or more. In relation to infrastructure projects, the AGSA reported that 26% of water projects exceeded completion date; 46% of water projects had no water maintenance plans; 22% of water projects had no budget for water infrastructure maintenance; 40% of water projects had water losses of more than 30%; 35% of water projects did not assess the condition of water infrastructure; 26% of road projects exceeded completion date; 55% of road projects did not have approved road maintenance plans whilst 27% of road projects did not assess the condition of all road infrastructure. The AGSA revealed that the main root causes of the state of municipalities were that 77% of municipalities showed a slow response in the improvement of internal controls and in addressing risk areas with 61% of municipalities implementing inadequate consequences for poor performance and that 59% either had instability or vacancies in key positions or key officials lacked appropriate competencies (AGSA, 2017). Altogether, R 195 billion and which accounted for approximately 55% of the total municipal expenditure budget of R 362

billion was spent by the eight Metropolitan Municipalities (Metros) in the 2016-2017 financial year (AGSA, 2017). The overall audit outcomes impacting upon the Metros indicated a neutral trend in relation to the quality of financial statements and performance reports whilst there was a regression in relation to compliance with the legislation as well as irregular expenditure management.

The audit outcomes of the province of KwaZulu-Natal (KZN) also regressed in comparison to the 2015-2016 financial year. The audit outcomes were based on 54 municipalities where 49 were previously existing whilst five were newly formed municipalities after the re-demarcation of some municipal boundaries that resulted in a reduction of KZN municipalities from the previous year's 61 (AGSA, 2017). Only 11% of the municipalities based in KZN achieved clean audit outcomes which is a regression when compared to the 20% achieved in the 2015-2016 financial year. Municipalities which submitted quality financial statements accounted for 74% of the total municipalities which indicated a further regression in comparison to the 88% achieved in the 2015-2016 financial year. Quality performance reports were received from only 47% of all KZN municipalities which marks a regression of 24% from the previous year. Eleven percent of KZN municipalities had no findings on compliance with legislation (20% in 2015-2016) whilst total irregular expenditure from all KZN municipalities amounted to R 2,4 billion (R 2,1 billion in 2015-2016) (AGSA, 2017). The AGSA revealed in his report that the regression in the 2016-17 audit outcomes for KwaZulu-Natal indicated that leadership at municipalities did not sufficiently monitor accountability for key internal controls and monitor implementation of action plans with diligence in order to achieve sound and consistent reporting. This further supports the observation by the AGSA that internal controls at municipalities were jeopardised by ineffective operational procedures and policies together with vacancies and instability in the accounting and Chief Financial Officer (CFO) positions.

The eThekweni Municipality, which is a Metro, had a budget of R36,7 billion which was the biggest portion of the Local Government total budget in KwaZulu-Natal. The AGSA raised no material findings on the performance report of the eThekweni Metro

and noted that major infrastructural projects costing a total amount of R5,8 billion were continuing as planned and that the lives of Durban citizens should improve substantially when these projects are completed (AGSA, 2017). The AGSA further reported that the metro implemented good practices including monthly site inspections and regular monitoring of projects as well as implementing the necessary contract management where reports of inferior work were made and contracts were terminated and/or payments were withheld when contractors defaulted.

2.8.2 AGSA General Report for 2017-2018

In the consolidated MFMA general report on local government audit outcomes released by the AGSA for the 2017-2018 financial year, the AGSA reported that only 8% of municipalities received clean audit outcomes with an overall 63 municipalities having regressed and only 22 municipalities showing improvement when compared to the 2016-2017 financial year (AGSA, 2018b). The AGSA further reported that only 51% of municipalities submitted quality financial statements whilst only 8% of municipalities had no findings on compliance with legislation. These represent regressions as 61% of municipalities had submitted quality financial statements in the 2016-2017 financial year and 14% of municipalities had no findings on compliance with legislation. Municipalities who submitted quality performance reports decreased from 37% to 35% in comparison to the previous financial year. The AGSA was unable to audit procurement of goods and services worth R 1,216 million due to missing or incomplete information whilst R 921 million was spent on prohibited awards to other state officials. The AGSA reported a regression of 4% on overall internal controls and a regression of 3% on basic financial and performance management controls whilst information technology controls also regressed (AGSA, 2018b). Vacancies on key positions were filled with the results that there was an improvement regarding vacancies relating to Municipal Managers (MM) and Chief Financial Officers (CFO). The AGSA continued to raise concerns regarding the management and implementation of infrastructure projects, including the fact that 41% of road infrastructure projects did not develop or approve road maintenance plans while 49% of sanitation infrastructure projects had no policy on the maintenance of sanitation and 48% of water infrastructure projects had not approved

a policy on water maintenance. The eight metropolitan municipalities were reported to have spent R 198 billion of the total municipal budget of R 376 billion and the AGSA found that only 71% of these municipalities submitted quality financial statements. The AGSA further reported that no metro achieved a clean audit outcome. Seventy-one percent were financially unqualified, 57% had no findings on performance reports and non-compliance with legislation was reported on all metros and that a total of R 7, 062 billion in irregular expenditure was incurred by the metros. The root causes to all the findings identified by the AGSA indicated that efforts by municipalities to improve internal controls and attend to risk areas were taking place at a slow pace. There was inadequate consequence management for poor performance and transgressions and that there were vacancies in key positions or that key personnel lacked the necessary competencies (AGSA, 2018a).

The audit outcomes continued to deteriorate in the Province of KwaZulu-Natal as only 2% of municipalities obtained clean audit outcomes, only 65% were financially unqualified, only 40% had no findings on performance reports, only 4% had no findings on compliance with legislation and R 2,943 million in irregular expenditure was incurred (AGSA, 2018b). In all categories audited by the AGSA as indicated above, the province of KwaZulu-Natal regressed. The main root causes for the regressions reported by the AGSA indicated that the leadership along with management at the municipalities, did not respond at all or their response was slow to the risk signals and recommendations that the AGSA had communicated. The AGSA further reported that audit outcomes in KwaZulu-Natal indicated a regression of nine municipalities on an overall net basis in comparison to the previous year, inclusive of 14 regressed municipalities and five improved. Municipalities who obtained unqualified audit opinions without findings (i.e. clean audit outcomes) decreased substantially from six to one whilst the amount of municipalities who obtained modified/amended audit opinions (adverse, qualified and disclaimed) increased by 4 from 14 in the prior year to 18 (AGSA, 2018b).

Amongst the eight metros, only eThekweni was reported by the AGSA to have been able to submit for audit, annual financial statements that were not materially

misstated. Some of the reasons attributable to this outcome was that eThekweni treasury unit had low vacancy rates at senior level, it had experienced and competent employee and effective internal audit reviews were implemented on the financial statements throughout the year as well as the Audit Committee performing the necessary reviews of the interim and annual final financial statements. eThekweni Metro's budget was R38,77 billion in the 2017-2018 financial year and that accounted for 54% of the total local government budget of the KwaZulu-Natal province. The AGSA did report that the audit outcomes of the metro did not improve nor regress from the unqualified opinion with findings on compliance matters t had obtained in the prior year. The office of the AGSA further reported that the irregular expenditure incurrence was not prevented and awards continued to be made to suppliers without attaining declarations of interest. On other events relating to the eThekweni Metro audit, the AGSA reported that they took a decision to suspend the audit process due to intimidation and threats during the performance of the audit and which made it difficult for the staff to test supplier contracts and that the South African Police Service were enlisted to escort audit staff to and from the metro in order to ensure continuation of the audit process (AGSA, 2018b).

2.8.3 AGSA General Report for 2018-2019

Much of the control environment at Municipalities as reported by the AGSA in his report of the 2015-2016 and the 2017-2018 financial years remained the same in the 2018-2019 financial year. Only 8% of municipalities received clean audit outcomes with 46 municipalities regressing and 33 improving. Only 48% of municipalities submitted quality financial statements, 67% of municipalities had findings on performance reports, 91% of municipalities had findings on compliance with legislation and a total of R 32,06 billion of irregular expenditure was incurred on the 2018-2019 financial year by all municipalities combined (AGSA, 2019). The status of internal control assessment revealed that there had been a regression in overall internal controls with only 19% of municipalities maintaining satisfactory internal controls, only 12% maintaining satisfactory basic financial and performance management controls, 27% of municipalities maintaining satisfactory human

resource management controls and only 2% maintaining satisfactory information technology controls.

The KwaZulu-Natal province had 54 municipalities being reported on in the 2018-2019 financial year. Audit outcomes of seven of the 54 municipalities regressed whilst eight improved their audit outcomes. Only 2% achieved clean audit outcomes whilst 62% of municipalities were financially unqualified, 98% of municipalities had findings on compliance with legislation whilst 57% had findings on the performance report (AGSA, 2019). The province incurred R 6,5 billion in irregular expenditure. The overall audit outcomes of municipalities in KwaZulu-Natal reflected a mixed bag with some who performed well whilst others performed dismally. The AGSA found that the R2,34 billion in irregular expenditure disclosed by the eThekweni metro was the highest amount disclosed in the province and emanated from an improper appointment of a panel of service providers for the construction of washing facilities and toilets for informal settlements as well as of schools within the greater Durban area, in addition to the irregular expenditure incurred through the appointment of a service provider for the development of an information technology management system. The overall control environment within the province of KwaZulu-Natal and which largely impacts on the eThekweni Metro is that there was little change in the audit outcomes of the province. The AGSA indicated that municipalities in the province continued to place high reliance on consultants with inadequate assurance from Municipal Public Accounts Committees, Audit Committees and Internal Audit Units.

2.8.4 Internal Audit from AGSA Perspective

The Auditor General of South Africa (2019) indicated that Internal controls were the necessary preventative mechanisms to ensure the credibility of accounting and financial information, to prevent fraud and error and to promote accountability. Procedures and rules implemented by a municipality could assist in the improvement of efficiency of municipal operations by improving timeliness and accuracy of financial reporting whilst at the same time, this could protect the Municipality's assets from theft or fraudulent activities by unscrupulous persons. Furthermore, the AGSA

strongly encouraged engagements to take place between its office and the chair of the audit committees as well as the head of the internal audit units on their perspective of how the municipalities are performing, owing to their key responsibility towards risk management and the implementation of controls at municipalities (AGSA, 2019). Where there had been greater improvements within the control environment as well as within the internal controls, the AGSA noted that that was achieved as a result of a strong internal audit unit which performed all the reviews as required by the legislation and the International Internal Auditing Standards whereas where there had been weaknesses identified in internal controls, the AGSA noted that the internal audit unit had been ineffective due to vacancies within the senior management of that unit or due to staff not being appropriately skilled (AGSA, 2018b). The AGSA further reported that in many municipalities where the Internal Audit Unit had not been capacitated fully, that resulted in planned audit projects not being completed. These included the financial statements review and ultimately caused numerous errors in the financial statements which were not identified and corrected before the financial statements were submitted for audit by the AGSA. The effectiveness of internal audit in helping management deal with internal control weaknesses, therefore, is key to the improvement of local government outcomes.

2.9 CONCLUSION

There is no doubt that eThekweni Municipality, a Municipality (category C) located in the KwaZulu-Natal province, has to overcome various fundamental challenges in its endeavours to discharge its mandate as contained in the South African Constitution. The more than 3.8 million residents of eThekweni Municipality, which installed the current leadership of the Municipality through partaking in the 2016 local government elections, are looking to the City for the fulfilment of their basic needs and aspirations. To respond to the needs and expectation of its residents, the eThekweni Municipality has established structures and developed strategic documents to help guide the organisation. The Municipality further developed strategic documents, as required by the legislation, these include the Integrated Development Plan (IDP), the Service Delivery and Budget Implementation Plan (SDBIP) as well as the Budget. In

addition, the Municipality established an organisational structure and employed competent officials to help execute the daily activities of the organisation to ensure service delivery. There are, however, shortcomings that the organisation has to overcome in its quest to deliver on its mandate. These include; a high unemployment rate and minimal economic growth, low levels of skills development and literacy, limited access to basic household and community services, high levels of poverty, increased incidents of HIV/AIDS, high levels of crime, financial sustainability factors, infrastructure degradation, lack of housing and corruption and maladministration. The Municipality has developed plans and projects aimed at addressing the identified shortcomings and resources have also been allocated to enable officials to render the anticipated services. Performance management as well as monitoring and evaluation mechanisms are in place within the Municipality to ensure that the desired outcomes are attained. The legislative mandate of an Internal Audit Unit is clearly stipulated in all the pertinent laws and regulations obtaining in the South African context. The requirement to ensure clean and good governance emanates from the supreme law of the Republic which is the Constitution. The Constitution then becomes the founding document for all other laws and regulations within the republic and it governs the existence and operation of an Internal Audit Unit. To fulfil the legislative requirements specific to internal auditing, the eThekweni Municipality established the eThekweni Municipality Audit and Risk Assurance Services (EMARAS) designed to add value in support of the organisation's goals. Therefore, EMARAS is a strategic partner of the administrative function of the City as well as of the political leadership of the Municipality as it serves as a catalyst for accountability and good governance whilst driving the assurance responsibility through various activities. Notwithstanding all internal audit efforts, the Municipality is still unable to deliver on its mandate in some instances. Governance failures, lack of appropriate response to risk and internal control weaknesses are reported on by the AGSA each year in his general report relating to local government.

CHAPTER THREE

FACTORS INFLUENCING INTERNAL AUDIT EFFECTIVENESS

3.1 INTRODUCTION

The role of Internal Audit has evolved over the years from the conventional one which was mainly concerned about monitoring internal controls to one which is significantly elevated to encapsulate the role of an internal consultant in an effort to add value to the organisation (Huong, 2018). Indeed, Internal Audit's role has undergone major changes since the economic instability, the rise of business risks and corporate financial scandals which took place in the early 2000 and Internal Audit is now looked on for value-add sideways with the Audit Committee, external auditors and executive management (Dellai & Omri, 2016). This view is supported by Barac, et al. (2016) who indicate that internal auditing is being called upon to enhance its value proposition for organisations through demonstrating its effectiveness. Indeed, Internal Audit has become the cornerstone of good corporate governance with an expected contribution to the efficiency, productivity and performance of an organisation (Gros, et al., 2017). According to the AGSA (2019), internal controls are the necessary preventative mechanisms to ensure the credibility of accounting and finance information and to prevent fraud and error as well as to promote accountability. Internal Audit, therefore, should play a very central role in efforts to improve organisational performance. The Internal Audit Institute defines Internal Audit as an objective, independent consulting and assurance function intended to improve the management of risk by organisation, governance and internal control processes, and to add value in the organisation using a methodological, orderly, and risk-based tool (IIA, 2017b). The IAE, therefore, is paramount to the achievement of the organisation's objectives as Internal Audit is an impartial, autonomous assurance and consulting function intended to add value to the organisation and to enhance its operations (IIA, 2017b). The institute further states that Internal Audit assists in the achievement of organisational objectives by adopting a methodical, orderly, and risk-based audit approach to assess and advance the effectiveness of risk management, governance processes and control

mechanisms. It is for this reason, therefore, that studies aimed at identifying factors influencing Internal Audit's effectiveness within an organisation have become vital.

3.2 INTERNAL AUDIT EFFECTIVENESS

After the achievement of democracy in South Africa, the journey embarked on by the public sector in South Africa was to restructure its operational efficiency through the then new public management approach which essentially meant a conversion of the traditional management mechanisms within the public sector to mirror private sector practices (Coetzee & Erasmus, 2017). The move by the South African government to embrace a new approach when dealing with performance management meant that Internal Audit had to play a more prominent role to help improve organisational performance. That was in line with global trends that saw Internal Audit being asked for more value add. This approach placed more demands on Internal Audit for the increase of efficiency, accountability, and transparency in organisations and, therefore, the internal audit effectiveness. Dittenhofer (2001), defines IAE as the attainment of internal audit objectives and goals as defined by the Institute of Internal Auditors. Internal audit objectives are to assist in the achievement of organisational objectives by adopting a methodical, orderly and risk-based audit tactic to evaluate and enhance the effectiveness of governance processes, risk management and internal control mechanisms and thereby adding value to the organisation. This view is supported by Lenz (2013) who submitted that 'Internal Audit Effectiveness' is a concept that describes how Internal Audit aids the organisation in the achievement of its goals by positively impacting the quality of corporate governance within that organisation. Practically, internal audit creates value for the organisation when recommendations sponsored by internal audit are executed by those managing the organisation (Huong, 2018). The Institute of Internal Auditors Global issued the Internal Audit Capability Model in 2009 as guidance on determining the effectiveness of Internal Audit. However, studies that have been performed in this area have not thoroughly focussed on Internal Audit Effectiveness (Coetzee & Erasmus, 2017). It is equally important to state at this stage that the King Report also places more emphasis on the role that should be

played by Internal Audit in organisations. King I detailed the necessity to establish an Internal Audit Function by addressing basic principles and procedures on the status, role and activities, independence and scope of internal audit functions (Institute of Directors, 1994). King II emphasised the importance of a well-established and effective Internal Audit unit by recognising that the Internal Audit Activity is a vital component of good corporate governance and an integral part of the organisation (Institute of Directors, 2002). King III indicated that Internal Audit is a significant stakeholder in the governance process of an organisation and should contribute positively to the attainment of an organisation's strategic objectives by critiquing all aspects of its governance, risk-management and internal control environment (Institute of Directors, 2009) whilst King IV referred to Internal Audit as a trusted advisor that should add value and foresight to the activities of an organisation (Institute of Directors, 2016). Despite all the interests in internal audit effectiveness, consensus has not been reached amongst researchers as to how to determine and measure internal audit effectiveness (Endaya & Hanefah, 2018). Studies that have been performed have focussed more on external auditors as a primary control function (Endaya & Hanefah, 2018), whilst many have not specifically dealt with effectiveness (Coetzee & Erasmus, 2017) and many studies indicate various and differing views in terms of what factors are important for the effectiveness of Internal Audit (Barac, et al., 2016).

3.3 THEORIES FOR INTERNAL AUDIT EFFECTIVENESS

There are different approaches that have been adopted by different researchers in their efforts to determine Internal Audit effectiveness (IAE). Studies have been performed previously on IAE in some developing countries. These include studies performed in Saudi Arabia (Al Twaijry, et al., 2003), in Malaysia (Fadzil, et al., 2005), in Ethiopia (Mihret & Woldeyohannis, 2008), in Singapore (Yee, et al., 2008). in Israel (Cohen & Sayag, 2010) and in Libya (Abu-Azza, 2012). The literature available on this subject indicates that consensus has not been reached concerning the most suitable framework for determining effectiveness of internal audit (Drogalas, et al., 2015). Three widely discussed theories in this area include the Agency Theory, the

Institutional Theory and the Communication Theory (Endaya & Hanefah, 2018), whilst other researchers have used the ISPPA and some have used the IPPF (Drogalas, et al., 2015). This section of the study deals with the most prominent approaches to internal audit effectiveness as documented in many studies dealing with the subject.

3.3.1 The Agency Theory

Adams (1994), defined an agency relationship as a contract among the organisation owner(s) and its top management. The Agency Theory, in the context of internal audit, means that by providing assurance services, internal audit represents the stakeholders of an organisation. Managers also work for the organisation as agents to execute some activity on behalf of shareholders who appoint managers to perform some decision-making. One of the pitfalls of this relationship is that the delegated authority could be misused by managers for selfish reasons. The existence of an Audit Committee, and the internal and external auditors, therefore, will assist organisations in ensuring good governance (Peursem & Pumphrey, 2005). Specifically dealing with Internal Audit, Internal Auditors are agents representing the Audit Committee and those charged with governance and they conduct their audit work under the direct supervision of the Chief Audit Executive (Coetzee & Erasmus, 2017). Audit Executives are most times hired by Senior Management in an organisation and that may create agency challenges since Internal Audit work is essentially to monitor management (Peursem & Pumphrey, 2005). As agents, Internal Auditors, must execute the audit activities at the professional level requiring professional certification and education, experience and other competencies required in the performance of their allocated responsibilities efficiently (Endaya & Hanefah, 2018), and must do so objectively (Barac, et al., 2016). The Agency Theory adapted into the Internal Audit space suggests that internal audit must adhere to professional requirements acquired through education and professional certification, experience and other competencies needed to perform internal audit duties accordingly in order for key stakeholders to have confidence in internal audit work (Endaya & Hanefah, 2018). The Agency Theory further requires that Internal Audit be objective when performing and reporting their work.

3.3.2 The Institutional Theory

The Institutional Theory describes how organisational practices and structures are formed by modifications prompted by coercive, normative and mimetic pressures, including both internal and external sources such as regulations and laws, or by the professions (Mihret, et al., 2010). The Neo-institutional Theory in particular is used to understand how organisations are impacted on by institutionalised laws and regulations in a context where multiple organisations, bound together by institutionalised laws and standards, are regarded as members of an organisational field and are considered to be interrelated. This often results in to some organisations being influenced by others (Barac, et al., 2016). This is in line with what Coetzee and Erasmus (2017) indicate in their study which adopted the Neo-institutional Theory to determine Internal Audit effectiveness. Endaya and Hanefah (2013) had earlier expressed this view by suggesting that micro and macro factors influence Internal Audit's effectiveness wherein micro factors are considered to be factors within the organisation such as the organisation's systems and processes as well as the organisations' resources, processes, and relationships, whilst macro factors relate to coercive, normative and mimetic forces. Coetzee and Erasmus (2017) indicate that coercive forces involve compliance with laws and regulations applicable to an organisation while normative forces indicate their influence through the extent to which an organisation is able to conform to the IPPF – in the case of internal auditors – as provided by the Institute of Internal Auditors (2013) and mimetic forces refer to benchmarking, or how organisations measure themselves against comparable, successful organisations. It is also important to state that macro factors can influence micro factors and vice versa.

In their study to identify drivers (independent variables) and measures (dependent variables) of Internal Audit effectiveness based on the Neo-institutional Theory, Coetzee and Erasmus (2017) found that there are six key drivers of internal audit effectiveness. These are; the Chief Audit Executive profile (leadership) measured by the CAE's academic and professional qualifications and experience within internal audit (competence) and the administrative reporting line of the CAE, the Internal Audit Independence measured by the functional reporting of the Internal Audit

Function, access to all necessary information by Internal Audit, access to the Chair of the Audit Committee, no scope limitation and support by the Audit Committee; Internal Audit functioning which is measured through the adequacy of Internal Audit size, Internal Audit support and conformity to the IIA Standards; Internal Audit status which is measured by the Internal Audit standing within the organisation, the influence sphere of Internal Audit, Audit Committee support and Internal Audit support to others within the organisation; Internal Audit competency which is measured by the levels of competency within Internal Audit, staff turnover, and in the understanding the operations of the organisation; and, Internal Audit services and roles measured by normal Internal Audit services, additional Internal Audit services, risk assurance activities, risk advisory and risk-based audit engagement, and coordination with other parties within the organisation (Coetzee and Erasmus, 2017). The findings by Coetzee and Erasmus (2017) partly underscore the findings of van Staden and Barac (2014) who indicate that according to the King III Report, key drivers of IAE are the Internal Audit functions' characteristics which include; its staffing and budget, the independence of the Internal Audit Function and the Chief Audit Executive, authority of the Chief Audit Executive and the Internal Audit Function, the Internal Audit functioning which includes Internal Audit's use of a systematic, disciplined approach to perform audit work, Internal Audit's role in combined assurance, Internal Audit's understanding of its role and the oversight performed by the Audit Committee on internal audit; the Internal Audit responsibilities which include its role in governance, its role in risk management and internal controls and its role in combatting fraud. Dellai and Omri (2016) also found in their study performed in Tunisia, a developing country located in the North central of Africa, that the IAE is positively impacted upon by the Internal Audit's independence and objectivity, the senior management support for Internal Audit, the use of Internal Audit Unit as a ground for management training and the sector of the organisation. Barac, et al. (2016) performed their analysis based on the three forces which shape an organisation as articulated by the Neo-institutional Theory and found that prominent coercive pressures are laws and regulations applicable to Internal Audit as well as compliance with IIA standards while normative pressures are membership

of the IIA, tertiary education, professional certifications, use of IIA Standards and compliance with IIA Code of Ethics. Mimetic pressures include typical services and role of the Internal Audit Function, professional practices, people management, organisational relationships, performance management and accountability and culture and governance structures. These, therefore, are factors or key drivers of internal audit effectiveness based on the Institutional Theory and in particular on the Neo-institutional Theory.

3.3.3 The Communication Theory

The word 'communication', emanates from the Latin word 'communicare' which means to make common (Lewis & Graham, 1988), or "to share out," "to share with," "to make generally accessible" or "to discuss together" (Glare, 1968:369). Communication, therefore, is a process of establishing a mutual meaning with some group or someone (Chen, 2009), meaning that the first person can speak but at least two people must be involved for a conversation to constitute communication (Endaya & Hanefah, 2018). This view is supported by van Ruler (2018) who indicates that, above all, communication involves a process of meaning creation and, therefore, is concerned with questions relating to how persons establish meaning socially, psychologically and culturally; also how messages are understood intellectually, and how ambiguity occurs and how it is resolved. Communication theory refers to the body of knowledge or theories that institute a person's perception of the communication process (Littlejohn, 1983). Thus, communication theories epitomise various approaches which are adopted by different observers in their efforts to see their environments and because theories are constructs, every theory is partial. Each theory explains an approaching to observing and, therefore, its real value can only be determined in terms of how well it is constructed and that is the main reason there are disagreements within the literature about what represents an adequate communication theory (Endaya & Hanefah, 2018).

The Institute of Internal Auditors has commissioned various studies to be conducted within the area of communication. Davidson (1991), Quinn and Hargie (2004) and (Golen, 2008) performed studies which confirmed the necessity and importance of

effective communication skills in all organisations. Other studies performed in the area of communication submitted different approaches to improve communication skills whilst others discussed communication barriers and how these could be resolved. Endaya and Hanefah (2018) indicate that various studies that have been conducted were focused on interpersonal relationships and effective communication in organisations between managers and staff; and on the impact of that on profitability, productivity and higher quality of services and products as well as a reduction in costs. The Institute of Internal Auditors Global (2013) indicates through its standards for internal auditors that the study of effective communication in internal auditing is essential and thus, this study considers the communication theory for the attainment of effective communication within Internal Audit. All internal auditors can derive value from current communication concepts and theories, including those internal auditors who are of the view that they are good communicators as they need to consciously assess, improve and apply their skills (Davidson, 1991). Davidson's communication theory, therefore, is grounded on three basic realities relating to communication, namely; (1) it is impossible not to communicate; (2) communication is a multilevel phenomenon, and (3) message sent does not always equal message received (Endaya & Hanefah, 2018). Derived from this theory, it can be submitted that too much information is as bad as too little information as it diminishes the receiver's ability to focus effectively on the most important messages. Internal audit stakeholders may have concerns regarding internal auditors' performance and for that reason, effective communication becomes essential as a solution (Hahn 2008, cited in Endaya & Hanefah 2018). Communication challenges, therefore, can be resolved by ensuring that the communication process is focused and offers only the required information by providing meaning to the information instead of just passing on the message, and by keeping information concise and simple to comprehend, and by finally asking all stakeholders for feedback.

3.3.4 Resource-based Theory

The Resource-based Theory's fundamental proposition is that organisations are diverse (Barney, 1991). This view was further supported by Esteve-Perez and Manez-Castillejo (2008) in their study relating to the Resource-based Theory. An

organisation is understood as being a distinctive group of tangible and intangible competences and resources that are attained, developed and expanded over time (Ahmad, 2015). The Resource-based Theory places emphasis on an organisation's resources as determining factors of variances in the organisation's behaviour and performance. Ahmad (2015) indicates that according to this theory, an organisation must identify unique qualities within itself and which may provide superior performance. This view was earlier expressed by Grant (1991) who indicated that the Resource-based Theory underscores internal, organisation-specific features and their effect on performance and that it observes organisations as a group of resources which are combined to form organisational competences. According to this theory, an organisation's competitive advantage is derived from inside the organisation itself, from its treasured assets that are unique. Barney (1991:101), defines resources as items that include "all assets, capabilities, organisational process, firm attributes, information and knowledge, etc. controlled by an organisation that enable the organisation to conceive of and implement strategies that improve its efficiency and effectiveness". Bryson, et al. (2007) define resources as any asset that can be employed and exploited by an organisation to help it achieve its set business objectives. Since this competence is the ability for a synchronised collection of resources to perform tasks and activities, resources, therefore, are the source of an organisation's competences, and in turn, competences are the key source of the organisation's competitive advantage (Grant, 1991).

The Resource-based Theory focuses, therefore, on the strategic resources which are the basis for the organisation's competitive advantage and does not focus on other resources. Various researchers have suggested different tests to determine such resources. However, the most used assessment is the one provided by Barney (1991). According to Barney (1991), strategic resources are those resources that hold the potential of sustained competitive advantage and must contain four attributes, namely; (1) It must be valuable, (2) It must be unique or rare among the organisation's current and potential competitors, (3) It must be imperfectly imitable, and (d) It must be non-substitutable. Key strategic resources which are determinants

of internal audit effectiveness as derived from this theory, therefore, are those internal factors which can be categorised into four groups namely, organisational features, departmental characteristics, employee features and managerial practices (Ahmad, 2015). Organisational features include characteristics of an organisation that influence the IAE and which may include the adequacy of the budget and risk exposures while unit characteristics are qualities of the Internal Audit Department which include Internal Audit independence, size of the Department and the staff complement. Employee characteristics refer to the competency of internal audit staff and the quality of work performed and the auditees' attitudes towards internal audit while managerial practices refer to senior management support and interaction with the Audit Committee (Ahmad, 2015).

3.3.5 International Standards for IA Professional Practice

The Institute of Internal Auditors (2017b:3) defines 'internal audit' as *"an independent, objective assurance and consulting activity designed to add value and improve an organisation's performance"*. The institute further indicates that Internal Audit assists an organisation to achieve its goals by applying a methodical, disciplined tactic to evaluate and improve the effectiveness of risk management, control and governance processes. Accordingly, internal audit effectiveness is of significant importance for organisational success. The International Standards for the Professional Practice of Internal Auditing (ISPPIA) are unquestionably critical in ensuring the effectiveness of internal audit. Al Twaijry, et al. (2003) in their study of internal audit effectiveness, adopted the ISPPIA which was also supported by Mihret, et al. (2010) who argue that the relationship between compliance with ISPPIA and the achievement of organisational goals is positive, and this relationship can evaluate IAE. In a document presented by Huong (2018) on factors affecting the Internal Audit effectiveness in the companies (a case study in Vietnam), key drivers of Internal Audit effectiveness are identified, namely; competency of the Internal Audit team (ISPPIA Standard 1210), independence of the Internal Audit function (ISPPIA Standard 1100), senior management support for Internal Audit (ISPPIA Standard 2060) and the Internal Audit quality. Compliance with the ISPPIA, therefore, is critical for internal auditors to be effective in the South African public

sector. This is a view expressed by Mbewu and Barac (2017) in their study of effective internal audit activities in the South African local government based on the ISPPA. Mbewu and Barac (2017) found that a lack of adequate resources for Internal Audit to carry out their work has a negative impact on its effectiveness. Also the establishment of sound internal audit processes in conformity with ISPPA has a positive influence on Internal Audit's ability to be effective, through establishing and maintaining strategic relationships with key stakeholders and which are imperative for the effectiveness of Internal Audit in their role. They also found that organisational support for Internal Audit is also a key driver of IAE. Therefore, it is vital for internal audit functions to comply with the ISPPA to ensure their effectiveness. Inevitably, elements of the ISPPA and its guidance will be adopted in the performance of this study to ensure comprehensive factors impacting on the effectiveness of internal audit within the eThekweni Municipality are thoroughly investigated.

3.3.6 International Professional Practice Framework (IPPF)

The IPPF is a conceptual framework that constitutes the authoritative guidance proclaimed by the Internal Auditors' Institute. Kasim and Hanafi (2012), in their study of internal audit effectiveness, adopted the IPPF and allocated factors into the Performance Standards and Attribute Standards as proclaimed in the IPPF. A framework for determining internal audit effectiveness emanated from their study. The key drivers or factors of Internal Audit effectiveness as identified in the study conducted by Kasim and Hanafi (2012) were; the the independence of the internal audit function (Standard 1100), competence of the internal audit team (Standard 1200), internal audit quality (Standard 1300) and support by executive management (Standard 2060). These are attributes included in the Performance Standards of the IPPF. Furthermore, the Institute of Internal Auditors (2015) performed a study to investigate drivers of internal audit effectiveness and concluded that there are nine key factors for the South African public sector organisations, namely; internal audit independence, a formal mandate, unrestricted access to information and personnel, adequate resources, competent leadership, an objective team, competent staff, stakeholder support and adherence to professional auditing standards. According to

the IIA, therefore, all these factors or drivers identified above have a significant impact on Internal Audit's ability to be effective.

3.4 PROPOSED CONCEPTUAL FRAMEWORK

According to Hoyle (2012), the development of a theoretical model is the first phase in Structural Equation Model (SEM). Cooper & Schindler (2011), suggest that the success of a research project is derived from the conceptualisation and clarity of the level of understanding that others have in relation to the concepts that were utilised to construct the theoretical model. Conceptualisation defines the explanation and study of fundamental concepts in a research exercise, including the manner in which findings of that research are incorporated into the body of existing knowledge. The proposed conceptual framework as depicted earlier in Figure 1.2 is a product of a combination of various theories as explained above, namely; the Agency Theory, the Institutional Theory, the Communication Theory (Endaya & Hanefah, 2018); the Resource-based Theory (Barney, 1991), as well as the International Standards for Internal Audit Professional Practice and the International Professional Practice Framework (IIA, 2017b). These theories and frameworks have been widely used in several empirical studies; thus, these provided an excellent theoretical foundation for the current study. This section of the study discusses the development of a conceptual model using critical literature analysis and the resultant hypotheses and propositions. Hypotheses are essentially propositions which involve a formal assertion of an unconfirmed proposition that can be tested for causality or association against empirical evidence (Zikmund, et al., 2019).

3.5 FACTORS INFLUENCING INTERNAL AUDIT EFFECTIVENESS

Internal Audit effectiveness is a concept that has not enjoyed much focus from the accounting and auditing literature point of view (Huong, 2018). Dittenhofer (2001) states that Internal Audit Effectiveness is the accomplishment of objectives and ideals of the Internal Audit Department. According to the definition of Internal Audit from The Institute of Internal Auditors (2017b), the Internal Audit function aims to create value for the organisation as an ultimate objective. This, therefore, means that the Internal Audit function is only effective when it is able to contribute to the value

creation process of an organisation. Studies previously performed on internal audit effectiveness have traditionally followed the Agency Theory framework in trying to understand factors that influence IAE (Pilcher, et al., 2011). Some researchers, including Mihret, et al. (2010) have, however, argued that the neoclassical economic theories such as the Agency Theory, are the main cause for inadequate research in internal auditing. These researchers suggest that the supposition that organisational phenomena are only motivated by maximising individuals' self-interests is incorrect and they maintain that individuals' behaviour is part of social settings and, therefore, can not be abstracted from it. Thus, these researchers recommended the Institutional Theory for further studies on internal audit effectiveness. Furthermore, the use of multiple theories in combination allows for consideration of behavioural and social aspects and the economic dimensions. Various studies performed previously have since used both the Institutional and the Agency theories in their attempts to understand internal audit effectiveness (Endaya & Hanefah, 2018). These include studies performed by Yamak & Suer (2005); Christopher, et al. (2009) and Yaqi, et al. (2012).

The current study adopts various theories in trying to identify key drivers or factors which impact upon Internal Audit Effectiveness. The Agency Theory is primarily adopted to understand monetary reasons that may make individual internal auditors pursue achieving their own personal interests, even if those are against organisational interests. The Institutional Theory focuses on adherence to ISPPIA, and its impact on the organisation's support of the internal audit function and the Communication Theory is adopted to clarify the significance of effective communication amongst internal auditors, auditees and other key stakeholders. The ISPPIA and IPPF are adopted in so far as they influence the Institutional Theory and as independent factors to the extent that those are not part of the Institutional Theory. Informed by these theories, key factors impacting on the effectiveness of Internal Audit have been identified by other researchers. These include those identified in the study performed within the Vhembe district and which includes; a lack of quality assurance, restricted resources, a lack of enhancement programmes, a lack of management support and a lack of internal audit professional qualifications (Mbewu

& Barac, 2017); Rudhani, et al.(2017) in their study in the public sector of Kosovo found that the internal audit team competence, the Internal Audit quality and independence as well as executive management support for internal audit all have a positive relationship with the effectiveness of internal audit. On the other hand, in the assessment of the effectiveness of public sector internal audit functions performed in Accra Metropolitan Assembly, Ghana, it was found that internal auditors are focusing their work more on compliance with regulations and laws as well as detecting fraud and errors with minimal risk management activities (Frimpong, 2018).

This study examines factors that have been identified from studies previously performed in this area, together with factors identified when examining performance standards of Internal Audit, the International Professional Practice Framework and the performance expectations and results of Internal Audit within eThekweni Municipality. Factors that were empirically found to influence internal audit's effectiveness and which are based on either one of the explored theories are discussed below.

3.5.1 Chief Audit Executive Profile

Studies conducted in Internal Audit effectiveness have revealed a direct link between the CAE profile and Internal Audit effectiveness. Van Staden and Steyn (2009), found that the CAE's qualifications and competence, together with his/her perceived standing within the organisation had a direct link to the internal audit effectiveness. This view was supported by Arena and Azzone (2009) who found that the effectiveness of Internal Audit is enhanced when the CAE is registered with the Institute of Internal Auditors. Coetzee, et al. (2013), further suggest that the CAE, as Internal Audit head, must be exemplary to internal auditors by possessing the necessary competencies to perform his or her work. This study combined the element of qualification level and experience in internal audit into one variable, namely; competency, whilst the CAE's administrative reporting remained a separate item. The questionnaire used in this study, therefore, was inclusive of items on the CAE's academic and professional qualifications as well as his/her internal audit

experience. Ultimately, the Chief Audit Executive profile (leadership) was measured by the CAE's academic and professional qualifications and experience within internal audit (competence) and the administrative reporting line of the CAE.

The reviewed literature formed the basis of the following hypotheses and proposition which were formulated:

H1: There is a positive relationship between the CAE profile and IAE.

P1: The Chief Audit Executive profile has a positive impact on IAE

3.5.2 Internal Audit Team Competency

Internal audit team competency is one of the important drivers of Internal Audit effectiveness as a function. This is in line with internal audit professional standards which require internal auditors to have the necessary awareness, skills, and various other competencies required for the effective performance of their individual responsibilities (IIA, 2017b). This is supported by the results of the studies performed by Dellai and Omri (2016), Gros, et al.(2017) and Huong (2018). Mihret, et al. (2010), submit that, continuous training and technical competence, are both vital necessities for internal audit effectiveness to be achieved. This is further supported by Coetzee and Erasmus (2017) in their study of measures and drivers of public sector IAE. Items to be examined within this factor include internal auditors' level of professional credentials, professional status of internal auditors, proactiveness of internal auditors, internal audit participation in continued educational and training seminars, the internal auditors' levels of education, internal audit staff-turnover and their knowledge of the operations of the organisation. Barac, et al. (2016) found that the above variables are key when one wants to establish the influence of internal audit competence on internal audit effectiveness. This aligns with the results of the study performed by Van Staden & Barac (2014) who found that there should be an adequate number of competent internal audit employees for the unit or function to be effective in carrying out their duties.

The reviewed literature formed the basis of the following hypothesis and proposition which were formulated:

H2: There is a positive relationship between the IA team competency and IAE.

P2: Internal audit team competency has a positive impact on IAE.

3.5.3 Internal Audit Independence

In the last decade, professional organisations and standard setting organisations have highlighted the necessity of the objectivity and independence of the internal audit function to ensure their audit effectiveness in spite of their employment status in the organisation (Dellai & Omri, 2016). Objectivity and independence are key factors of internal audit effectiveness (Al-Akra, et al., 2016). ISPPA (Standard 1100) stipulates that the internal audit function must be autonomous and that all individual internal audit professionals must be impartial when performing their duties towards the achievement of their work to assist the organisation they serve (IIA-Global, 2013). The IIA standards and the ISPPA guidance specifies that the CAE reports administratively to the municipal manager and to the Audit Committee, functionally, to guarantee the suitable level of impartiality and neutrality of the internal audit (IIA, 2017b). Studies on internal audit reveal that the effectiveness of the internal audit unit is achieved when their independence is maintained (Gros, et al., 2017). Items to be examined within this factor include a determination on whether internal audit accounts to the uppermost structure (i.e. the operational regular reporting of the Internal Audit Function), unlimited access to all records and persons by internal audit, access to the Audit Committee Chairperson, no scope limitation, support by the Audit Committee and input of IA in the development of municipal processes. These items are derived from the study performed by Huong (2018) and are also in line with Internal Auditing Standards which specifically require that internal auditors be independent, both in mind and in appearance, notwithstanding their employment status in the organisation (IIA, 2017b).

Based on the reviewed literature, the following hypothesis and proposition were formulated:

H3: There is a positive relationship between Internal audit independence and IAE

P3: Internal audit independence has a positive impact on IAE

3.5.4 Internal Audit Functioning

Studies performed in this field have indicated that the day-to-day functioning of Internal Audit is important when determining its effectiveness. Drogalas, et al. (2015), considered the factors allied with the effectiveness of internal audit in a study performed in Greece and found that internal audit functioning has an influence on its effectiveness as a function. This finding was further supported by the work of Huong (2018) in the study dealing with factors affecting internal audit's effectiveness in companies and which was a case study done in Vietnam. The Internal Audit functioning relates to Internal Audit's use of a methodical, orderly approach to perform audit projects and Internal Audit's understanding of its role. Within this variable a number of items are examined. These include; the achievement of the objectives of Internal Audit, communiqué among external and internal audit, efficiency of the work of internal audit, suitable justification of IA findings, the importance of IA recommendations and the rationality of IA reports. These items are derived from the study by Drogalas, et al. (2015) and are in line with internal auditing standards. In addition to these, there are other key drivers or factors of internal audit effectiveness identified in other studies, including the study by Coetzee, et al. (2013), Ahmad (2015) and Barac, et al. (2016). These key factors include; the adequacy of Internal Audit size, the adequacy of resources, internal audit offerings, additional internal audit activities, risk assurance services, risk advisory activities, risk-based audit projects, and collaboration with other parties within the organisation.

The reviewed literature formed the basis of the following hypothesis and proposition which were formulated:

H4: There is a positive relationship between Internal audit functioning and IAE

P4: Internal audit functioning has a positive impact on IAE

3.5.5 Effective Communication

This study surveys effective communication concerning the auditee and internal audit as one of the key factors for Internal Audit effectiveness. Various factors are important when examining the impact of effective communication on internal audit effectiveness as this can contribute negatively to the relationship between auditors

and auditees (Coetzee & Erasmus, 2017). The accusatory style, for instance, normally employed by internal auditors or simply trying to find fault in the auditees' processes can very often lead to an environment that lacks trust among internal auditors and auditees and which in turn is one of the chief interaction obstacles. A trust deficit between sender(s) and receiver(s) of messages in communication processes is a threat to effective communication. Therefore, it is essential to enhance the auditees' partnership with internal audit professionals through effective communication, thereby contributing to the achievement of internal audit effectiveness (Huong, 2018). This variable will be measured by examining the relationship among auditees and internal auditors by looking at the extent of effective communication among internal audit professionals and auditees.

The reviewed literature formed the basis of the following hypothesis and proposition which were formulated:

H5: There is a positive relationship between Effective communication and IAE

P5: Effective communication has a positive impact on IAE

3.5.6 Internal Audit Status

In the study conducted by Coetzee and Erasmus (2017), internal audit status as a driver or a factor of internal audit effectiveness was featured rather prominently. Variables considered as part of the factor included; the use of the internal audit function as the management training field for management positions within the organisation, the utilisation of internal audit as an adviser to other departments within the organisation, the utilisation the Department of Internal Audit to provide human resources with the necessary technical capabilities to other departments, the utilisation of the Department of Internal Audit as a support function to management, the utilisation of the Internal Audit Department to reduce AGSA (external auditors) audit fees, internal audit's ability to influence decisions made by senior management, whether internal audit recommendations are executed, whether internal audit receives satisfactory support from executive management, whether internal audit enjoys superior status in the organisation, whether the standing of internal audit within the organisation is adequate for it to achieve its goals, and whether the Chief

Audit Executive is part of EXCO engagements. Ultimately, Coetzee and Erasmus (2017) found that the key variables within this factor which have a direct link to internal audit effectiveness are; the standing of the Department of Internal Audit within the organisation it serves, the influence sphere of internal audit, audit committee support and Internal Audit support to others within the organisation. This was supported by the findings of the studies by Van Staden and Barac (2014); Barac, et al. (2016) and Dellai and Omri (2016).

The reviewed literature formed the basis of the following hypothesis and proposition which were formulated:

H6: There is a positive relationship between the Internal audit status and IAE

P6: Internal audit status has a positive impact on IAE

3.5.7 Compliance With IIA Standards

The Institutional Theory describes how organisational structures and procedures are influenced by changes brought about by normative pressures which include both internal and external sources such as regulations and laws (Mihret, et al., 2010). Key external factors in this regard, as found by Arena & Azzone (2009) include; 1) regulations and laws (i.e. coercive isomorphism), 2) approaches adopted by other organisations (i.e. mimetic isomorphism), and 3) professional organisations (i.e. normative isomorphism). Adherence to the Institute of Internal Audit standards, therefore, is part of the normative pressures which internal audit is influenced by. Coetzee & Erasmus (2017), found that there is, indeed, the relationship between the effectiveness of the internal audit unit and adherence to Internal Auditing Standards is positive. This finding was earlier encountered in the results of the study performed by Barac, et al. (2016) and that of Dellai & Omri (2016) who also found that there is a direct link between internal audit effectiveness and compliance with the applicable Internal auditing standards.

The reviewed literature formed the basis of the following hypothesis and proposition which were formulated:

H7: There is a positive relationship between Compliance with IIA Standards and IAE

P7: Compliance with IIA Standards has a positive impact on IAE

3.5.8 Top Management Support for Internal Audit

Management support for internal audit refers to support by top executive management (the City Manager and his deputies) afforded to the Chief Audit Executive (Barac, et al., 2016). It involves the nature of the relationship among these two levels of authority within the organisation. Mihret & Yismaw (2007) found that that the Internal Audit Department functioning and executive management support have a significant influence on IAE. Studies performed in Greece also supported that finding and further indicated that the support that the internal audit personnel enjoys from senior management is a vital feature when determining internal audit effectiveness (Drogalas, et al., 2015). Items included in this factor include; senior management backing to IA personnel, the adequate size of IA unit, awareness of top management about IA needs and monitoring of the implementation of IA recommendations by senior management.

The reviewed literature formed the basis of the following hypothesis and proposition which were made:

H9: There is a positive relationship between senior management support and IAE

P9: Senior management support has a positive impact on IAE

3.5.9 Political Support for Internal Audit

This factor has been added, owing to the material conditions affecting Internal Audit within eThekweni Municipality, especially the political influence within the structures of the municipality and how these impact upon the activities of the Internal Audit Department (RSA, 1998). The South African local government sphere is an environment which is highly impacted upon by politics. The highest decision-making body within a municipality, which is the equivalent of a Board (Board of Directors) in the context of a company, is a Council, which is a body constituted by political party

representatives from political parties based on the results of local government elections affecting that specific municipality (RSA, 2000). This body is essentially considered as those who are charged with governance. Endorsement and support for Internal Audit from this body impacts on the Department's effectiveness. Items to be examined in this area include; support of the political head for IA personnel, monitoring of the execution of Internal Audit recommendations by management and the awareness of the political head about IA needs. This study considered political support for internal audit also as an independent variable.

Based on the reviewed literature, the following hypothesis and proposition were formulated:

H8: There is a positive relationship between the Political head support and IAE

P8: Political head support has a positive impact on IAE

3.5.10 Effective Audit Committee

The internal auditor function, as agents of the organisation members, requires the support of the Audit Committee in order to successfully perform its function (Endaya & Hanefah, 2018). This indicates the effectiveness of the Internal Audit Unit is enhanced when the Audit Committee is playing an active role in internal auditing activities (Drogalas, et al., 2015). This finding is in line with the results of the studies performed by Sterck and Bouckaert (2006); Arena and Azzone (2009) and Mbewu and Barac (2017) when they reported that the establishment and functioning of an Audit Committee that is effective in an organisation boosts the independence of the Internal Audit Unit and contributes positively in reducing executive management intrusions, either in the scope of Internal Audit work or in the performance of the Unit. As an example, Barac, et al. (2016) found that the challenge relating to the possibility of the executive management influencing the future employment opportunities and remuneration of internal audit professionals can be avoided by putting in place an effective Audit Committee as the absolute authority for the the Chief Audit Executive's appointment and removal. This study considered an effective audit committee structure as an independent variable. Variables to be studied within this

factor include the level at which the Audit Committee deliberates on and monitors the execution of the recommendations made by the Internal Audit Department.

The reviewed literature formed the basis of the following hypothesis and proposition which were made:

H10: There is a positive relationship between effective audit committee and IAE

P10: Effective audit committee has a positive impact on IAE

3.6 CONCLUSION

This study combines the Agency Theory, Resource-based Theory, Institutional Theory and the Communication Theory in identifying critical factors or drivers that influence Internal Audit effectiveness. These theories have helped to indicate factors together with variables that are key to the study of internal audit effectiveness and, therefore, have provided the theoretical framework for this study. The direct link between the identified individual factors and the internal audit effectiveness is clear from the reviewed literature and has assisted in formulating hypotheses and propositions of the current study. In addition, the ISPPA has been adopted in this study through the incorporation of key factors such as the impartiality, competency and due professional care, and training and growth, as qualities for both organisations and individuals as part of this study. The literature explored has indicated that there has been limited research done on this subject, especially in developing nations such as South Africa. Studies previously performed have mostly been performed without a theoretical framework whilst some have adopted a hybrid approach of combining the Institutional and Agency Theories in constructing their theoretical frameworks. Thus, the current study closes the gap by developing a conceptual framework based on a theoretical framework that combines theories which individually and collectively help measure internal audit effectiveness. Studies performed previously have investigated the presence of key factors and characteristics at the Internal Audit Unit level, and an insignificant amount of attention has been directed at assessing the impact of other factors at organisational level and external to the organisation. This study, therefore, has included amongst the key factors to be studied; top management support, the establishment of an effective Audit Committee structure in the organisation as well as political support. These are important forces which help to strengthen the Internal Audit effectiveness. This study, therefore, examines the impact of these on internal audit effectiveness.

CHAPTER FOUR

RESEARCH METHODOLOGY

4.1 INTRODUCTION

The previous chapter discussed the literature on key drivers or factors that influence IAE and examined those factors by studying different articles and publications on the topic. The current chapter discusses the methodology adopted to perform this research and which is intended to culminate in a conceptual framework for factors that impact on the Internal Audit effectiveness within the eThekweni Municipality. The research methodology is an approach to the research process which comprises a body of techniques for collecting data and analysing it (Collis & Hussey, 2014). The methodology of research explains research instruments used in the study, characteristics of the respondents to the study, justification for the selected population of the study, justification for the selected sample size and respondents, the main approach of the study, data analysis techniques used in the study as well as data interpretation methods adopted.

This chapter explains the above-outlined elements in detail and provides the necessary justification for the research paradigm adopted. Research methods and techniques are an important element of a study since these define the philosophical concepts and principles about the truths of the environment and the logical search of information (Du Plooy-Cilliers et al., 2014 and Saunders, et al., 2012). This study is based on the theories presented in the preceding chapter and explored the key factors identified in detail by adopting two schools of thoughts in relation to research, namely; the quantitative and the qualitative research method or a mixed method as discussed by Saunders, et al. (2012) and Collis and Hussey (2014). At the beginning of the chapter, a discussion of the research philosophies which explains the rationale for the use of both research methods is presented. The quantitative aspect of the study concentrated on internal audit professionals together with those who regularly utilise the services of internal auditors (i.e. auditees) whilst the qualitative element of the study focused on senior management within Internal Audit. The population and

sampling strategies are then explained. Furthermore, data gathering tools that were utilised during the research project are then discussed. Other aspects such as data analysis methods, validity, elimination of bias, ethical considerations, data reliability and limitations of the study form the last part of this chapter.

4.2 RESEARCH PARADIGM

The fundamental basis for any research methodology can be understood in the context of a worldview approach (Creswell, 2014). This understanding is supported by Hussein (2015) who maintains that a worldview approach essentially creates the foundation upon which everything operates. Furthermore, the development of any research methodology and, therefore, the results of that research depend on the worldview point adopted in that research (Wright, et al., 2016). The worldview adopted in the performance of any study, therefore, is crucial for its success. What is most important for the research, however, are the main attributes of the adopted worldview, namely; the facility to triangulate data collected using numerous data collection strategies, the ability to mount research in the larger chronological contexts and the flexibility to let the research use as many data collection tools as necessary in order to focus on the research problem. Christ (2013), indicates the importance of appreciating that the worldview remains less noticeable but has an influence on the entire methodology. In trying to explain the worldview impact on research, Creswell (2014) indicates that the investigational basis of some fixed processes and rules that describe, in addition to the results determination process, whether or not the receiving end finds them to be concise and clear, is the important issue of science. A scientific approach, therefore, requires that standards and processes be followed to substantiate the findings of research. Neuman (2013) states that a problem should be examined against the realities for it to either be accepted or rejected as a valid theory.

According to Creswell (2014), every researcher should endeavour to understand the four main worldviews of research, namely; postpositivism, constructivism, transformationism and pragmatism. The work of Wahyuni (2012) indicates that some

researchers have suggested other classifications of worldviews and have even provided different terms which are slightly different. However, the four main worldviews will form the basis of understanding the research for this study. Understanding the research paradigms, therefore, is crucial for a researcher on the journey to uncover a solution to a research problem. In their attempt to explain a paradigm, Creswell and Clark (2007) indicate that a paradigm represents a set of views or theories which are rooted in the research design impacting on methods employed in collecting, analysing and reporting research findings. Collis & Hussey (2014) maintain that there are two main scientific and renowned approaches to research, namely; the interpretivist and positivistic research approaches. These two approaches are significantly different from each other. The positivistic approach defines social occurrences by establishing an association between variables. This is done by allocating numeric values to observed occurrences and counting the frequency of those occurrences (Koigi and Arnolds, 2012). The data gathering process undertaken in the positivistic methodology is quantitative rather than qualitative. In the quantitative approach, data is gathered about variables that constitute part of the propositions formulated about their association using questionnaires, focus group interviews, case studies and experiments (Koigi and Arnolds, 2012). The observations identified are used to offer descriptive theories to understand social occurrences; the research approach, therefore, is deductive in nature (Collis & Hussey, 2014). On the other hand, the interpretivist approach suggests that social reality is in a person's mind and is subjective and multiple, therefore social reality is impacted upon by the act of examining it (Collis & Hussey, 2014). The researcher commences with vague suppositions about a research question and attempts to create or articulate patterns about the occurrence by perceiving a set of particular instances (Terre Blanche, et al., 2006). The data gathering process in this method is qualitative and it follows an inductive logic which attempts to provide an interpretive understanding of social occurrences within a specific setting (Collis and Hussey, 2014). This method uses interviews, historic records, observation, focus groups and content analysis as data gathering tools

(Otieno, et al., 2013). This was earlier indicated by Krauss (2005) who explained that the epistemological perspective submits that quantitative worldviews are of the view that the world functions in terms of strict rules and that reality is impartial, whereas qualitative worldviews believe that reality is subjective and that there can be multiple realities.

A combination of the quantitative and qualitative methods were used in the current study in trying to solve the research problem. Thus, the mixed method was used informed by the discussions, experiences or facts about factors that influence Internal Audit effectiveness within eThekweni Municipality. Therefore, this means that the one philosophical worldview out of the four suggested by Creswell (2014) relevant for this study is the pragmatism worldview. Pragmatism is suitable to mixed methods research according to Christ (2013), where a mixed research method is one which integrates both quantitative and qualitative elements and one which has the capacity to generate a more meaningful research outcome (Wahyuni, 2012). This worldview permits flexibility in the research when deciding on exact methods and processes whilst it also recognises that research takes place in bigger situations and that there will be multiple strings of reality which can be fused for a richer outcome. The current study examined factors or drivers that impact on the effectiveness of Internal Audit within eThekweni Municipality through gathering data about these factors using questionnaires completed by internal auditors as well as direct users of internal audit services (i.e. auditees) to establish norms to enable predictions to take place. This aspect of the study related to the quantitative component since the observations identified were used to offer descriptive theories to understand specific occurrences. The other component of this study was the collection of qualitative data through conducting electronic interviews with internal audit senior management to understand their views regarding internal audit effectiveness within eThekweni Municipality. The mixed method approach strengthens the validity, reliability and dependability of the research outcomes since limitations of the one research technique are offset by the strengths of the other technique included in the study.

4.3 QUANTITATIVE METHODS

The quantitative approach to research is widely referred to as 'positivist' and as discussed above. Positivism is intensive on objectivity, neutrality, validity, and measurement (Campbell, 2012). It entails the utilisation of statistical and numerical analysis in studying a problem. It is important to note that statistical analysis are influenced by the sense of the phenomenology being studied and, therefore, the more intricate the phenomenon the more complicated it is to evaluate the data in a reminiscent manner. In such a situation, quantitative exploration encourages the exception on unbiasedness and reliability of data (Sekaran & Bougie, 2003) and ensures that the results can be extrapolated to similar studies (Saunders, et al., 2011). In this study, the quantitative research method was utilised to examine and authenticate the data that was collected. Data was collected from internal auditors and auditees within the eThekweni Municipality. The utilisation of quantitative methods offered reliable data that was utilised to determine the extent to which the identified factors influence internal audit effectiveness within the eThekweni Municipality. Data collected quantitatively was also used to confirm that the data gathered by means of qualitative research methods was reliable and valid (Collis & Hussey, 2014).

4.3.1 Population

Bezuidenhout, et al. (2013) define the population as the total number of persons from whom the researcher intends to uncover outcomes of the research. This was in line with the definition provided by Tashakkori and Teddlie (1998) which defines the population of any research as the sum of persons from which a sample can be identified, and from which information is obtainable relating to the research problem and questions (Collis & Hussey, 2014). Saunders, et al., (2011) indicate that the population is the full collection of elements from which a sample is selected, whilst Gravetter and Forzano (2003) define the target population as a group of components identified by the researcher's particular interest and which share a specific characteristic. This study was performed in the Internal Audit Department of eThekweni Municipality as well as other municipal departments constituting the core

clientele (auditees) of internal audit services. The relevant eThekweni Municipality departments include the Finance Department and the Performance Monitoring and Evaluation (PME) Department. The sample units of this study refer to individual officials within the identified departments. The total population constituting of all filled positions in each section within the identified departments as reflected in Table 4.1 is 407 (eThekweni Municipality, 2020a). The table below reflects personnel numbers within each department and within a specific section in that department.

Table 4.1 Total Population Stratification

Department	Section	No. of personnel
EMARAS	Internal Audit Services	96
	Risk Management	13
Finance	Treasury	55
	Expenditure Management	61
	Revenue Management	68
	Supply Chain Management	42
	Real Estate Management	15
	City Fleet Management	17
Entities	International Convention Centre	8
	Ushaka Marine World	7
PME	Finance Team	25
	Total	407

4.3.2 Sample

Gravetter and Forzano (2003) state that a sample constitutes a smaller number of components which are representative of the population. According to Polit and Beck (2012), sample selection is concerned with identifying items to represent the total population to enable extrapolations about the total population to be made. The sample for the current study means the individual officials who were selected to be respondents during the performance of the study. The main justification for the use

of a sample of the population was to determine the options and possibilities for the evaluation of findings. The utilisation of the logical positivism sample, therefore, was intended to enhance the trustworthiness of the results. Bezuidenhout, et al. (2013) indicate that the sample size can impact the final conclusion of a study as the less significant the sample size used, the more inconsequential the results of the study are and the larger the sample size used in the study, the more significant the results will be. Due to the population size of this research being relatively small, it was feasible and was considered beneficial to include the entire population as the research sample.

4.3.3 Sample Justification

Factors impacting upon the effectiveness of internal auditors within the eThekweni Municipality were the main focus of this study and, therefore, the population included all professional internal audit personnel in all levels within eThekweni Municipality Internal Audit and all personnel within core user departments (auditees) of internal audit services. This study focused on all levels of staff who were involved in internal audit work within each department and each section as sample units since all the officials within each section either do an audit or are being audited. The total population sampling method, therefore, was employed during the performance of this study since the population was relatively small.

4.3.4 Quantitative Data Collection

The process of collecting data is one of the most important aspects in any research project. The process of gathering actual primary data together with data analysis were included in the research plan as suggested by Saunders et al., (2011). The data collection process entailed key aspects, namely; the layout of the research questionnaire which included all parts of the research which were identified to be key for the study based on the reviewed literature and in which all the aspects were aligned carefully with the subject matter as suggested by Bezuidenhout, et al. (2013), the statistical technique used for data analysis and results interpretation was documented according to the appropriate statistical technique (Kinneer & Gray, 1999), and data layout and management where tables and graphs were utilised to

capture and interpret study outcomes (Adcock, 2001). An informed consent letter was provided to all research participants (Annexure A) and the informed consent document was provided to all participants and they requested to indicate their willingness to partake in the study by attaching their signature thereto (Annexure B). The respondents then filled the questionnaire in approximately 30 minutes' time.

4.3.5 Questionnaire

A literature examination was performed extensively to find research tools or methods that measure critical factors for internal audit effectiveness sufficiently. Ultimately, a questionnaire was identified to be the appropriate tool for this research. A questionnaire is a data collection tool that is frequently utilised by researchers for research purposes (Du Plooy-Cilliers, et al., 2014). These are widely utilised when conducting management and business research (Saunders, et al., 2012). The theories as discussed in the preceding chapter offered insights into the key drivers that impact on Internal Audit effectiveness. However, none of the four theories and the two frameworks offered a comprehensive list of factors on its own. The questionnaire, therefore, was developed using a combination of factors from all theories and frameworks discussed to ensure sufficiency of data. A process of several phases of rewriting was adopted during the compilation of the questionnaire to confirm that the survey items were unambiguous, consistent and complete (Neuman, 2009). The arranged questions consisted of worded statements linked to independent and intervening factors that influence Internal Audit's effectiveness within eThekweni Municipality. The type of items included in the study were closed questions and statements which were constructed in a matrix format due to the importance of the comparability of responses to the survey items and the time spent by the respondents. Babbie (2013) explains the many advantages for the respondents by using a matrix format of questioning which reduces time wastage, and assists understanding and user-friendliness. Creswell (2014), agrees with these benefits and indicates that using questionnaires is inexpensive, less time consuming relative to other research tools, it encourages privacy and anonymity as questionnaires are sent to individual research participants, and that data of unlimited

volumes can be collected without a challenge. These advantages had a favourable impact on the research results. There are, however, some disadvantages with the utilisation of questionnaires in collecting data as suggested by Sekaran and Bougie (2003). These include the requirement for the researcher to be well-acquainted with the subject matter to ensure that errors which may occur are avoided, and that sometimes surveys tend to be a mock. These disadvantages, however, were addressed sufficiently in how this study was conducted as the researcher constructed the research questionnaire to obtain responses and solutions to the research problem of the study (Neuman, 2013), and also as the research questions formed the basis of the questionnaire of the study (Collis & Hussey, 2014). The questionnaire had fifty-five (55) research items which were presented to respondents of the study with the same wording. Details relating to demographics were strategically located at the beginning of the questionnaire so that research participants could attend to these sections to further enrich the data analysis process. The questionnaires were sent to 407 research participants as detailed above, via emails. The Likert Scale was used to present research items to the respondents where a respondent could; 'Strongly agree, Agree, Be neutral, Disagree or Strongly disagree' to a research item presented (Saunders, et al., 2012). The questionnaire is presented as Annexure E of this document. A total score was determined by adding the Likert scale individual scores per item.

4.3.6 Quantitative Data Analysis

Quantitative data is the numerical data gathered through a targeted research arrangement where the data is administered and analysed according to the numerical facts to the complex representation of data in charts and/or graphs (Babbie, 2013; Gravetter & Forzano, 2003). Saunders, et al. (2012) indicate that quantitative data can be categorised in two prongs, namely; 'categorical data' which can be categorised into several groupings in respect of specific measures such as qualification or personal information, or 'quantifiable data' which can be measured in values. Descriptive and inferential statistical methods are used in analysing quantitative data in the process of finding possible associations between the

independent variables and dependable variable (Ritchie, et al., 2013). Data analysis is mainly used to draw statistically valid conclusions founded on a reliable measuring instrument (Babbie, 2013). The data analysis process included efforts by the researcher to ensure that assumptions were not made relating to collected data. The researcher, therefore, was able to analyse data through content data in order to establish the intercoder dependability (Teddlie & Yu, 2007). The recognition and taping of important data were guaranteed by content data analysis. Therefore, trustworthiness of data in this instance was important. Microsoft Excel and the Statistical Package for Social Sciences (SPSS) were utilised to perform the necessary analysis of the quantitative data analysis and descriptive and inferential statistics were utilised in the study. Descriptive statistics were depicted through frequencies, percentages and measures of central tendency. Sekaran and Bougie (2003) indicate that frequencies mean the number of times different sub-groupings of a particular incidence occur, amounting in the computation of a percentage and a cumulative percentage of the phenomena. Descriptive statistics analysis was performed to describe or summarise the characteristics of the data obtained regarding the identified key factors that have an impact on the effectiveness of internal audit within eThekweni Municipality. Inferential statistics were then applied through the use of Structural Equation Modelling (SEM) through a two-stage approach, being confirmatory factor analysis (CFA) and path modelling. Inferential statistics establish inferences regarding a population from the examined sample and these can be utilised to estimate, forecast, measure associations, variances and assess the strength of relationships between variables of a study (Wilson, 2014) and the use of statistical techniques in this regard depends on the objectives of the researcher and the nature of the data collected (Lamb, et al., 2008). A factor analysis test was also performed to establish a summary variable (overall internal audit effectiveness) and to identify the factors that influence IAE.

4.4 QUALITATIVE METHODS

This study adopted qualitative methods as part of data collection in addition to the quantitative methods adopted as detailed above. Creswell (2014) indicates that there are five qualitative examination methods that have frequently been used and which have been proven to be accurate, namely; (1) narrative biography – which explains the postulation and perspective that an individual's life is focused on and provides a particular definition and experiences of life; (2) ethnography – which is a method that recites and interprets the cultural behaviour of an individual (Flick, 2008); (3) phenomenology – which examines the societal life and cognisant experience of the daily activities; (4) grounded theory – which is a method aimed at establishing a functional theory that is supported by specific information collected; (5) case study – this method includes a discovery of a restricted system over a specified time period in a form of data gathering (Rubin & Babbie, 2005).

The qualitative element of this study adopted the phenomenology method of data collection. Saunders, et al. (2012) define phenomenology as a study of occurrences in their natural surroundings. Ritchie, et al. (2013) agree with this definition and go further to indicate that the phenomenological paradigm concentrates on persons with the world encounters and concerns affecting them, given that those individuals have different viewpoints with unique meanings. Bezuidenhout, et al. (2013) maintain that the qualitative approach to research encompasses the experiences, qualities and the meaning related to the occurrences being studied. The use of qualitative methods in conducting this study added value as the qualitative research element of this study was intended to analyse and describe the lived life experiences and the gist of internal audit effectiveness (Teddlie & Yu, 2007). According to Dey (2003), underpinning a study with the use of phenomenology helps the researcher to reveal the truths and encounters in a true meaning. To achieve this, therefore, the researcher ensured that the data collected regarding internal audit effectiveness depicted the genuineness and its raw nature. The main purpose of the qualitative element of this study was to analyse factors that influence Internal Audit effectiveness within eThekweni Municipality with the aim of understanding

improvements or reforms that would be necessary in order to achieve the desired internal audit effectiveness in the said Municipality. The quantitative aspect of this research was employed to collect data about these factors which was then interpreted using numbers and without probing further through questions or pursuing further clarity on those numbers. As suggested by Sekaran and Bougie (2003) and supported by Creswell (2014), a reliability test of the data collected using quantitative methods was necessary and hence the qualitative element of the study. The qualitative element of this study, therefore, was concerned about obtaining explanations and interpretations regarding the experiences which the quantitative methods would have been unable to determine. According to Creswell and Clark (2007), utilising the two methods assists the researcher in not missing any valuable information during the conducting of the research. Employing interviews as a tool to obtain more data, therefore, afforded the researcher an opportunity to attain an in-depth understanding of Internal Audit effectiveness within the eThekweni Municipality from internal audit senior management. Internal audit senior or top management hold different views and experiences regarding internal audit effectiveness and, therefore, these were obtained, analysed, and interpreted.

4.4.1 Population

According to Tashakkori and Teddlie (1998), a population is the sum of individuals from whom the researcher intends to learn findings of the study in question. Collis and Hussey (2014) support this definition by further indicating that the population of any research is the sum of persons from which a sample can be identified and from which information is obtainable relating to the research problem and questions. This study was performed in the Internal Audit Department of eThekweni Municipality as well as in other municipal departments constituting the core clientele (auditees) of internal audit services. Auditees from all other departments were relevant for the quantitative aspect of the study and data was collected from them using the questionnaire. The other component of this study was the collection of qualitative data and for that the target population comprised Internal Audit senior management. Individuals within the senior management structure of Internal Audit at eThekweni

Municipality were considered the target population owing to their positions within the municipality and, therefore, their viewpoints, their experience in organisational behaviours, their experience within the internal audit department and their understanding of the challenges that are present in the Municipality and within internal audit. The sample units of the qualitative element of this study therefore refers to individual senior managers within Internal Audit. The total population constitute filled positions within the leadership structure of the unit which amounts to thirteen (13) officials as per the organisational organogram (eThekwini Municipality, 2020a).

4.4.2 Sample

A sample is a manageable number of respondents who are selected from the entire population using a defined selection method (Du Plooy-Cilliers, et al., 2014). The sampling process involves the procedure of choosing individuals who are reflective of the total population to enable extrapolations regarding the population to be made (Creswell, 2014). In relation to the qualitative element of this research, a sample refers to individual officials selected as participants in the qualitative method of collecting data about internal audit effectiveness within eThekwini Municipality. The main aim for the use of a sample was to establish the options and possibilities for the evaluation of findings. A sample size utilised in a study has an impact on the final outcome of a study as the less significant the sample size used, the more inconsequential the results of the study are and the larger the sample size used in the study, the more significant the results will be (Krauss, 2005). The total population of this element of the study was considered to be relatively small with only thirteen individuals and, therefore, it was feasible and was considered beneficial to include the entire population as the research sample.

4.4.3 Sample Justification

This study focused on Internal Audit effectiveness as well as factors impacting upon the effectiveness of internal auditors within the eThekwini Municipality. The qualitative study, therefore, focused on the views of senior management within Internal Audit based on their rich understanding and in-depth experience of internal

audit effectiveness. The total population sampling method, therefore, was employed when conducting the qualitative aspect of the study since the population was relatively small.

4.4.4 Qualitative Data Collection

This qualitative element of the study collected data using semi-structured interviews which were conducted via Microsoft Teams. An arrangement was made with each senior manager, deputy head and the acting head of department through agreement on the date and time of the interview (refer to Annexure F for the Interview Guide). The recording of the interviews was captured using the recording function on Microsoft Teams by the researcher, having obtained the necessary approval for the ethical clearance from the Social Science and Humanities Department and the solicited permission from the participants of the study to record the discussions and proceedings of the interviews (Creswell, 2014). The act of recording the interviews was to ensure that the researcher would be able to revisit the recording for data analysis purposes to accurately maintain the participant's comments (Ritchie, et al., 2013). The researcher then collected additional information on an on-going basis from the interviews by observing the non-verbal actions of respondents. The additional data collected was helpful in enriching and improving the understanding of the respondents' answers to the questions posed, over and above verbal explanations provided, and these were recorded by the researcher as field notes after the interview process (Hussein, 2015). Certain guidelines were adhered to by the researcher in an attempt to circumvent some of the common shortcomings experienced by other researchers when conducting interviews. These include pitfalls such as; (1) the researcher being subjective, (2) the researcher starting a generic conversation not related to the subject matter, (3) the researcher proposing possible answers to the questions, (4) the researcher supporting and / or not supporting views by the respondent, and (5) the researcher displaying a negative attitude and tendency towards the responses of the respondent (Bezuidenhout, et al., 2013). Adhering to these principles assisted the researcher in achieving results that are reliable and valid in the performance of this study (Rubin & Babbie, 2005). The

duration of each interview and, therefore, the recording of such, depended on the actual discussions with each participant.

4.4.5 Interview Guide

Jebreen (2012:168) states that “interviews offer a widely-used tool that is primarily used to tap into the first-hand experiences of people, their emotions, inner attitudes and their unique perception of reality”. Wahyuni (2012) indicates that the main purpose for using interviews is to solicit views from experts in the field being examined through their participation in the research process with the aim of achieving inputs from those people based on their accumulated knowledge and experience relating to the specific aspect being researched. Wright, et al. (2016) state that interviews are used as a collection method of data when little is known regarding the research topic or when comprehensive insight into the research topic is required. This view is in line with that of Collis and Hussey (2014) who further state that in addition to interviews being broadly recognised for their impact in qualitative research studies, interviews offer advantages to the research process which includes the high rate of response that can be obtained through the use of such interviews and that these permit for more detailed questions to be posed to the participants. Interviews, however, can require a significant amount of time to conduct and can be costly as well (Babbie, 2013). The three different forms of interviews that are utilised in qualitative exploration include the unstructured, structured and semi-structured interviews (Creswell, 2014). The most relevant approach to be discussed is the semi-structured interview approach which offers flexibility by accommodating open-ended questions (Du Plooy-Cilliers, et al., 2014). This study adopted the semi-structured approach in conducting interviews with senior management within Internal Audit of eThekweni municipality and who were deliberately selected given their background, knowledge, experiences and technical expertise in relation to the research subject. This approach was to enable insight and clarity to be obtained into how internal audit effectiveness could be improved and to assist in the development of a framework that could be utilised by those charged with governance. More details were discussed with respondents since questions were open-ended and that

enriched the results of the study. Using the recording done via Microsoft teams, the interviews were transcribed.

The conducted interviews enabled Internal Audit senior management to explain in detail their experiences and perceptions relating to internal audit effectiveness which then enabled the researcher to elicit a deeper understanding of internal audit effectiveness. The actual interview guide contained formal questions based on the research questions identified in Chapter One of this document, commencing with determining what constitutes internal audit effectiveness for the individual being interviewed. Thereafter, questions dealing with specific factors and their impact on internal audit effectiveness were included followed by a question on the possible reforms that could be implemented to achieve the highest level of internal audit effectiveness (Neuman, 2009). Research questions were drafted with the aim of establishing themes emanating from responses provided by the research participants (Collis & Hussey, 2014). The language adopted for the study as well as the relevance of questions in determining internal audit effectiveness, therefore, was paramount (Christ, 2013). The utilisation of the semi-structured style of questioning was to achieve the desired results in a relatively easier way, rather than the unstructured style of questioning where research participants are allowed open-ended discussions which may lose focus and may not achieve the intention of the study (Sekaran, 2003). Fifteen (15) questions were compiled for the interview guide with each question asked addressing an issue identified in the section dealing with the research questions of the study (See Annexure E).

4.4.6 Qualitative Data Analysis

Bezuidenhout, et al. (2013) define qualitative content data analysis as the idiosyncratic explanation of the data gathered using the coherent cataloguing of themes and codes. Holloway and Wheeler (2010) had earlier maintained that qualitative methods, which include the use of interviews, focus on the personal understandings of a social experience. They are an inductive and exploratory mechanisms that assimilate and analyse contextual data from respondents and are capable of uncovering implication from the insider standpoint. As Rubin and Babbie

(2005) suggest, qualitative data was gathered using observations, interviews and field research notes. The deductive analysis approach was utilised in analysing the data and the researcher adopted Tesch's Eight-step procedure of data analysis (Creswell, 2014). The researcher; (1) transcribed the interviews verbatim and analysed these soon after the interviews, (2) read the transcribed records and compared these with the acoustic recording of the interviews, (3) read the transcript again to identify the underlying meaning, (4) chose the most thought-provoking and informative interview and made notes on the margins of the transliterated interview, (5) repeated the process of writing notes on the margins of the transcribed interview for the rest of the interviewees, (6) grouped common discussions together under topics, (7) formed themes and sub-themes based on the grouping of topics, (8) reviewed literature to validate the findings made. The data collected for the qualitative research design component of the study was analysed to ensure that the data collected was synchronised and processed according to the plan and themes (Creswell, 2014). The use of this approach to the analysis of qualitative data is supported by Saunders, et al. (2012) who indicate that the results of a qualitative study and their analyses as indicated are very useful in obtaining a deeper understanding of the dynamics in any field.

4.5 DATA VALIDATION

Data validity deals with the extent to which the measure, used to collect data, truly does capture the notion the researcher is trying to evaluate (Collis & Hussey, 2014). Creswell (2014) indicates that data validity is achieved through employing adequate research methods relating to data compilation and data evaluation. A valid research study is a study that properly collects and interprets collected data in a method that allows conclusions to accurately reflect and represent the real world setting that was studied (Yin, 2011). Rubin and Babbie (2005) have a similar definition and define validity as the experimental degree that adequately exposes the true significance of the research subject.

4.5.1 Data Validation in Quantitative Research

Validity of data collected using quantitative methods in this study was obtained using the tests suggested by Saunders (2011) which include; (1) construct validity - which refers to the degree to which a test conducted measures what it purports to measure. To address this requirement, the questionnaire was constructed based on well-established and validated research theories as discussed in Chapter Three, (2) content validity - which refers to the degree to which a research instrument exemplifies all aspects of a given construct. The theoretical framework which formed the basis of this study resulted in the study being able to attain high content validity for all the concepts being studied, (3) internal validity - this was attained as the items included in the questionnaire were developed to closely reflect the questions as per similar internal audit effectiveness instruments. In addition to these, statistical tests were performed to confirm the validity of the study. These included convergent and discriminant validity tests.

4.5.2 Data Validation in Qualitative Research

Validity of data collected using qualitative procedures in this study was achieved through principles of trustworthiness proposed by Lincoln and Guba (1999) and further supported by Polit and Beck (2012) and which include data credibility, data dependability, data confirmability and data transferability. The details of these are; (1) data credibility - which refers to the procedure of confirming the credibility of the data by cross-referencing data collected back to the topic in order to confirm the authenticity of the information. The researcher utilised the main procedure for data validation by interviewing and cross-referencing from internal audit professionals who were also participants of the study to authenticate the data collected. Respondents indicated that this technique was genuine as it depicted a real view of the encounters relating to Internal Audit effectiveness. (2) data transferability is an alternative to external validity as it enhances the study's generalisability as the data is extracted from numerous sources which have the forte of authentication, and augmentation of the study, (3) data dependability - which refers to the structure of the instrument used in terms of the sequential arrangement of data, maintaining the

record of data analysis, the journals and other data sources. In the current study, the investigator measured trustworthiness by evaluating the research respondents in terms of experience and knowledge. In addition to being a validity source, this method also eliminated the element of bias in the study. (4) data conformability - which refers to how the research is structured and the manner within which data was gathered and associated with the outcomes and objectives of the study

4.6 DATA RELIABILITY

Data reliability refers to the precision and accuracy of the determination and lack of variations in the outcomes of a study should it be reperformed (Bezuidenhout, et al., 2013). According to Wright, et al. (2016), reliability endeavours to reduce biases and errors in a research process. Yin (2011) states that it defines the accuracy of the end results produced by a research instrument. In agreeing with this view, Creswell (2014) states that reliability includes the uniformity of the instrument to ensure that it will produce a similar result when tested with different respondents. Creswell (2009) indicates that during the research process, sources of error may arise, hence the necessity to ensure reliability of the end results and hence the need to ensure the constant measurement of data (Welman, et al., 2011).

4.6.1 Quantitative Data Reliability

The questionnaire conducted as part of the quantitative component of the study was meticulously constructed to respond to the research questions. It was necessary for the investigator, therefore, to make certain that the items included were clear, concise and unambiguous in order to prevent different understandings of the same item. Quantitative studies usually have very high reliability which is measured using various kinds of reliability measures where these are applied differently. The current study adopted the usually utilised reliability gauge which is referred to as Cronbach's Alpha Coefficient (Christ, 2013). Cronbach's Alpha internal consistency reliability is a measure of internal consistency which indicates how the associated set of objects are closely related as a group (Melville & Goddard, 2008). In addition to the use of the Cronbach's Alpha, this study used item to total values and Composite Reliability

(CR) to evaluate the measurement instrument's reliability and to confirm the reliability of the study.

4.6.2 Qualitative Data Reliability

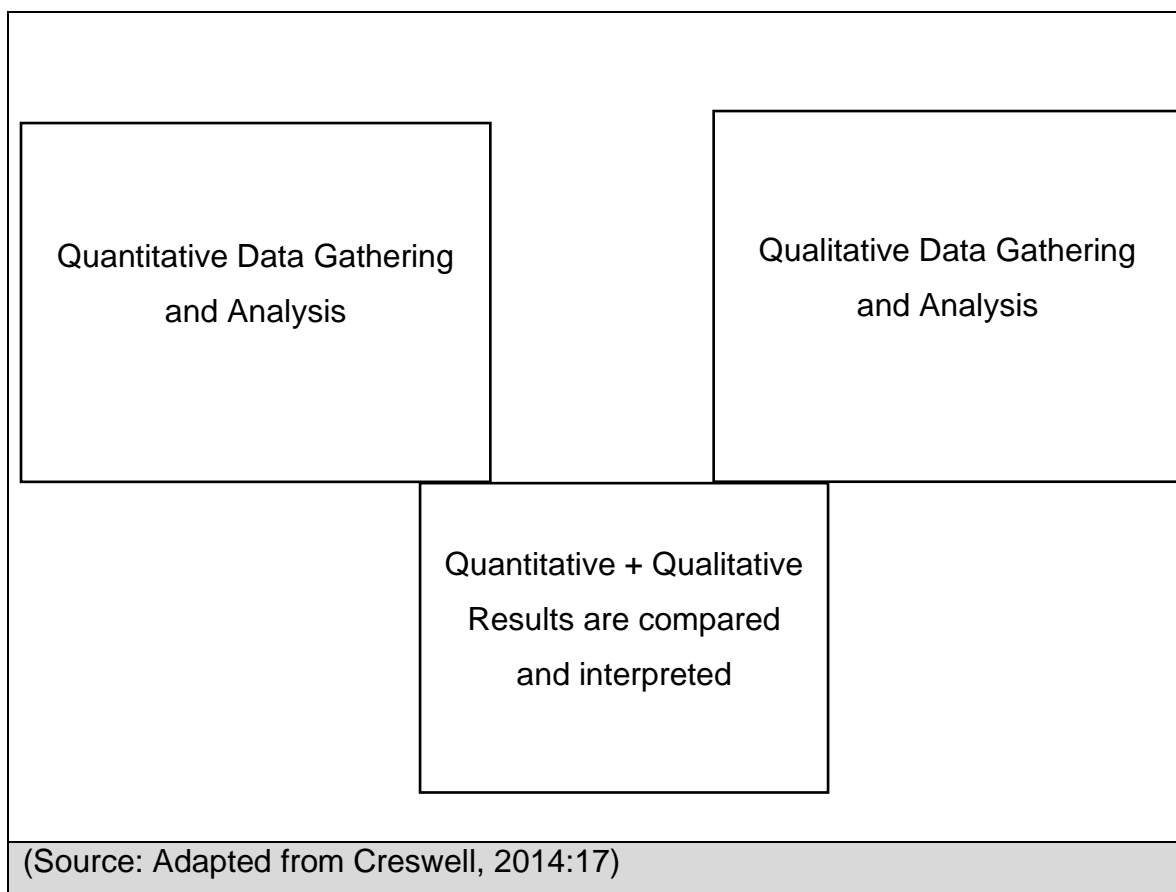
Lincoln and Guba (1999) indicate that the criteria for evaluating the quality of research using qualitative methods is not similar to the criteria employed in quantitative methods. This is because qualitative research methods comprise a laborious and systematic approach in undertaking studies, and that qualitative methods are more intimate, relative to quantitative methods (Creswell & Clark, 2007). There are various methods of ensuring reliability in qualitative studies. These include; the triangular approach, peer reviewing, experiences drawn from subjects and references (Saunders, et al., 2011). However, this research achieved reliability through interviewing participants from different backgrounds and who possess different knowledge and expertise and, therefore, constituted different sources of evidence. The actual interview procedure was exhaustive, thus strengthening integrity. In addition, field notes were recorded and the voice recording was utilised to gather data. Furthermore, interviews were transliterated and the transcribed notes were a true expression of the respondents' replies to the questions posed.

4.7 MIXED METHODS RESEARCH DESIGN

The mixed research method (i.e. a combination of qualitative and quantitative methods) was utilised in this study as alluded to above. The advantages of adopting either the 'quantitative' or the 'qualitative' paradigm were discussed in detail above and further substantiate the appropriateness of using the mixed method in this study. Using the mixed method, the researcher has provided a thorough analysis of the factors or drivers that impact on Internal Audit effectiveness within eThekweni Municipality and the manner in which those factors can be incorporated in a model to improve Internal Audit effectiveness. The mixed method approach was intended to ensure that the research undertaken was valid and reliable in relation to its documented objectives and purpose (Bezuidenhout, et al., 2013). Creswell (2014) indicates that there are four important types of mixed method designs. These

include; the Explanatory design – which is generally used when a researcher intends to obtain appropriate arguments through quantitative methods before using qualitative methods to explain quantitative results, the Exploratory design – which is generally utilised when the researcher intends to first determine the qualitative occurrence before measuring quantitatively, the Embedded design – which uses the same data elements for both quantitative and qualitative studies with the motive being to have appropriate data that will offer answers or will provide clarity or will respond to unanswered questions, therefore, the data is embedded in each other, and the Triangulation design – which is a well-known method that utilises the qualitative and quantitative research methods simultaneously with equal prospects in the procedure of data gathering and data analysis. The researcher adopted the triangulation mixed method design in the performance of this study as reflected in Figure 4.1 below.

Figure 4.1 Triangulation Mixed Method Design



4.8 ELIMINATION OF BIAS

According to Neuman (2013), unfairness is common in various studies as it is difficult to avoid. The researcher carefully dealt with the issue of biases to make certain that it is eradicated in order to achieve validity in the outcomes of the study. The qualitative component of the study had fifteen (15) semi-structured qualitative questions and fifty-five (55) quantitative items. The following mechanisms were adopted by the researcher in an effort to limit inaccuracies and misconceptions in the performance of the study (Gravetter & Forzano, 2003); (1) questions were constructed concisely and with a clear focus, (2) participants were provided with clear guidelines before the interviews were conducted, (3) questions or statements were unambiguous with a solitary characteristic, (4) ethical contemplations were implemented regarding items that could possibly have insulted or disrespected participants, (5) the researcher made certain that the conducted interviews ran logically without interruption, (6) the researcher used gender-neutral words during the performance of the interviews and interrelating with the respondents, (7) every participant was provided the chance to contribute in the study irrespective of their gender or race, (8) the language utilised in the study was respectful towards all participants and groupings of the population, (9) the research did not differentiate against any person or persons based on their age or any other characteristics except for those that had clearly been identified as respondents, and (10) all individuals of the population were only excluded, based on the exclusion criteria of the study.

4.9 ETHICAL CONSIDERATIONS

The researcher considered all the ethical processes in performing this study. The gatekeeper letter was obtained from the eThekweni Municipality for the use of Municipality as a research site for this study (refer to Annexure C). Permission was obtained from the Humanities and Social Sciences Research Ethics Committee with Protocol Reference number: HSSREC/00000774/2019 (refer to Annexure D). Basic ethical considerations were also adhered to including; (1) ensuring that respondents

had provided formal agreement, (2) the researcher explained the study to the participants thoroughly and participants gave their full consent to participate in the study, (3) the researcher ensured that no harm accrued to participants by maintaining participant anonymity and confidentiality of responses, and (4) ensuring that participation by respondents was voluntary.

4.10 LIMITATIONS OF THE STUDY

The research was restricted to the eThekweni Municipality in the Province of Kwa-Zulu Natal, South Africa. Various researchers experience different shortcomings or challenges which may be beyond their control in their endeavour to complete their studies (Creswell, 2014). The most prevalent challenges and limitations experienced by researchers when conducting research can be related to the limited financial and other resources to carry out the project, time limitations and gain access to the gatekeeper's letter. In the performance of this study, the researcher made impressive headway in reducing challenges. Some of the important research steps that the investigator ensured were undertaken prior to the study being conducted and as suggested by Creswell (2014) and Collis and Hussey (2014) were the following. These were; (1) the intention to perform the study was introduced to the eThekweni Municipality through the necessary channels timeously to avoid any possible delays when performing data collection, (2) research material was collected whilst developing the research proposal, (3) the researcher is intimately involved with the work of Internal Audit within eThekweni Municipality and that helped in having access to some of the sampled respondents and information.

4.11 CONCLUSION

This chapter detailed the reasoning and the rationale for the methodology approach chosen for the study. The study implemented a mixed method approach in attempting to answer the research questions of the study. The positivist approach was adopted in performing the study to determine the impact of the identified factors on the effectiveness of Internal Audit within the eThekweni Municipality. The questionnaire utilised in the study was constructed based on theories applicable to

the study of internal audit effectiveness and included factors identified through the Agency Theory, the Institutional Theory, the Communication Theory, the Resource-based Theory, the ISPPA and the IPPF. The qualitative element of the study involved the use of a semi-structured interview guide which was compiled after an extensive literature review of factors that influence internal audit effectiveness. The population groups for both methods, together with the adopted sampling technique were explained and justified in this chapter. Procedures utilised in the data collection process were further detailed. Data collected through the questionnaire was collected via email which enhanced the response rate whilst data collected using interviews was recorded on Microsoft Teams and transcribed to facilitate data analysis. The process employed for the elimination of bias in the study was explained and an explanation of all ethical considerations was detailed. In conclusion, limitations of the study were explained.

CHAPTER FIVE

QUANTITATIVE DATA ANALYSIS

5.1 INTRODUCTION

Chapter Four presented a discussion on the research strategy and the procedure adopted in the performance of this study. Particularly, Chapter Four indicated that the mixed research method (i.e. a combination of qualitative and quantitative procedures) was adopted with the aim of addressing the research problem based on the research objectives of this study. The current chapter reveals the results of the study based on the collected quantitative data. The quantitative component of this study was conducted on a sample size of 407 respondents and had 55 closed-ended statements based on the research objectives. Closed-ended statements were ordered in a form of a survey to a chosen sample of auditors and auditees within the eThekweni Municipality. The 55 closed-ended statements were sub-divided into 11 sub-groups which addressed the key factors found to influence Internal Audit effectiveness as based on the literature review performed. The objectives of the study were achieved by converting to arithmetical, quantifiable data all the replies to the statements and analysing and interpreting all that data. Statistical analyses were utilised to analyse data and that enabled the presentation of the data in various graphs including contingency tables, bar graphs, pie charts and cross-tabulation. The SPSS software package was utilised to perform the necessary statistical analyses and calculations.

Section 5.2 provides data regarding the number of persons who responded to the study (response rate) whilst Section 5.3 provides the demographic presentation of the respondents including age, highest qualification, internal audit working experience, employee department and working experience in their respective fields. Section 5.4 presents the results or findings of the study per statement and supported by a table to reflect the percentage of responses where applicable. Section 5.5 deals with inferential statistics and other important aspects of the quantitative component of the study, including the measures of validity and reliability. A conclusion is then

provided as Section 5.6 whilst the findings or results are discussed in the following chapter, i.e. Chapter Six.

5.2 RESPONSE RATE

The compiled surveys were disseminated to respondents physically or electronically depending on the preference of the respondent. Completed hard copy questionnaires were collected by the researcher whilst electronic versions were directly emailed. A total of 407 questionnaires were disseminated to respondents and 388 completed questionnaires were collected and analysed by the researcher resulting in a return or response rate of 95.3%. Seventeen questionnaires were not received from respondents because the identified employees had resigned and the positions, therefore, had become vacant whilst two questionnaires were not received because the two employees occupying those position had died, and their respective positions became vacant as well. Table 5.1 and Figure 5.1 below reflect the sum of respondents who fully completed and returned the questionnaires, split per department.

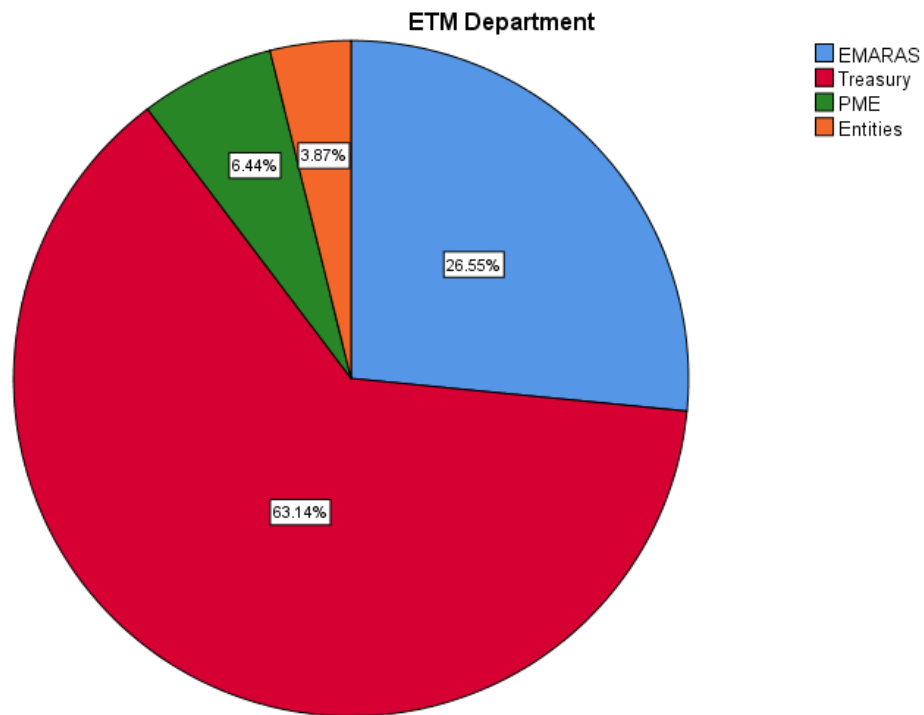
Nully (2008), suggests that a response rate exceeding 50% is satisfactory for a study similar to the current one whilst Saunders (et al., 2015) submit that a study is credible and reliable when a response rate exceeding 60% is achieved. This study, therefore, is both credible and reliable since the return or response rate is well above the 50% and the 60% at 95.3%. All collected questionnaires were counted, recorded, cleaned-up and the data was prepared for capturing (De Jonge & van der Loo, 2013). All responses received were firstly, captured on Microsoft Excel before the same data was captured on the SPSS statistical package. The data was dissected and analysed for all the relevant variables. Statistical analysis performed on the data included descriptive statistics founded on percentages and rate of recurrence where two outcomes were reflected for analysis, namely; tables comprising percentages and frequencies and pie charts that depict the achieved percentages. All questions were analysed and in addition, inferential statistics were also performed on the data received.

Table 5.1 Respondents per eThekweni Municipal (ETM) Department

	Occurrence	(%)	Valid (%)	Cumulative (%)
EMARAS	103	26.6	26.6	26.6
Treasury	245	63.1	63.1	89.7
PME	25	6.4	6.4	96.1
Entities	15	3.9	3.9	100.0
Total	388	100.0	100.0	

Most of the respondents were from the Treasury unit which had 245 participants. This department was followed by EMARAS with 103 respondents which was then followed by PME with 25 respondents. Lastly, entities had 15 participants in this study.

Figure 5.1 Respondents per eThekweni Municipal Department

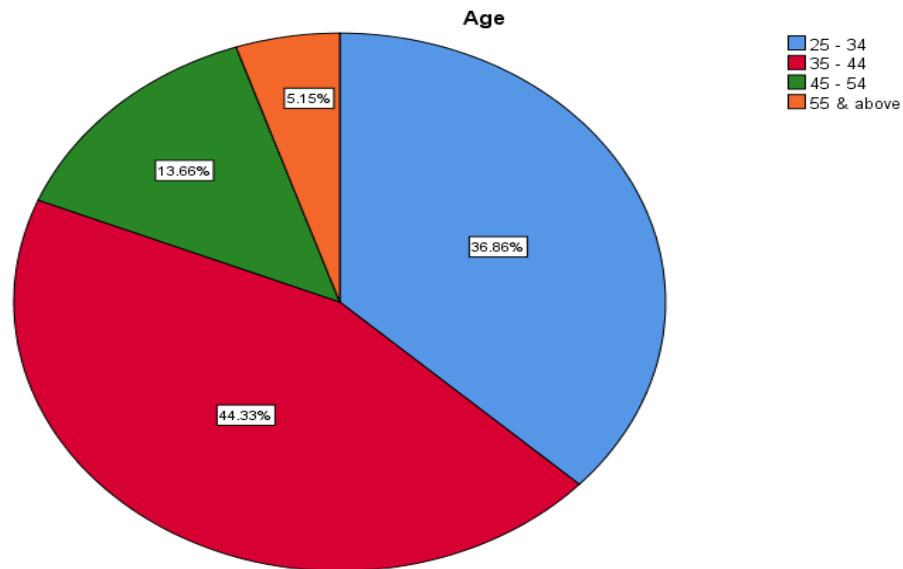


The above pie chart clearly indicates that respondents from the Treasury unit constitute 63.14% of the sample population followed by EMARAS at 26.55%, PME at 6.44% and lastly, entities at 3.87%.

5.3 DEMOGRAPHICS

This section presents all demographic data of the respondents to the study.

Figure 5.2 Age of Respondents



Respondents between 35 and 44 years constituted the largest group. This group accounted for 44.3% of the total of respondents. The second largest group was within the 25 to 34 year group and accounted for 36.86% whilst the age group of 45 years and above accounted for the balance, i.e. 18.84%. This data is more enriched when presented in a tabular format as reflected in Table 5.2 below.

Table 5.2 Age of Respondents

	Occurrence	(%)	Valid (%)	Cumulative (%)
25 – 34	143	36.9	36.9	36.9
35 – 44	172	44.3	44.3	81.2
45 – 54	53	13.7	13.7	94.8
55 & above	20	5.1	5.1	100.0
Total	388	100.0	100.0	

The above table indicates that 172 respondents were aged between 35 and 44 years which yields 44.3% of the sample, while 143 respondents were between the ages of 25 and 34 and whilst those who were 45 years and above comprised only 18.9% of the sample population.

Table 5.3 Highest Qualifications Held by Respondents

	Occurrence	(%)	Valid (%)	Cumulative (%)
Matric	15	3.9	3.9	3.9
Diploma	83	21.4	21.4	25.3
Bachelor	255	65.7	65.7	91.0
Masters	35	9.0	9.0	100.0
Total	388	100.0	100.0	

Those with a bachelor's degree were in the majority at 65.7%. This percentage was followed by those with a Diploma at 21.4% whilst those with a master's degree and Matric constituted 9% and 3.9% of the respondents, respectively.

Table 5.4 Respondent's Internal Audit Working Experience

	Occurrence	(%)	Valid (%)	Cumulative (%)
0 – 3 years	152	39.2	39.2	39.2
4 – 7 years	83	21.4	21.4	60.6
8 – 10 years	53	13.6	13.6	74.2
Above 10 years	100	25.8	25.8	100.0
Total	388	100.0	100.0	

Respondents with zero to 10 years internal audit working experience made up 74.2% of the total sample whilst only 25.8% had more than 10 years internal audit working experience.

Table 5.5 Experience In A Respondent's Field Of Work

	Occurrence	(%)	Valid (%)	Cumulative (%)
0 – 3 years	32	8.2	8.2	8.2
4 – 7 years	82	21.1	21.1	29.4
8 – 10 years	91	23.5	23.5	52.8
Above 10 years	183	47.2	47.2	100.0
Total	388	100.0	100.0	

Table 5.5 reveals that 47.2% of the participants had been working in their respective fields for more than 10 years whilst 44.6% had been working for a period of between 4 and 10 years. Those that had been working in their respective fields of work for a period of 3 years or less, constituted only 8.2% of the sample.

5.4 DESCRIPTIVE ANALYSIS

According to Saunders et al. (2015), descriptive analysis of data enables the researcher to summarise study results about variables or factors in a dataset and describe and compare the data numerically. Accordingly, replies to all the items included in the survey were scrutinised and interpreted. Presented below are results gathered from respondents for each statement in the questionnaire as well as a pictorial illustration or table of the replies, where appropriate. The below results or findings are presented per question and are grouped under each factor as identified through the literature review conducted. The following abbreviations have been utilised in each Table to indicate the responses received, namely; SD – Strongly Disagree, D – Disagree, N – Neutral, A – Agree and SA – Strongly Agree.

5.4.1 Internal Audit Effectiveness

Table 5.6, Table 5.7 and Table 5.8 below present findings to three statements in the questionnaire which were included with the aim of understanding the respondents' views on Internal Audit Effectiveness.

Table 5.6 Internal Audit Assists the Municipality Achieve Its Objectives

	Occurrence	(%)	Valid (%)	Cumulative (%)
SD	13	3.4	3.4	3.4
D	17	4.4	4.4	7.7
N	73	18.8	18.8	26.5
A	198	51.0	51.0	77.6
SA	87	22.4	22.4	100.0
Total	388	100.0	100.0	

According to the results as presented above in Table 5.6, respondents constituting 73.4% agreed with the statement: *Internal audit assists the municipality achieve its objectives*. These were respondents who either said they agree or that they strongly agree with this statement, while 18.8% were unsure as evidenced by their responses which indicated 'Neutral'. In addition, 7.8% respondents indicated their disagreement with this statement as evidenced by 3.4% who indicated that they strongly disagreed and 4.4% who disagreed. This means that respondents who did not explicitly agree with this item constituted 26.6%. This percentage expressed in numbers indicates that 103 respondents did not believe that Internal Audit is assisting the Municipality achieve its objectives.

Table 5.7 Internal Audit Improves Municipal Operations

	Occurrence	(%)	Valid (%)	Cumulative (%)
SD	13	3.3	3.3	3.3
D	22	5.7	5.7	9.0
N	72	18.5	18.5	27.5
A	190	49.0	49.0	76.5
SA	91	23.5	23.5	100.0
Total	388	100.0	100.0	

Most respondents responded positively to the statement that *Internal audit improves municipal operations*. This was evidenced by results captured in relation to this statement as presented in Table 5.7 above. Forty-nine percent agreed with this statement whilst 23.5% strongly agreed. Therefore, this means that 72.5% of

respondents believed that Internal Audit of eThekweni Municipality does improve municipal operations. Of concern however, the number of those respondents who responded negatively and those who remained indifferent to the statement. The outcomes as depicted in Table 5.7 indicate that 9% disagreed with this statement whilst 18.6% were neutral. Therefore, 27.7% respondents did not agree with this statement.

Table 5.8 Internal Audit Creates Added Value for The Municipality

	Occurrence	(%)	Valid (%)	Cumulative (%)
SD	13	3.3	3.3	3.3
D	15	3.9	3.9	7.2
N	90	23.2	23.2	30.4
A	180	46.4	46.4	76.8
SA	90	23.2	23.2	100.0
Total	388	100.0	100.0	

The statement: *Internal audit creates added value to the municipality* was also put to all respondents. There were 7.2% who disagreed with it whilst 23.2% were indifferent to it. A positive response, however, was noted as presented above in Table 5.8 where 69.6% indicated their agreement with this statement as evidenced by the 46.4% of respondents who indicated that they agreed and the 23.2% who said they strongly agreed. The results in relation to this item indicate, therefore, that 30.4% or 118 respondents did not believe that there is added value created by the Internal Audit Unit for the Municipality.

5.4.2 Chief Audit Executive (CAE) Profile

Tables 5.9 and 5.10 below present findings on two statements in the questionnaire aimed at understanding respondents' views of the influence of Internal Audit Leadership on its effectiveness.

Table 5.9 The CAE Job Profile Requires Adequate Competencies for the Job

	Occurrence	(%)	Valid (%)	Cumulative (%)
D	10	2.6	2.6	2.6
N	83	21.4	21.4	24.0
A	108	27.8	27.8	51.8
SA	187	48.2	48.2	100.0
Total	388	100.0	100.0	

A total of 295 (76%) respondents agreed that *the CAE job profile requires adequate competencies for the job* whilst 83 (21.4%) respondents remained neutral to this item on the questionnaire. This is as presented in Table 5.9 above. Those who point-blank disagreed with this statement were approximately 3%. Therefore, a total of 93 (24%) respondents did not believe that the CAE profile requires adequate competencies for the duties that are executed at that level.

Table 5.10 The CAE Reports to the Appropriate Level of Structure Within the Organisation

	Occurrence	(%)	Valid (%)	Cumulative (%)
SD	5	1.3	1.3	1.3
D	13	3.3	3.3	4.6
N	72	18.6	18.6	23.2
A	143	36.9	36.9	60.1
SA	155	39.9	39.9	100.0
Total	388	100.0	100.0	

Table 5.10 above presents results which indicate that only 4.7% of respondents believed that the Chief Audit Executive did not report to the appropriate level of structure within the eThekweni Municipality. Two hundred and ninety-eight (76.5%) respondents responded positively to this statement with only 72 (18.6%) respondents remaining neutral on this statement. Altogether, a total of 18 (4.6%) of respondents did not agree with this statement whilst 72 (18.6%) remained neutral.

5.4.3 Internal Audit Team Competency

Results of seven statements included in the questionnaire with the aim of obtaining a sense of the impact the competency of the Internal Audit team has on its effectiveness are presented in Tables 5.11 to 5.17 below.

Table 5.11 The Professional Knowledge of Internal Auditors Is Adequate

	Occurrence	(%)	Valid (%)	Cumulative (%)
SD	5	1.2	1.2	1.2
D	27	7.0	7.0	8.2
N	100	25.8	25.8	34.0
A	180	46.4	46.4	80.4
SA	76	19.6	19.6	100.0
Total	388	100.0	100.0	

Table 5.11 above indicates that a total of 32 (8.2%) respondents did not believe that internal auditors have adequate professional knowledge to be able to execute their responsibilities. This was made worse by the 25.8% (100) of the respondents who could neither agree nor disagree with this statement. This shows that a sum of 132 (34%) of the sampled respondents did not agree that internal auditors possess adequate professional knowledge whilst 66% (256) responded positively to this statement.

Table 5.12 Internal Auditors Are Considered Professionals in the Organisation

	Occurrence	(%)	Valid (%)	Cumulative (%)
SD	2	.5	.5	.5
D	18	4.7	4.7	5.2
N	85	21.9	21.9	27.1
A	205	52.8	52.8	79.9
SA	78	20.1	20.1	100.0
Total	388	100.0	100.0	

Table 5.12, reflected above, shows that respondents constituting 72.9% (283) agreed that *Internal auditors are considered professionals in the organisation*. This is evidenced by the 205 who agreed to this statement together with the 78 who

strongly agreed with this statement. The balance of the respondents did not agree with this statement as evidenced by 21.9% who were indifferent to it and 5.2% who explicitly disagreed.

Table 5.13 Internal Auditors Are Proactive

	Occurrence	(%)	Valid (%)	Cumulative (%)
SD	5	1.3	1.3	1.3
D	80	20.6	20.6	21.9
N	150	38.7	38.7	60.6
A	115	29.6	29.6	90.2
SA	38	9.8	9.8	100.0
Total	388	100.0	100.0	

Internal auditors are not proactive in performing their duties, or that is what 21.9% (85) of the respondents believed to be true, as evidenced by their explicit disagreement with the statement that said: *Internal auditors are proactive* as presented in Table 5.13 above. A total of 150 (38.7%) respondents were indifferent to this statement whilst only 39.4% agreed with it. Overall, those who did not agree with this item that said that *internal auditors are proactive* in performing their professional responsibilities constitute more than 60% and this is a concerning result.

Table 5.14 Internal Auditors Attend Educational Seminars For Continuous Training

	Occurrence	(%)	Valid (%)	Cumulative (%)
SD	3	.8	.8	.8
D	13	3.3	3.3	4.1
N	150	38.7	38.7	42.8
A	167	43.0	43.0	85.8
SA	55	14.2	14.2	100.0
Total	388	100.0	100.0	

Almost 40% respondents were neutral in their response to the statement: *Internal auditors attend educational seminars for continuous training* at 38.7%, as reflected in Table 5.14 above. Four-point one percent of the respondents explicitly indicated their disagreement with this statement. Altogether, this indicates that 42.8% (166) of the respondents did not agree that Internal Auditors participated in educational seminars for continuous development and training whilst the remaining balance of the respondents at 57.2% (222) agreed with this statement.

Table 5.15 Internal Auditors Have Adequate Subject Matter Education

	Occurrence	(%)	Valid (%)	Cumulative (%)
SD	3	.8	.8	.8
D	20	5.1	5.1	5.9
N	123	31.7	31.7	37.6
A	187	48.2	48.2	85.8
SA	55	14.2	14.2	100.0
Total	388	100.0	100.0	

Table 5.15 shows that majority of sampled respondents agreed that *Internal auditors have adequate subject matter education* as reflected in the percentage (62.4%) of those who responded positively to this statement. It should, however, be noted that 31.7% of the respondents, which is 123, remained neutral in their response to this statement whilst 5.9% explicitly disagreed, thereby, providing a total of 146 (37.6%)

of the respondents who did not agree that *Internal auditors have adequate subject matter education*.

Table 5.16 Internal Audit Staff Turnover Is At An Acceptable Level

	Occurrence	(%)	Valid (%)	Cumulative (%)
SD	5	1.3	1.3	1.3
D	8	2.1	2.1	3.4
N	185	47.6	47.6	51.0
A	142	36.6	36.6	87.6
SA	48	12.4	12.4	100.0
Total	388	100.0	100.0	

Study outcomes as presented in Table 5.16 above indicate that 47.6% (185) of the respondents were unsure if *Internal audit staff turnover is at an acceptable level*, while 3.4% disagreed with this statement and 49% (190) agreed with it as evidenced by the 36.6% of respondents who agreed and 12.4% who strongly agreed.

Table 5.17 Internal Auditors Understand the Operations of the Organisation Sufficiently

	Occurrence	(%)	Valid (%)	Cumulative (%)
SD	7	1.8	1.8	1.8
D	35	9.0	9.0	10.8
N	130	33.5	33.5	44.3
A	173	44.6	44.6	88.9
SA	43	11.1	11.1	100.0
Total	388	100.0	100.0	

Internal auditors understand the operations of the organisation sufficiently. This is what 216 (55.7%) of the respondents believed to be true as reflected in Table 5.17. One hundred and thirty (33.5%) of the respondents were unsure of this statement whilst 10.8% disagreed with this statement.

5.4.4 Internal Audit Independence

Tables 5.18 to 5.29 present results relating to statements included in the questionnaire dealing with internal audit independence and its impact on internal audit effectiveness.

Table 5.18 Internal Auditors Are Free to Perform Their Work and Discharge Their Mandate

	Occurrence	(%)	Valid (%)	Cumulative (%)
SD	15	3.9	3.9	3.9
D	20	5.1	5.1	9.0
N	118	30.4	30.4	39.4
A	185	47.7	47.7	87.1
SA	50	12.9	12.9	100.0
Total	388	100.0	100.0	

As presented in Table 5.18 above, 60.6% (235) of the respondents believed that internal audit professionals are free to perform their work and discharge their mandate. This was evidenced by the 47.7% who agreed with this statement and the 12.9% who strongly agreed. It was also found that 30.4% (118) of respondents were indifferent, as evidenced by their neutral response. In addition, a total of 35 (9%) respondents did not believe that internal audit professionals are able to perform their work and discharge their mandate.

Table 5.19 The CAE Reports to a Level Within the Municipality That Permits Internal Audit to Satisfy Its Obligations

	Occurrence	(%)	Valid (%)	Cumulative (%)
D	18	4.6	4.6	4.6
N	95	24.5	24.5	29.1
A	190	49.0	49.0	78.1
SA	85	21.9	21.9	100.0
Total	388	100.0	100.0	

The CAE reports to a level within the municipality that permits Internal Audit to satisfy its obligations. This is what 275 (70.9%) respondents believe, as indicated by their

agreement with this statement which is presented in Table 5.19 above while 24.5% (95) of the respondents were neutral to this statement and 4.6% (18) indicated their disagreement with it.

Table 5.20 The CAE Has Direct Contact With EXCO

	Occurrence	(%)	Valid (%)	Cumulative (%)
D	8	2.1	2.1	2.1
N	160	41.2	41.2	43.3
A	155	39.9	39.9	83.2
SA	65	16.8	16.8	100.0
Total	388	100.0	100.0	

The outcomes as presented in Table 5.20 above show that respondents constituting 43.3% (168) did not believe that the CAE has direct contact with the EXCO. The 43.3% is made up of 2.1% who disagreed with this statement and 41.2% who remained neutral. A total number of respondents constituting 56.7% agreed with this item. The number of respondents who remained neutral to this statement is concerning at 41.2% i.e. 160 respondents. This result will further be discussed in Chapter Six relating to the discussion of results where analysis will also be provided.

Table 5.21 The CAE Has Direct Contact With Council

	Occurrence	(%)	Valid (%)	Cumulative (%)
D	8	2.1	2.1	2.1
N	173	44.5	44.5	46.6
A	152	39.2	39.2	85.8
SA	55	14.2	14.2	100.0
Total	388	100.0	100.0	

Table 5.21 presents results relating to the statement: *The Chief Audit Executive has direct contact with Council*, where 173 respondents constituting 44.6% remained neutral with this statement whilst only 2.1% (8) of the respondents disagreed. Most of the received responses believed that the CAE has direct contact with the Council

of the Municipality, as evidenced by the 53.4% who agreed with this statement. The total number of respondents with a neutral reply was concerning at 44.6%.

Table 5.22 Internal Audit Has Direct Contact With All Executive Management

	Occurrence	(%)	Valid (%)	Cumulative (%)
D	5	1.3	1.3	1.3
N	100	25.8	25.8	27.1
A	185	47.6	47.6	74.7
SA	98	25.3	25.3	100.0
Total	388	100.0	100.0	

A total of 283 (72.9%) of the respondents agreed that Internal Audit has direct contact with all executive management of eThekweni Municipality. One hundred (25.8%) of the respondents were neutral to this statement whilst only 1.3% disagreed with it. These results are presented in Table 5.22 above. The number of those with a neutral reply is just above a quarter of the sampled respondents and whilst it is not significant, it remains concerning.

Table 5. 23 Irreconcilable Circumstances Are Seldom Present in the Inner Work of Internal Audit

	Occurrence	(%)	Valid (%)	Cumulative (%)
SD	8	2.1	2.1	2.1
D	42	10.8	10.8	12.9
N	205	52.8	52.8	65.7
A	120	30.9	30.9	96.6
SA	13	3.4	3.4	100.0
Total	388	100.0	100.0	

Table 5.23 above presents results which indicate that 255 respondents constituting 65.7% did not agree with the statement that said: *Irreconcilable circumstances are seldom present in the inner work of Internal audit*. A large percentage, i.e. 52.8% (205) provided a neutral reply to this statement whilst 12.9% indicated their

disagreement with this statement. This result is concerning as a minority of responses were positive with only 34.3% agreed with this statement.

Table 5.24 Internal Auditors Seldom Confront Obstruction by Administration

	Occurrence	(%)	Valid (%)	Cumulative (%)
SD	8	2.1	2.1	2.1
D	35	9.0	9.0	11.1
N	205	52.8	52.8	63.9
A	125	32.2	32.2	96.1
SA	15	3.9	3.9	100.0
Total	388	100.0	100.0	

The results as presented in Table 5.24 above are concerning because 52.8% (205) of respondents were neutral to this question whilst 43 respondents constituting 11.1% explicitly disagreed with the statement that said: *Internal Auditors seldom confront obstruction by administration*. Altogether, therefore, it means that 63.9% (248) of the respondents did not explicitly agree with this statement and that only 36.1% (140) of respondents agreed as evidenced by the total number of respondents who either strongly agreed or agreed with the statement.

Table 5.25 Internal Audit Staff Have Free Access to All Departments and Employees

	Occurrence	(%)	Valid (%)	Cumulative (%)
SD	8	2.1	2.1	2.1
D	20	5.2	5.2	7.2
N	122	31.4	31.4	38.7
A	163	42.0	42.0	80.7
SA	75	19.3	19.3	100.0
Total	388	100.0	100.0	

Internal Audit employees have free access to all departments and employees of the Municipality. This is what 238 (61.3%) of the respondents believed to be true as presented in Table 5.25. Altogether, respondents constituting 31.4% remained neutral on this statement whilst 7.3% disagreed with it, as evidenced by the total

number of those who disagreed and strongly disagreed. The number of respondents who provided a neutral reply to the statement was concerning at 31.4% (122).

Table 5.26 Internal Audit Staff Are Not Asked to Perform Non-Audit Functions

	Occurrence	(%)	Valid (%)	Cumulative (%)
SD	15	3.9	3.9	3.9
D	32	8.2	8.2	12.1
N	205	52.8	52.8	64.9
A	95	24.5	24.5	89.4
SA	41	10.6	10.6	100.0
Total	388	100.0	100.0	

Table 5.26 presents results of the responses as received from respondents in relation to the statement: *Internal Audit staff are not asked to perform non-audit functions*. Here, 52.8% (205) of the respondents provided a neutral response to this statement whilst 12.1% (47) indicated their disagreement with this statement. In total, 252 respondents constituting 64.9% did not agree with this statement. This percentage is concerning as it means that most respondents did not believe that Internal Audit professionals are not asked to execute non-audit activities. Only 35.1% (136) of the respondents believed that internal audit staff are not asked to perform non-audit functions as evidenced by their replies to this statement which either agreed or strongly agreed.

Table 5.27 The CAE Has Unrestricted Access to The Chair of the Audit Committee

	Occurrence	(%)	Valid (%)	Cumulative (%)
D	5	1.3	1.3	1.3
N	158	40.7	40.7	42.0
A	145	37.4	37.4	79.4
SA	80	20.6	20.6	100.0
Total	388	100.0	100.0	

The CAE does indeed have unrestricted contact with the Audit Committee Chairperson. This is what 58% (225) of the respondents agreed with as presented in Table 5.27 above with 37.4% agreeing and 20.6% strongly agreeing. However, it is concerning that 40.7% or 158 respondents remained neutral on this statement as reflected in Table 5.27 above. It was also found that a trivial 1.3% of the sampled respondents did not agree with this statement.

Table 5.28 The CAE Enjoys Support from the Audit Committee

	Occurrence	(%)	Valid (%)	Cumulative (%)
D	3	.8	.8	.8
N	143	36.9	36.8	37.6
A	185	47.7	47.7	85.3
SA	57	14.7	14.7	100.0
Total	388	100.0	100.0	

The outcomes as depicted in Table 5.28 above indicate that 47.7% (185) of the respondents agreed with the statement that said: *The Chief Audit Executive enjoys support from the Audit Committee* whilst 14.7% (57) strongly agreed. Therefore, this means that a total of 62.4% or 242 of the respondents believed that the CAE was supported by the Audit Committee. The results further indicate that 143 respondents constituting 36.8% neither agreed nor disagreed with this statement, whilst an insignificant 0.8% (3) explicitly disagreed with it.

Table 5.29 Internal Audit Contributes to the Development of Municipal Processes

	Occurrence	(%)	Valid (%)	Cumulative (%)
SD	3	.8	.8	.8
D	25	6.4	6.4	7.2
N	98	25.3	25.3	32.5
A	185	47.7	47.7	80.2
SA	77	19.8	19.8	100.0
Total	388	100.0	100.0	

The results presented in Table 5.29 above indicate that 98 or 25.3% sampled respondents neither agreed nor disagreed that internal audit contributes to the development of municipal processes. This is clear from the results presented above. A total of 67.5% or 262 sampled respondents do believe that internal audit contributes to the development of municipal processes as evidenced by their agreement and strong agreement to this statement. Only 28 respondents (7.2%) disagreed with this statement as evidenced by their responses in which they either disagreed or strongly disagreed with the statement that internal audit contributes to the development of municipal processes.

5.4.5 Internal Audit Functioning

Tables 5.30 to 5.43 below reflects result relating to the fourteen statements included in the questionnaire dealing with internal audit functioning and its influence on internal audit effectiveness.

Table 5.30 Established Internal Audit Objectives are Achieved

	Occurrence	(%)	Valid (%)	Cumulative (%)
SD	3	.8	.8	.8
D	15	3.8	3.8	4.6
N	137	35.3	35.3	39.9
A	183	47.2	47.2	87.1
SA	50	12.9	12.9	100.0
Total	388	100.0	100.0	

Established internal audit objectives are indeed achieved. This is what 60.1% (233) of the respondents indicated as presented in Table 5.30 above. The 60.1% is inclusive of 47.2% (183) of the respondents who agreed with this statement and 12.9% (50) who strongly agreed with it. It is concerning that respondents constituting 35.3% (137) remained neutral in their response to this statement, whilst an insignificant 4.6% disagreed with this statement.

Table 5.31 Communication Between Internal and External Audit Is Sufficient

	Occurrence	(%)	Valid (%)	Cumulative (%)
SD	5	1.3	1.3	1.3
D	22	5.7	5.7	7.0
N	163	42.0	42.0	49.0
A	153	39.4	39.4	88.4
SA	45	11.6	11.6	100.0
Total	388	100.0	100.0	

Results presented in Table 5.31 above indicate that 163 respondents (42%) did not agree nor disagree that communication between internal and external audit is sufficient. The results presented in this table further indicate that only 27 respondents (7%) explicitly disagreed with this statement whilst 51% agreed with it as evidenced by the 39.4% (153) who agreed together with the 11.6% (45) who strongly agreed. It is concerning that 49% did not agree that communication between internal and external audit is sufficient.

Table 5.32 Internal Audit's Work Is Efficiently Performed

	Occurrence	(%)	Valid (%)	Cumulative (%)
SD	10	2.6	2.6	2.6
D	42	10.8	10.8	13.4
N	123	31.7	31.7	45.1
A	173	44.6	44.6	89.7
SA	40	10.3	10.3	100.0
Total	388	100.0	100.0	

Table 5.32 indicates that 175 respondents (45.1%) did not agree with the statement that said: *Internal audit's work is efficiently performed*. The 45.1% included 10 respondents who strongly disagreed with this statement, 42 who disagreed and 123 who remained neutral to it. A total of 213 (54.9%) respondents responded positively to this statement by agreeing and strongly agreeing to it.

Table 5.33 Internal Audit's Findings Are Correctly Justified

	Occurrence	(%)	Valid (%)	Cumulative (%)
SD	5	1.3	1.3	1.3
D	35	9.0	9.0	10.3
N	103	26.6	26.6	36.9
A	203	52.3	52.3	89.2
SA	42	10.8	10.8	100.0
Total	388	100.0	100.0	

Most respondents responded positively by agreeing that internal audit's findings are correctly justified. As presented in Table 5.33, respondents totalling 254 (63.1%) agreed with this statement. The outcomes further indicate that 143 respondents (36.8%) did not agree with this questionnaire item. The 36.9% includes 5 (1.3%) respondents who strongly disagreed with the statement, 35 (9%) who simply disagreed and 103 (26.5%) who were neutral.

Table 5.34 Internal Audit's Recommendations Can Be Easily Implemented

	Occurrence	(%)	Valid (%)	Cumulative (%)
SD	10	2.6	2.6	2.6
D	27	7.0	7.0	9.5
N	168	43.3	43.3	52.8
A	148	38.1	38.1	91.0
SA	35	9.0	9.0	100.0
Total	388	100.0	100.0	

Internal audit's recommendations can easily be implemented. This is what 183 (47.1%) respondents believed as evidenced by the results reflected in Table 5.34. This table shows that 148 respondents (38.1%) agreed with this statement and 35 (9%) respondents strongly agreed with it. However, it is concerning that many responses to this statement were not positive in that 43% (168) neither agreed nor disagreed with the statement whilst 9.6% (37) explicitly disagreed with it. A total of 52.9% (205) of the respondents, therefore, did not agree that recommendations of internal audit can be implemented with ease.

Table 5.35 Internal Audit's Reports Are Accurate

	Occurrence	(%)	Valid (%)	Cumulative (%)
SD	3	.8	.8	.8
D	15	3.9	3.9	4.6
N	153	39.4	39.4	44.1
A	180	46.4	46.4	90.5
SA	37	9.5	9.5	100.0
Total	388	100.0	100.0	

A significant number (153) of respondents constituting 39.4% remained neutral in their response to the statement that said: *Internal Audit reports are accurate*, as presented in Table 5.35 above. This is indeed a concerning result. However, most respondents responded positively to this statement as evidenced by the 46.4% (180) who agreed with it and the 9.5% (37) who strongly agreed, providing a total positive response of 55.9% (217).

Table 5.36 Internal Audit Is of an Adequate Size to Support the Organisation

	Occurrence	(%)	Valid (%)	Cumulative (%)
SD	8	2.1	2.1	2.1
D	35	9.0	9.0	11.1
N	98	25.2	25.2	36.3
A	173	44.6	44.6	80.9
SA	74	19.1	19.1	100.0
Total	388	100.0	100.0	

The outcomes as depicted in Table 5.36 above indicate that 63.7% or 247 respondents believed that internal audit is of an adequate size to support the eThekweni Municipality. This overall percentage of agreement is arrived at by combining the agreed (173) replies together with the strongly agreed (74). The results further indicate that 25.2% (98) of the respondents could not be drawn to either agree or disagree with this statement whilst 11.1% (43) of the respondents explicitly disagreed with this statement, a result which is concerning.

Table 5.37 Internal Audit Has Adequate Resources to Perform Its Functions

	Occurrence	(%)	Valid (%)	Cumulative (%)
SD	10	2.6	2.6	2.6
D	35	9.0	9.0	11.6
N	115	29.6	29.6	41.2
A	158	40.8	40.8	82.0
SA	70	18.0	18.0	100.0
Total	388	100.0	100.0	

Internal audit indeed has adequate resources to perform its functions. This is what 228 (58.8%) respondents believed, as presented in Table 5.37 above. Only 45 respondents (11.6%) disagreed with this statement whilst 29.6% (115) remained neutral in their response to this statement. A total of 160 (41.2%) respondents, therefore, did not agree with this statement and this is a concerning result.

Table 5.38 Internal Audit Performs Core IA Services

	Occurrence	(%)	Valid (%)	Cumulative (%)
SD	3	.8	.8	.8
D	12	3.1	3.1	3.9
N	120	30.9	30.9	34.8
A	193	49.7	49.7	84.5
SA	60	15.5	15.5	100.0
Total	388	100.0	100.0	

The survey results presented in Table 5.38 above indicate that more than half of the respondents agreed that Internal Audit performs core internal audit services as evidenced by the 49.7% (193) who agreed with this statement and the 15.5% (60) who strongly agreed with it. This result provides a cumulative 65.2% (253) positive reply to this statement. Table 5.38 further reveals that a total of 135 respondents and which translates into 34.8% of the respondents, did not agree with this statement with 30.9% (120) of the respondents providing a neutral response whilst 3.9% (15) explicitly disagreed with this statement.

Table 5.39 Internal Audit Is Agreeable to Performing Additional Special Reviews When Requested

	Occurrence	(%)	Valid (%)	Cumulative (%)
SD	3	.8	.8	.8
D	8	2.0	2.0	2.8
N	133	34.3	34.3	37.1
A	188	48.5	48.5	85.6
SA	56	14.4	14.4	100.0
Total	388	100.0	100.0	

Table 5.39, as presented above, indicates that 62.9% (244) of the respondents agreed that internal audit is agreeable to performing additional special reviews when requested. The 62.9% is a cumulative percentage of all positive replies and which includes all respondents who agreed (48.5%) and those who strongly agreed (14.4%) with this statement. It is also vital to note that a total of 133 (34.3%) remained

neutral to this statement whilst 2.8% (11) disagreed with it. The total number of those respondents who did not agree to this statement is concerning at 144 (37.2%).

Table 5.40 Internal Audit Performs Adequate Risk Assurance Activities

	Occurrence	(%)	Valid (%)	Cumulative (%)
SD	10	2.6	2.6	2.6
D	20	5.1	5.1	7.7
N	125	32.2	32.2	39.9
A	183	47.2	47.2	87.1
SA	50	12.9	12.9	100.0
Total	388	100.0	100.0	

Internal Audit indeed performs adequate risk assurance activities is what 60.1% (233) of the respondents believed, as reflected in Table 5.40 while 32.2% (125) of the respondents neither disagreed nor agreed with this item and 7.7% (30) disagreed. Altogether, 40% of the sampled respondents did not agree that internal audit performs adequate risk assurance activities. This result is concerning relative to risk activities of the Internal Audit Department of eThekweni Municipality.

Table 5.41 Internal Audit Performs Adequate Risk Advisory Activities

	Occurrence	(%)	Valid (%)	Cumulative (%)
SD	15	3.9	3.9	3.9
D	25	6.4	6.4	10.3
N	113	29.1	29.1	39.4
A	192	49.5	49.5	88.9
SA	43	11.1	11.1	100.0
Total	388	100.0	100.0	

A total of 153 (39.1%) respondents did not respond positively to the statement that said: *Internal audit performs adequate risk advisory activities*. This result is as presented in Table 5.41 above and is arrived at by combining the strongly disagreed, disagreed and neutral responses into one while 60.6% (235) of the respondents

agreed with this statement. It is important to note that only 10.3% (40) of the respondents explicitly disagreed.

Table 5.42 Audit Engagements Performed by Internal Audit Are Risk-Based

	Occurrence	(%)	Valid (%)	Cumulative (%)
SD	12	3.1	3.1	3.1
D	20	5.1	5.1	8.2
N	123	31.7	31.7	39.9
A	190	49.0	49.0	88.9
SA	43	11.1	11.1	100.0
Total	388	100.0	100.0	

The survey results presented in Table 5.42 indicate 32 respondents (8.2%) did not believe that audit engagements performed by Internal Audit are risk-based. This is evidenced by the number of received responses that disagreed and strongly disagreed with this statement. A total of 233 (60.1%) of the respondents did, however, respond positively as evidenced by the number of those who agreed and strongly agreed to this statement. However, 123 (31.7%) respondents remained neutral in their response to this item. The number of respondents who thus responded with a 'Neutral' (31.7% or 123) is concerning.

Table 5.43 Internal Audit Coordinate with Other Departments Within the Organisation

	Occurrence	(%)	Valid (%)	Cumulative (%)
SD	8	2.1	2.1	2.1
D	12	3.1	3.1	5.2
N	110	28.3	28.3	33.5
A	215	55.4	55.4	88.9
SA	43	11.1	11.1	100.0
Total	388	100.0	100.0	

Table 5.43 above depicts the survey results in relation to the statement: *Internal audit coordinate with other departments within the organisation*. This statement was

put to the respondents, and as reflected in Table 5.43 above, 5.2% (20) of the respondents disagreed with it, 66.5% (258) agreed and 28.3% (110) were neutral. The number of respondents who did not agree, therefore, is altogether 130 (33.6%).

5.4.6 Effective Communication

Tables 5.44 and 5.45 present results relating to statements included in the questionnaire dealing with effective communication by Internal Audit and the influence this has on the Department's effectiveness.

Table 5.44 Internal Audit Adopts an Accusatory Style or Fault-finding Approach When Reporting

	Occurrence	(%)	Valid (%)	Cumulative (%)
SD	27	7.0	7.0	7.0
D	95	24.5	24.5	31.4
N	130	33.5	33.5	64.9
A	103	26.5	26.5	91.5
SA	33	8.5	8.5	100.0
Total	388	100.0	100.0	

According to the results presented in Table 5.44, 31.5% (122) of the sampled respondents did not believe that internal audit adopts an accusatory style or fault-finding approach when reporting. This percentage is less than the 35% (136) who agreed with this statement whilst 33.5% (130) of the respondents neither agreed nor disagreed. It is concerning that a total of 266 (68.5%) of the respondents did not disagree with this statement. Instead, 35% agreed with it whilst 33.5% remained neutral.

Table 5.45 Internal Audit Ensures Clarity of Message When Communicating With Auditees

	Occurrence	(%)	Valid (%)	Cumulative (%)
SD	8	2.1	2.1	2.1
D	15	3.8	3.8	5.9
N	105	27.1	27.1	33.0
A	193	49.7	49.7	82.7
SA	67	17.3	17.3	100.0
Total	388	100.0	100.0	

Internal Audit ensures clarity of message when communicating with auditees. This is what 67% (260) of the respondents believed as evidenced by the 49.7% (193) who agreed with this statement together with the 17.3% (67) who strongly agreed as depicted in Table 5.45. Of concern, however, is the sum total of respondents who did not agree with this statement. Five-point nine percent (23) explicitly disagreed whilst 27.1% (105) neither agreed nor disagreed with this statement.

5.4.7 Internal Audit Status

Tables 5.46, 5.47 and 5.48 present results relating to statements included in the questionnaire dealing with the internal audit status in the organisation and the influence that this has on the Department's effectiveness in carrying out the allocated mandate.

Table 5.46 Organisational Status of IA Is Sufficient For It To Function To Achieve Its Goals

	Occurrence	(%)	Valid (%)	Cumulative (%)
SD	5	1.3	1.3	1.3
D	20	5.2	5.2	6.4
N	142	36.6	36.6	43.0
A	155	39.9	39.9	83.0
SA	66	17.0	17.0	100.0
Total	388	100.0	100.0	

As reflected in Table 5.46, 142 respondents constituting 36.6% neither disagreed nor agreed with the statement: *Organisational status of IA is sufficient for it to function to achieve its goals*. In addition to this, 6.5% (25) disagreed with this statement resulting in a cumulative number of respondents who did not agree of 167 (43%). Two hundred and twenty-one (56.9%) respondents did, however, respond positively to this statement.

Table 5.47 Internal Audit Can Influence Senior Management Decisions

	Occurrence	(%)	Valid (%)	Cumulative (%)
SD	10	2.6	2.6	2.6
D	30	7.7	7.7	10.3
N	133	34.3	34.3	44.6
A	178	45.9	45.9	90.5
SA	37	9.5	9.5	100.0
Total	388	100.0	100.0	

According to the results presented in Table 5.47 above, 55.4% (215) of the respondents agreed that internal audit can influence senior management decisions and 34.3% (133) neither agreed nor disagreed with this statement, whilst 10.3% (40) explicitly disagreed.

Table 5.48 Internal Audit Provides Sufficient Support to Other Departments

	Occurrence	(%)	Valid (%)	Cumulative (%)
SD	8	2.1	2.1	2.1
D	17	4.4	4.4	6.4
N	155	39.9	39.9	46.4
A	158	40.7	40.7	87.1
SA	50	12.9	12.9	100.0
Total	388	100.0	100.0	

Internal Audit provides sufficient support to other departments within eThekweni Municipality. This is what 53.6% (208) of the respondents believed, as evidenced by their positive replies to this statement and as reflected in Table 5.48 above. Only

6.5% (25) of the respondents explicitly disagreed with this statement whilst 39.9% (155) neither agreed nor disagreed with it.

5.4.8 Compliance With IIA Standards

Results of the survey concerning adherence with IIA Standards and the influence that has on the Department's effectiveness are presented in Table 5.49 below.

Table 5.49 Internal Audit Activities Are Performed in Accordance With The IIA Standards (ISPPIA)

	Occurrence	(%)	Valid (%)	Cumulative (%)
SD	5	1.3	1.3	1.3
D	8	2.1	2.1	3.4
N	125	32.2	32.2	35.6
A	155	39.9	39.9	75.5
SA	95	24.5	24.5	100.0
Total	388	100.0	100.0	

The survey outcomes reflected in Table 5.49 above show that only 13 respondents (3.4%) disagreed with the item that said: *Internal Audit activities are performed in accordance with the IIA Standards (ISPPIA)*. Altogether, 64.4% (250) of the sample agreed whilst 32.2% (125) neither agreed nor disagreed with this statement.

5.4.9 Top Management Support for Internal Audit

Survey results relating to statements included in the questionnaire with the aim of understanding the influence of top management support for Internal Audit or Internal Audit effectiveness are presented in Tables 5.50 to 5.54.

Table 5.50 Senior Management Supports IA to Perform Its Mandate

	Occurrence	(%)	Valid (%)	Cumulative (%)
SD	8	2.1	2.1	2.1
D	30	7.7	7.7	9.8
N	115	29.6	29.6	39.4
A	188	48.5	48.5	87.9
SA	47	12.1	12.1	100.0
Total	388	100.0	100.0	

According to Table 5.50, 39.4% (153) of the respondents did not agree that executive management supports Internal Audit in responding to its mandate. This percentage includes 2.1% who strongly disagreed, 7.7% who disagreed and 29.6% who were indifferent to this statement. This result is concerning. Although 48.5% (188) agreed and 12.1% (47) strongly agreed, thereby providing a total of 235 (60.6%) respondents who agreed with this statement.

Table 5.51 Internal Audit Furnishes Senior Management With Adequate Reports

	Occurrence	(%)	Valid (%)	Cumulative (%)
SD	5	1.3	1.3	1.3
D	5	1.3	1.3	2.6
N	130	33.5	33.5	36.1
A	195	50.2	50.2	86.3
SA	53	13.7	13.7	100.0
Total	388	100.0	100.0	

Internal Audit furnishes senior management with adequate reports. This is what 63.9% (248) of the respondents believed based on the results presented in Table 5.51 above with 33.5% (130) remaining neutral to this statement whilst only 2.6% (10) disagreed with it.

Table 5.52 The Reaction to IA Reports By Senior Management Is Sensible

	Occurrence	(%)	Valid (%)	Cumulative (%)
SD	5	1.3	1.3	1.3
D	30	7.7	7.7	9.0
N	163	42.0	42.0	51.0
A	165	42.6	42.6	93.6
SA	25	6.4	6.4	100.0
Total	388	100.0	100.0	

According to Table 5.52, 163 respondents (42%) were indifferent to the statement that said: *The reaction to IA reports by senior management is sensible*, while 9% (35) disagreed and 49% (190) agreed. This, therefore, means that more than 50% of the respondents did not believe that senior management of eThekweni Municipality reacts in a sensible manner to Internal Audit reports.

Table 5.53 Senior Management Ensures That the IA Unit Has Adequate Financial Budget

	Occurrence	(%)	Valid (%)	Cumulative (%)
SD	15	3.9	3.9	3.9
D	22	5.7	5.7	9.5
N	165	42.5	42.5	52.1
A	163	42.0	42.0	94.1
SA	23	5.9	5.9	100.0
Total	388	100.0	100.0	

According to the results presented in Table 5.53 above, 52.1% (202) of the respondents did not agree that senior management of eThekweni Municipality ensures that the Internal Audit unit has an adequate financial budget. This percentage is constituted by 9.6% (37) who disagreed with this statement and 42.5% (165) who were indifferent to it. Less than 50% of the respondents believed that senior management of eThekweni Municipality ensures that the Internal Audit unit has adequate financial budget as only 47.9% (186) of the respondents agreed with this statement.

Table 5.54 Senior Management Sufficiently Monitors the Implementation of IA Recommendations

	Occurrence	(%)	Valid (%)	Cumulative (%)
SD	15	3.9	3.9	3.9
D	42	10.8	10.8	14.7
N	150	38.7	38.7	53.4
A	140	36.0	36.0	89.4
SA	41	10.6	10.6	100.0
Total	388	100.0	100.0	

Results of the survey, as presented in Table 5.54 above, indicate that only 46.6% (181) of the respondents agreed that senior management within eThekweni Municipality sufficiently monitors the implementation of internal audit recommendations, with 14.7% (57) disagreeing with this sentiment while 38.7% (150) remained indifferent. Altogether, 53.4% of the sampled respondents did not explicitly agree with this item and this result is concerning.

5.4.10 Political Support for Internal Audit

Tables 5.55 to 5.57, reflected below, presents survey results relating to statements included in the questionnaire with the intention of understanding the influence of political leadership on IAE.

Table 5.55 Political Head Supports IA To Perform Its Mandate

	Occurrence	(%)	Valid (%)	Cumulative (%)
SD	12	3.1	3.1	3.1
D	30	7.7	7.7	10.8
N	228	58.8	58.8	69.6
A	100	25.8	25.8	95.4
SA	18	4.6	4.6	100.0
Total	388	100.0	100.0	

The results reflected in Table 5.55 above indicate that only 30.4% (118) of the respondents agreed that the political head supports Internal Audit to perform its mandate. Two-hundred and seventy respondents (69.6%) did not agree with this

item. The 69.6% is a cumulative percentage inclusive of respondents who disagreed (10.8%) with this statement and respondents who remained neutral (58.8%).

Table 5.56 Internal Audit Furnishes Political Head With Adequate Reports

	Occurrence	(%)	Valid (%)	Cumulative (%)
SD	10	2.6	2.6	2.6
D	20	5.2	5.2	7.7
N	217	55.9	55.9	63.7
A	118	30.4	30.4	94.1
SA	23	5.9	5.9	100.0
Total	388	100.0	100.0	

According to Table 5.56, respondents constituting only 36.3% agreed with the statement: *Internal Audit furnishes political head with adequate, solid and relevant reports about the work they execute, and recommendations made* while 55.9% (217) were neutral in their response to this statement and 7.8% (30) disagreed. Altogether, 63.7% (247) of the respondents did not agree that political heads were provided with adequate reports by Internal Audit.

Table 5.57 Political Head Monitors the Implementation of IA Recommendations

	Occurrence	(%)	Valid (%)	Cumulative (%)
SD	12	3.1	3.1	3.1
D	40	10.3	10.3	13.4
N	228	58.8	58.8	72.2
A	85	21.9	21.9	94.1
SA	23	5.9	5.9	100.0
Total	388	100.0	100.0	

According to the results presented in Table 5.57, respondents constituting 27.8% (108) agreed that the: *Political head monitors the implementation of Internal Audit recommendations*, 13.4% (52) disagreed whilst 58.8% remained neutral. The total sum of respondents who did not agree with this statement, therefore, is 280 which constitute 72.2% of the respondents.

5.4.11 Effective Audit Committee

Tables 5.58 to 5.60, reflected below, present survey results relating to statements included in the questionnaire with the aim of understanding the impact of an effective Audit Committee on Internal Audit effectiveness.

Table 5.58 The Audit Committee discusses and adequately monitors implementation of IAR

	Occurrence	(%)	Valid (%)	Cumulative (%)
SD	5	1.3	1.3	1.3
D	20	5.2	5.2	6.4
N	130	33.5	33.5	39.9
A	153	39.4	39.4	79.4
SA	80	20.6	20.6	100.0
Total	388	100.0	100.0	

The Audit Committee discusses and adequately monitors implementation of Internal Audit Recommendations. This is what 60% (233) of the respondents believed. Based on the results presented in Table 5.58 above. A total of 155 (40%) respondents did not agree with this statement with 33.5% (130) providing a neutral reply whilst 6.5% (25) explicitly disagreed.

Table 5.59 The Audit Committee Is Responsible For the Appointment and Removal of the CAE

	Occurrence	(%)	Valid (%)	Cumulative (%)
SD	10	2.6	2.6	2.6
D	33	8.5	8.5	11.1
N	193	49.7	49.7	60.8
A	110	28.4	28.4	89.2
SA	42	10.8	10.8	100.0
Total	388	100.0	100.0	

According to the results presented in Table 5.59 above, only 39.2% (152) of the respondents agreed that the Audit Committee is responsible for the appointment and removal of the CAE while 11.1% (43) disagreed with this statement and 49.7% (193) provided a neutral reply.

Table 5.60 The Internal Audit Reports Functionally to the Audit Committee

	Occurrence	(%)	Valid (%)	Cumulative (%)
SD	3	.8	.8	.8
D	5	1.3	1.3	2.1
N	103	26.5	26.5	28.6
A	155	40.0	40.0	68.6
SA	122	31.4	31.4	100.0
Total	388	100.0	100.0	

That the Internal Audit accounts operationally to the Audit Committee is what 71.4% (277) of the respondents believed based on the results as presented in Table 5.60 above, while 28.6% (111) did not agree with this statement, 2.1% explicitly disagreed and 26.5% provided a neutral reply to the statement.

5.5 INFERENCE STATISTICS

Wilson (2014) suggests that inferential statistics establish extrapolations regarding a population from the examined sample and these can be utilised to estimate, forecast, measure associations, variances and assess the strength of relationships

between variables of a study. This section of the document presents a discussion of the inferential statistics.

5.5.1 Structural Equation Modelling

Inferential statistics were applied using the Structural Equation Modelling (SEM) through a two-stage approach, being Confirmatory Factor Analysis (CFA) and Path Modelling. The SEM technique was adopted due to its ability to test multiple dependent and independent relationships simultaneously. The path relationship, therefore, was investigated in the structural model where the measurement model contained all measured constructs, namely; Internal Audit effectiveness, the Chief Audit Executive profile, Internal Audit competency, Effective Communication, Internal Audit independence, Internal Audit functioning, Top management support, Internal Audit status, compliance with IIA standards, effective Audit Committee and political support. All statistical values derived from the performed analysis were within acceptable ranges (Ady Hameme, 2017). Table 5.61 presents the results from the data analysis performed.

Table 5.61 Accuracy Analysis Statistics

Research Concept		Descriptive Statistics				Cronbach's Test		C.R. Value	AVE Value	Factor Loading
		Mean Value		Standard Deviation		Item - total	α value			
IAE	IAE1	3,729	3,751	1,025	1,029	0,615	0,762	0,574	0,517	0,763
	IAE2	3,742		1,059		0,691				0,797
	IAE3	3,781		1,002		0,485				0,633
CAE	CAE1	3,626	3,812	0,987	0,992	0,503	0,669	0,597	0,457	0,660
	CAE2	3,997		0,997		0,503				0,762
IAT	IATC1	4,523	4,271	0,724	0,822	0,681	0,878	0,483	0,585	0,724
	IATC2	4,178		0,748		0,722				0,753
	IATC3	4,358		0,834		0,767				0,839
	IATC4	4,322		0,824		0,769				0,837
	IATC5	3,972		0,979		0,649				0,733
IAI	IAI1	3,235	3,270	1,061	1,051	0,723	0,870	0,547	0,569	0,768
	IAI2	3,196		1,053		0,737				0,772
	IAI3	3,126		1,035		0,595				0,639

Research Concept		Descriptive Statistics				Cronbach's Test		C.R. Value	AVE Value	Factor Loading
		Mean Value		Standard Deviation		Item - total	α value			
	IAI4	3,183		1,069		0,726				0,791
	IAI5	4,023		1,007		0,486				0,543
	IAI7	3,093		1,098		0,641				0,724
	IAI8	3,036		1,036		0,611				0,674
IAF	IAF5	3,018	3,320	1,067	1,085	0,634	0,878	0,553	0,534	0,680
	IAF6	3,054		1,111		0,627				0,656
	IAF7	3,258		1,093		0,761				0,806
	IAF9	3,224		1,189		0,741				0,805
	IAF10	3,840		1,001		0,609				0,683
	IAF11	3,528		1,045		0,743				0,816
EC	EC1	4,098	4,050	0,833	0,865	0,689	0,814	0,515	0,572	0,806
	EC2	4,003		0,896		0,689				0,855
IAS	IAS1	4,168	4,077	0,863	0,927	0,606	0,782	0,542	0,528	0,745
	IAS2	4,216		0,906		0,743				0,829
	IAS3	3,848		1,012		0,531				0,699
TMS	TMSFIA1	3,178	3,799	1,135	0,955	0,588	0,871	0,523	0,529	0,542
	TMSFIA2	3,603		1,040		0,732				0,673
	TMSFIA3	4,116		0,829		0,691				0,835
	TMSFIA4	4,046		0,900		0,749				0,875
	TMSFIA5	4,052		0,870		0,782				0,894
PSF	PSFIA1	4,106	4,168	0,867	0,853	0,774	0,883	0,491	0,612	0,888
	PSFIA2	4,235		0,822		0,825				0,858
	PSFIA3	4,162		0,870		0,724				0,800
EAC	EAC1	4,168	4,064	0,857	0,920	0,809	0,896	0,507	0,615	0,875
	EAC2	4,085		0,957		0,823				0,882
	EAC3	3,941		0,945		0,759				0,836

IAE – Internal Audit Effectiveness; CAE – Chief Audit Executive; IATC – Internal Audit Team Competency; IAI – Internal Audit Independence; IAF – Internal Audit Functioning; EC – Effective Communication; IAS – Internal Audit Status; TMS - Top Management support; PSF - Political Support; EAC – Effective Audit Committee.

The validity, reliability and model fit of the measurement instrument tests are evaluated, supported, and discussed below.

5.5.1.1 Testing for reliability

Creswell (2014), explains reliability of data as referring to the degree to which a measure generates consistent outcomes each time if repetitive measurements are utilised under the same conditions on the characteristic. According to Bezuidenhout, et al.(2013), reliability of data refers to the precision and accuracy of the measurement and absence of variances in the outcomes of a study should it be reperformed. Wright, et al. (2016) suggest that reliability endeavours to reduce biases and errors in a research process whilst Yin (2011) states that it defines the accuracy of the end results produced by a research instrument. In his earlier work, Creswell (2009), submits that during the performance of research, sources of error may arise, hence the necessity to ensure reliability of the end results and also the need to ensure the constant measurement of data (Welman, et al., 2011). In the current study, Cronbach's alpha (α), item to total values and Composite Reliability (CR) were used as tests to evaluate the measurement instrument's reliability.

a) Cronbach's Alpha (α)

The internal consistency of the constructs in the measurement scale was evaluated using Cronbach's alpha. Values of Cronbach's Alpha for each construct as derived from the reliability of the variables is presented in Table 5.62 below.

Table 5.62 Cronbach's Alpha (α) Per Construct

Construct	Cronbach's Alpha
Internal Audit Effectiveness	0,762
Chief Audit Executive Profile	0,669
Internal Audit Team Competency	0,878
Internal Audit Independence	0,870
Internal Audit Functioning	0,878
Effective Communication	0,814
Internal Audit Status	0,782
Top Management support	0,871
Political Support	0,883

Construct	Cronbach's Alpha
Effective Audit Committee	0,896

There are various views from various authors on what is a more acceptable and reliable Cronbach alpha value. Hair, et al. (2010), suggest that a Cronbach alpha cut-off value of 0.70 indicates that the study instrument used is reliable to assess all constructs consistently and does not include random errors. To that extent, a Cronbach alpha value of 0.70 is suggested to be an acceptable value whilst Cronbach alpha values as low as 0.60 can be accepted for exploratory research. The latter view is supported by Nunnally (1967) who maintains that Cronbach alpha values of 0.50 can be accepted when conducting, exploratory research. Cho and Kim (2015), however submit that 'one size fits all' method is not the case when evaluating Cronbach alpha values and that it is contingent on the type of study being performed. The Cronbach alpha values achieved for the studied constructs in this study and as presented in Table 5.62, therefore, are considered highly reliable given the nature of the study (Cho & Kim, 2015). Annexure G presents the Cronbach Alpha's results.

b) Item to total values

Table 5.61, as presented above, reflects item to total values and these values in the range of 0.485 to 0.825. According to Pallant (2010), these values indicate that the item is evaluating an element which is different from the measure as a whole since these are above the cut-off point of 0.3.

c) Composite Reliability (CR)

In addition to the above discussed reliability tests, Composite Reliability (CR) was also utilised. Netemeyer, et al.(2003) define Composite Reliability as an evaluation of internal consistency in scale items. Alternatively, Composite Reliability is the sum of factual score discrepancy relative to the total measure score discrepancy (Brunner & Sub, 2005). Different authors have suggested differing thresholds for composite reliability, Hair, et al. (2010) suggest a threshold of 0.70 to be an acceptable level

whilst others have suggested lower and some higher thresholds. Stephanie (2019) suggests however that a threshold of 0.60 and above is reasonable but it all depends on the number of items in a scale and that the smaller the number, the lower the reliability levels. In this study, reasonable Composite Reliability for all the factors was achieved and ranged from 0.673 to 0.957 as reflected in Table 5.63 below.

Table 5.63 Composite Reliability Estimates

			Estimate	Composite reliability (CR)			
				$(\sum \lambda Y_i)^2$	Summation of error terms		$CR\eta = (\sum \lambda y_i)^2 / [(\sum \lambda y_i)^2 + (\sum \epsilon_i)]$
					ϵ_i	$\sum \epsilon_i$	CR
IAE	<-- -	IAE1	0,763	4,809	0,418	1,382	0,777
	<-- -	IAE2	0,797		0,365		
	<-- -	IAE3	0,633		0,599		
CAE	<-- -	CAE1	0,660	2,02208 4	0,5644	0,983756	0,673
	<-- -	CAE2	0,762		0,419356		
IAT	<-- -	IATC1	0,724	15,101	0,475824	1,967036	0,885
	<-- -	IATC2	0,753		0,432991		
	<-- -	IATC3	0,839		0,296079		
	<-- -	IATC4	0,837		0,299431		
	<-- -	IATC5	0,733		0,462711		
IAI	<-- -	IAI1	0,768	24,1179 2	0,410176	3,506889	0,873
	<-- -	IAI2	0,772		0,404016		
	<-- -	IAI3	0,639		0,591679		
	<-- -	IAI4	0,791		0,374319		
	<-- -	IAI5	0,543		0,705151		
	<-- -	IAI7	0,724		0,475824		
	<-- -	IAI8	0,674		0,545724		
	<-- -						
IAF	<-- -	IAF5	0,680	19,7669 2	0,5376	2,677258	0,881
	<-- -	IAF6	0,656		0,569664		
	<-- -	IAF7	0,806		0,350364		
	<-- -	IAF9	0,805		0,351975		

		Estimate	Composite reliability (CR)				
			$(\sum \lambda_i)^2$	Summation of error terms		$CR = \frac{(\sum \lambda_i)^2}{(\sum \lambda_i)^2 + (\sum \epsilon_i)}$	
				ϵ_i	$\sum \epsilon_i$		CR
	<-- -	IAF10	0,683		0,533511		
	<-- -	IAF11	0,816		0,334144		
EC	<-- -	EC1	0,806	2,75892 1	0,350364	0,619339	0,817
	<-- -	EC2	0,855		0,268975		
IAS	<-- -	IAS1	0,745	5,16652 9	0,444975	1,269133	0,803
	<-- -	IAS2	0,829		0,312759		
	<-- -	IAS3	0,699		0,511399		
TMS	<-- -	TMSFIA 1	0,542	14,5847 6	0,706236	1,991221	0,880
	<-- -	TMSFIA 2	0,673		0,547071		
	<-- -	TMSFIA 3	0,835		0,302775		
	<-- -	TMSFIA 4	0,875		0,234375		
	<-- -	TMSFIA 5	0,894		0,200764		
PSF	<-- -	PSFIA1	0,888	6,48211 6	0,211456	0,835292	0,853
	<-- -	PSFIA2	0,858		0,263836		
	<-- -	PSFIA3	0,800		0,36		
EAC	<-- -	EAC1	0,875	6,72364 9	0,234375	0,757555	0,957
	<-- -	EAC2	0,882		0,222076		
	<-- -	EAC3	0,836		0,301104		

IAE – Internal Audit Effectiveness; CAE – Chief Audit Executive; IATC – Internal Audit Team Competency; IAI – Internal Audit Independence; IAF – Internal Audit Functioning; EC – Effective Communication; IAS – Internal Audit Status; TMS - Top Management support; PSF - Political Support; EAC – Effective Audit Committee.

5.5.1.2 Testing for validity

Rubin and Babbie (2005) define validity as the trial degree that adequately exposes the true sense of the research topic. Alternatively explained, it is a process that seeks to determine the extent to which the measure, used to collect data, does in fact capture the concept that the investigator is intending to measure (Collis & Hussey, 2014). A valid research study, therefore, is a study that properly collects and interprets collected data in a method that allows conclusions to accurately reflect

and represent the real world setting that was studied (Yin, 2011). The discriminant and convergent validity assessments were conducted during the course of this study to confirm validity (Fornell & Larcker, 1981).

a) Convergent Validity

Factor loading of the different constructs was examined to evaluate the convergent validity as suggested by Fornell and Larcker (1981). Table 5.61 presented above reflects factor loading values per construct. The values achieved per construct are greater than 0.50 as suggested by Fornell and Larcker (1981), therefore demonstrating that the minimum requirement for convergent validity is met. Hair, et al. (2010) submit that where the 0.50 threshold is met per construct, this means that the respective constructs converge well into a single construct and, therefore, are valid with the result that convergent validity is confirmed.

b) Discriminant Validity

Discriminant validity was tested through an Inter-construct Correlation Matrix, Average Value Extracted (AVE) and Average Value Extracted (AVE) and Shared Value (SV).

i. Inter-Construct Correlation Matrix

As suggested by Hair, et al. (2010), this study used the inter-construct correlation matrix to assess whether constructs were distinct and/or less like each other. The results of that test are reflected in Table 5.64 below with the highest correlation being 0.884. The discriminant validity, therefore, was confirmed since the resultant inter-factor correlation values for all matched variables were less than the suggested highest limit of 1.0 (Hair, et al., 2010).

Table 5.64 Inter-Construct Correlations Matrix

Correlations											
	IAE	CAE	IATC	IAI	IAF	EC	IAS	CW	TMS	PSF	EAC
IAE	1										
	388										
CAE	.718**	1									
	0,000										
	388	388									
IATC	.638**	.619**	1								
	0,000	0,000									
	388	388	388								
IAI	.648**	.603**	.679**	1							
	0,000	0,000	0,000								
	388	388	388	388							
IAF	.626**	.570**	.647**	.845**	1						
	0,000	0,000	0,000	0,000							
	388	388	388	388	388						
EC	.493**	.449**	.536**	.524**	.620**	1					
	0,000	0,000	0,000	0,000	0,000						
	388	388	388	388	388	388					
IAS	.467**	.444**	.534**	.525**	.631**	.768**	1				
	0,000	0,000	0,000	0,000	0,000	0,000					
	388	388	388	388	388	388	388				
CW	.258**	.214**	.285**	.395**	.488**	.448**	.610**	1			
	0,000	0,000	0,000	0,000	0,000	0,000	0,000				
	388	388	388	388	388	388	388	388			
TMS	.484**	.430**	.527**	.585**	.678**	.735**	.802**	.703**	1		
	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000			
	388	388	388	388	388	388	388	388	388		
PSF	.444**	.425**	.485**	.491**	.583**	.775**	.834**	.546**	.840**	1	
	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000		
	388	388	388	388	388	388	388	388	388	388	
EAC	.448**	.387**	.483**	.520**	.616**	.736**	.808**	.578**	.828**	.884**	1
	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	
	388	388	388	388	388	388	388	388	388	388	388

** . Correlation is significant at the 0.01 level (2-tailed).

IAE – Internal Audit Effectiveness; CAE – Chief Audit Executive; IATC – Internal Audit Team Competency; IAI – Internal Audit Independence; IAF – Internal Audit Functioning; EC – Effective Communication; IAS – Internal Audit Status; TMS - Top Management support; PSF - Political Support; EAC – Effective Audit Committee.

ii. Average Value Extracted (AVE)

Fornell and Larcker (1981) define the Average Value Extracted (AVE) as a statistical method used to measure the volume of discrepancy that is documented by a construct relative to the volume of discrepancy due to measurement error. Hair, et

al. (2006), suggest that an AVE threshold of 0.30 is reasonable for Social Sciences studies and should be accepted. Mohan, et al. (2013), suggest that an AVE threshold of 0.40 is acceptable whilst Fornell & Larcker (1981), submit that an AVE of at least 0.50 signifies that the validity of the individual variable being studied and the constructs is high. Table 5.65 reflects the Average Value Extracted of all the constructs of the study and these range from 0.626 to 0.849 indicating the sufficiency of the convergent validity of all constructs.

Table 5.65 Average Value Extracted (AVE)

			Estimate	$\lambda\gamma_i^2$	$\Sigma\lambda\gamma_i^2$	ϵ_i	$\Sigma\epsilon_i$	$\Sigma\lambda\gamma_i^2 / (\Sigma\lambda\gamma_i^2 + \Sigma\epsilon_i)$
IAE	<---	IAE1	0,763	0,582	1,618	0,237	0,807	0,667
	<---	IAE2	0,797	0,635		0,203		
	<---	IAE3	0,633	0,401		0,367		
CAE	<---	CAE1	0,660	0,436	1,016	0,340	0,578	0,637
	<---	CAE2	0,762	0,581		0,238		
IAT	<---	IATC1	0,724	0,524	3,033	0,276	1,114	0,731
	<---	IATC2	0,753	0,567		0,247		
	<---	IATC3	0,839	0,704		0,161		
	<---	IATC4	0,837	0,701		0,163		
	<---	IATC5	0,733	0,537		0,267		
IAI	<---	IAI1	0,768	0,590	3,493	0,232	2,089	0,626
	<---	IAI2	0,772	0,596		0,228		
	<---	IAI3	0,639	0,408		0,361		
	<---	IAI4	0,791	0,626		0,209		
	<---	IAI5	0,543	0,295		0,457		
	<---	IAI7	0,724	0,524		0,276		
	<---	IAI8	0,674	0,454		0,326		
	<---	IAI8	0,674	0,454		0,326		
IAF	<---	IAF5	0,68	0,462	4,446	0,320	1,554	0,741
	<---	IAF6	0,656	0,430		0,344		
	<---	IAF7	0,806	0,650		0,194		
	<---	IAF9	0,805	0,648		0,195		
	<---	IAF10	0,683	0,466		0,317		
	<---	IAF11	0,816	0,666		0,184		
EC	<---	EC1	0,806	0,650	1,381	0,194	0,339	0,803
	<---	EC2	0,855	0,731		0,145		
IAS	<---	IAS1	0,745	0,555	2,273	0,255	0,727	0,758
	<---	IAS2	0,829	0,687		0,171		
	<---	IAS3	0,699	0,489		0,301		
TMS	<---	TMSFIA1	0,542	0,294	3,819	0,458	1,181	0,764
	<---	TMSFIA2	0,673	0,453		0,327		
	<---	TMSFIA3	0,835	0,697		0,165		
	<---	TMSFIA4	0,875	0,766		0,125		
	<---	TMSFIA5	0,894	0,799		0,106		
PSF	<---	PSFIA1	0,888	0,789	2,546	0,112	0,454	0,849
	<---	PSFIA2	0,858	0,736		0,142		
	<---	PSFIA3	0,8	0,640		0,200		
EAC	<---	EAC1	0,875	0,766	2,242	0,125	0,407	0,846
	<---	EAC2	0,882	0,778		0,118		
	<---	EAC3	0,836	0,699		0,164		

IAE – Internal Audit Effectiveness; CAE – Chief Audit Executive; IAT – Internal Audit Team Competency; IAI – Internal Audit Independence; IAF – Internal Audit Functioning; EC – Effective Communication; IAS – Internal Audit Status; TMS - Top Management support; PSF - Political Support; EAC – Effective Audit Committee.

iii. Average Value Extracted (AVE) and Shared Variance (SV)

A test that determines whether AVE exceeds the highest shared variance (SV) between constructs was performed to confirm discriminant rationality (Fornell & Larcker, 1981). As reflected in Table 5.66 below, bold coefficients indicate the highest correlation shared by two variables based on the Shared Values presented in Table 5.67 further below. The AVE for all variables is higher than the highest joint variance between that variable and other variables (AVE > HSV) except for one item (i.e. IAI) where the AVE at 0.626 is less than the HSV of 0.714. This one exception, however, is compensated for by the ‘well-beyond’ threshold Composite Reliability achieved for this construct as presented in Table 5.63 above (Fornell & Larcker, 1981). The outcomes as depicted in Table 5.66, therefore, indicate sufficient achievement of discriminant validity.

Table 5.66 Shared Variances

Correlations										
	IAE	CAE	IATC	IAI	IAF	EC	IAS	TMS	PSF	EAC
IAE	1	0,516	0,407	0,420	0,392	0,243	0,218	0,234	0,197	0,201
CAE	0,516	1	0,383	0,364	0,325	0,202	0,197	0,185	0,181	0,150
IATC	0,407	0,383	1	0,461	0,419	0,287	0,285	0,278	0,235	0,233
IAI	0,420	0,364	0,461	1	0,714	0,275	0,276	0,342	0,241	0,270
IAF	0,392	0,325	0,419	0,714	1	0,384	0,398	0,460	0,340	0,379
EC	0,243	0,202	0,287	0,275	0,384	1	0,590	0,540	0,601	0,542
IAS	0,218	0,197	0,285	0,276	0,398	0,590	1	0,643	0,696	0,653
TMS	0,234	0,185	0,278	0,342	0,460	0,540	0,643	1	0,706	0,686
PSF	0,197	0,181	0,235	0,241	0,340	0,601	0,696	0,706	1	0,781
EAC	0,201	0,150	0,233	0,270	0,379	0,542	0,653	0,686	0,781	1

Correlation is significant at the 0,01 level (2-tailed),

IAE – Internal Audit Effectiveness; CAE – Chief Audit Executive; IATC – Internal Audit Team Competency; IAI – Internal Audit Independence; IAF – Internal Audit Functioning; EC – Effective Communication; IAS – Internal Audit Status; TMS - Top Management support; PSF - Political Support; EAC – Effective Audit Committee.

Shared variances as presented in Table 5.66 above are calculated based on the shared values presented in Table 5.67 below. Values as presented in Table 5.67 are squared to achieve values reflected in Table 5.66 above.

Table 5.67 Highest Shared Values

Correlations										
	IAE	CAE	IATC	IAI	IAF	EC	IAS	TMS	PSF	EAC
IAE	1	.718**	.638**	.648**	.626**	.493**	.467**	.484**	.444**	.448**
CAE	.718**	1	.619**	.603**	.570**	.449**	.444**	.430**	.425**	.387**
IATC	.638**	.619**	1	.679**	.647**	.536**	.534**	.527**	.485**	.483**
IAI	.648**	.603**	.679**	1	.845**	.524**	.525**	.585**	.491**	.520**
IAF	.626**	.570**	.647**	.845**	1	.620**	.631**	.678**	.583**	.616**
EC	.493**	.449**	.536**	.524**	.620**	1	.768**	.735**	.775**	.736**
IAS	.467**	.444**	.534**	.525**	.631**	.768**	1	.802**	.834**	.808**
TMS	.484**	.430**	.527**	.585**	.678**	.735**	.802**	1	.840**	.828**
PSF	.444**	.425**	.485**	.491**	.583**	.775**	.834**	.840**	1	.884**
EAC	.448**	.387**	.483**	.520**	.616**	.736**	.808**	.828**	.884**	1

IAE – Internal Audit Effectiveness; CAE – Chief Audit Executive; IATC – Internal Audit Team Competency; IAI – Internal Audit Independence; IAF – Internal Audit Functioning; EC – Effective Communication; IAS – Internal Audit Status; TMS - Top Management support; PSF - Political Support; EAC – Effective Audit Committee.

5.5.1.3 Model and Model Fit Assessment

The two-step model approach involving the measurement tool and a subsequent structural tool was adopted in this study (Anderson & Gerbing, 1988). The results of the Confirmatory Factor Analysis (CFA) are presented below.

a) Model Fit Assessment

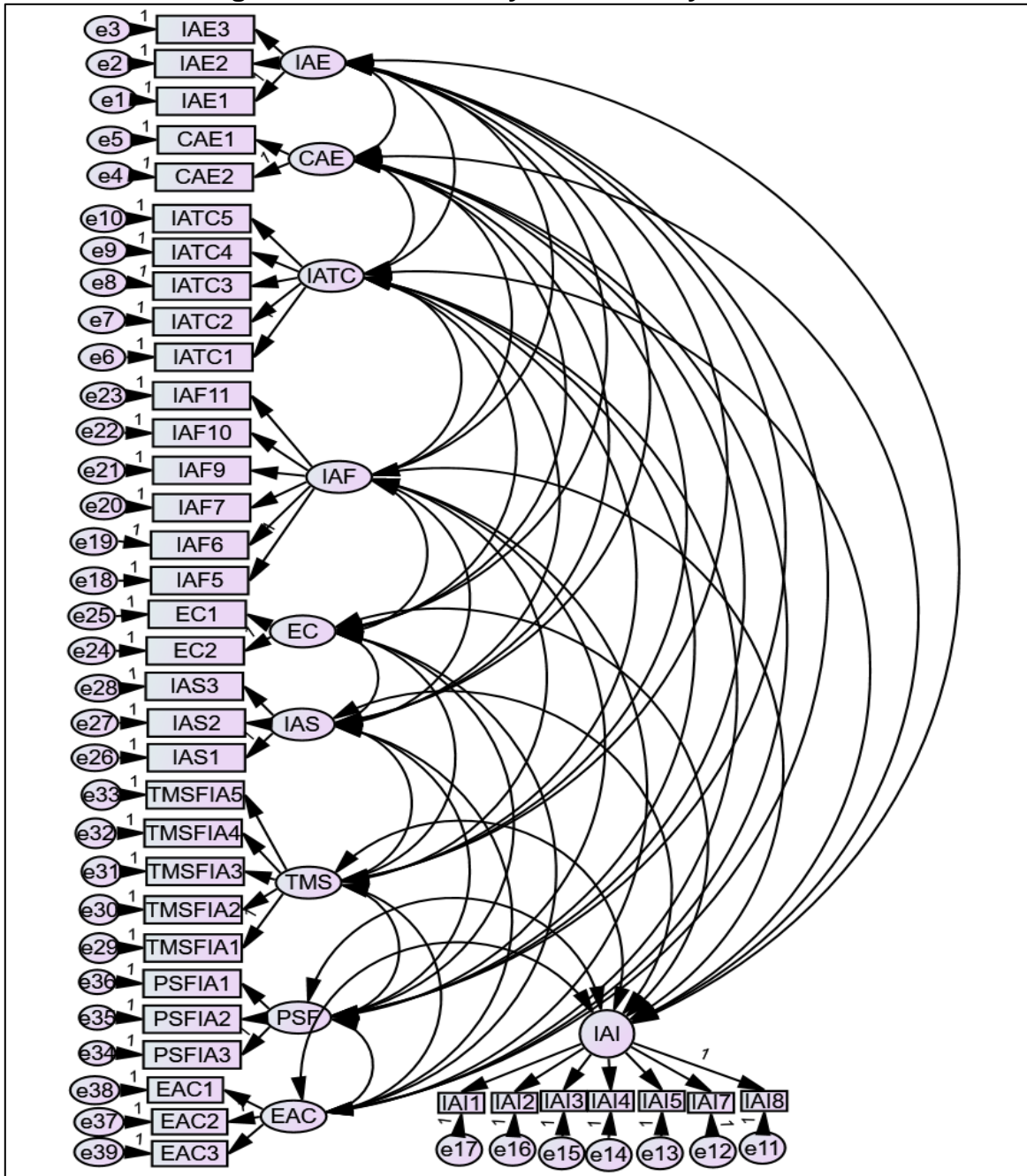
The CFA was conducted to assess the measurement mode. Figure 5.3 presented below presents the Confirmatory Factor Analysis Model of the study. As presented in Figure 5.3 below, the model comprises round shapes which represent latent variables whilst observed variables are depicted in rectangular shapes. Directional arrows are included to depict relationships between latent variables.

b) Model Fit Assessment Results

All measured constructs were included in the measurement model, namely; Internal Audit Effectiveness (three-item scale), Chief Audit Executive (two-item scale), Internal Audit Team Competency (five-item scale), Internal Audit Independence (seven-item scale), Internal Audit Functioning (six-item scale), Effective Communication (two-item scale), Internal Audit Status (three-item scale), Top Management support (five-item scale), Political Support (three-item scale) and Effective Audit Committee (three-item scale). Good-fit indices were produced by the

resulting model as presented in Table 5.68 below. The achieved chi-square ($\chi^2/df = 1,542$) was within the acceptable threshold (<3) as suggested by Kline (2011). As indicated in Table 5.68, all other statistical values (NFI, RFI, IFI, TLI and CFI) are within the suggested threshold of >0.90 for a good-fitting model with the exception of GFI which is exactly 0.90 (Shadfar & Malekmohammadi, 2013). The Root Mean Square Error of Approximation (RMSEA) achieved was 0.037, which is within the recommended threshold of being lower than 0.08 (Hair, et al., 2010). Based on the results achieved, therefore, a good model fit as suggested by Moutinho and Hutcheson (2011) is confirmed.

Figure 5.3 Confirmatory Factor Analysis Model



IAE – Internal Audit Effectiveness; CAE – Chief Audit Executive; IATC – Internal Audit Team Competency; IAI – Internal Audit Independence; IAF – Internal Audit Functioning; EC – Effective Communication; IAS – Internal Audit Status; TMS - Top Management support; PSF - Political Support; EAC – Effective Audit Committee.

(Source: Researcher's own construction)

Table 5.68 Summary of Model Fit Results CFA

Model Fit CFA Model		
Model	Outcome	Threshold
NFI	0,927	>9
RFI	0,906	>9
IFI	0,973	>9
TLI	0,965	>9
CFI	0,973	>9
GFI	0,900	>9
RMSEA	0,037	<0,08
CMIN/DF	1,542	<3

(Source: Researcher's own construction)

5.5.2 The Structural Model and Analysis of Paths

The structural model estimation was performed following the measurement model and utilising a maximum likelihood estimate. As indicated in the introduction of this section of the study, SEM was used to perform an analysis of the measurement tool and to approximate the structural model (Anderson & Gerbing, 1988). Furthermore, SEM was used to perform path analysis and path modelling as depicted in Table 5.69 and Figure 5.4 below.

Table 5.69 Summary of Model Fit Structural Model

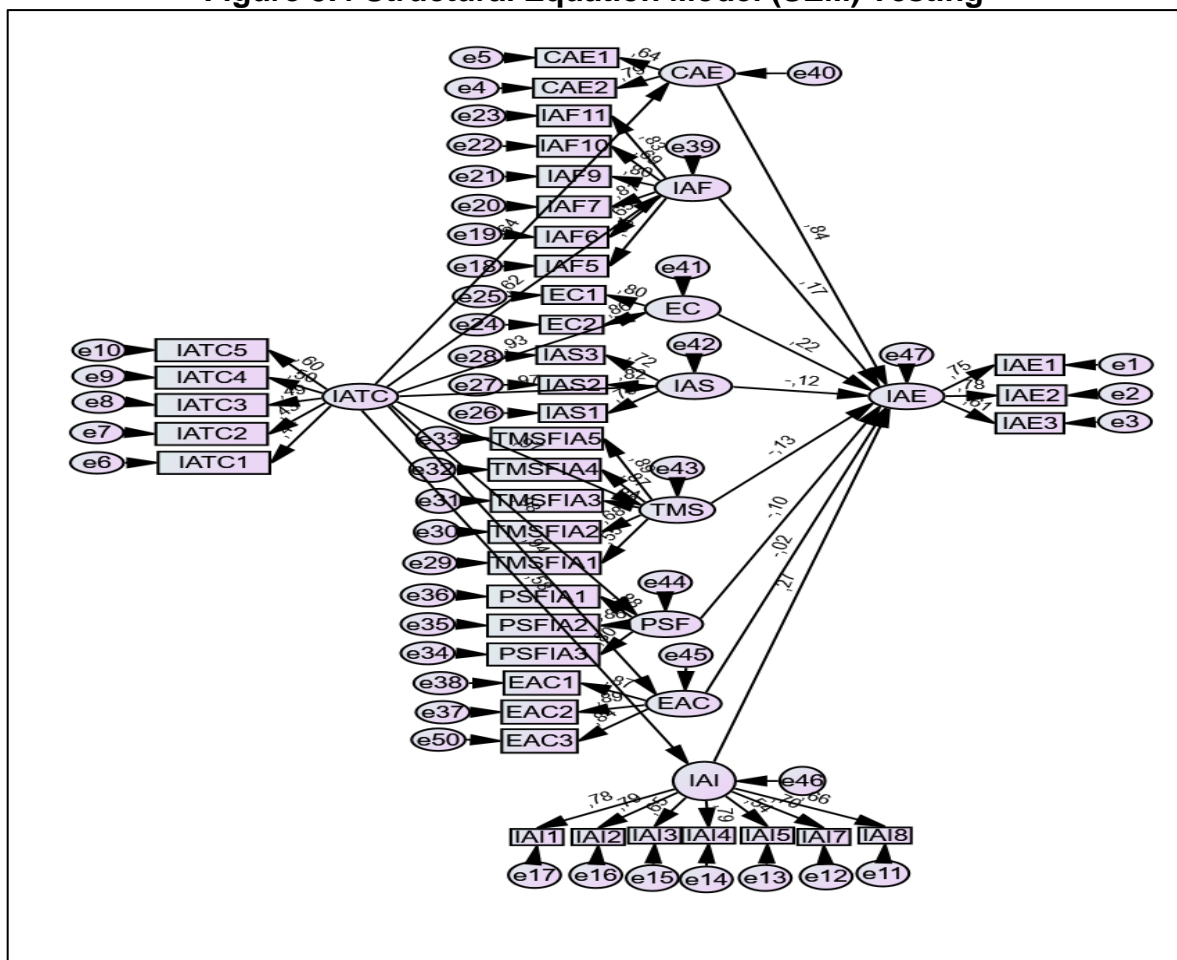
Model Fit Structural Model		
Model	Outcome	Threshold
NFI	0,92	>9
RFI	0,9	>9
IFI	0,967	>9
TLI	0,959	>9
CFI	0,967	>9
GFI	0,90	>9
RMSEA	0,041	<0,08
CMIN/DF	1,638	<3

(Source: Researcher's own construction)

Presented in Table 5.69 are the results of the Model Fit Structural Model for the path analysis. As indicated in this table, a good fit was achieved for the structural model where a Chi-square value of ($\chi^2/df = 1.638$) was achieved against the acceptable

threshold of <3 (Hair, et al., 2010). Other results included the NFI = 0.92, RFI = 0.90, IFI = 0.967, TLI = 0.959, CFI = 0.967 and GFI = 0.90, all which were within the recommended threshold of 0.90 or above as suggested by Hair, et al. (2010). In addition to these, a RMSEA = 0,041 was noted and this value is within the acceptable threshold of below 0.08 (Kenny, et al., 2015). These results indicate that the structural model achieved the necessary good fit as all the resultant fit-indices were within the recommended thresholds and in most instances, better than the recommended values. Figure 5.4 reflects the results of the SEM testing which reveals the direction of the relationship between variables using the standardised path coefficients.

Figure 5.4 Structural Equation Model (SEM) Testing



(Source: Researcher's own construction)

5.5.2.1 Hypothesis Testing

After the confirmation of the model fit, hypotheses testing was performed by examining the structural paths as per the hypothesised relationships. The 1%, 5%, and 10% ($p < 0.01$, 0.05 , and 0.1) significance levels were utilised. Table 5.70 depicts findings from the hypotheses formulated.

Table 5.70 Hypothesis Results and Path Coefficients

Hypothesised Path	Hypothesis	Path Coefficient	P-Value	Assessment (** $p < 0.01$; ** $p < 0.05$; * $p < 0.1$)
CAE → IAE	H1	0,841	***	Supported and Significant at 1% level $p < 0.01$
IATC → IAE	H2	0,650	***	Supported and Significant at 1% level $p < 0.01$
IAI → IAE	H3	0,271	***	Supported and Significant at 1% level $p < 0.01$
IAF → IAE	H4	0,169	0,002***	Supported and Significant at 1% level $p < 0.01$
EC → IAE	H5	0,223	0,197 ^{ns}	Not Supported and Not Significant
IAS → IAE	H6	-0,117	0,728 ^{ns}	Not Supported and Not Significant
CW → IAE	H7	0,003	0,946 ^{ns}	Not Supported and Not Significant
PSF → IAE	H8	-0,105	0,772 ^{ns}	Not Supported and Not Significant
TMS → IAE	H9	-0,126	0,639 ^{ns}	Not Supported and Not Significant
EAC → IAE	H10	-0,019	0,909 ^{ns}	Not Supported and Not Significant

Notes: (ns) is not significant at *** $p < 0.01$; ** $p < 0.05$; * $p < 0.1$

IAE – Internal Audit Effectiveness; CAE – Chief Audit Executive; IATC – Internal Audit Team Competency; IAI – Internal Audit Independence; IAF – Internal Audit Functioning; EC – Effective Communication; IAS – Internal

Audit Status; CW – Compliance with IIA Standards; TMS - Top Management support; PSF - Political Support; EAC – Effective Audit Committee.

(Compiled by Researcher)

The assessment of the p-value or the probability value, as per Table 5.70 above, reveals that four hypotheses were significant and supported at the 1% significance level out of the ten that were indicated at a level of significance of 0.01 and which are designated with asterisks (***). Hypotheses 5, 6, 7, 8, 9 and 10 were not supported and not significant (ns).

5.6 CONCLUSION

This chapter was dedicated to the outcomes of the quantitative component of the study. Accordingly, findings from the statistical analysis emanating from the data captured by the questionnaire regarding factors that impact Internal Audit effectiveness within the eThekweni Municipality were presented in this chapter. Those same results were interpreted through the provision of descriptive analysis for all the statements which formed part of the administered questionnaire. Inferential statistics were then provided and discussed followed by an analysis of the reliability and validity of the measurement instruments used. The chapter that follows will discuss these results.

CHAPTER SIX

DISCUSSION OF QUANTITATIVE RESULTS

6.1 INTRODUCTION

The previous chapter presented quantitative research results gathered from all responses collected using the questionnaire. Analysis of the collected data was performed using the SPSS and was accordingly presented in the previous chapter in the form of tables and graphs. That content was followed by a presentation of descriptive analysis as well as inferential statistics based on the conceptual model of the study and including all the identified factors that impact on Internal Audit effectiveness within the eThekweni Municipality. A discussion of the results or findings presented in the previous chapter is provided in this chapter, with a deliberate focus on negative responses requiring attention from decision-makers within the Municipality. The presented data is in alignment with the research objectives and questions of the study. Supporting literature to identify common literacy threads with the results of the study is also discussed. Significant findings are then identified and summarised. The rationale of this study (Section 1.2) as well as the research objectives (Section 1.4) and questions (Section 1.5) were discussed in Chapter One. These are restated here before a presentation of research results which were presented in the previous chapter.

The principal objective of this empirical study was to develop a conceptual framework for factors that influence the effectiveness of Internal Audit within eThekweni Municipality. Consequentially, four secondary objectives were derived from the primary objective; (i) understand how internal audit within eThekweni Municipality is performing in responding to its mandate, (ii) identify factors that impact upon Internal Audit within eThekweni Municipality effectively discharging its mandate, (iii) explore the relationship between each identified factor and the effectiveness of Internal Audit of eThekweni Municipality, and (iv) present recommendations based on the results of the statistical analysis. Research questions derived from the main and secondary objectives of the study were:

- How is the eThekwini Municipality internal audit performing in efforts to discharge its mandate?
- What are the factors that impact upon internal audit within eThekwini Municipality being able to effectively discharge its mandate?
- What is the relationship between each identified factor and the effectiveness of internal audit of eThekwini Municipality?
- What recommendations can be presented based on the results of the statistical analysis?

The second chapter provided the literature that was reviewed in conducting this study and identified key factors influencing the effectiveness of eThekwini Municipality's Internal Audit and thus, responded to objective (ii) of the four secondary objectives of this study which was concerned about identifying factors influencing the effectiveness of Internal Audit within the eThekwini Municipality. In presenting a discussion of the quantitative results, this chapter partly responds to objectives (i) and (iii) of the four secondary objectives concerned with the actual effectiveness of the Internal Audit Unit and the performance of the unit in each identified factor influencing its effectiveness. Chapter Eight covers the qualitative component of the study as it presents qualitative results and thus provides a complete view and response to objectives (i) and (iii) of the four secondary objectives of the study. Chapter Nine, which is the last chapter, then responds to the primary objective as well as objective (iv) of the four secondary objectives. A discussion of the quantitative results, therefore, is presented in the following sections.

6.2 DISCUSSION OF DEMOGRAPHIC DATA

The demographic characteristics adopted in this study were the age of respondents, their highest qualification held, their internal audit working experience in years as well as experience in the field where the respondent is employed, in years. Amongst the four age groups identified in the questionnaire, namely; 25 – 34, 35 – 44, 45 – 54 and 55 and above, respondents between 35 and 44 years constituted the largest group as it accounted for 44.3% of the total number of respondents. A percentage

of 63.1% of the respondents was aged 35 years and above whilst only 36.9% of respondents were aged 34 years and below. The majority of the respondents, therefore, are individuals above the youth level and could reasonably be expected to have enough experience in the work environment and this can only enhance their contribution to the study as they have a sound understanding of internal audit and its expected contribution. Only 3.9% of the respondents held Matric as their highest qualification whilst 96.1% had some tertiary education, i.e. a Diploma or bachelor's degree or master's degree with most respondents (65.7%) being in possession of a bachelor's degree. The understanding by respondents of concepts as well as the underpinning meaning to those concepts, therefore, was at an acceptable level since more than 96% had some tertiary education and would have been exposed to terms and concepts which were part of the questionnaire used to conduct the study. Most of the respondents (60.8%) had four or more years of Internal Audit working experience. That level of exposure to Internal Audit and internal audit concepts allows an individual to gain a reasonable understanding of the activities of Internal Audit and its expected contribution, thus making them a sound resource for this study. It was established that 47.2% of the respondents had been working in their respective fields for more than 10 years whilst 44.6% had been working for a period of between 4 and 10 years. Those that had been working in their respective fields of work for a period of 3 years or less, constituted only 8.2% of the sample. This again suggests that the respondents' understanding of internal audit and the Internal Audit mandate is at a reasonable, if not at an advanced level.

6.3 DISCUSSION OF RESULTS FROM CONCEPTUAL MODEL

The results as presented in Chapter Five provide various insights into the level of performance the Internal Audit Unit of eThekweni Municipality has been able to achieve in each identified factor influencing its effectiveness. The section that follows provides a discussion of the quantitative results relating to each identified factor of effectiveness for the Internal Audit of eThekweni Municipality.

6.3.1 Results: Internal Audit Effectiveness

The principal aim of Internal Audit as defined by the Institute of Internal Auditors (2017b), is that the unit aims to create value for the organisation as an ultimate objective. This means that the Internal Audit Unit is only effective when it is able to contribute to the value creation process of an organisation. This view was earlier supported by Dittenhofer (2001) who states that Internal Audit Effectiveness is the attainment of goals and objectives of the Internal Audit Department. Three statements were included in the questionnaire relating to Internal Audit Effectiveness. These statements were found through the literature review to be the most pertinent statements when dealing with Internal Audit effectiveness (Mbewu & Barac, 2017). The instrument used (questionnaire) in the study in relation to this factor was reliable as a Cronbach's Alpha (α) value of 0.762 was achieved (Cho & Kim, 2015), and item to total values were in the range between 0.485 and 0.691 (Pallant, 2010) and a composite reliability of 0.777 was achieved (Stephanie, 2019). It should also be noted that the measure used to collect data was valid since the factor loading of the different constructs ranged from 0.633 to 0.797 (Fornell & Larcker, 1981). The inter-construct correlations matrix was less than 1.0 (Hair, et al., 2010) and an Average Value Extracted of 0.667 was achieved (Hair, et al., 2010). The research findings in totality show that Internal Audit of eThekweni Municipality is not fully effective. This was evidenced by the 26.6% of respondents who did not agree that the unit assists the municipality to achieve its objectives. In addition to that, 27.7% of respondents did not believe that Internal Audit improves Municipal operations whilst 30.5% of respondents did not agree that there was added value created by Internal Audit for the Municipality. It is encouraging that most respondents responded positively to these three statements and this indicates that, at least in their view, the Internal Audit unit is somewhat effective. However, 28.3% of the respondents did not believe that eThekweni Municipality Internal Audit was effective. This is supported by the results of a qualitative study conducted by Mbewu and Barac (2017) on IAE at the local sphere of government in the Limpopo Province, where it was found that indicators of internal audit effectiveness and efficiency within

the Local Government sphere had not been developed and that internal audit departments were inconsistently using templates developed by National Treasury to evaluate their performance. This finding provided the basis to understand the lack (whether perceived or real) of internal audit effectiveness in the local government sphere. The contributing factors to internal audit effectiveness as well as further discussions providing clarity as to why 28.3% of the respondents responded negatively to the statements dealing with internal audit effectiveness are dealt with in the following sections.

6.3.2 Results: Chief Audit Executive (CAE) Profile

H1: There is a positive relationship between the CAE profile and IAE

Hypothesis 1 results reveal that there is indeed a positive association between the CAE profile and IAE with a path coefficient of 0.841 and p-value represented by *** (see Table 5.70), at a significant level of $p < 0.01$. This result is in line with the literature reviewed as the Chief Audit Executive Profile was identified as a key contributing factor to internal audit effectiveness (Arena & Azzone, 2009; Van Staden & Barac, 2014). As presented in Chapter Five, there were two statements in the questionnaire which related to the Chief Audit Executive Profile (Coetzee & Erasmus, 2017). The instrument used (questionnaire) in the study in relation to this factor was reliable as a Cronbach's Alpha (α) value of 0,669 was achieved (Cho & Kim, 2015), item to total values were 0.503 for both items (Pallant, 2010) and a composite reliability of 0,673 was achieved (Stephanie, 2019). It should also be noted that the measure used to collect data was valid since the factor loading of the different constructs ranged from 0.660 to 0.762 (Fornell & Larcker, 1981), the inter-construct correlations matrix was less than 1.0 (Hair, et al., 2010) and an Average Value Extracted of 0,637 was achieved (Hair, et al., 2010). Results show that 24% of the respondents did not believe that the CAE job profile required adequate competencies for the job whilst 23.3% did not agree that the CAE reports to the appropriate level of structure within the organisation. The overall influence of the CAE profile on internal audit effectiveness within eThekweni Municipality, therefore, was not at its optimal level due to the job profile requiring less than adequate

competencies for the job as well as the CAE not reporting to an appropriate level of structure in the organisation. These were the sentiments expressed by about 24% of the respondents. The results are in line with those reported in the study by Mbewu and Barac (2017) which found that in the Local Government of the Limpopo Province, there were inadequate skills within the leadership of internal audit departments surveyed. The results relating to this factor, together with results relating to other factors presented below, provide some clarity as to why 28.3% of the respondents did not believe that Internal Audit within eThekweni Municipality was effective as per the discussion in Section 6.3.1 above.

6.3.3 Results: Internal Audit team competency

H2: There is a positive relationship between the IA team competency and IAE

Hypothesis 2 results reveal that the affiliation between the Internal Audit team competency and Internal Audit Effectiveness is positive with a path coefficient of 0,650 and p-value represented by *** (see Table 5.70), at a significant level of $p < 0.01$. This result is supported by the literature reviewed. The Institute of Internal Auditors (2017b) in its guidelines for internal audit departments indicates that internal audit team competency is one of the critical factors in relation to Internal Audit effectiveness as a function. To that extent, the IIA professional standards requires internal audit professionals to be in possession of the necessary awareness, skills, and other competencies required for the effective performance of their individual responsibilities. This is a sentiment which is supported by Mihret and Yismaw (2007) who found that Internal Audit effectiveness is hindered by a lack of a technically proficient internal audit team. A total of seven statements were included in the questionnaire relating to internal audit team competency as guided by the literature review from studies performed by Dellai & Omri (2016), Gros, et al.(2017) and Huong (2018), supported by The Institute of Internal Auditors (2017b). The instrument used (questionnaire) in the study in relation to this factor was reliable as a Cronbach's Alpha (α) value of 0,878 was achieved (Cho & Kim, 2015), item to total values were in the range of between 0.649 and 0.769 (Pallant, 2010) and a composite reliability of 0,885 was achieved (Stephanie, 2019). It should also be noted that the measure

used to collect data was valid since the factor loading of the different constructs ranged from 0,724 to 0,839 (Fornell & Larcker, 1981), the inter-construct correlations matrix was less than 1.0 (Hair, et al., 2010) and an Average Value Extracted of 0,731 was achieved (Hair, et al., 2010). The totality of the results relating to this factor shows that internal audit team competency is not at an optimal level for internal audit professionals to perform their mandated duties effectively and fully. Of the respondents, 34.1% did not believe that internal auditors have adequate professional knowledge; 27% of the respondents did not agree that internal auditors are considered professionals in the municipality; 60.6% of the respondents did not agree that internal auditors are proactive when executing their duties; 42.9% believed that internal auditors did not attend continuous training; 37.7% of respondents did not believe that internal auditors have adequate subject matter education; internal audit staff turnover appeared to be a problem for 51.1% of the respondents and at least 44.3% of the respondents did not believe that internal auditors understood municipal operations sufficiently. Overall, the results show that an average of 42.5% of the respondents did not respond positively to internal audit team competency statements and that they believed that more needed to be done to enhance the competency of internal auditors in order to achieve the best possible contribution to Internal Audit effectiveness. This result is supported by the results of a research project on internal audit effectiveness where Chief Audit Executives within the Public sector were surveyed. In that study, Van Staden and Barac (2014) found that there was a general sentiment from the Chief Audit Executives that their Internal Audit departments were not staffed with internal auditors who possessed an appropriate diverse skill set to be able to audit all significant functions of their departments. This was further supported by the results of the study performed by Mbewu and Barac (2017) in the local government of the Limpopo Province which found that there were no Certified Internal Auditors or auditors with specialised knowledge in the municipalities surveyed. In summary, the eThekweni Municipality Internal Audit team competency requires improvements for it to be at an optimal level

and for it to not hinder the effectiveness of the unit. Measures to be introduced to improve this factor should be guided by the results of the study.

6.3.4 Results: Internal Audit independence

H3: There is a positive relationship between Internal audit independence and IAE

Hypothesis 3 results show a positive association between internal audit independence and IAE with a path coefficient of 0.271 and p-value represented by *** (see Table 5.70), at a significant level of $p < 0.01$. These results are supported by the literature review conducted. According to Institute of Directors (2016), it is important that the Internal Audit unit is independent from management in order for it to be effective in carrying out its mandate. The King Report recommends that the Audit Committee should confirm that this is the case. The results of studies performed by various researchers into factors that influence Internal Audit effectiveness revealed pertinent statements relating to Internal Audit independence and which, therefore, were included in the questionnaire of this study in order to gain an understanding of how well Internal Audit of eThekweni Municipality is performing on each identified key statement (Al-Akra, et al., 2016). Emanating from the literature review, twelve statements relating to Internal Audit independence and its influence on Internal Audit effectiveness were included in the questionnaire used in this study. The instrument used (questionnaire) in the study in relation to this factor was reliable as a Cronbach's Alpha (α) value of 0,870 was achieved (Cho & Kim, 2015), item to total values were in the range of between 0.486 and 0.737 (Pallant, 2010) and a composite reliability of 0,873 was achieved (Stephanie, 2019). It should also be noted that the measure used to collect data was valid since the factor loading of the different constructs ranged from 0,543 to 0,791 (Fornell & Larcker, 1981), the inter-construct correlations matrix was less than 1.0 (Hair, et al., 2010) and an Average Value Extracted of 0,626 was achieved (Hair, et al., 2010).

The study outcomes reveal that respondents constituting 39.5% did not agree that Internal Audit was free to perform its work and discharge its mandate; 29.1% of the

respondents did not agree that the CAE reported to a level within the municipality that permitted Internal Audit to satisfy its obligations; respondents constituting 43.3% did not believe that the CAE had direct contact with the EXCO; respondents constituting 46.7% did not agree that the CAE had direct contact with Council; respondents constituting 27.1% did not believe that internal Audit had direct contact with all executive management; respondents constituting 65.7% did not believe that in the inner workings of Internal Audit, irreconcilable circumstances were rarely found; respondents constituting 63.9% did not agree that internal auditors seldom confronted obstruction by administration; respondents constituting 38.7% did not agree that Internal Audit professionals had free access and contact to all units and employees of the Municipality; respondents constituting 64.9% did not agree that internal audit employees were not asked to conduct non-audit activities; respondents constituting 42% did not believe that the CAE had unrestricted contact with the Chairperson of the Audit Committee; respondents constituting 37.7% did not agree that the CAE enjoyed support from the Audit Committee; and 32.5% of the respondents did not believe that Internal Audit contributed to the development of municipal processes. In totality, an average of 44.3% of the respondents did not respond positively to the statements regarding Internal Audit independence.

The above findings are supported by the results found in the study of factors contributing to the effectiveness of Internal Audit in the Public Sector of one developing country, Kosovo, where it was found that just below 50% of respondents to that study estimated that internal auditors were not independent when reporting to higher levels of their organisations (Rudhani, et al., 2017). Another study performed in Kenya (a developing country) on the influence of Internal Audit independence on IAE in the Kirinyaga county government, found that there were aspects of scope limitation by Internal Audit to audit evidence and that Internal Audit employees were sometimes assigned tasks other than auditing tasks (Kaboi, et al., 2018). This study suggested that the results found indicated an impact on the internal auditor's ability to be independent when collecting audit evidence and that this ultimately adversely affected their scope and impaired their independence.

According to Yee, et al. (2008), an Internal Audit Department that is not independent in carrying out its duties loses its credibility and capacity to provide a renewed perspective on organisational management. Mustika (2015), further stated that that the non-existence of Internal Audit impartiality and neutrality and/or meddling by audit stakeholders consequentially leads to unfairness in audit evidence gathering, assessment, audit recommendations and audit outcomes reporting. Ultimately, this bends the balance of audit opinion improperly to be favourable to concerned stakeholder. eThekwini Municipality internal audit, therefore, needs to do more in order to get to an optimal level of influence in its effectiveness from its independence, as per the results of this study, and it needs to be continuously alert and develop safeguards to protect its independence (IIA, 2017b).

6.3.5 Results: Internal Audit functioning

H4: There is a positive relationship between Internal audit functioning and IAE

The results of Hypothesis 4 show that there is positive connection between Internal Audit functioning and Internal Audit effectiveness with a path coefficient of 0.169 and p-value of 0.002, at a significant level of $p < 0.01$. These results are supported by the literature reviewed as most researchers found that Internal Audit functioning does impact on the effectiveness of internal Audit as a function. This finding was provided in the body of knowledge by Ahmad (2015), Drogalas, et al. (2015) and Huong (2018) in their separate studies into factors influencing internal audit effectiveness. Their studies further identified a few relevant statements relating to Internal Audit functioning which ought to be investigated when determining this factor. A total of fourteen statements, therefore, were included in the questionnaire relating to Internal Audit functioning emanating from the reviewed literature. The instrument used (questionnaire) in the study in relation to this factor was reliable as a Cronbach's Alpha (α) value of 0,878 was achieved (Cho & Kim, 2015), item to total values were in the range of between 0.609 and 0.761 (Pallant, 2010) and a composite reliability of 0,881 was achieved (Stephanie, 2019). It should also be noted that the measure used to collect data was valid since the factor loading of the different constructs ranged from 0,656 to 0,816 (Fornell & Larcker, 1981), the inter-construct correlations

matrix was less than 1.0 (Hair, et al., 2010) and an Average Value Extracted of 0,741 was achieved (Hair, et al., 2010). The results relating to these reveal that 40% of the respondents did not agree that established Internal Audit objectives were achieved; 49% did not agree that communication between Internal and External audit was sufficient; 45.1% did not agree that Internal Audit's work was performed efficiently; 36.8% did not agree that Internal Audit's reported findings were appropriately justified; 52.9% did not believe that Internal Audit's reported recommendations could be implemented easily; 44.1% did not believe that Internal Audit's reports were accurately prepared; 36.4% did not agree that Internal Audit was of an adequate size to support the organisation; 41.2% did not agree that Internal Audit has adequate resources to perform its functions; 34.8% did not agree that Internal Audit performed core Internal Audit services; 37.2% did not agree that Internal Audit was agreeable to performing additional special reviews when requested; 40% did not believe that Internal Audit performed adequate risk assurance activities; 39.4% did not agree that Internal Audit performed adequate risk advisory activities; 40% did not agree that audit engagements performed by Internal Audit were risk-based whilst 33.6% did not agree that Internal Audit coordinated with other departments within the organisation. Overall, 40.75% of the respondents did not respond positively to the statements relating to Internal Audit functioning, thus indicating that many necessary improvements were required in this area. Some researchers have reported results that support this sentiment. Rudhani, et al. (2017), found in their study performed in the Public sector of Kosovo (a developing nation) that Internal Audit Departments are generally not big enough to carry out their work efficiently; whilst Coetzee and Erasmus (2017) as well as Mbewu and Barac (2017) suggested that there are various improvement areas in the functioning of Internal Audit Departments operating in the South African public sector context. In summary, the functioning of the eThekweni Municipality Internal Audit unit requires improvements in order to be able to exert sufficient positive influence on its effectiveness and, therefore, respond to its mandate.

6.3.6 Results: Effective Communication

H5: There is a positive relationship between Effective communication and IAE

The results of Hypothesis 5 show that the association between effective communication and IAE is not significant and thus, is not supported with a path coefficient of 0,223 and a p-value of 0,197. This means, therefore, that communication efforts of the Internal Audit Unit of eThekweni Municipality are not positively influencing its effectiveness. These results are not in line with the views expressed by researchers in this field and in the literature reviewed. According to Coetzee and Erasmus (2017), several factors are important when examining the impact of effective communication on Internal Audit effectiveness as those can contribute negatively to the relationship between auditors and auditees. Huong (2018), supports the findings of Coetzee and Erasmus (2017) and further indicates support for the key statements which ought to be examined in relation to effective communication by an Internal Audit Unit. Therefore, there were two statements resulting from the reviewed literature included in the questionnaire of this study relating to effective communication and its influence on internal audit (Coetzee & Erasmus, 2017). The instrument used (questionnaire) in the study in relation to this factor was reliable as a Cronbach's Alpha (α) value of 0,814 was achieved (Cho & Kim, 2015), item to total values were 0.689 (Pallant, 2010) and a composite reliability of 0,817 was achieved (Stephanie, 2019). It should also be noted that the instrument used to collect data was valid since the factor loading of the different constructs ranged from 0,806 to 0,855 (Fornell & Larcker, 1981), the inter-construct correlations matrix was less than 1.0 (Hair, et al., 2010) and an Average Value Extracted of 0,803 was achieved (Hair, et al., 2010). Outcomes revealed that 68.5% of the respondents did not disagree that Internal Audit adopted an accusatory style or fault-finding approach when reporting. In fact, 35% of the respondents explicitly agreed with this statement. Furthermore, 33.1% of the respondents did not agree that Internal Audit ensures clarity of message when communicating with auditees. On average, 50.8% of the respondents did not respond positively to the statements relating to effective communication as it relates to Internal Audit of eThekweni Municipality. The results

suggests, therefore, that the Internal Audit Unit must improve its communication to ensure that it improves its effectiveness.

6.3.7 Results: Internal audit status

H6: There is a positive relationship between the Internal audit status and IAE

The results of Hypothesis 6 show that the association between Internal Audit status and IAE is not significant and thus, is not supported with a path coefficient of -0,117 and p-value of 0,728; this means that the status of the unit within the organisation does not positively impact on its effectiveness. These results are supported by the literature reviewed. According to the research work done by Barac, et al. (2016) and Coetzee and Erasmus (2017), Internal Audit status within an organisation is very important for its effectiveness. This sentiment is supported by the Institute of Directors (2016) which further recommends that the Audit Committee should ensure that the Internal Audit Unit has the authority it requires within the organisation to enable it to effectively respond to its responsibilities. Three items were included in the survey in relation to this factor. The instrument used (questionnaire) in the study in relation to this factor was reliable as a Cronbach's Alpha (α) value of 0,782 was achieved (Cho & Kim, 2015), item to total values were in the range of between 0.531 and 0.743 (Pallant, 2010) and a composite reliability of 0,803 was achieved (Stephanie, 2019). It should also be noted that the measure used to collect data was valid since the factor loading of the different constructs ranged from 0,699 to 0,829 (Fornell & Larcker, 1981), the inter-construct correlations matrix was less than 1.0 (Hair, et al., 2010) and an Average Value Extracted of 0,758 was achieved (Hair, et al., 2010). The outcomes in relation thereto indicate that respondents constituting 43.1% did not agree that the organisational status of Internal Audit was sufficient for it to function to achieve its goals; 44.6% did not agree that Internal Audit could influence senior management decisions whilst 46.4% did not believe that Internal Audit provided sufficient support to other departments. An average of 44.7% of the surveyed respondents did not respond positively to the statements relating to Internal Audit status within the eThekweni Municipality. This outcome is supported by the research results of the survey conducted by Van Staden and Barac (2014) which

revealed that 46.6% of the Chief Audit Executives within the South African public sector admitted that their Internal Audit Units had an inferior status in their departments. Action plans, therefore, must be initiated to enhance the standing of Internal Audit within the eThekweni Municipality in order for it to be more effective in performing its work.

6.3.8 Results: Compliance with IIA Standards

H7: There is a positive relationship between Compliance with IIA Standards and IAE

The results of Hypothesis 7 show that the association between adherence with IIA Standards and IAE is not significant and thus is not supported with a path coefficient of 0,003 and a p-value of 0,946. This suggests that the compliance level of the unit does not positively impact on its effectiveness. Mihret, et al. (2010), Arena and Azzone (2009) as well as The Institute of Internal Auditors (2017b) emphasise the importance of adhering to the Institute of Internal Auditors Standards to ensure that an Internal Audit unit is effective in performing its work. One statement was included in the questionnaire in this regard. Statistical analysis was not performed for this factor since there was only a single item (Hair, et al., 2010). Results show that 35.6% of the respondents did not agree that Internal Audit work was performed in adherence with the IIA Standards (ISPPIA) with 64.4% therefore being in agreement. This finding is supported by the outcomes of the study performed by Barac, et al. (2016) titled “Convergence towards Interna Audit Effectiveness in the Brics countries”. The results of that study indicated stronger normative pressure for the use of, and compliance with, IIA Standards in South Africa than in the other BRICS countries; and it submitted that the reason for that was its perceived impact on ethics. In summary, the eThekweni Municipality Internal Audit must improve its adherence to IIA Standards to ensure maximum contribution to its effectiveness.

6.3.9 Results: Top Management support for Internal Audit

H9: There is a positive relationship between senior management support and IAE

The results of Hypothesis 9 show that the relationship between executive management support and Internal Audit effectiveness is not significant and thus, is not supported with a path coefficient of -0,126 and a p-value of 0,639. This means that the senior or top management support towards the internal audit unit does not positively impact upon its effectiveness. The literature reviewed supports these results. Management support for Internal Audit refers to support by top executive management (the City Manager and his deputies) afforded to the Chief Audit Executive (Barac, et al., 2016). This, therefore, is concerned with the obtaining relationship between these two levels of authority within the organisation. Five statements, therefore, were included in the questionnaire relating to this factor as derived from the literature review (Drogalas, et al., 2015). The instrument used (questionnaire) in the study in relation to this factor was reliable as a Cronbach's Alpha (α) value of 0,871 was achieved (Cho & Kim, 2015), item to total values were in the range of between 0.588 and 0.782 (Pallant, 2010) and a composite reliability of 0,880 was achieved (Stephanie, 2019). It should also be noted that the instrument used to collect data was valid since the factor loading of the different constructs ranged from 0,542 to 0,894 (Fornell & Larcker, 1981), the inter-construct correlations matrix was less than 1.0 (Hair, et al., 2010) and an Average Value Extracted of 0,764 was achieved (Hair, et al., 2010). Results show that 39.4% of the respondents did not agree that senior management of eThekwini Municipality supported Internal Audit in performing its mandate; 36.1% did not agree that internal audit furnished senior management with adequate reports; 51% did not believe that the reaction to Internal Audit reports by senior management of eThekwini Municipality was sensible; 52.1% did not agree that senior management ensured that the Internal Audit Unit had an adequate financial budget and 53.4% of the respondents did not agree that senior management of eThekwini Municipality sufficiently monitored the implementation of Internal Audit recommendations. These results are in line with the results of the study performed in the Public Sector of Kosovo by Rudhani, et al. (2017), which found that even though senior management were very-well informed about the needs of Internal Audit, however. they needed to do more to support the

audit personnel. Van Staden and Barac (2014), in their study within the South African public sector, found that 45.8% of the surveyed Chief Audit Executives did not believe that their departments had adequate support from the senior management. Furthermore, Mbewu and Barac (2017) in their study performed in the Local Government of the Limpopo Province, found that the general sentiment by the Chief Audit Executives in that Province was that although municipal management responded to findings by Internal Audit, they rarely implemented the recommendations made. In summary, more must be done to ensure that senior management of the Municipality offers adequate support to Internal Audit personnel as well as support to Internal Audit as a unit.

6.3.10 Results: Political support for Internal Audit

H8: There is a positive relationship between the Political head support and IAE

The results of Hypothesis 8 show that the relationship between political leadership support and Internal Audit effectiveness is not significant and thus is not supported with a path coefficient of -0,105 and p-value of 0,772. This means that the political leadership support towards the Internal Audit Unit does not positively impact upon its effectiveness. Given that the Municipality operates within the Local Government sphere and, therefore, is led by politicians elected by the general public (RSA, 1996), politics does have an influence on the operations of the Municipality and by implication, does also influence the operations of the Internal Audit Unit in one way or another. Three items were included in the survey relating to this factor. The instrument used (questionnaire) in the study in relation to this factor was reliable as a Cronbach's Alpha (α) value of 0,883 was attained (Cho & Kim, 2015), item to total values were in the range of between 0.724 and 0.825 (Pallant, 2010) and a composite reliability of 0,853 was achieved (Stephanie, 2019). It should also be noted that the instrument used to collect data was valid since the factor loading of the different constructs ranged from 0,800 to 0,888 (Fornell & Larcker, 1981), the inter-construct correlations matrix was less than 1.0 (Hair, et al., 2010) and an Average Value Extracted of 0,849 was achieved (Hair, et al., 2010). Results show that 69.6% of the respondents did not believe that the political head of the

Municipality supported Internal Audit in performing its mandate; 63.7% did not agree that Internal Audit furnished the political head with adequate reports whilst 72.2% did not agree that the political head of the Municipality monitored the implementation of Internal Audit recommendations. Evidently, more is required to ensure full support by the political head for Internal Audit for it to be fully effective in performing its duties.

6.3.11 Results: Effective audit committee

H10: There is a positive relationship between effective audit committee and IAE

The results of Hypothesis 10 show that the association between an effective Audit Committee and Internal Audit effectiveness is not significant and thus is not supported with a path coefficient of -0,019 and p-value of 0,909. This means the Audit Committee does not positively impact upon Internal Audit effectiveness. Sterck and Bouckaert (2006), Drogalas, et al. (2015) and Endaya and Hanefah (2018), established in their separate research projects, conducted on the subject of Internal Audit effectiveness, that an operative Audit Committee does influence the effectiveness of an Internal Audit Unit. Three statements were included in the questionnaire of this study to obtain an understanding from the respondents of their views pertaining to this matter. The instrument used (questionnaire) in the study in relation to this factor was reliable as a Cronbach's Alpha (α) value of 0,896 was achieved (Cho & Kim, 2015), item to total values were in the range of between 0.759 and 0.823 (Pallant, 2010) and a composite reliability of 0,957 was achieved (Stephanie, 2019). It should also be noted that the instrument used to collect data was valid since the factor loading of the different constructs ranged from 0,836 to 0,882 (Fornell & Larcker, 1981), the inter-construct correlations matrix was less than 1.0 (Hair, et al., 2010) and an Average Value Extracted of 0,846 was achieved (Hair, et al., 2010). Outcomes show that respondents constituting 40% did not agree that the Audit Committee discussed and adequately monitored the implementation of Internal Audit reports; 60.8% did not agree that it is the responsibility of the Audit Committee to appoint and remove the CAE and 28.6% of the respondents did not agree that Internal Audit accounts functionally to the Audit Committee. On average,

43.1% of the respondents did not respond positively to statements regarding Audit Committee Effectiveness. This outcome is supported by the finding in the survey conducted by Coetzee and Erasmus (2017) which found that most audit committees of departments observed all relevant regulations applicable to them whilst some audit committees lacked the necessary standing to do so. Furthermore, the study performed by Mbewu and Barac (2017) also found that in the Local Government of the Limpopo Province, Chief Audit Executives do report to Accounting Officers administratively whilst they functionally account to the Audit Committee (i.e. Audit Committee approves the Internal Audit plans, methodologies, charters and reports). However, the CAE survey indicated that the relationship they enjoy with the Audit Committee was not at the level it should be as they engaged with Committee members only at Audit Committee meetings and never held in-committee meetings without management presence. In summary, the Audit Committee of eThekweni Municipality must do more in the areas identified by the results of the study in order to assist the Internal Audit unit to be more effective in conducting its audit work.

6.4 SUMMARY OF FINDINGS

The results of the study presented in the previous chapter and discussed above in this chapter, offer several conclusions that can be utilised to respond to the primary objective and secondary objectives of the study. Table 6.1 shows a summation of the results and findings.

Table 6.1 Summary of Results and Findings

No.	Factor	Findings	Comparison of literature and findings
1.	Internal Audit Effectiveness	Internal Audit of eThekweni Municipality is not fully effective	Dittenhofer (2001) IIA (2017b) Mbewu & Barac (2017)
2.	CAE Profile	<p>The CAE profile does not require adequate competencies for the job.</p> <p>The CAE does not account to the suitable level of structure in the organisation</p>	Arena & Azzone (2009) Van Staden & Barac (2014) Mbewu & Barac (2017) Coetzee & Erasmus (2017)
3.	Internal Audit Team Competency	<p>Some internal auditors have inadequate professional knowledge and therefore are not considered professionals in the Municipality.</p> <p>Most internal auditors are not proactive when executing their duties</p> <p>Some internal auditors do not attend continuous training and, therefore, do not have subject matter education.</p>	Mihret & Yismaw (2007) Van Staden & Barac (2014) Dellai & Omri (2016) Mbewu & Barac (2017) Gros, et al.(2017) Huong (2018) IIA (2017b)

No.	Factor	Findings	Comparison of literature and findings
		Some internal auditors do not understand municipal operations sufficiently.	
4.	Internal Audit Independence	<p>Internal auditors are not completely free to perform their work.</p> <p>The CAE does not have adequate and unrestricted direct access to all Executive Management, Audit Committee Chair, EXCO and Council.</p> <p>Irreconcilable circumstances are common in the inner working of Internal Audit and it is also common that Internal Audit is confronted by obstruction from management.</p> <p>Internal auditors are sometimes asked to perform non-audit functions.</p>	<p>Yee, et al. (2008) Mustika (2015) IoSA (2016) Al-Akra, et al. (2016) IIA (2017) Rudhani, et al. (2017) Kaboi, et al. (2018)</p>
5.	Internal Audit Functioning	Internal Audit work is not performed efficiently at all times and, therefore, established Internal Audit objectives are not achieved.	<p>Ahmad (2015) Drogalas, et al. (2015) Barac, et al. (2016) Rudhani, et al. (2017)</p>

No.	Factor	Findings	Comparison of literature and findings
		<p>There is insufficient communication between External and Internal Audit.</p> <p>Some findings by Internal Audit are not appropriately justified and, therefore, recommendations cannot be implemented easily.</p> <p>Internal Audit may not be the right size to support the organisation effectively and it does not have adequate resources to perform its functions.</p> <p>Internal Audit does not perform adequate risk assurance and risk advisory activities.</p> <p>Some audit engagements performed by Internal Audit are not risk-based.</p>	<p>AGSA (2017) Huong (2018)</p>
6.	Effective Communication	Internal Audit does not always ensure clarity of message when communicating with auditees and it sometimes adopt an accusatory style or fault-finding approach of reporting.	Barac, et al. (2016) Coetzee & Erasmus (2017)

No.	Factor	Findings	Comparison of literature and findings
7.	Internal Audit Status	The organisational status of Internal Audit is insufficient for it to function to achieve its goals and, therefore, Internal Audit cannot effectively influence senior management decisions.	Van Staden & Barac (2014) Barac, et al. (2016) Institute of Directors (2016) Coetzee & Erasmus (2017)
8.	Compliance With IIA Standards	Internal Audit is not fully adhering to IIA standards.	Mihret, et al. (2010) Arena & Azzone (2009) Barac, et al. (2016) IIA (2017b)
9.	Top Management Support for Internal Audit	Senior management does not fully support Internal Audit to perform its mandate as they do not react in a sensible manner to Internal Audit reports and they do not ensure that Internal Audit has sufficient financial budget.	Van Staden & Barac (2014) Drogalas, et al. (2015) Rudhani, et al. (2017) Mbewu & Barac (2017)
		Senior management does not sufficiently monitor the implementation of Internal Audit recommendations.	

No.	Factor	Findings	Comparison of literature and findings
10.	Political Support for Internal Audit	Internal Audit may not be providing the political head of the municipality with adequate reports. Thus, the political head does not support Internal Audit to perform its mandate as it does not sufficiently monitor the actions by management aimed at addressing Internal Audit suggestions or recommendations.	RSA (1996) Mbewu & Barac (2017)
11.	Effective Audit Committee	<p>The Audit Committee does not adequately discuss and monitor implementation of Internal Audit Reports.</p> <p>The Audit Committee does not have an influential role in appointing and removing the CAE; thus, the CAE does not actually report functionally only to the Audit Committee.</p>	Sterck & Bouckaert (2006) Drogalas, et al. (2015) Mbewu & Barac (2017) Coetzee & Erasmus (2017) Endaya & Hanefah (2018)

Table 6.2 below presents results of the hypotheses in the study.

Table 6.2 Results of Research Hypotheses

Ref	Hypothesis	Result
H1	There is a positive relationship between the CAE profile and IAE.	Supported and Significant
H2	There is a positive relationship between the IA team competency and IAE.	Supported and Significant
H3	There is a positive relationship between Internal audit independence and IAE.	Supported and Significant
H4	There is a positive relationship between Internal audit functioning and IAE.	Supported and Significant
H5	There is a positive relationship between Effective communication and IAE.	Not Supported and Not Significant
H6	There is a positive relationship between the Internal audit status and IAE.	Not Supported and Not Significant
H7	There is a positive relationship between Compliance with IIA Standards and IAE.	Not Supported and Not Significant
H8	There is a positive relationship between the Political head support and IAE.	Not Supported and Not Significant
H9	There is a positive relationship between senior management support and IAE.	Not Supported and Not Significant
H10	There is a positive relationship between effective audit committee and IAE.	Not Supported and Not Significant
(Source: Compiled by Researcher)		

Table 6.2 provides a summary of the results of the measurement and structural model test. Most aspects of H1, H2, H3 and H4 were supported. H5, H6, H7, H8, H9 and H10 were not supported.

6.5 CONCLUSION

This chapter presented a discussion on the quantitative research outcomes component resulting from the data analysis as presented in the preceding chapter. Furthermore, results and findings of the survey were compared to previous literature about Internal Audit effectiveness and a summation of the findings was presented. The summary of findings, together with the results of the research hypotheses, indicate all the significant areas that require direct interventions from those charged with governance and management of the Municipality together with the Internal Audit Unit in order for the unit to be more effective in conducting its work. The next chapter presents research findings for the qualitative component of the study followed by a discussion of the same results and, finally, conclusions, contributions or value add of the study, limitations and future research areas are discussed in Chapter Nine.

CHAPTER SEVEN

QUALITATIVE DATA ANALYSIS

7.1 INTRODUCTION

Chapters Five and Six presented quantitative results and a discussion of those results respectively. Chapter Seven presents the outcomes of the qualitative component of the study that were attained from conducting semi-structured interviews with Senior Managers within Internal Audit. The total population of the qualitative element of this study was considered to be relatively small with only thirteen individuals and, therefore, it was feasible and was considered beneficial to include the entire population as the research sample. At the time of conducting interviews, one vacancy had arisen resulting in a total of twelve available respondents from which qualitative data was collected. All interviews were conducted via Microsoft Teams in the month of October 2020 as all respondents were readily available. Profiles and biographical data of all respondents of the study are detailed in the section that follows.

7.2 PROFILES OF RESPONDENTS

Table 7.1 presents profiles and biographical data of the interviewed respondents.

Table 7.1 Profiles of Respondents to the Study

Respondent	Race	Gender	Age	Position
IA 1	Indian	Male	41 – 50	Deputy Head
IA 2	African	Male	41 – 50	Senior Manager
IA 3	African	Male	31 – 40	Senior Manager
IA 4	African	Male	31 – 40	Audit Specialist
IA 5	African	Male	31 – 40	Audit Specialist
IA 6	Indian	Male	41 – 50	Senior Manager
IA 7	African	Male	31 – 40	Audit Specialist
IA 8	Indian	Male	31 – 40	Senior Manager
IA 9	African	Female	31 – 40	Senior Manager
IA 10	African	Female	31 – 40	Senior Manager
IA 11	African	Female	31 – 40	Senior Manager
IA 12	African	Female	31 – 40	Audit Specialist

The interviewed respondents are not homogenous and, therefore, varied research data was obtained. Most respondents are in their thirties whilst some are in their forties, again giving a broader understanding and context of internal audit issues. In addition, the respondents interviewed included both males and females of both African and Indian descent with varying job profiles which indicates varying experience as well.

7.3 THEMATIC ANALYSIS OF QUALITATIVE DATA

Qualitative data obtained through conducting interviews was coded into themes and sub-themes as discussed in this section. Themes and some other main aspects that were identified explicitly during the interviews are presented. In addition, sub-themes and other aspects inferred or suggested by interviewees are also presented. All collected evidence assisted in responding to the formulated propositions in Section 1.9.2 and explained in Section 3.5 above.

7.3.1 Theme 1: Definition of Internal Audit Effectiveness

Internal Audit effectiveness (IAE) is defined as the attainment of internal audit objectives and goals as set out by the Institute of Internal Auditors (2017b) and which are to assist in the achievement of organisational objectives by adopting a methodical, orderly and risk-based audit tactic to assess and enhance the effectiveness of governance processes, risk management and internal control mechanisms and thereby adding value to the organisation. Respondents were engaged to determine their understanding of what would constitute Internal Audit effectiveness within the eThekweni Municipality context. The following sub-themes emerged from the responses provided.

7.3.1.1 Sub-theme 1.1: Sufficient understanding of risks and weaknesses of ETM
Internal Audit of eThekweni Municipality must contribute to the accomplishment of Municipal strategic goals and objectives as stipulated in the South African Constitution and as adopted in the strategic documents of the Municipality for it to be regarded as being effective. This it does by obtaining a sufficient understanding of the business operations of the Municipality to identify risks and weaknesses

present in those business operations which could prevent the Municipality from delivering on its mandate. Respondents expressed their views as reflected below.

Respondent IA2

The unit is able to deliver everything that they have put down as an objective when it is able to address all the risks, or they are recognising all the relevant risks that might prevent the organisation from delivering on its objectives. The entire internal audit function must include an element of ensuring that risks are managed properly and there are no issues in terms of operations. Where there are issues, those are properly elevated to management accordingly, so that they can address them sufficiently and timeously.

Respondent IA3

I think that Internal Audit would be effective if they kept abreast of issues, mainly risk within an organisation. Risk is involved and obviously risk changes over time. An effective internal audit is one which is able to keep abreast of all the activities and issues happening within the organisation that they are working in. Organisations evolves, so internal audit has to keep up to date....

Respondent IA9

I would say Internal Audit is effective when they add value to the client by making sure that they bring to the client's attention, the risks or the weaknesses in their processes. Also, by understanding the process, the business processes within the client and then also bringing to the client's attention weaknesses they've identified and also be able to advise and recommend.

7.3.1.2 Sub-theme 1.2: Performance of assurance and consulting activities to increase value through implementation of recommendations

Internal audit of the eThekweni Municipality has to add value to the organisation by successfully evaluating municipal processes through consulting and assurance engagements and recommending reforms to address identified risks. This it must do in an independent manner and without any interference and / or restriction.

Respondent IA1

To be effective, Internal Audit has to be in a position to evaluate, give assurance and consulting services in a very objective manner. It must be independent, both actual and perceived. Internal Audit also needs to have free and an unrestricted access to any records of the city so that it can complete its work properly and most importantly - it needs to add value to the organisation so everything is linked up to the vision, mission and objectives of an organisation.

Respondent IA4

I would say Internal Audit is effective when it is independent and is able to provide assurance and consulting activities guided by the IIA standards.

Respondent IA5

Internal Audit effectiveness is when Internal Audit adds value to the organisation. Adding value means that whenever internal audit raised issues, it's either through consulting report or an assurance support. Management takes note of those issues raised by internal audit and then they do implement our recommendations.

Respondent IA6

...And then coming back to the second part, Internal Audit effectiveness means the value we add to management and to the organisation as a collective through our contribution where we come up with value-adding proposals, recommendations that really change the course and the path of the business out there.

Respondent IA10

Internal Audit effectiveness for me is a process where internal auditors are able to do their work without interference and criticism, without being threatened and they produce positive results that would enable the institution to meet their objectives.

Respondent IA12

Internal Audit effectiveness relates to how successful Internal Audit is in producing the desired results which is to add value into the organisation and to also contribute towards the goals of the Municipality through our assurance and with advisory services that we offer.

7.3.2 Theme 2: Key stakeholders of ETM Internal Audit

Key stakeholders to the eThekweni Municipality Internal Audit and from whose perspective Internal Audit Effectiveness should be evaluated, are all the organisations and persons who are interested in the work of Internal Audit and the reports that Internal Audit produces. These are both internal and external to the Municipality. Respondents indicated that internal stakeholders include Council, the Executive Committee (EXCO), the Audit Committee, Senior Management of the Municipality and Internal Audit staff whilst external stakeholders include the National and KZN Provincial Treasury, the Auditor General of South Africa, the Corporative Governance and Traditional Affairs department and residents of eThekweni Municipal Area.

Respondent IA3

The key stakeholders, in my opinion, is actually the communities that we serve. They are the yardstick or measure of effectiveness both for the organisation as well as Internal Audit effectiveness. An Internal Audit space is one of the key roles that ensures that the organisational mechanisms of delivery are calibrated and ensure that it has the foresight. I always tell my team that every time that we audit, think of the community.

Respondent IA5

The one of the key stakeholders from Internal Audit stand-point is the Audit Committee. This is the key stakeholders. So we should evaluate Internal Audit effectiveness from their point of view. In fact, the Audit Committee does perform their

evaluation using model questionnaires annually. The other key stakeholder is management.

Respondent IA6

First of all, I think our functional reporting is the Audit Committee. They would be one of the stakeholders that plays a key role in influencing the evaluation of Internal Audit effectiveness. Secondly, is you're looking at your executive management and they would also be in a position to see the value-add that Internal Audit brings to the table. And we also would also look at the AG in terms of their reliance on our work. And yeah, the quality of work that we produce for them as the stakeholders to see the value that we bring.

Respondent IA7

The key stakeholders are those charged with governance, which is the Council. And that is because they have a constitutional mandate rested upon them to make sure that the Municipality operates effectively, and the controls are working effectively. The Audit Committee also a key stakeholder. The other one is a management. Management is also a key stakeholder because they also depend on Internal Audit as an extra eye in terms of making sure that controls and governance and risk management is working effectively and efficiently. And then since we are in the public sector, the communities are also key.

Respondent IA8

I believe that there's a 360-degree feedback approach to determine effectiveness. We have many stakeholders; stakeholders for the eThekweni Metro are quite different to maybe local municipalities. Stakeholders that I would talk about are the National Treasury being oversight over the activities of a municipality. I would look at provincial treasury, National COGTA because they also provide guidance in terms of the way that we operate in terms of our mandates. Other stakeholders would be management that we service because when we are auditing and we're performing Internal Audit evaluations and internal activities, it usually on work that management

performs so they will also be able to provide us with feedback on how we're doing and how we're ensuring that we are achieving effectiveness or what they deem effective. Other critical stakeholders will be the public. Internal Audit fulfils a vital role in making sure that assurance is provided and ensuring that we perform due diligence and due oversight in critical areas, and we in some point serve as a independent barrier to management.

7.3.3 Theme 3: Current Effectiveness of ETM Internal Audit

The Unit of Internal Audit within eThekweni Municipality executes and reports on the implementation of its risk-based audit coverage plan each year. Respondents were engaged, relating to the current effectiveness of the unit and the following sub-themes arisen.

7.3.3.1 Sub-theme 3.1: Internal Audit is not fully effective

Internal Audit of eThekweni Municipality is not fully effective. The unit is making some contribution and there are pockets of excellence here and there but there are many areas that require improvement in the way the unit conducts its work.

Respondent IA1

It is a mixed bag. Depending on which stakeholder you are talking, you will get a different reply but on the overall, I think we are not at an optimum point yet, So I wouldn't say we 100% effective. There is room for improvement, but we certainly are contributing. We are providing a certain level of value, but the level of effectiveness can be improved.

Respondent IA3

No. Because I think there are several issues...

Respondent IA4

Yes, it is effective. We basically have an Internal Audit coverage plan that is authorised by our Audit Committee, the Board and by our clients. Because we consult with them when we come up with the plan.

Respondent IA6

I do not think so. In my personal view, I do not think we are effective. We have not reached that level of effectiveness yet. We are on a journey to get there or we have a road map but we are not there yet.

Respondent IA7

Currently, I think we have a room for improvement.

Respondent IA8

I do not believe that Internal Audit is effective. It is a double-edge sword. I don't believe that Internal Audit is effective. I think they could be much more effective in the way they carry out their duties and their mandates.

Respondent IA10

Yes, because the recommendations done by the Internal Audit office gets to be implemented by management.

Respondent IA11

Maybe we had an effective Internal Audit, but there has been challenges.

7.3.3.2 Sub-theme 3.2: Reasons attributable to IA not being fully effective

The inability of Internal Audit to be fully effective is attributable to several reasons. Respondents provided the main reasons that, from their personal point of views, contributed to Internal Audit not being fully effective. The reasons provided include; changes in the leadership of the unit (i.e. the office of the CAE), inefficient internal audit processes, an outdated audit methodology, having not performed the quality assurance assessment, the audit software not being fully implemented, the skill set being inadequate to address Internal Audit requirements, the practice by Internal Audit of doing activities simply because those have been done before and not being directed by the existence of risks, lack of technical knowledge and lack of understanding of what Internal Audit does.

Respondent IA1

And from my perspective, a lot of what we do we do it because it has been done previously. We do things because management wants us to do certain things which the 1st line and 2nd line of defence would actually be mandated to do. We do things because people misunderstand the role of Internal Audit.

Respondent IA3

...The main one I think is the issue of leadership in terms of office of the CAE. The Internal Audit project was started when most of us arrived within the organisation. That project was driving towards a certain goal, a certain vision and setting a direction. In my opinion, that sort of fell through the cracks. Obviously, with the changes of leadership there were changes in the vision of Internal Audit, but the new leadership did not necessarily articulate clearly the direction that they would want to see the unit heading towards. That created lots of major issues that relate to your soft tissues, not the hard issues. That has caused a bit of a disconnect between the leadership and the staff who are executing the work daily.

Respondent IA6

...We can look at our own internal process as an Internal Audit. We have not sorted our methodology out. We have not had a quality assurance done. We do not have our audit software up and running totally to achieve the effectiveness that we want. Our skill level is not at the right level. I mean, we do not have CIAs at a specialist level. So, for an internal audit, I think that is a huge gap. Our CIAs are sitting at the management level, and that is where I feel that we have not reached that level yet. In terms of our stakeholders, we still have not come up with ratings of finding when we are reporting to management.

Respondent IA8

....one of the things that I think is that there is no technical knowledge, lack of understanding of what Internal Audit does. The unit itself is not made up of pure internal auditors, but it has made up of different bits and pieces of people who might

not understand what Internal Audit function is. So, you have too many people pulling in different directions.

Respondent IA11

...and factors that rendered Internal Audit not to be at the level of effectiveness that one would want to see are issues to do with its leadership and this is based on my experience. You need leadership that understands the mandate of Internal Audit and have a strategy that they want to drive.

7.3.4 Theme 4: Key drivers of ETM Internal Audit Effectiveness

Key drivers or factors impacting on IAE within the eThekweni Municipality context include all factors within its environment that have an influence in its ability to perform its audit activities effectively. Respondents were engaged on this and they responded by indicating that key drivers of Internal Audit effectiveness include; having a motivated, competent and knowledgeable team, the internal audit standing within the organisation, ability for internal auditors to gain unrestricted access to information and municipal officials, competent internal audit leadership, training and awareness regarding internal audit roles and responsibilities, independence of internal auditors, updated methodology, support of influential political structures, i.e. EXCO and Council and agility and flexibility towards accommodating changes to the audit plan.

Respondent IA1

The first key driver is to have a competent and knowledgeable team. The Internal Audit must have the professional competence and knowledge so that we know what we're talking about when we are evaluating and when we are assessing controls in the organisation. The second thing is Internal Audit standing within the organisation itself. It needs to be at an appropriate level to add value. The third thing is to be able to gain unrestricted access to whatever information we require, so when we want information, we must have unrestricted access to information. The fourth thing I would say is that you need very acceptable and strong leadership within the organisation. Because you can have the best Internal Audit department with the best

competence and skills but all of that will not help if you do not have correct leadership that understands the role of Internal Audit. I think you won't succeed. The fifth factor is that you need a lot of awareness and training...

Respondent IA2

...it is around people and skills...And I believe to be able to really audit the client or to offer the services in an effective manner, that the one of the key drivers is to ensure that the people that are supposed to be auditing are empowered and they are also empowered from just a soft issues perspectives and that they are kept motivated. Another key driver for the efficiency of Internal Audit is the independence of internal auditors.

Respondent IA3

Look, obviously the competence of staff is critical. But more critical is the competence of leadership. Leadership needs to show up and play their role. The use of available technologies in terms of systems is also critical...our methodologies as well must be up to date...

Respondent IA5

The first important thing is the line of reporting. Internal Audit must account through its reporting mechanisms to the Audit Committee functionally and report to the Municipal Manager administratively. That means that the IA reports to an independent structure and thus securing its independence. Number two, the competency of internal audit staff, including the CAE. Having support of influential political structures is also very important, i.e. EXCO and Council. These structures can make sure that they assist the city and to make sure that efficiency is achieved and they drive the agenda of Internal Audit.

Respondent IA6

I think the key drivers for the effectiveness of Internal Audit is our ability to be flexible and to be more focused on a risk-based approach. Our flexibility and agility to

change our coverage plan based on the changing risk landscape that faces us continuously. So, I think this is a perfect example of saying our coverage plan should not be cast in stone.

7.3.5 Theme 5: Chief Audit Executive (CAE) Profile

P1: The Chief Audit Executive profile has a positive impact on IAE

The role reserved for the CAE in ensuring the effectiveness of the Internal Audit Unit is critical. An individual occupying this position is essentially responsible, amongst others, for the direction of the unit as they are responsible for drafting a coverage plan and for supervising the work of Internal Audit. Respondents were engaged on the impact of the CAE profile on the effectiveness of Internal Audit and the following themes emerged.

7.3.5.1 Sub-theme 5.1: The CAE profile has a significant influence on IA effectiveness

All respondents indicated that the CAE profile has a significant influence on IAE. They indicated that the CAE is the face and representative of Internal Audit and, therefore, sets the direction and tone for the organisation.

Respondent 1A

I think the answer to the first part is 'Yes'. The profile of the CAE can tremendously influence the internal audit effectiveness...

Respondent IA2

Yes, I do think that the CAE profile is key, and it can influence how Internal Audit is perceived.

Respondent IA4

I think it is important...

Respondent IA5

It is important, and it does influence the effectiveness of IA because people work with perceptions. So, it means that if you have got a bad profile then people will not trust you to do the job.

Respondent IA12

The CAE as the head of the unit has a lot of influence on the direction the unit will take.

7.3.5.2 Sub-theme 5.2: The CAE must be highly qualified and with relevant practical experience for IA to be effective

The eThekweni Municipality Internal Audit can achieve the highest level of effectiveness if it is led by an individual who holds the highest qualifications within the field of Internal Audit and has a master's degree with strategy and human resource management as subjects. In addition, this individual must have sufficient practical Internal Audit experience at a senior management level. These are views expressed by respondents of the study.

Respondent IA6

The profile of the CAE first must be of an Internal Audit background experience and skilled with the number of years in the environment. The CAE also must be a big hitter. He also must be well-versed with the business processes and the business climate of the organisation to make sure that Internal Audit is effective in addition to being a strategic thinker as well.

Respondent IA7

...remember, if you have the right qualification of Internal Audit and experience, you have a base and the knowledge of the role of the office of Internal Audit and also the role that you play in the organisation.

Respondent IA11

...you need to have a background of Internal Audit. You need to understand theory. You need to understand frameworks.

Respondent IA10

...also your decision-making must not be driven by other people for you to carry out activities. The experience of the CAE and the number of years in internal auditing plays a huge role in enabling the Office of the Internal Auditor to work effectively.

7.3.5.3 Sub-theme 5.3: The CAE must have strong interpersonal and emotional skills as well as espouse good ethics for IA to be effective

Respondents indicated that a CAE within eThekweni Municipality must be someone with a strong character and be someone with good ethics.

Respondent IA1

...and as you build yourself into a CAE position, you find the people with stronger emotional skills, social skills, tactfulness understanding how to get the best out of his employees. If you just know how to be tactful with people, you will get the best out of each person.

Respondent IA2

The CAE has to be someone who is knowledgeable so that people can trust the things that he says, so that people can listen to that person and he must be able to prove that he will take issues as they are, without favouring certain individuals or doing other people favours. The office of the CAE is a sensitive office where I believe that an individual must be able to be trusted, must be a person with some credentials so that he can be trusted by individuals that he is servicing. Because if the trust is lost or if the person does not get much of credentials, that tends to influence how internal is viewed.

Respondent IA10

...especially in terms of the character. I can safely say that most of the things gets to be done depending on the character of the person. If you are soft, people do not take you seriously.

Respondent IA12

...and the character of the person and the attributes that they have, influences staff members in the unit. The issue is that it is difficult for some people to follow a leader without a vision. When the CAE has a vision and they can motivate the staff to follow that vision, that can make the unit be effective.

7.3.6 Theme 6: Internal Audit Team's Competency

P2: Internal audit team competency has a positive impact on IAE

The competency of the Internal Audit team is a driver or key factor of Internal Audit effectiveness as per the literature reviewed in the performance of this study. Respondents were engaged on the influence of this driver on the effectiveness of the audit team within eThekweni Municipality and following sub-themes arisen.

7.3.6.1 Sub-theme 6.1: The competency of the IA team has a significant influence on IAE

IAE is significantly impacted upon by the competency of the Internal Audit team. Competency in the sense of Internal Audit services includes being in possession of relevant Internal Audit qualifications, having the correct Internal Audit experience, understanding the Local Government environment, understanding the objectives of the municipality, understanding municipal operations, understanding risks facing the organisation and being in a position to carry out pure Internal Audit work in the form of assurance and consulting activities to come up with value-add recommendations for management to implement and thus address the identified risks.

Respondent IA2

The competence of the team definitely matters in my view. The competency of the team is one of the drivers that I believe can make Internal Audit effective. I am a

strong believer that when we are internal auditors you need to know more than your client. You need to strive to know more than what the process owner knows so that that person that you are auditing can actually have respect and will be able to take your advice around a particular subject so that you are able to identify risks.

Respondent IA9

Yes, I think maybe in a lot of my responses I have indicated that staff competence is critical. It is very important to have a competence Internal Audit team in terms of education qualification, the experience, etc. And also understanding of the mandate.

Respondent IA3

Yes, the understanding of Internal Audit and their background and experience and qualifications is critical.

Respondent IA5

Yeah, competency does matter. It assists you to be able to perform your work. I think if we are talking about competency we are talking about technical know-how and experience. It is important that an auditor understands not only the area they are operating in, but this experience will influence the way you think to the way you audit. Yes, it is very important

Respondent IA4

I think Internal Audit team's competency is vital for Internal Audit effectiveness. The team must have the necessary qualifications to be able to perform our work in the required manner.

Respondent IA1

Internal team is one factors I would say you must get right. If you are a senior manager, specialist, or internal auditor, there are different competencies at different levels that are expected from you.

7.3.6.2 Sub-theme 6.2: The IA team of ETM is not sufficiently qualified and skilled for IA effectiveness

The Internal Audit team of eThekweni Municipality is not sufficiently qualified and skilled to perform Internal Audit activities effectively. In terms of qualifications, the team has very few officials with key Internal Audit specific qualifications such as the Certified Internal Auditor (CIA) qualification. The experience of the team is also a mixed bag of individuals with an external audit background, private sector background, general government and not local government experience and some officials with core Internal Audit experience. This results in the audit team pulling in different directions.

Respondent IA12

...people do not follow the standards or the methodology, and the way of auditing. They are not familiar with it. It poses a question on the quality of the work that they are going to deliver because you cannot expect, for example, a pure operational person to audit a financial project. So, it does require a balanced way of allocation.

Respondent IA1

I would say there is a mixed bag. We have got people at levels higher from senior managers right down to our internal auditor. We have got people who are on the high end of the spectrum...but we then also have other people on the first step, and that is also fine. We then need a transition to get to graduate people up the ladder as we move, and I think that is the development in training that we as leadership need to focus on.

Respondent IA2

I think the current Internal Audit team in my view, has the necessary competency, but it is not maybe to that level where I can say that they are really flying. The structures or the processes within Internal Audit are not allowing people to really fly and demonstrate those competences at times, and I think again it hinges also around

the fact that people are not motivated to do their best in their field but in a sense I do believe that they are competent.

Respondent IA5

Internal Audit is sufficiently capacitated but in terms of quality or qualification of those people, there are improvement areas. Some of them they are right, some of them need development.

Respondent IA6

We do not have the right mix of Internal Audit skills and technical abilities and expertise. We have the numbers in terms of warm bodies, but not the right frame of mind and the skill level. The example is that we had at a supervisor level and a specialist level even at a seniority level, we do not have any CIAs which is a fundamental necessity of a Department of Internal Audit. If you want to look at the right focus areas, you want to increase the level of skill you have. We have not reached that level of competency. We have people who are not auditors. A lot of them have more financial and more external audit experience. So, yeah, I think we still have a long way to go in terms of the competence and skill level to influence the effectiveness of Internal Audit.

Respondent IA7

I think the skills and qualifications of the team that we have is at an appropriate level. We have a very competent team, but we are not influencing our effectiveness accordingly. I think we still need to improve, especially at a lower level. Even though they do understand the organisation, it is about the application of the knowledge that they have in assisting management or the organisation.

Respondent IA8

I think where we are currently, we might have the right blend of skills at the senior management level. However, when you cascade this down, I do not see all members or people belonging to the IIA for example. I do not see everybody being a CIA. I do

not see anybody who has got government experience. You cannot have somebody who has worked at private auditing firm for 10 years or any private company suddenly coming here. The person needs to have grown up in this environment. They must understand the history of local government and where we were before 1994, where the 2003 MFMA comes from, So I think we lack the level of skills necessary below senior management and the level of experience that below senior management.

Respondent IA3

...in my team, I have got those examples of team members that have got great qualifications, but when it comes to on the ground execution, they fall behind...

7.3.7 Theme 7: Internal Audit independence

P3: Internal audit independence has a positive impact on IAE

Internal Audit independence is one of the key values that the standards of internal auditing indicate and it must be maintained for Internal Audit to effectively perform its activities. The following sub-themes were noted when respondents were engaged on the subject of independence of the eThekweni Municipality Internal Audit Unit.

7.3.7.1 Sub-theme 7.1: Independence of IA within ETM is important for IA to be effective

Internal Audit of eThekweni Municipality must maintain its independence, in reality and appearance, for it to perform its activities effectively. This it does by making sure that it does not perform management functions and or decision-making activities and that it does not report and/or take instruction from management on its activities.

Respondent IA5

Definitely, Internal Audit team's independence is important for IA effectiveness. IA team must be impartial and must be seen to be unbiased by the way they report as well. So, it means that both the CAE and the people who are working for Internal Audit must remain independent.

Respondent IA1

I think the first point is that independence is very important. It is encapsulated in how Internal Audit is defined. Is in the first line of the definition, so there is no way we cannot be seen to be independent.

Respondent IA2

Yeah, our independence definitely has an influence on how we are perceived, and it has an influence on how effective Internal Audit can be.

Respondent IA3

Yes, you need to be able to separate yourself from the situation so that you are able to see things as someone from outside looking in.

Respondent IA8

For me independence is not only in the way that we act, but in the way that we are perceived. Independence is a holistic view of the person and the organisation. So, if one person is viewed as not independent, then you have a problem. So Internal Audit independence will definitely impact on how effective a person and the organisation are.

Respondent IA12

I think independence is critical. Impartiality and fairness are critical for Internal Audit, and without that then really it brings into question a lot of things. That whole independence thing; it allows us or give us the freedom to do more work in the way that we doing in an unbiased manner.

7.3.7.2 Sub-theme 7.2: Internal Audit of ETM is not fully independent and that has a negative impact on its effectiveness

Internal Audit of ETM is not fully independent and that has a negative impact on its effectiveness. The unit is supposed to report and take instruction from the oversight committee (i.e. Audit Committee) in terms of its work and only report to the Municipal Manager administratively, but there are instances where management have been

able to unduly influence the work of Internal Audit. In addition, the arrangement within Internal Audit of allocating a specific team to audit a specific unit or area in the City without any rotation taking place, creates a familiarity threat which impacts on its independence.

Respondent IA2

I do not think Internal Audit of ETM is fully independent. I think we have certain areas where I believe we have been captured in one way or the other. Where issues that we raise depend on who we raising them to and certain issues, may be they are elements of issues being where you find that certain issues are being suppressed, based on the fact that you are now reporting to a particular individual. I think for me that indicates that we are not as independent.

Respondent IA11

Well, I do not think we have attained the highest level of Independence. Mainly because of experience. Again, you find that some objectivity has been compromised. Management's perception of us has been compromised and that comes from how they experience all the work we do.

Respondent IA8

I think that where we are currently, we cannot say that we are independent because we have not assessed everybody on a personal level or have not done it the way that we are perceived. We are not perceived as being independent. Simple things like taking instructions from management creates an independence issue.

Respondent IA3

...there is a tendency of people getting caught up in their roles and not being able to think further. Independence then becomes very, very critical. Auditors need to maintain their independence and not become the client. If I can offer an example of some of my team members who when they're going to audit, they look at themselves

as the client. They come back with information as if they are the client. And you get a sense that an element of independence has obviously been lost there and we then lose our effectiveness in the process.

Respondent IA6

We are independent in terms of our reporting structures and our reporting lines. However, in our appearance we may not be that. And I think we currently, and maybe my emphasis should be at the current position. The way we are currently we could be losing our independence in terms of the request of work that have been coming through in terms of taking over management's responsibilities. So, in terms of structure, yes, we are independent. Our reporting lines are clarified but in appearance I think that things are being blurred now.

Respondent IA10

I don't think we have been able to maintain the proper level of independence because let's say, for example, if you are Internal Audit and since you started auditing you have been auditing supply chain ever since, I think you will end up having friends and not having to advise the SCM office the manner in which is supposed to be.

7.3.7.3 Sub-theme 7.3: The trade-off between independence and value add (effectiveness) to the organisation

Management and the audit committee are increasingly requesting Internal Audit to add more value by performing work in areas where Internal Audit has not been engaged before. Performance of some of those requests has the potential to jeopardise Internal Audit independence due to such requests being closely related to management functions.

Respondent IA1

...It is important to also note that there is a growing need to assist the organisation more, to be more relevant and add more value. In my view, I do not think we have to compromise our independence in order to add value. I think we can do a greater amount of consulting work and be more relevant and add more value, but I think it's the way we carry out our activities and the way we report on it and the appropriate safeguards that we put in place to ensure that our independence is not impaired.

Respondent IA7

...with our changing landscaping, I really think that Internal Audit needs to relook at this, because if you want to add value, sometimes independence can be limiting you in adding value towards the organisation. I'm not saying that we need to make management decisions, but sometimes there are certain requests that we receive from management and then we use independence as a block towards us adding that value to management.

Respondent IA2

Some internal auditors want to remain totally independent whilst avoiding influencing management in making the right decisions. I think we need to look at this thing of total independence if we really want to add value. Because if we are shifting towards the consulting engagements and doing more consulting engagement, there is a line in terms of where you start and where do you stop.

Respondent IA8

...If we want to add value, we must add value within the confines of what independence is...

7.3.8 Theme 8: Internal Audit functioning

P4: Internal audit functioning has a positive impact on IAE

Respondents were engaged on the ETM Internal Audit unit functioning and the following sub-themes were observed.

7.3.8.1 Sub-theme 8.1: Internal Audit Functioning has an influence on IA effectiveness

Respondents believe that the manner in which the unit is structured, the tools of trade it has as well as the processes it employs in the performance of its activities has a significant influence on its effectiveness.

Respondent IA12

Firstly, the functioning of IA does influence its effectiveness...

Respondent IA1

Yeah, I think all these ingredients that you highlighted are key to the appropriate functioning of the Unit of Internal Audit, so its effectiveness being directly impacted. I mean, if you don't have tools of trade you can't do your job properly, which is your computers in the rest of the hardware and software and other resources that you need. If you do not have budget, you can't employ people from a human resource perspective.

Respondent IA11

Yes, I think it does...

Respondent IA5

Yeah, from the functioning point of view I would say, "Yes".

Respondent IA7

Yes, it does...

7.3.8.2 Sub-theme 8.2: IA functioning is largely adequate except for a few exceptions that must be improved for the highest level of effectiveness to be attained

The Internal Audit Unit of ETM is well-structured and has enough human capital and the necessary infrastructure to perform the necessary audit work that is required. However, there are areas of improvement that should be addressed for the IA to be fully effective in relation to its daily functioning. Internal Audit processes are not documented and implemented consistently, the audit software (MetricStream) is not fully in operation due to the many challenges with it that have been identified by the team, there are sometimes challenges with the sourcing of laptops at the right time for use, the technical quality services (TQS) remit is possibly understaffed and cannot adequately perform its function in the organisation and financial resources are insufficient to ensure continuous training and development for Internal Audit officials.

Respondent IA4

...although there is always a room for improvement. You must also be in a position to develop your existing people. Some people will need to go back to school. Others they may need to further their qualifications because of the continuous development that people will need. So, in that aspect I will say we still need to improve on that. We still need to have enough money, enough budgets in order for us to take people to attend those relevant courses that will equip them to do their work.

Respondent IA7

...we have a major challenge with TQS because of the staff members that they have and the volume of reports that are submitted to them for their review. We find that they become overwhelmed and they end up not executing the mandate that they have with regards to checking the quality of the reports before those are issued to the client.

Respondent IA6

I do not think we have reached optimisation as yet and I can give you examples. If you look at our processes from our engagement planning, right to execution and reporting until we issue the report. It is taking a whole month to get those things done, so I think our processes have become too elaborate and it is impacting on our actual final product. Example is reports that have been issued and done and finalised from the First Quarter haven't been issued to the client as yet. I mean from the previous year, whatever. So, we haven't got quality circle there also resulting in delays in the actual process. The actual utilisation of the metric stream software is also not at the appropriate level. There are challenges there in terms of staff change management in terms of the changeover from manual system to the automated system, and there's been issues relating to that and it is impacting on our functional effectiveness. Our reporting to the Audit Committee and to various structures are also delayed. We are not a well-oiled machine as yet, so I think our processes need to be refined. We have various technical committees and we have working groups and we have an abundance of all these support groups, but we are still not seeing the impact and the changeover to improve our efficiencies and effectiveness.

Respondent IA2

...but in terms of the processes within Internal Audit Unit, I believe that there's quite a number of things that are not working. One of them is maybe the tool of trade as you were mentioning the issues of laptops that are forever breaking and the time that it takes for someone to get a new laptop or to get a replacement. It is not great. I mean the issues of training and metric stream are some of the tool that are not working well. Which indicates that there is something wrong in terms of maybe the process itself or the leadership that needs to drive it.

Respondent IA3

...but I think we are not fully matured yet as a unit. I think we are sort of like an abandoned project. In my opinion there are lot of things that are left hanging. I

mentioned earlier that the methodology has not been improved or at least I don't have any recollection of it being reviewed.

Respondent IA8

We really do not have a proper methodology that clearly sets out how we sample, how we test, why we sample a certain area. We also have not reviewed our methodology frequently enough. We do not have a rating system for our findings, i.e. high, medium, low...I think that the budget itself is not sufficient for the super level of work that is required by Internal Audit. I believe that there should be a system of 80-20 or 70-30 or 90-10 at least, where for every 80% of work done internally there should be a budget kept aside for consultants because Internal Audit in by themselves do not have all the skills, so you do need to outsource certain skills - specialised skills.

7.3.9 Theme 9: Effective Communication

P5: Effective communication has a positive impact on IAE

Respondents were engaged regarding the importance of effective communication by Internal Audit of ETM to influence its effectiveness. The responses obtained resulted in the following sub-themes emerging.

7.3.9.1 Sub-theme 9.1: Effective communication does influence IA effectiveness
Effective communication has an influence in IA effectiveness because it enables IA stakeholders to better understand the role and responsibilities of IA as well as to understand the recommendations IA is making for better implementation.

Respondent IA2

Let me just say that, Yes, if you are able to communicate effectively, people know exactly what you do. So, communication is key.

Respondent IA12

Yes, effective communication does influence the Internal Audit activity because it's very important for the organisation to communicate what the unit is all about.

Respondent IA5

I think it's a very important issue because this one is talking to relationship management.

Respondent IA7

Yes, I think it is very important. Especially the language that we use in writing our report.

Respondent IA3

Yes, it does.

7.3.9.2 Sub-theme 9.2: ETM Internal Audit is not communicating effectively with its stakeholders and this has negatively impacted on its effectiveness

The Internal Audit Unit of ETM is not communicating effectively with its stakeholders. There are various shortcomings in the way the unit brands itself, in how its reports are structured and written and in how it is represented at various strategic platforms throughout the City. This has ultimately resulted in key IA stakeholders not understanding the role of Internal Audit and in some instances, not being able to practically implement its recommendation.

Respondent IA7

I still think we need to improve on that one. Because the way that we write our reports it is like we want to find faults. We do not report in a way that shows solutions for the organisation to improve on those things. I think we need to improve, especially in communication and in how we are writing our recommendations. I believe that sometimes the recommendations that we write are more theoretical than being practical. I think also in terms of how we determine or identify the root causes, I think that's where it starts. We need to be able to engage with management to find the core issue or the root cause towards the fault that we are finding so that our recommendations can also be practical and implementable.

Respondent IA2

I believe that people really do not know exactly what internal auditors does. My reasons for what I am saying is that many people within the City would not tell you what Internal Audit does and the projects of Internal Audit. The Unit of Internal Audit has not properly been branded to really give the client a proper understanding of what we do.

Respondent IA10

Yes, I understand the structure of your report may be standard. But I have a problem where sometimes it looks as though ever since you've been auditing supply chain, the only finding that you have or the most findings you have are the same, even though those findings may be correct and it might be that the SCM unit does not correct them. But I just think even your client would feel as though it is just one and the same report all the time. I do not know if perhaps you can change your reporting format. Oh, just maybe come up with other creative tools on how you can produce your reports and make it something that the client is going to look forward to.

Respondent IA6

...our problem is that we really can't see the wood from the trees and if I may elaborate, we do a report just to say, "Yes, we have issued the report". We are not looking at the quality of the report. Is it effective? Is it in terms of the standards? Are we reporting the right issues? We find too many times we are reporting on administrative and housekeeping matters which are pretty and not adding value. We have not yet determined how do we rate our findings, and I am confident that if we sort that out, management will take us much more seriously. And if we can demonstrate by how we have rated our audit findings, management will know that we are reporting on issues that are critical business issues and critical matters. And so, My thoughts are that improvements are required in that area in terms of communication.

Respondent IA12

...there is this disconnect between how we want to be seen and how we are seen. Some people see us a policeman in Council, which is not actually what our role is and that prevents us from adding value. It is critical that we examine the relationship and there is quite a lot that needs to be done to fix it so that we are seen as partners to the business.

Respondent IA11

...I think there are misconceptions and misperceptions about Internal Audit mainly because of how we communicate, and communication comes in different forms and shapes. Maybe we are not coming out clear also as we have not branded ourselves. Some people think we are policing and that we are out to catch them. They think we have personal vendettas against them. As soon as you start clearing that there will be honest to come back to you to tell you to say, "You know what we were thinking".

Respondent IA9

I have sat in some of the EMC meetings, and also in the Audit Committee meetings and when you hear from the clients, it's very clear that we are not communicating well with our clients, especially when it comes to the issues that we've raised in findings or even the reports.

7.3.10 Theme 10: Internal Audit Status

P6: Internal audit status has a positive impact on IAE

Internal Audit status in this context means the standing of Internal Audit within the ETM as well as with other key stakeholders and its influence on IA effectiveness. Respondents were engaged on this factor and the following sub-themes arisen.

7.3.10.1 Sub-theme 10.1: Internal audit status has an influence on IA effectiveness
Internal Audit status amongst its key stakeholders has a significant influence on its effectiveness.

Respondent IA8

Yes, it does because if you do have a status amongst your clients that you are efficient and effective, you are then somebody who can be taken seriously. Somebody who is consistent. Somebody who can perform his functions. I think we must move away from the fact that Internal Audit should be feared, move towards Internal Audit being respected.

Respondent IA1

Yeah, so I think to answer the question, Internal Audit status influences the effectiveness of IA.

Respondent IA2

Well, the answer is 'Yes'. IA status is very important.

Respondent IA4

It is very important how we are perceived by our clients.

Respondent IA5

Internal Audit status matters. Especially from management's point of view.

7.3.10.2 Sub-theme 10.2: Internal Audit of ETM does not have a good standing within its stakeholders in order to achieve high levels of effectiveness

The status or standing of Internal Audit of ETM amongst its stakeholders has diminished from what it used to be in the last few years with signs of it diminishing even further in the foreseeable future. This may largely have been caused by changes in the leadership of the Unit that have occurred in the past couple of years. The diminished status or standing has resulted in the unit not being taken serious by management and which impacts negatively on its effectiveness.

Respondent IA1

Senior management are seeing us now as people who are not adding value as our work is compliance driven. It is a perception issue, but I think it's important to know it because then what we can do is do something about it and we can deal with it.

Respondent IA2

I do not think we're doing very well in that area... there are, therefore, people that view us as maybe unprofessional because of what they hear from us and about us. Ultimately you find an Internal Audit that is not united as a result. That would then give different messages about Internal Audit. A person might think that we are not professional or we not doing what we supposed to be doing. Based on what I am referring to, unity is very important and how we communicate out there.

Respondent IA3

We do not have a good status to achieve effectiveness. I do not think they currently take us seriously. I think there are certain pockets of excellence within but not the unit in its entirety. For the first time this year the client was able to challenge our plan openly. And they said that do not look at this. The client tells you, "Do not do that or this". You get challenged by the client and yet you are the one who is evaluating the risk. There is a sense of arrogance when they are engaging with us and there is a lack of confidence from our side. We have gone down, and the client does not necessarily have much respect in certain pockets.

Respondent IA5

...when the AGSA raises issues, the client takes them seriously but when Internal Audit raises issues, management are unmoved. We need to improve because if you look at a how we are doing in the log, the client is not attending to our issues.

Respondent IA7

...I think it is different from what it was before. I think this before we used to have trust in Internal Audit. They will bring things for Internal Audit to look at. They would request Internal Audit to look at things that are going wrong in the Municipality. They saw that value in us but now, you find that people do not have that trust in Internal Audit. They do not believe that Internal Audit still has that value, or it is still valuable in a way that they found before. So, I think the perception right now is not in a way that one would like to see.

Respondent IA10

...but I can safely say that in previous years, I would say “Yes”. I felt the presence of Internal Audit and I felt the value that you guys were adding but after changes in management, then things felt as though they collapsed. I'm not sure if it's because the other party was given respect and / or perhaps it was the manner in which he valued his staff and made sure that at the end of the day, quality reports and all the other things that are supposed to be in place were in place.

Respondent IA11

I do not think we have got that respect. And that will have an impact on the effectiveness of Internal Audit. because if people do not respect you, what is the chance that you would then get a swift response on whatever engagements or processes that you are auditing...

7.3.11 Theme 11: Compliance with IIA Standards

P7: Compliance with IIA Standards has a positive impact on IAE

Internal Audit departments must comply with all relevant internal auditing standards. Respondents were engaged on this to share their views regarding the ETM Internal Audit unit's compliance with IIA standards and its influence on IA effectiveness. The following sub-themes emerged from their responses.

7.3.11.1 Sub-theme 11.1: IIA Standards have been tested through research and full compliance with them significantly contributes to the effectiveness of IA

Full compliance with all relevant and applicable Internal Auditing Standards ensures consistency in how Internal Audit executes its mandate and that has a significant influence on IA effectiveness.

Respondent IA2

Yes, it is important to have the standards, and I think if you are following the standards you will surely be effective. Those standards have been tested through research.

Respondent IA12

Yes. It is very important that you must comply with the IIA standards. The standards are there to make sure that we are consistent in our approach, so it does influence the whole Internal Audit activity, because how can we issue our reports and say we comply with the IIA standards and the methodology of Internal Audit when we know that we don't know them.

Respondent IA4

Compliance with IIA standards is key for Internal Audit to be effective.

Respondent IA8

...I think yes you must adhere to the IIA standards in order to be effective.

Respondent IA9

Compliance with the standards makes Internal Audit effective because that's your Bible. That's what guides you in terms of how to conduct yourself, how to conduct audits, and how to actually perform your duties.

Respondent IA11

Yes, it is important. As I said, the framework that you need to actually adopt as Internal Audit must comply with the standards.

7.3.11.2 Sub-theme 11.2: ETM Internal Audit is somewhat complying with IIA Standards but a quality assessment has not been done to determine the exact level of compliance

ETM Internal Audit somewhat complies with the relevant internal auditing standards. There are areas where there is full compliance whilst there are other areas where there is partial compliance. The unit, however, has not performed a quality assessment review to determine its exact level of compliance.

Respondent IA2

I do not believe that we are following all the standards that we are supposed to be following. Based on what I was mentioning earlier, on that I think we are not staffed properly. We have never done a quality review. I think we have reached more than five years now, but it has never happened. So, which means that I do not think we are there.

Respondent IA4

I would say that we do comply with the standards. However, for us to know for sure, we will have to undergo what they call the external assessment. When an external assessment has taken place, I would then have confidence in saying, Yes we comply with the standards.

Respondent IA6

We have not had external quality assurance. We miles off that mark. We have not even had a self-assessment of our quality assurance. I think we are not anywhere near the standards, requirements and in terms of complying with the standards. Although our methodology is aligned to the standards, given our automated software

line to the standards and to the methodology, I think physically on the ground we have a challenge in terms of applying those standards and complying with them.

Respondent IA8

The first thing I will say is that, when I joined this organisation, I was never given a copy of the standards... compliance starts with the attitude you have towards the standards. You do not comply because you must, but you comply because you want to.

7.3.12 Theme 12: Senior Management Support for Internal Audit

P9: Senior management support has a positive impact on IAE

Respondents were engaged regarding the significance of Executive or Top Management Support to Internal Audit and its influence on IA effectiveness. The following sub-themes emerged from the responses provided.

7.3.12.1 Sub-theme 12.1: Senior Management Support for IA has a significant influence on the IAE

Senior or Top Management support for Internal Audit within the ETM has a significant influence on IA effectiveness.

Respondent IA11

You need to have the support of management or executive if you are Internal Audit. Without the senior management support or the executive support, you are likely not to achieve your mandate and then you will not be effective as Internal Audit. So, I think it is critical to have the support of senior management because you report to them administratively. If you do not have support, you're going to struggle to find budgets in the first place or if you do find it, it's going to be insufficient.

Respondent IA12

To achieve IAE for the Internal Audit activity, management backing is critical because we cannot operate in a silo and we cannot add value without that support from management and we are not policemen.

Respondent IA2

Management support is very important for Internal Audit effectiveness. If you don't have management support, it means that you will forever be understaffed, which will affect your effectiveness.

Respondent IA3

I think senior management support is critical.

Respondent IA4

It is very important because if we do not get the kind of support we require from management, obviously we will not add value, so it is important.

7.3.12.2 Sub-theme 12.2: Senior Management Support for IA within ETM is not sufficient for IA to be effective

Senior management of ETM do not fully support Internal Audit to perform its activities effectively. That is evident in that some of them do not avail themselves for internal audit requirements. There is non-responsiveness to Internal Audit issues, hostile management comments submitted on Internal Audit findings, insufficient efforts at resolving Internal Audit issues which are part of the log, and hostility towards Internal Audit at the Audit Committee meetings.

Respondent IA2

...when it comes to ETM, I believe that we are getting a certain level of support but not fully. You know, because again, this is because of perception. My view is that there is a perception that there is a lot of us in the unit. And if you look at the number of auditors versus what the client is getting, it is not correlating.

Respondent IA3

I do not think we have enough support from leadership. And you see that coming through when it comes to engaging with the reports. You see that when we're pushing each other at Audit Committee. You see that through the non-responsiveness, through comments on the findings that we will raise. You also see that through the log. I think the log speaks volumes in terms of the support. We have been raising findings and in terms of following up their issues, these are sitting for over 180 days, etc. So, if you are talking about support from leadership, I do not think we are getting it.

Respondent IA5

I would say the support we get is about 75% to be able to do our work.

Respondent IA6

We do see it happening that when we escalate matters at your executive management meeting that people do take notice. They do respond. They do follow up. But then it should not be a constant reminder at these meetings; it should be part of the process.

Respondent IA10

...the only thing from my side that I have observed is that management complains about Internal Audit and it looks as though they do not like Internal Audit. Maybe the honours is upon you now to have that buy-in from them.

Respondent IA12

It is my opinion that not everyone supports Internal Audit. Some they do but others do not support Internal Audit.

7.3.13 Theme 13: Effective Audit Committee

P10: Effective audit committee has a positive impact on IAE

The Audit Committee is legislatively required to hold management accountable for the audit findings raised by Internal Audit and ensure that management does implement audit recommendations. This will ensure that Internal Audit is effective in performing its mandate. Respondents were engaged on this factor within the ETM context and the following sub-themes emerged.

7.3.13.1 Sub-theme 13.1: An effective Audit Committee means an effective Internal Audit Unit

Internal Audit functionally accounts to the Audit Committee and, therefore, when the Audit Committee is effective, that will influence Internal Audit to be effective as well.

Respondent IA12

It is very critical to have an effective Audit Committee, one that is transparent and that has the appropriate skills and the right mix, appropriate skills, complete competency mix, and they can be able to create value and influence Internal Audit in terms of how we function.

Respondent IA2

I think that the Audit Committee is very important in influencing Internal Audit effectiveness.

Respondent IA5

I think definitely. It is very important for the committee to be effective in order to achieve Internal Audit effectiveness.

Respondent IA7

The Audit Committee is key for Internal Audit to be effective. And the support that they need to provide to the function is very key.

Respondent IA3

I think Audit Committee is crucial for the effectiveness of Internal Audit.

7.3.13.2 Sub-theme 13.2: The ETM Audit Committee is largely effective but there are areas of improvement to ensure that the highest level of effectiveness is achieved

The Audit Committee is largely effective in that it is sufficiently constituted, it meets as required, deals with all legislated areas of focus, requires that management account for audit findings, and reports to EXCO (and board of entities) sufficiently and regularly. However, there are areas of improvement to increase its level of effectiveness. Those include the skill mix within the committee members which does not include an infrastructure specialist, given that that is an important service delivery mechanism for the City, the inability of the committee to effectively ensure that management implements all Internal Audit recommendations and the Committee seemingly being too focused on operational matters instead of strategic matters.

Respondent IA1

...we are heavily an infrastructure-based organisation. I would like to see an engineer as part of that skill set in the Committee. So, for me I think from a competency perspective we have got a mired of skillset. We got lawyers; we have done well to get to that point. We need to complement that with the infrastructure experience.

Respondent IA2

I do not think the Audit Committee is asking the right questions. I do not think they are pushing management enough to really get the best out of them, whereby they are able to influence them to really perform what recommendations of Internal Audit are recommending.

Respondent IA3

I think for the last couple of years, it has just been a touchy relationship between ourselves and the Committee. In some of the discussions we have been saying that they have been more operational than strategic. Strategy drives the administration and that drives organisational effectiveness...

Respondent IA5

I believe that the current Audit Committee is effective. All its meetings do take place, Audit Committee members do deliberate or discuss our reports and they engage on critical issues that are affecting the Municipality. The City Manager is always there to account and other key stakeholders, if they are needed, to come and answer on certain aspects. They are invited. There are robust engagements to take the City forward.

Respondent IA6

...but in actual appearance, I think they are venturing into too operational issues there. Sometimes they tend to lose sight or fact of what their real oversight role is...I think there is a lot of defensive postures from management because of the approaches the Audit Committee is taking and, ultimately, I think you may find that the Audit Committee may lose effectiveness in that light.

7.3.14 Theme 14: Political Influence

P8: Political head support has a positive impact on IAE

The local government sphere is influenced by politics from a policy position in that the leadership of Municipalities (i.e. Council) is elected by the general public and the Executive Committee (EXCO) and other key committees that assist Council in performing oversight over a Municipalities are constituted by politicians. However, there is no legislated direct line between political office-bearers and Internal Audit or Internal Audit staff. Respondents were engaged regarding this factor in the context of ETM and the following theme emerged.

7.3.14.1 Sub-theme 14.1: Politics should not be influencing internal Audit directly in terms of the legislation. However, there seems to be actual influence exerted on Internal Audit by political office-bearers in the ETM

The legislation indicates that political office-bearers should not be involved in, nor influence, the daily operations of the Municipality, including the hiring and firing of municipal officials. This seems not to be the case in reality as there seems to be some influence by political office-bearers in the appointments of officials with key influence over Internal Audit activities. In addition, some individual internal auditors may have direct personal relationships with politicians who may exert some influence on them and the manner in which they conduct their audit work.

Respondent IA8

When it comes to politics, politics influences everything. We will be naive to think that politics does not play a role in every part of the organisation. For you to appoint a CAE, you need the Municipal Manager to give his stamp of approval. The Municipal Managers are political appointees. It is a fact. How does a political appointee then appoint an independent individual to oversee a big Internal Audit Unit that should be independent? So, does politics influence internal audit and its effectiveness? Yes!

Respondent IA11

Yes, politics does have a bearing on the IAE in that it boils down to the fact that you are employed by a municipality and this is a political environment and you cannot divorce yourself with what is happening in the environment.

Respondent IA1

Politics should not affect it. Because in terms of the Systems Act, as you know, the political office bearer should not influence the administration... Now, that is what should happen. What is happening, I think it is influencing it...when you look at the position of the CAE, it has never been occupied for more than about five or six years by one person. And that is not because people want to move on and get to other

roles. You hear the stories; you see some of the facts...it will tell you how that role is being affected...

Respondent IA2

Well politics does influence Internal Audit effectiveness. Politics govern the local government space; you can say the political leadership should play a role in influencing good behaviours and that they must be an example. So political influence is important for IAE. However, it must be good influence.

Respondent IA3

I do not have written evidence of it, but I do have a sense because we are in the environment that is directly linked to politics. I do feel that they have some type of influence. I mean, we've got a Council which is made up of councillors although they're not administrative but I think there is an element of influence that they have within the space of the administration in terms of certain appointments, types of audits and things that you need to look into and things that you may not be able to touch.

Respondent IA4

It does. Although we are independent as internal auditors, bad politics does influence an Internal Audit activity or whatever that we do because you must remember that ultimately politicians are involved... EXCO discusses issues regarding the appointment of Audit Committee members and even the CAE, especially in the space we are operating in of local government. So, I strongly believe that they do have influence.

Respondent IA7

I think politics has a huge influence in the environment that we operate in and also influences the effectiveness of the Internal Audit Unit.

Respondent IA6

...the indirect influence comes from when politicians are meeting on the side-lines with Internal Audit staff, officials, managers, etc. and trying to influence the work that they do, wanting to find out information etc...

7.3.15 Theme 15: Recommendations

Respondents were engaged to provide possible reforms which when implemented, could result in Internal Audit of ETM being fully effective and help overcome the challenges that were identified above. The following were the key suggestions put forward.

- There needs to be increased political and administrative support for Internal Audit.
- Internal Audit must develop a coordinated communications strategy which must include an awareness campaign across the City to educate officials with regards to the mandate of Internal Audit.
- Internal Audit must address competency gaps within itself.
- Internal Audit must ensure that the audit coverage plan is risk-based.
- The CAE must be appointed by an independent person and not by the Accounting Officer.
- Internal Audit management must devise strategies to improve motivation levels amongst Internal Audit staff.
- There must be proper collaboration between the City Integrity and Investigations Unit and the Internal Audit Unit.
- Internal Audit must take advantage of automated tools (i.e. data driven auditing tools) in carrying out its audit work.
- Internal Audit must put in place proper systems which align with the IIA standards.
- Internal Audit must capacitate the Technical Quality Services (TQS) remit.
- Vacancies within Internal Audit must be filled timeously.
- Internal Audit must update its methodology in line with IIA standards.

- Internal Audit must reconfigure its structure and realign it with the needs of the client.
- Internal Audit must be given enough financial resources for training and development purposes.

Respondent IA2

I think for me, when you are hiring of the CAE, that must be done by an independent person. It must not be done by the Accounting Officer. Number Two, we need to make sure that internal auditors are motivated, bringing back the trust and showing that people are recognised, and they really are needed for their services. Number Three is the issue of skills development. I do believe that is must also be something that we are not shy to invest in where we invest on a lot of training because if we do that then we can be assured that a client that we are servicing is able to deliver. Number Four, I think for me, one thing that I would like to see happening is really a collaboration. Proper collaboration between the Investigations Units as well as the Internal Audit Unit. My view is that there is a lot of work that we're doing, which I think we should be able to work together and streamline accordingly. Lastly, I believe that everything that we're doing is a way auditing was done in the past and I believe that we need to try and take advantage of automated tools, i.e. data driven auditing tools, where we look at the data and we analyse it. I think if we move away from just looking at papers and stamps and everything and just look at the trends, we detect fraud. So I think we'll be able to finish things quicker, will be able to come to the conclusion, be able to add more value, and do a lot more than what we are currently doing.

Respondent IA5

I think Number One would be to appoint a permanent CAE. Number Two would be to increase the capacity of the quality section within EMARAS, not numbers only, but people with capacity to ensure that they have the technical ability to do their work. Number Three, update the methodology. Number Four improve on communication, make sure that there is a proper person to raise issues at different

structures within the city and they get coordinated very well and ensure that relationship.

Respondent IA7

We need a strong CAE. That's Number One. We need support from the City Manager as well as the mayor, together with the EMC or senior management. We need strong technology for us to be effective. We need to educate people on the role that Internal Audit plays in the organisation, especially for the staff, the colleagues, municipal management so that they will understand the role of Internal Audit. We also need to do constant communication of our Audit Charter.

Respondent IA8

...we need to build skills, capacity. We need to create a communication strategy. We need to upskill our Technical Unit so that they could provide the right guidance that is needed. We need to build a proper methodology, guiding Internal Audit, and Internal Audit functioning and then we need the right tone at the top to ensure that our CAE and the people that are in the leadership, senior management and deputy heads are apolitical.

Respondent IA11

Number One, let us negotiate with management to have that relationship with our senior management. Let us then create awareness of who is Internal Audit and what are its roles. Number Two, let's maintain that relationship with management. Number Three, Let us then comply with the standards that are required for you to execute the operational plan. Number Four, let us train our staff in a manner that will align with the risk and needs of the Internal Audit and the organisation. Number Five, let us maintain those relations with the Audit Committee to get that support.

Respondent IA12

The first one, is the issue of technical skills, like technical competencies. We need to have training that is targeted specifically to Internal Audit. Second thing will be consistency through the unit in terms of how we do our work. Another thing would be providing people in the unit with the right environment. Third one would be to deal with the communication challenges because if we communicate the right message across that people must understand what Internal Audit is, and what is the mandate of Internal Audit so that we are not obstructed in the performance of our duties.

7.4 CONCLUSION

This chapter presented qualitative data obtained from the twelve respondents to this element of the study. Respondents realised that the eThekweni Municipality Internal Audit Unit is not fully effective. They also agreed that the key determinants of Internal Audit effectiveness identified through literature review are indeed influential in Internal Audit effectiveness within the eThekweni Municipality. Furthermore, they indicated the challenges prevalent with all the identified key drivers of Internal Audit effectiveness which results in them not being fully implemented and/or addressed by the Unit to enable it to achieve the highest level of effectiveness. Respondents then provided possible solutions for implementation by management and all relevant stakeholders to ensure that Internal Audit achieves the highest possible level of effectiveness. The following chapter discusses and interprets the qualitative data presented in this chapter.

CHAPTER EIGHT

DISCUSSION OF QUALITATIVE RESULTS

8.1 INTRODUCTION

Chapter Seven provided outcomes emanating from the qualitative element of the study into factors that influence or impact IAE within eThekweni Municipality. That qualitative data was obtained through semi-structured interviews with senior management within the Internal Audit Unit. This chapter discusses the qualitative data presented in the preceding chapter. The arrangement of this chapter is such that findings are linked to the thematic analysis within themes and subthemes and are presented in alignment with the literature reviewed in Chapter Two as part of this study. This chapter further cross-reference themes and sub-themes which emanated from the interviews to theories for Internal Audit effectiveness presented in Chapter Three.

8.2 DISCUSSION OF THEMES

The themes identified earlier are discussed in the sub-sections below.

8.2.1 Theme 1: Definition of Internal Audit Effectiveness

In addition to the themes identified, there were also sub-themes presented. These are discussed in the sub-sections below.

8.2.1.1 Sub-theme 1.1: Sufficient understanding of risks and weaknesses of ETM

Feedback obtained from respondents indicates that as a building block to Internal Audit Unit effectiveness, the unit must sufficiently understand risks together with operational weakness that could prevent the Municipality on its mission to achieving its mandate as stipulated in the South African Constitution and as adopted in the strategic documents of the Municipality. This emerging sub-theme from responses received is in line with the laid down strategic direction of EMARAS as documented in its unit profile which indicates that the Enterprise Risk Management (ERM) function, as a central part in the approach adopted by EMARAS in its quest to

discharge its mandate, has the responsibility to contribute towards the achievement of municipal objectives by addressing the full spectrum of its risks and which includes opportunities and challenges, and to inform decision-making, prioritisation and budget allocation, thereby assisting the Accounting Officer to manage the combined impact of these risks as an interrelated strategic risk portfolio (EMARAS, 2016). This is further supported by the Audit Committee Charter which stipulates that the Audit Committee is, amongst others, responsible for performing oversight on risk management activities conducted by EMARAS (EMARAS, 2020a). This emerging sub-theme is also supported by the theoretical framework supporting this study as the IIA, through its standards, does impress upon internal auditors that they should help an organisation to realise its goals by bringing an methodological and orderly approach to assess and enhance the effectiveness of risk management amongst other activities that it does (IIA, 2017b). The Agency Theory also suggests that internal audit professionals, as agents of good governance, must understand the business operations and risks facing those operations to be in the best possible position to discharge their mandate (Coetzee & Erasmus, 2017).

This principle, therefore, highlights that it is critical for Internal Audit to sufficiently understand the strategic as well as the operational goals of the Municipality and then to sufficiently understand the business operations employed by the Municipality to achieve those set goals. That understanding is important as it enables Internal Audit to identify risks and weaknesses within the operations of the Municipality that could hinder it from achieving its goals in order to perform audit work on those identified areas for the improvement of business operations and, ultimately, the achievement of set goals.

8.2.1.2 Sub-theme 1.2: Performance of assurance and consulting activities to create value through implementation of its recommendations

Respondents indicated that the IAE within the eThekweni Municipality would be achieved when the unit adds value to the organisation by successfully evaluating municipal processes through performing consulting and assurance engagements and recommending reforms to address identified risks. Respondents further

indicated that Internal Audit must be independent as well as be seen to be independent for its recommendations to be objective and be accepted by management for implementation. Some respondents added that the environment within which Internal Audit operates must be without any interference and/or restrictions so that Internal Audit gains access to all necessary documentation and officials of the organisation as and when audit procedures require. The feedback from respondents aligns with the definition of Internal Audit as described by the International Standards for the Professional Practice of Internal Auditing (Standards) which stipulates that Internal Audit is to execute their mandatory requirements by undertaking an impartial, fair assurance and consulting activity intended to create value and enhance an organisation's processes and help it to attain its set goals by bringing a methodological, orderly approach to assess and enhance the effectiveness of governance, risk management, and control processes (IIA, 2017b). Huong (2018), further supports this understanding as indicated in the case study of *Factors Affecting the Effectiveness of Internal Audit in the Companies* performed in Vietnam which states that Internal Audit creates value for the organisation, practically, when recommendations it sponsors are executed by those managing the organisation. The King IV Report is also in agreement with the feedback received from respondents when it refers to Internal Audit as a reliable advisor that should create value and add foresight to the activities of an organisation (Institute of Directors, 2016).

The principle in this sub-theme indicates, therefore, that IAE is achieved when Internal Audit performs audit procedures motivated by identified risks on the operations of the Municipality to evaluate those operations and then to make practical suggestions to be actioned by management for the improvement of those processes and, ultimately, for the achievement of organisational goals.

8.2.2 Theme 2: Key Stakeholders of ETM Internal Audit

Feedback from respondents identified key stakeholders of the Internal Audit of eThekweni Municipality which are in line with those identified in the literature review performed in Chapter Two. The identified stakeholders include those that are internal

to the organisation, i.e. Council, the Executive Committee (EXCO), the Audit Committee, Senior Management of the Municipality and Internal Audit staff as well as external stakeholders, i.e. the National and KZN Provincial Treasury, the AGSA, CoGTA and residents of eThekweni Municipal Area. As explained in Chapter Two, all these organisations and/or persons are interested in the work of Internal Audit and the reports that Internal Audit produces for one reason or another. The Agency Theory defines and explains the association between Internal Audit and the identified stakeholders which essentially means that Internal Audit represents these stakeholders by providing internal audit services to the municipality (Coetzee & Erasmus, 2017). Internal Audit effectiveness, therefore, is achieved when the needs of the identified stakeholders are met and it is for that reason that factors looked at in this study were determined from the perspective of key stakeholders of the Internal Audit Unit.

8.2.3 Theme 3: Current Effectiveness of ETM Internal Audit

This is one of the themes identified earlier. In addition to such themes identified earlier, there were also sub-themes presented. These are deliberated on in the sub-sections below.

8.2.3.1 Sub-theme 3.1: Internal Audit is not fully effective

Respondents indicated that Internal Audit of eThekweni Municipality is making some contribution towards the achievement of municipal objectives but that there are many areas that require improvement in the way the unit conducts its work to ensure that it makes the maximum possible contribution and thus becomes fully effective. Most respondents cited the fact that Management are not sufficiently implementing the recommendations raised by Internal Audit for the improvement of municipal operations as an indication that Internal Audit is not making a maximum contribution, as required. The responses received are in line with the 2017-2018 report by the AGSA which indicated that the audit outcomes of the Metro retained its unqualified audit opinion with findings on compliance matters. The Office of the AGSA reported that the incurrence of irregular expenditure was not averted by the Municipality and

goods and services were still procured from suppliers who had not fully declared their interests which in some instances conflicted with those of the Municipality (AGSA, 2018b). The AGSA further reported in its 2018-2019 report that the eThekweni Metro declared an irregular expenditure amounting to R 2,34 billion which was an amount above all other municipalities in the province and which emanated from an improper appointment of a panel of service providers involving information settlements' construction of washing facilities and toilets together with some schools in the greater Durban area, in addition to the expenditure incurred irregularly through the appointment of a service provider for the development of an IT management system (AGSA, 2019). In its most recent report, the AGSA qualified the Municipality on various issues and indicated that consequence management was not sufficiently practised and enforced by leadership; that the key controls failures continued and further indicated that the Internal Audit Unit of the Municipality was not effectively discharging its mandate (AGSA, 2021). Numerous Municipal challenges which further indicate governance, risk management and internal control failures are detailed under Section 2.5 of Chapter Two. These failures and municipal challenges collaborate the feedback received from responses that indicates that Internal Audit is not effectively discharging its mandate.

8.2.3.2 Sub-theme 3.2: Reasons attributable to IA not being fully effective

Respondents provided various reasons which contribute to the inability of Internal Audit to be fully effective. The reasons they provided include; changes in the leadership of the unit (i.e. the office of the CAE), inefficient Internal Audit processes, an outdated audit methodology, the quality assurance assessment not performed, the audit software not being fully implemented, the skill set being inadequate to address Internal Audit requirements, the practice by Internal Audit of doing activities simply because those have been done before and not being directed by the existence of risks, lack of technical knowledge and lack of understanding of what internal audit is required to do amongst team members. All the reasons provided are aligned with the requirements of the Internal Auditing Standards as well as other prescripts aimed at ensuring that the Internal Audit Unit is effective. Some will be

discussed in this section whilst there are discussions on all of them in the sections that follow. Recent changes in the Chief Audit Executive position have reasonably contributed to the lack of IAE as the Charter places the ultimate responsibility of Internal Audit work on the CAE and indicates that the CAE is responsible for the drafting of the scope of procedures to be performed in the different remits within Internal Audit (EMARAS, 2020b). Any changes in this position will inevitably impact the functioning on Internal Audit and will ultimately impact its work. In relation to another reason provided, and which has to do with the allocation of resources for effective utilisation, Barney (1991:101), define resources as items that include “all assets, capabilities, organisational process, firm attributes, information and knowledge controlled by an organisation that enable the organisation to conceive of and implement strategies that improve its efficiency and effectiveness”. Bryson, et al. (2007) in explaining the Resource-based Theory indicate that the Resource-based Theory places emphasis on an organisation’s resources as determining factors of variances in the organisation’s behaviour and performance.

The principle in this sub-theme indicates, therefore, that some of the reasons that contribute to Internal Audit of eThekweni Municipality not being fully effective are related to its leadership as well as to Management and to the utilisation of its resources. These are discussed in detail in sections below, including recommendations on each, as per the last section of this chapter.

8.2.4 Theme 4: Key drivers of ETM Internal Audit Effectiveness

Feedback from respondents identified key drivers of IAE specific to the eThekweni Municipality context. These are all factors within the eThekweni Municipality environment that have an influence on the capability of Internal Audit to perform its audit activities effectively. Respondents identified these to include the following; having a motivated, competent and knowledgeable team, the Internal Audit standing within the organisation, the ability for internal auditors to gain unrestricted access to information and municipal officials when required, competent Internal Audit leadership, training and awareness regarding internal audit roles and

responsibilities, independence of internal auditors, updated methodology, support of influential political structures, i.e. EXCO and Council and agility and flexibility towards accommodating changes to the Internal Audit Plan. The key drivers identified by respondents are similar to those identified by researchers when performing similar studies in other areas, including the studies performed i) in Ethiopia by Mihret & Woldeyohannis (2008), ii) in Israel by Cohen & Sayag (2010), iii) in Libya by Abu-Azza (2012), iv) in Malaysia by Fadzil, et al. (2005), v) in Saudi Arabia by Al Twaijry, et al. (2003) and vi) in Singapore by Yee, et al. (2008). In addition, these key drivers include those identified in the three widely discussed theories in the study of IAE, namely the Agency Theory, the Institutional Theory and the Communication Theory (Endaya & Hanefah, 2018). The International Standards for the Professional Practice of Internal Auditing and the IPPF also suggest some key factors which align with those provided by respondents (Drogalas, et al., 2015). All the key drivers identified by respondents and identified in the literature review conducted are discussed extensively in the following sections.

8.2.5 Theme 5: Chief Audit Executive (CAE) Profile

This theme relating to the CAE profile was identified earlier. In addition to the themes identified, there were also sub-themes presented. These are discussed in the sub-sections below.

P1: The Chief Audit Executive profile has a positive impact on IAE

8.2.5.1 Sub-theme 5.1: The CAE profile has a significant influence on IA effectiveness

Feedback from all respondents indicates that the Chief Audit Executive profile has a significant influence on IAE. Their feedback indicated that the CAE is the face and representative of Internal Audit and, therefore, sets the direction and tone for the organisation. The literature review performed agrees with the feedback received. Coetzee and Erasmus (2017) indicate that internal auditors conduct their legislated Internal Audit work under the direct supervision of the CAE. The Internal Audit Charter stipulates that the CAE has to operationalise the Charter on a daily basis,

has the ultimate responsibility for Internal Audit work and is responsible for the drafting of the scope of procedures to be performed in the various remits within EMARAS, in addition to being responsible for the determination of tools, methodologies, procedures and standards within which Internal Audit is to operate. Such official is also responsible for the determination of resource requirements and for the determination of the required skills, education levels and experience for recruitment into the function. The CAE is also responsible for decisions on possible temporary contracts and the co-sourcing and outsourcing of capacity required (EMARAS, 2020b).

The principle in this sub-theme indicates that the CAE plays a vital role in EMARAS and, therefore, has a significant influence on the effectiveness of the unit.

8.2.5.2 Sub-theme 5.2: The CAE must be highly qualified and with relevant practical experience for IA to be effective

Given the principle contained in the sub-theme discussed in the preceding subsection, respondents indicated that the eThekweni Municipality Internal Audit can achieve the highest level of effectiveness if it is led by an individual who holds the highest qualifications within the field of internal auditing and has a master's degree with strategy and human resource management as subjects. In addition to educational qualifications, respondents indicated that this individual must have sufficient practical Internal Audit experience at a senior management level to be able to appropriately drive and guide the Internal Audit activity. The feedback from respondents is supported by Arena and Azzone (2009) who found that IAE increases when the Chief Audit Executive is registered with the Institute of Internal Auditors. Coetzee, et al. (2013), further suggest that the CAE, as the Internal Audit head, must be exemplary for internal auditors by possessing the necessary competencies to perform his or her work.

8.2.5.3 Sub-theme 5.3: The CAE must have strong interpersonal and emotional skills as well as espouse good ethics for IA to be effective

Respondents indicated that a Chief Audit Executive within eThekweni Municipality must be someone with a strong character and be someone with good ethics. This feedback is in line with the views expressed by Van Staden and Steyn (2009), who found that the CAE's qualifications and competence, together with his/her perceived standing within the organisation has a direct link to the Internal Audit effectiveness.

8.2.6 Theme 6: Internal Audit team's competency

A discussion of the themes identified earlier is presented in the sub-sections below. In addition to the themes identified, there were also sub-themes presented. These are discussed in the sub-sections below.

P2: Internal audit team competency has a positive impact on IAE

8.2.6.1 Sub-theme 6.1: The competency of the IA team has a significant influence on IAE

Responses obtained indicate that IAE is significantly impacted upon by the competency of the Internal Audit team. The respondents indicated that competency in the context of EMARAS services to eThekweni Municipality, includes being in possession of relevant Internal Audit qualifications, having the correct Internal Audit experience, understanding the Local Government environment, understanding the objectives of the Municipality, understanding municipal operations, understanding the risks facing the organisation and being in a position to carry out pure Internal Audit work in the form of assurance and consulting activities so as to come up with value-add recommendations for Management to implement and thus address the identified risks. This feedback is in line with the IPPF which specifies that the Internal Audit function or activity must have an appropriate Internal Audit resource which means the skills, knowledge and other competencies mix needed to carry out the Internal Audit Plan. The volume of resources required to deliver on the plan should be sufficient, and the effective deployment of resources is achieved when personnel

are utilised in a manner that enhances the achievement of the approved Internal Audit Plan (IIA-Global, 2013).

This feedback is further collaborated by Endaya and Hanefah (2018) who indicate that the Agency Theory adapted into the Internal Audit space suggests that Internal Audit must adhere to professional requirements acquired through professional certifications, education, necessary experience and other competencies required to conduct Internal Audit duties accordingly, in order for key stakeholders to have confidence in the Internal Audit work. Furthermore, Endaya and Hanefah (2018) maintain that Internal Audit professionals, as agents, must execute the audit activities at the professional level and which requires professional certifications, education, necessary experience and other competencies required to discharge their mandate sufficiently.

The principle of this sub-theme is that the Internal Audit Team competency has a significant impact on the IAE within eThekweni Municipality, and that in the context of the said Municipality, competency includes the Team's understanding of the Local Government environment, the objectives of the Municipality, municipal operations and risks facing the organisation, in addition to relevant qualifications and Internal Audit experience.

8.2.6.2 Sub-theme 6.2: The IA team of ETM is not sufficiently qualified and skilled for IA effectiveness

Respondents, in varying degrees, indicated that the Internal Audit team of eThekweni Municipality is not sufficiently qualified and skilled to perform Internal Audit activities effectively. Respondents indicated that the Internal Audit Team has very few officials with key, relevant and specific qualifications such as the Certified Internal Auditor (CIA) qualification whilst the experience of the Team is also a mixed bag of individuals with an external audit background, a private sector background, general government and not local government experience and some officials with core Internal Audit experience. This, the respondents indicated, results in the audit team pulling in different directions.

The central principle in this sub-theme is that the competency of the Internal Audit team of eThekweni Municipality requires improvement for this factor to influence the Unit's effectiveness sufficiently. Internal auditors must be encouraged and supported, financially and otherwise, to attain internal audit specific qualifications. In addition, the recruitment process of the Unit must be adapted to ensure that only individuals with pure and sufficient internal auditing experience are appointed except where a special skill is required.

8.2.7 Theme 7: Internal Audit Independence

Internal Audit Independence was also identified as a theme earlier. In addition to the themes identified, there were also sub-themes presented. These are discussed in the sub-sections below.

P3: Internal audit independence has a positive impact on IAE

8.2.7.1 Sub-theme 7.1: Independence of IA within ETM is important for IA to be effective

Feedback received from respondents indicates that the Internal Audit of eThekweni Municipality must maintain its independence, both in reality and appearance, for it to perform its activities effectively. Respondents indicated that the Unit does this by making sure that it does not perform management functions and or decision-making activities and that it does not report and or take instruction from Management on its activities. The independence of Internal Audit is of course a requirement of ISPPA (Standard 1100) which stipulates that the Internal Audit function must be autonomous and all internal audit professionals must be impartial when performing their duties towards the achievement of their work in order to add value to the organisation they serve (IIA-Global, 2013). Furthermore, studies on Internal Audit effectiveness reveal that for the Internal Audit function to be effective, their independence must be maintained (Gros, et al., 2017). This sentiment was earlier expressed by Kasim and Hanafi (2012) who identified the impartiality of the Internal Audit Unit to be a key driver of IAE.

The central principle in this sub-theme is that Internal Audit independence, in appearance and otherwise, has a significant influence on the effectiveness of Internal Audit within eThekweni Municipality as it has an influence on the ability of internal audit professionals to perform their activities and has an influence on Management's willingness to implement recommendations made by internal auditors.

8.2.7.2 Sub-theme 7.2: Internal Audit of ETM is not fully independent and that has a negative impact on its effectiveness

Respondents indicated that Internal Audit of ETM is not fully independent, both in mind and in appearance. Feedback received indicates that in terms of Charter of Internal Audit and the Audit Committee Charter, the Unit reports to and takes instruction from, the Audit Committee regarding internal audit activities and only reports to the Municipal Manager administratively, but there are instances where Management has been able to unduly influence the work of Internal Audit. In addition, the respondents indicated that the arrangement within the Internal Audit Unit of allocating a specific team to audit a specific unit or area in the City without any rotation taking place, creates a familiarity threat which negatively impacts on its independence. Furthermore, feedback received indicates that the process of appointing the Chief Audit Executive creates an independence threat for Internal Audit as senior management within the municipality do have an influence on it.

The principle of this sub-theme, therefore, is that the Internal Audit of eThekweni Municipality is not as independent as it is required to be and this has a negative impact on its effectiveness.

8.2.7.3 Sub-theme 7.3: The trade-off between independence and value add (effectiveness) to the organisation

Respondents indicated that the impartiality of the Internal Audit Team is further at risk due to the fact that the Audit Committee and Executive Management are increasingly requesting Internal Audit to add more value by performing work in areas where the Unit has not been engaged before. Performance of some of those

requests, respondents argue, has the potential to jeopardise Internal Audit independence, due to those requests being closely related to management functions. Feedback from respondents is in line with the internal auditing standards which specifically forbid Internal Audit from performing any management functions with the aim of protecting its independence (IIA, 2017b).

The principle of this sub-theme is that the Internal Audit Unit is increasingly finding itself in a situation where it either has to compromise its independence to add value or maintain its independence but risks not adding value to the organisation or its stakeholders due to special requests that it receives from Management and from the Audit Committee, some of which may have the effect of undermining its independence.

8.2.8 Theme 8: Internal Audit functioning

Internal Audit functioning was a theme identified earlier. In addition to the themes identified, there were also sub-themes presented. These are discussed in the sub-sections below.

P4: Internal audit functioning has a positive impact on IAE

8.2.8.1 Sub-theme 8.1 Internal Audit Functioning has an influence on IA effectiveness

Respondents believe that the functioning of the Internal Audit unit of eThekweni Municipality has a significant influence on its effectiveness. They indicated that the most important aspects of Internal Audit functioning in the eThekweni Municipality context are; how the Unit is structured, the tools of trade it has, as well as the processes it employs in the performance of its activities. This feedback is in line with what Drogalas, et al. (2015), found in their study performed on factors associated with the IAE in Greece and that Internal Audit functioning has an influence on the effectiveness of Internal Audit as a function. Huong (2018) further corroborates this finding in the study dealing with factors impacting Internal Audit's effectiveness in companies and which was a case study done in Vietnam. Furthermore, the feedback from respondents is supported by the Institutional Theory which describes how

organisational structures and practices are shaped through changes prompted by coercive, normative and mimetic pressures, including both internal and external sources such as regulations and laws, or by the professional organisations (Mihret, et al., 2010).

8.2.8.2 Sub-theme 8.2: IA functioning is largely adequate except for a few exceptions that must be improved for the highest level of effectiveness to be attained

Respondents believe that the Internal Audit Unit of eThekweni Municipality is well-structured and has enough human capital and the necessary infrastructure to perform the necessary audit work that is required. However, they indicated that there were areas of improvement that Internal Audit should address for the IAE to be achieved in relation to its daily functioning. Areas of improvement include the fact that Internal Audit processes are not documented and implemented consistently and that the audit software (MetricStream) is not fully in operation due to the many challenges with it that have been identified by the Team. Additionally, there are sometimes challenges with the sourcing of laptops at the right time for use, the technical quality services (TQS) remit is possibly understaffed and cannot adequately perform its function in the organisation, and financial resources are insufficient to ensure continuous training and development for Internal Audit officials. Mbewu and Barac (2017) found that lack of adequate resources for Internal Audit to carry out its work has a negative impact on its effectiveness and that the establishment of sound Internal Audit processes in conformity with ISPPIA has a positive influence on Internal Audit's ability to be effective. In line with what Mbewu and Barac (2017) found, the feedback from respondents indicates that the Internal Audit of eThekweni Municipality is impacted upon negatively by the areas for improvement identified above.

The principle of this sub-theme is that there are improvement areas within the functioning of EMARAS to the extent that this factor is not fully contributing to the effectiveness of the unit.

8.2.9 Theme 9: Effective Communication

Effective communication was also earlier identified as a theme. In addition to the themes identified, there were also sub-themes presented. These are discussed in the sub-sections below.

P5: Effective communication has a positive impact on IAE

8.2.9.1 Sub-theme 9.1: Effective communication does influence IA effectiveness
Respondents indicated through their feedback to the questions asked that effective communication has an effect on the IAE. They indicated that this is so because it enables Internal Audit stakeholders to understand better the mandate and responsibilities of Internal Audit as well as to understand the recommendations made by Internal Audit for better implementation. The feedback from respondents is supported by the Institute of Internal Auditors Global (2013) which indicated through its Standards for Internal Auditors that effective communication in internal auditing is essential. Furthermore, Hahn (2008, as cited in Endaya & Hanefah 2013) indicates that Internal Audit stakeholders may have concerns regarding internal auditors' performance and for that reason, effective communication becomes essential as a solution.

8.2.9.2 Sub-theme 9.2: ETM Internal Audit is not communicating effectively with its stakeholders and this has negatively impacted upon its effectiveness
Feedback received from respondents indicates that the Internal Audit unit of eThekweni Municipality is not communicating effectively with its stakeholders. Respondents indicated that there were various shortcomings in the way that the Unit branded itself, in how its reports are structured/formatted and written and in how it is represented at various strategic platforms throughout the City. This, they believe, has ultimately resulted in key Internal Audit stakeholders not understanding the mandate of Internal Audit and in some instances, Management is not able to practically implement Internal Audit recommendation because of the lack of effective communication.

The central principle of this sub-theme is that Internal Audit is not effectively communicating with its stakeholder and this has had a negative impact on its effectiveness.

8.2.10 Theme 10: Internal Audit Status

A further theme identified earlier related to Internal Audit Status. In addition to the themes identified, there were also sub-themes represented. These are discussed in the sub-sections below.

P6: Internal audit status has a positive impact on IAE

8.2.10.1 Sub-theme 10.1: Internal audit status has an influence on IA effectiveness
Respondents indicated through the feedback they provided that Internal Audit status amongst its key stakeholders has a significant influence on its effectiveness. This is in line with the findings by Coetzee and Erasmus (2017), who found that indeed Internal Audit status is a driver of Internal Audit effectiveness. This was further supported by the work of Van Staden and Barac (2014), Barac, et al. (2016) and Dellai and Omri (2016) who indicate that the key variables within this factor have a direct link to Internal Audit effectiveness and include the standing of Internal Audit within the organisation, the influence sphere of Internal Audit, Audit Committee support and Internal Audit support to others within the organisation.

8.2.10.2 Sub-theme 10.2: Internal audit of ETM does not have a good standing within its stakeholders to achieve high levels of effectiveness

Respondents indicated that the status or standing of Internal Audit of eThekweni Municipality amongst its stakeholders has diminished from what it used to be in the last few years with signs of it diminishing even further in the foreseeable future. They indicated that this sentiment may largely have been caused by changes in the leadership of the unit that have occurred in the recent past and that this diminished status or standing has resulted in the Unit not being taken seriously by Management and this impacts negatively on its effectiveness.

8.2.11 Theme 11: Compliance with IIA Standards

Adherence to IIA Standards was earlier identified as a theme. In addition to the themes identified, there were also sub-themes presented. These are discussed in the sub-sections below.

P7: Compliance with IIA Standards has a positive impact on IAE

8.2.11.1 Sub-theme 11.1: IIA Standards have been tested through research and full compliance with them significantly contributes to the effectiveness of IA

Feedback received from respondents indicates that full compliance with all relevant and applicable Internal Auditing Standards ensures consistency in how Internal Audit executes its mandate and that has a significant influence on IAE. This sentiment is aligned with the requirements of the IPPF which indicates that an Internal Audit function or activity must comply with all Internal Auditing standards in order to fully discharge its mandate (IIA-Global, 2013). Coetzee and Erasmus (2017) also found that there is a positive association between the effectiveness of Internal Audit and adherence to Internal Auditing Standards. This finding is supported by the earlier results of the studies performed by Barac, et al. (2016) and Dellai and Omri (2016), who also found that there is a direct link between IAE and compliance with the applicable Internal Auditing standards. Therefore, it is vital for Internal Audit functions to comply with the ISPPA to ensure their effectiveness.

8.2.11.2 Sub-theme 11.2: ETM Internal Audit is somewhat complying with IIA Standards but a quality assessment has not been done to determine the exact level of compliance

Respondents indicated that the eThekweni Municipality Internal Audit somewhat complies with the relevant Internal Auditing standards as there were areas where there was full compliance whilst there were also other areas where there was only partial compliance. Respondents further agreed that because the Unit had not yet performed a quality assessment review to determine its exact level of compliance, it was difficult to conclude with certainty if the Unit complied.

8.2.12 Theme 12: Senior Management Support for Internal Audit

This was also a theme identified earlier. In addition to the themes identified, there were also sub-themes presented. These are discussed in the sub-sections below.

P9: Senior management support has a positive impact on IAE

8.2.12.1 Sub-theme 12.1 Senior Management Support for IA has a significant influence on the effectiveness of IA

Respondents stated that Senior or Executive Management support for EMARAS has a significant effect on EMARAS's effectiveness. This, they indicated, was so because Internal Audit reports administratively to Senior Management and, therefore, they would need support in terms of resources to enable Internal Audit work to be done. In addition, Senior Management must support Internal Audit in ensuring that recommendations made are implemented. The feedback received is in line with the findings of Mihret and Yismaw (2007) who found that top management support has a very strong effect on IAE. Studies performed in Greece also supported that finding and further indicated that Top Management support for personnel within Internal Audit is a vital feature when determining Internal Audit effectiveness (Drogalas, et al., 2015).

8.2.12.2 Sub-theme 12.2: Senior Management Support for IA within ETM is not sufficient for IA to be effective

Responses received indicated that Senior Management of eThekweni Municipality did not fully support Internal Audit in performing its activities effectively. Most respondents indicated that the lack of support from Senior Management is evident in that some of them do not avail themselves for Internal Audit requirements. There was non-responsiveness to Internal Audit issues, hostile management comments submitted on Internal Audit findings, insufficient efforts at resolving Internal Audit issues which were part of the log and hostility towards Internal Audit at the Audit Committee meetings. The level of support from Senior Management would, therefore, require improvement to ensure that Internal Audit effectively performs its functions and thus becomes effective.

8.2.13 Theme 13: Effective Audit Committee

Effective Audit Committee was earlier identified as one theme. In addition to the themes identified, there were also sub-themes presented. These are discussed in the sub-sections below.

P10: Effective audit committee has a positive impact on IAE

8.2.13.1 Sub-theme 13.1: An effective Audit Committee means an effective Internal Audit Unit

Respondents stated that the EMARAS functionally reported to the Audit Committee and, therefore, when the Audit Committee was effective, that would influence Internal Audit to be effective as well. This finding is supported by results of the studies performed by Sterck and Bouckaert (2006); Arena and Azzone (2009) and Mbewu and Barac (2017) when they found that the establishment and functioning of an effective Audit Committee in an organisation boosts Internal Audit impartiality and contributes positively in reducing Top or Executive Management intrusions, either in Internal Audit scope or in its performance and thus ensuring Internal Audit effectiveness. Endaya and Hanefah (2018), underscore such feedback received from respondents as they indicate that the Internal Auditor function, as agents of the organisation, requires the support of the Audit Committee in order to successfully perform its function.

8.2.13.2 Sub-theme 13.2: The ETM Audit Committee is largely effective but there are areas for improvement to ensure that the highest level of effectiveness is achieved

Respondents believe that the Audit Committee of eThekweni Municipality was largely effective in that it was sufficiently constituted, it met as required, dealt with all legislated areas of focus, called for Management to account to audit findings and reported to EXCO (and board of entities) sufficiently and regularly. Some respondents argued, however, that there were areas needing improvement in how the Audit Committee conducts itself to increase its level of effectiveness. They identified the insufficient skill mix within the Committee members, which they

indicated does not include an infrastructure specialist, given that this is an important service delivery mechanism for the City. They also commented on the inability of the Committee to effectively ensure that Management implements all Internal Audit recommendations, with the Committee seemingly being too focused on operational matters instead of strategic matters.

The central principle of this sub-theme, therefore, is that the Audit Committee is not fully effective and that it impacts negatively on IAE within the eThekweni Municipality. Areas that require improvement from the Committee perspective have been identified.

8.2.14 Theme 14: Political Influence

Political influence was earlier identified as a theme. In addition to the themes identified, there were also sub-themes presented. These are discussed in the sub-sections below.

P8: Political head support has a positive impact on IAE

8.2.14.1 Sub-theme 14.1: Politics should not be influencing Internal Audit directly in terms of the legislation. However, there seems to be actual influence exerted on Internal Audit by political office-bearers in the ETM

Through their feedback, respondents indicated their acceptance that political office-bearers do have a legislated influence on the Municipality, and by extension on Internal Audit, from a policy determination point of view. They also indicated that according to their understanding of the applicable legislation, political office-bearers should not be involved in, nor influence, the daily operations of the Municipality, including the hiring and firing of municipal officials but should rather endorse good governance through their ethos in life and thus influence the effectiveness of Internal Audit. Some respondents, however, indicated that from their view point, this seemed not to be the case in reality as there seemed to be some influence by political office-bearers in the appointments of officials with key influence over Internal Audit activities. In addition, respondents argued, some individual internal auditors might have direct personal relationships with politicians who could exert some influence on

them and the manner in which they conducted their audit work, to the extent that Internal Audit effectiveness was compromised.

The principle emerging in this theme is that politics does have an undue influence on Internal Audit and, therefore, on its effectiveness through the appointment of officials with a key influence on Internal Audit activities.

8.3 SUMMARY OF FINDINGS

The research evidence obtained and discussed above resulted in the acceptance or rejection of the formulated propositions as depicted in Table 8.1 below:

Table 8.1 Results of Research Propositions

Ref	Proposition	Accept or reject
P1	The Chief Audit Executive profile has a positive impact on IAE.	Reject
P2	Internal audit team competency has a positive impact on IAE.	Reject
P3	Internal audit independence has a positive impact on IAE.	Reject
P4	Internal audit functioning has a positive impact on IAE.	Accept
P5	Effective communication has a positive impact on IAE.	Reject
P6	Internal audit status has a positive impact on IAE.	Reject
P7	Compliance with IIA Standards has a positive impact on IAE.	Reject
P8	Political head support has a positive impact on IAE.	Reject
P9	Senior management support has a positive impact on IAE.	Reject
P10	Effective audit committee has a positive impact on IAE.	Accept
Source: Compiled by Researcher		

A total of eight propositions formulated were rejected (P1, P2, P3, P5, P6, P7, P8 and P9) and only two were accepted (P4 and P10).

8.4 RESPONDENTS RECOMMENDATIONS

Respondents provided recommendations that could be implemented by Internal Audit and relevant Internal Audit stakeholders to address some of the challenges and/or improvement areas identified to make sure that EMARAS is effectively and sufficiently discharging its mandate.

- **Internal Audit leadership**

Most respondents believe that the CAE must be appointed only by the Audit Committee to ensure that the appointed individual is fully independent of Management and, therefore, can drive the Internal Audit Unit to perform its work in an impartial manner.

- **Internal Audit Team competency and wellbeing**

Some interviewed respondents indicated that internal auditors must be encouraged and supported to enrol and attain further Internal Audit-specific qualifications and, in particular, the Certified Internal Auditor (CIA) qualification was mentioned. This they believe it would contribute positively to Internal Audit effectiveness. Most respondents further indicated that efforts must be employed to attend to the well-being and motivation levels of internal auditors to ensure full contribution from each auditor. Lastly, a few respondents indicated that the recruitment process of the Unit must be improved to ensure that only pure Internal Auditors with local government experience are appointed.

- **Internal Audit processes**

Most respondents recommended that Internal Audit must improve its processes by putting in place by a way of documentation, systems and processes of conducting Internal Audit projects which align with the IIA standards. They argued that this would ensure consistency and compliance with the relevant standards. All respondents indicated that the Internal Audit methodology must be updated urgently and that Internal Audit management must attend to the issue of automation by addressing challenges identified with the current system (MetricStream) or procuring a new

system altogether. Some of the other recommendations, made a few respondents, include a need to make sure that the Internal Audit Annual Coverage Plan is completely risk-based, that Internal Audit takes advantage of automated tools of auditing (i.e. data driven auditing tools) and the need to perform a (self or external) quality assurance assessment on the Unit. Lastly, the most prominent recommendations relating to Internal Audit processes were that the Technical Quality Services (TQS) remit must be capacitated by the addition of more officials to effectively perform its activities and that the structure of the Unit may need to be reconfigured to better align with the needs of the client whilst ensuring that auditors are rotated to mitigate against the familiarity threat to Internal Audit independence.

- **Communication strategy**

Most respondents indicated that Internal Audit must develop a coordinated communications strategy which must include an awareness campaign across the City to educate officials regarding the mandate of Internal Audit. Some also believe that Internal Audit should not only prepare the standard reports following each audit as a means of communicating to its stakeholders, but should rather find other innovative ways of communicating audit findings for ease of implementation of suggested recommendations by Management. A few respondents indicated the need to have one central official with the responsibility to disseminate Internal Audit information in various key platforms across the city. They believe, this would ensure a common message across all key stakeholders and would help improve the image of the unit.

- **Collaboration with key stakeholders**

A few respondents called for more efforts to be directed at building sound collaboration between Internal Audit and other assurance providers. They identified the City Integrity and Investigations Unit (CIIU), the Audit Committee and the Auditor General (South Africa) as those assurance providers with which Internal Audit must have sound and effective collaboration in order to ensure effectiveness of effort.

- **Political office-bearers and Senior Management support**

Most respondents indicated the need to improve support offered to Internal Audit by Senior Management as well as political office-bearers. They indicated that Management must support Internal Audit by allocating sufficient financial resources for training and development purposes and that both political office-bearers and Senior Management must show more support for Internal Audit at meetings and must cause officials of the Municipality to implement Internal Audit recommendations.

8.5 CONCLUSION

Qualitative data received from respondents was discussed and analysed in this chapter. The discussion included identification of central principles within themes and sub-themes as well as recommendations to improve the effectiveness of Internal Audit within eThekweni Municipality. Chapter Nine, which is the following chapter, provides conclusions made in this study, as well as recommendations arising from such conclusions.

CHAPTER NINE

CONCLUSIONS AND RECOMMENDATIONS

9.1 INTRODUCTION

This is the final chapter of this thesis. In this chapter, the main quantitative and qualitative outcomes presented and discussed in previous chapters of this study are highlighted and concluded on in relation to the objectives and questions of the study. This chapter also makes recommendations emanating from drawn conclusions from the qualitative and quantitative components of the study. Lastly, this chapter discusses further gaps in this field which may require further research as well as key limitations of the study.

9.2 CONTEXT AND BACKGROUND

The conventional role of Internal Audit which was mainly concerned with monitoring internal controls has evolved in the past few years (Huong, 2018). Internal Audit's role has undergone major changes since the economic instability, the rise of business risks and corporate financial scandals which took place in the early 2000s. Internal Audit is now expected to add value alongside its other key stakeholders i.e., the Audit Committee, external auditors and Executive Management (Dellai & Omri, 2016). Internal Audit should, therefore, play a very central role in efforts to improve organisational performance. The Internal Audit Institute defines Internal Audit as an objective, autonomous consulting and assurance function intended to improve the organisation's risk management, governance and internal control processes, and to add value in the organisation using a methodological, orderly and risk-based tactic (IIA, 2017b). The IAE, therefore, is important to the attainment of the organisation's goals (IIA, 2017b). Studies aimed at identifying factors influencing Internal Audit's effectiveness within an organisation have, therefore, become vital due to the need for Internal Audit to add more value.

This study was performed within the Internal Audit Unit of the eThekweni Municipality with the aim of developing a conceptual framework for factors that influence the IAE.

The eThekweni Municipality has experienced numerous failures and/or challenges which have been reported in the media, i.e. print media, radio, television and social media. Recently reported issues include an increase in community protests relating to service delivery issues (Singh K, 2019b), flooding damage to public and private property as a result of infrastructure failures (Singh K, 2019a), growing inequalities (The Mercury, 2019b), alleged irregularities with the appointment of municipal personnel resulting in maladministration (Singh O, 2019b), corruption allegations involving municipal tenders (Mngadi, 2017) and an increase in incidences of contact crimes (SAPS, 2018). An analysis of the reported issues indicates that governance failures, lack of appropriate risk management and deficiencies in internal controls are at the heart of all these organisational failures. The Municipality experiences these challenges even though it has an established Internal Audit Department whose mandate is to advise management in relation thereto. The Institute of Internal Auditors (2017b), through the IPPF in Standard 2100 – Nature of Work - sets out that the Internal Audit Department must appraise and contribute to the enhancement of the organisation's risk management, governance and internal control mechanisms (IIA, 2017b). The reported failures, therefore, raise questions as to the effectiveness of Internal Audit within eThekweni Municipality, given that its mandate is to assist Management in addressing the identified root causes. Specific research relating to factors within eThekweni Municipality that influence Internal Audit's effectiveness remains an unexplored area of research. Inspired by the necessity to fill the above-stated empirical knowledge gap, this study provides a conceptual framework for factors that influence the IAE within eThekweni Municipality.

The principal objective of this study, therefore, was to construct a conceptual framework for factors that influence the effectiveness of Internal Audit within eThekweni Municipality. Consequentially, four secondary objectives were then derived from the principal objective. These were:

- Study the effectiveness of internal audit within eThekweni Municipality.
- Identify factors that influence the effectiveness of Internal Audit within ETM.
- Determine the level of performance by the Internal Audit in each identified factor.

- Make practical and meaningful recommendations to improve the effectiveness of ETM internal audit.

The key research questions for this study and which are in alignment with the research objectives, were presented and are:

- Is the eThekwini Municipality Internal Audit effective in discharging its legislated roles and responsibilities?
- What are the factors that impact upon the effectiveness of Internal Audit within eThekwini Municipality?
- How has Internal Audit of eThekwini Municipality performed in each identified factor influencing its effectiveness?
- What are practical interventions that can be implemented to improve the effectiveness of Internal Audit within eThekwini Municipality?

The resultant framework forms the basis for measures to be put in place by Executive Management, as well as by those charged with governance in order to achieve the desired Internal Audit effectiveness and thereby positively contributing to the achievement of eThekwini Municipality's objectives.

9.3 CONCLUSIONS AND RECOMMENDATIONS OF THE STUDY

This Section of the document provides conclusions and recommendations related to the identified factors and in line with the findings of the study.

9.3.1 Current Internal Audit Effectiveness

The Internal Audit Unit aims to create value for the organisation as an ultimate objective and this means that the Internal Audit Unit is only effective when it is able to contribute to the value creation process of the organisation through the implementation of its recommendations.

Conclusion

The quantitative element of this study found that the Internal Audit of eThekwini Municipality is making some contribution towards the achievement of Municipal

goals, but it is not fully effective. Altogether 26.6% of the respondents did not agree that the unit assists the Municipality in achieving its objectives; 27.7% of respondents did not agree that the Unit helps improve Municipal operations whilst 30.5% of respondents did not agree that there was added value created by Internal Audit for the Municipality. In total, an average of 28.3% of the respondents did not believe that eThekweni Municipality Internal Audit was effective. This finding was supported by the results of the qualitative element of the study which found that indeed, the Internal Audit Unit of ETM was not fully effective as there were many areas that required improvement in the way the Unit conducted its work to ensure that it made the maximum possible contribution and thus became fully effective. Therefore, the study concludes, therefore, that the Internal Audit of eThekweni Municipality is not fully effective in discharging its legislated mandate.

Recommendations

The effectiveness of Internal Audit is influenced by key identified factors as detailed below. This study makes specific recommendations aligned with each factor which, when implemented, can address the reasons found by the study to have a negative impact on IAE. Internal Audit Senior Management and all relevant key stakeholders should employ efforts aimed at implementing those specific recommendations to improve the effectiveness of Internal Audit.

9.3.2 Factors That Influence Internal Audit Effectiveness

Conclusions and recommendations relating to factors impacting on Internal Audit are discussed in this Section of the document.

9.3.2.1 The Chief Audit Executive Profile

The Chief Audit Executive profile refers to the minimum requirements required for the CAE position in terms of educational qualifications, practical experience as well as the character of an individual.

Conclusion

The study found that the Chief Audit Executive profile had an effect on the IAE as this official was the face and representative of Internal Audit and, therefore, set the direction and tone for the organisation. The results of the quantitative element of the study however, revealed that 24% of the respondents did not believe that the CAE job profile required adequate competencies for the job, whilst 23.3% did not agree that the CAE reported to the appropriate level of structure within the organisation. This finding was further supported by the results of the qualitative element of the study which indicated that the changes that have impacted upon the CAE portfolio in recent years impacted negatively on the effectiveness of the Internal Audit Unit. On the other hand, Hypothesis 1 results revealed that there was a significant association between the CAE profile and IAE whilst Proposition 1 was empirically rejected. The study concludes, therefore, that the overall influence of the CAE profile on Internal Audit effectiveness within eThekweni Municipality has not been at its optimal level due to the job profile requiring less than adequate competencies for the job, as well as the CAE not reporting to an appropriate level of structure in the organisation.

Recommendations

The study recommends that the Chief Audit Executive profile be incorporated in the conceptual framework to improve Internal Audit effectiveness within eThekweni Municipality. The study further recommends that the said profile be amended to include the highest Internal Audit-specific qualification; a master's degree with human capital management, practical internal audit experience at senior management level and a character-based assessment.

9.3.2.2 The Internal Audit Team Competency

Internal Audit competency in the context of EMARAS services includes being in possession of relevant Internal Audit qualifications, having the correct Internal Audit experience, understanding the local government environment, understanding the objectives of the Municipality, understanding municipal operations, understanding

risks facing the organisation and being in a position to carry out pure Internal Audit work in the form of assurance and consulting activities, in order to come up with value-add recommendations for Management to implement and thus address the identified risks.

Conclusion

The study found that the Internal Audit Team Competency had an effect on the effectiveness of the Internal Audit Unit. The results of Hypothesis 2 show that there is a significant connection between Internal Audit Team Competency and IAE. Other quantitative elements of the study revealed that the Internal Audit Team Competency, however, was not at an optimal level for internal audit professionals to perform their mandated duties effectively and fully as the overall average of responses indicated that 42.5% of the respondents did not respond positively to Internal Audit Team Competency statements. This finding was supported by the results of the qualitative element of the study which further indicated that there needed to be improvements in this factor in order to achieve the best possible contribution to Internal Audit effectiveness. The proposition made in this regard was rejected. This study concludes, therefore, that Internal Audit Team Competency is not at an optimal level to ensure that Internal Audit performed effectively. The study further concludes that reforms must be implemented in this area, including a review of the recruitment strategy and the process of the Unit to ensure that only individuals with the most relevant internal audit qualifications and Local Government experience are appointed and efforts to encourage internal auditors to further their studies by completing Internal Audit-specific qualifications are employed. That will ensure the maximum contribution towards Internal Audit effectiveness.

Recommendations

The study recommends that the Internal Audit Team Competency be incorporated in the conceptual framework to improve Internal Audit effectiveness within eThekweni Municipality. The study further recommends that the suggested reforms be

addressed in order to improve the competency of the Internal Audit Team for optimum effectiveness.

9.3.2.3 Internal Audit Independence

Internal Audit independence refers to the ability of internal audit professionals to be impartial, both in mind and in appearance.

Conclusion

The study found that the Internal Audit impartiality had an influence on the effectiveness of the Internal Audit Unit due to the influence it had on the ability of internal auditors to perform their activities and the influence it had on Management's willingness to implement suggestions provided by internal auditors. The results of Hypothesis 3 confirmed the association between Internal Audit independence and IAE. Other aspects of the quantitative element of the study found that 44.3% of the respondents did not respond positively to the statements regarding Internal Audit independence. This was almost half of the sample. This finding was supported by the results of the qualitative element which indicated that there were instances where Management had been able to unduly influence the work of Internal Audit and that the Internal Audit organogram, which allocates a specific team to audit a specific unit or area in the City without any rotation taking place, created a familiarity threat which impacted negatively on its independence. In addition, the process of appointing the Chief Audit Executive created an independence threat for Internal Audit as Senior Management within the municipality had an influence on it. The proposition made in this regard was empirically rejected. The study concludes, therefore, that the Internal Audit of eThekweni Municipality is not completely independent. The study further concludes that reforms should be implemented in the areas of improvement identified in order to ensure sufficient impartiality of Internal Audit with the aim of making Internal Audit more effective in the performance of its duties.

Recommendations

The study recommends that the Internal Audit Independence be incorporated in the conceptual framework to improve Internal Audit effectiveness within eThekweni Municipality. The study further recommends the implementation of sufficient safeguards to mitigate against the threats to Internal Audit independence, as well as processes to ensure that Internal Audit does not perform management functions whilst trying to appease Management and the Audit Committee on their requests for more value-add.

9.3.2.4 Internal Audit Functioning

Internal Audit functioning relates to the aspects involving the daily operations of the Unit together with other enabling factors.

Conclusion

The study found that Internal Audit functioning had an effect on the IAE due to its impact on the actual activities of the unit. The quantitative element of the study revealed that respondents constituting 40.75% did not respond positively to the statements relating to Internal Audit functioning, indicating that many necessary improvements are required in this area. The Hypothesis formulated in this regard, however, was supported by empirical evidence as the relationship between Internal Audit functioning and IAE was found to be significant. This outcome was further reinforced by the qualitative results which revealed that there were areas of improvement that should urgently be attended to for the Internal Audit Unit to be fully effective in relation to its functioning but that largely, the Internal Audit functioning contributed positively to IAE and Proposition 4 was thus accepted. The study concludes, therefore, that Internal Audit functioning does contribute positively to IAE but that it requires some improvements to make sure that the Internal Audit Unit is fully effective.

Recommendations

The study recommends that the Internal Audit Functioning be incorporated in the conceptual framework to improve Internal Audit effectiveness within eThekweni Municipality. The study further recommends that the Unit attends to the identified areas of improvement and which include documenting Internal Audit processes to ensure consistent implementation across remits, addressing the audit software (MetricStream) issues to ensure full operation or to procure a completely new system, addressing challenges experienced regarding the sourcing of laptops in a sustainable manner, adequately capacitating the Technical Quality Services (TQS) remit and sourcing sufficient financial resources to ensure continuous training and development for Internal Audit officials.

9.3.2.5 Effective Communication

Effective communication refers to the clarity of message as communicated by Internal Audit to all its key stakeholders.

Conclusion

The study found that effective communication had an influence on IAE because it enabled Internal Audit stakeholders to better understand the mandate and responsibilities of Internal Audit, as well as to understand the recommendations made by Internal Audit for better implementation. Hypothesis 5, however, was not supported empirically as the relationship with effective communication and IAE was found to be insignificant. An average of 50.8% of the respondents of the quantitative element of the study did not respond positively to the statements relating to effective communication as it relates to Internal Audit of eThekweni Municipality. This result suggests, therefore, that the Internal Audit Unit must improve its communication in order to improve its effectiveness. The qualitative element of the study further supported what was found in the quantitative element as it indicated that the Internal Audit unit was not communicating effectively with its stakeholders. The study, therefore, concludes that the Internal Audit unit is not communicating effectively with

its stakeholders and that it should improve the manner in which it communicates, to be more effective.

Recommendations

The study recommends that effective communication be incorporated in the conceptual framework to improve Internal Audit effectiveness within eThekweni Municipality. The study further recommends that the Unit devise a communication strategy wherein it must articulate issues of branding itself appropriately through City-wide awareness initiatives, its reporting mechanisms (i.e. the structure and manner of the reports) and identify individuals with authority to represent the unit on various strategic platforms throughout the City. This will ensure clarity and consistency of the message which will contribute positively to the effectiveness of the Unit.

9.3.2.6 Internal audit status

Internal Audit status means the standing of EMARAS amongst its key stakeholders.

Conclusion

The outcomes of the study revealed that Internal Audit status has an effect on IAE as it influences the manner in which Internal Audit reports and in which observations are received by Internal Audit stakeholders. The quantitative element of the study showed that an average of 44.7% of the respondents did not respond positively to the statements relating to Internal Audit status within the eThekweni Municipality. Hypothesis 6 results show that the relationship between Internal Audit status and IAE was insignificant and, therefore, it was not supported. The qualitative results went further to indicate that the status or standing of Internal Audit of eThekweni Municipality amongst its stakeholders had diminished from what it used to be in the past few years with signs of it diminishing even further in the foreseeable future. These results meant that the Proposition 6 was also rejected. The study concludes, therefore, that the status of Internal Audit of eThekweni Municipality has diminished in the recent years and that this has contributed negatively to the effectiveness of the Unit. The study further concludes that areas of improvement identified to have contributed to this result, including issues surrounding the leadership of the Unit, be attended to for the status of the Unit to improve amongst its stakeholders and its effectiveness also be improved.

Recommendations

The study recommends that the Internal Audit status be incorporated in the conceptual framework to improve Internal Audit effectiveness within eThekweni Municipality. The study further recommends that areas of improvement identified to have contributed to the diminished status of Internal Audit, including issues surrounding the leadership of the unit, be attended to for the status of the Unit to improve amongst its stakeholders.

9.3.2.7 Compliance with IIA Standards

The internal audit profession has approved and issued standards that an Internal Audit Department must adhere to.

Conclusion

The study found that compliance with IIA Standards had an effect on IAE as it ensured consistency in how Internal Audit executes its mandate and that has a significant effect on IAE. The quantitative results of the study, however, revealed that 35.6% of the respondents did not agree that internal audit activities were performed in accordance with the IIA Standards (ISPPA). Hypothesis 7 results show that the relationship between compliance with IIA standards and IAE was found to be insignificant and, therefore, it was not supported. This finding was further corroborated by the qualitative results which showed that there was some compliance with IIA standards but the exact level of compliance and/or non-compliance remained unknown since the Unit had not undergone a quality assessment process. Proposition 7 was empirically rejected. The study concludes, therefore, that the exact level of compliance or non-compliance with IIA standards is unknown, with the result that the impact of this factor on Internal Audit effectiveness is not conclusively proven.

Recommendations

The study recommends that compliance with IIA standards be incorporated in the conceptual framework to improve Internal Audit effectiveness within eThekweni Municipality. The study further recommends that Internal Audit subjects itself to a quality assessment process to determine areas of non-compliance with the standards with the aim of addressing those to achieve improved effectiveness of the Unit.

9.3.2.8 Senior Management Support for Internal Audit

Senior Management refers to the Executive Management of eThekweni Municipality.

Conclusion

The study found that Executive Management support for Internal Audit had an influence on the effectiveness of the Unit due to the fact that Internal Audit reports administratively to Senior Management and, therefore, they would need support in terms of resources to enable Internal Audit work to be done and because Senior Management are essentially the implementers of Internal Audit recommendations. The quantitative results, however, indicated that 39.4% of the respondents did not agree that senior management of eThekweni Municipality supported Internal Audit to perform its mandate, 36.1% did not agree that Internal Audit furnished Senior Management with adequate reports, 51% did not believe that the reaction to Internal Audit reports by Senior Management of eThekweni Municipality was sensible, 52.1% did not agree that Senior Management ensured that the Internal Audit Unit had adequate financial budget and 53.4% of the respondents did not agree that senior management of eThekweni Municipality sufficiently monitored the implementation of Internal Audit recommendations. On average, 46.4% of the respondents in the quantitative element of the study did not respond positively to statements regarding Senior Management support. Hypothesis 9 was not supported as the relationship between Senior Management support and IAE was found to be insignificant. This finding was further supported by the results of the qualitative element of the study which also found that indeed, Senior Management did not fully support Internal Audit in performing its activities. Proposition 9 was empirically rejected. The study concludes, therefore, that the Senior Management support for Internal Audit is insufficient to ensure that Internal Audit discharges its responsibilities effectively. The study further concludes that the Senior Management of eThekweni Municipality should address all areas of improvement as recommended below to assist Internal Audit to discharge its mandate effectively.

Recommendations

The study recommends that Senior Management support be incorporated in the conceptual framework to improve Internal Audit effectiveness within eThekweni

Municipality. The study further recommends that Senior Management address all identified areas of improvement in how they relate to Internal Audit. The identified areas of improvement include; Senior Management availing themselves for Internal Audit requirements, adequately responding to Internal Audit issues, submitting management comments on Internal Audit findings and which address the root causes identified, and sufficiently attending to Internal Audit findings which are part of the log. In addition, the study recommends that measures be put in place to build a cordial and productive association between Senior Management and EMARAS to avoid hostility at strategic platforms such as the Audit Committee.

9.3.2.9 Political Support for Internal Audit

Political support refers to support for internal audit by political office-bearers as well as support by committees of the city which are constituted by political leadership.

Conclusion

The study found that support by political office-bearers for Internal Audit had an influence on the effectiveness of the Unit due to the environment within which it operates. The quantitative results showed, however, that an average of 68.5% of the respondents did not respond positively to the statements regarding this factor, whilst the qualitative element indicated an element of influence that may be beyond the legislated scope. Hypothesis 9 results show that the relationship between political support and IAE was insignificant and therefore, it was rejected, whilst Proposition 9 was also empirically rejected. The study concludes that support by political office-bearers is insufficient to ensure that Internal Audit discharges its responsibilities effectively.

Recommendations

The study recommends that support by political officer-bearers for Internal Audit be incorporated in the conceptual framework to improve Internal Audit effectiveness within eThekweni Municipality. The study further recommends that more efforts be employed to show more support for Internal Audit at key strategic platforms of the city.

9.3.2.10 Effective Audit Committee

The Audit Committee is an independent and legislated Committee to which Internal Audit reports functionally.

Conclusion

The outcomes of the study revealed that an effective Audit Committee had an effect on the effectiveness of the Internal Audit Unit due to the fact that the Unit reports directly to the Audit Committee. The quantitative results, however, revealed that respondents constituting 40% did not agree that the Audit Committee discussed and adequately monitored the implementation of Internal Audit Reports; 60.8% did not agree that the Audit Committee was responsible for the appointment and removal of the CAE and 28.6% of the respondents did not agree that Internal audit reported functionally to the Audit Committee. An average of 43.1% of the respondents, therefore, did not respond positively to statements regarding Audit Committee effectiveness. Hypothesis 10 was not supported empirically since the relationship was found to be insignificant. The qualitative results, on the other hand, indicated that Proposition 10 can be accepted as the Audit Committee of the city was effective for the most part, but that there were areas requiring improvement and which should be addressed to ensure effectiveness of the Committee, as well as of Internal Audit. The study concludes, therefore, that improvement areas relating to the effectiveness of the Audit Committee be addressed to ensure effectiveness of the Committee and the effectiveness of the Internal Audit Unit.

Recommendations

The study recommends that an effective Audit Committee be included in the conceptual framework to improve IAE within eThekweni Municipality. The study further recommends that identified improvement areas be addressed to ensure that the Audit Committee is fully effective. These areas include the skill mix within the Committee members and which should include an infrastructure specialist, more efforts by the committee to effectively ensure that Management implements all

Internal Audit recommendations and a review in approach by the Committee to give more attention to strategic matters as opposed to operational matters.

9.4 RECOMMENDED FUTURE RESEARCH

The outcome of this study adds to the literature on Internal Audit effectiveness within the Local Government sector of South Africa and, in particular, within the eThekweni Municipality. The need to perform further research on IAE in the public sector within the South African context is important as there is a significant gap in terms of understanding Internal Audit effectiveness in this area (Endaya & Hanefah, 2018). This should assist in the achievement of the ideals enshrined in the Constitution of the Republic of South Africa. There is a more pressing need to perform research in the South African Local Government sector, especially at metropolitan municipalities, owing to the number of South African citizens residing within metros. In relation to the eThekweni Municipality, there is a need to perform further research to understand how other key stakeholders of the Internal Audit Unit that were not part of this current study perceive its contribution and its effectiveness.

9.5 LIMITATIONS OF THE STUDY

The contribution emanating from this study significantly improves the literature available for both academia and practice. However, it has its own limitations which provide opportunities for future research initiatives. This research aimed to develop a conceptual framework for factors that influence the effectiveness of Internal Audit within the eThekweni Municipality. Its limitations include the fact that not all key stakeholders of Internal Audit were included as respondents in the study. The study can be strengthened by the inclusion of other key stakeholders of Internal Audit, predominantly those that are external to the organisation. The second limitation is that the research focused only on Internal Audit effectiveness within the Municipality, while there are other assurance providers and lines of defence in line with the combined assurance framework (EMARAS, 2020b). The study can be strengthened to include the effectiveness of other assurance providers, namely those falling within the first and second lines of defence in terms of the combined assurance framework.

The third limitation is that this study focused on the eThekweni Municipality and could be strengthened to include other metropolitan municipalities and/or all other local and district municipalities.

9.6 SUMMARY

Chapter Nine discussed the key findings of the study. It also provided conclusions and recommendations arising from the study. Factors influencing Internal Audit effectiveness within eThekweni Municipality were presented, together with the conceptual framework for those factors and positive reforms to improve Internal Audit effectiveness. This chapter also presented limitations of the study and suggestions for future research.

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ANNEXURE A: INFORMED CONSENT LETTER

Informed Consent Letter 3C

UNIVERSITY OF KWAZULU-NATAL
GRADUATE SCHOOL OF BUSINESS AND LEADERSHIP

Dear Respondent,

DBA/PHD Research Project: Doctor of Business Administration (DBA)
Researcher: Mr Mfanufikile Mwelase (0825282319)
Supervisor: Dr Bibi Chummun (031-2608943)
Research Office: Ms P Ximba (031-2603587)

I am **Mfanufikile Mwelase** a DBA student at the Graduate School of Business and Leadership, of the University of KwaZulu Natal. You are invited to participate in a research project entitled "Developing a conceptual framework for factors that influence the effectiveness of internal audit within eThekweni municipality". The aim of this study is to develop a conceptual framework for factors that influence the effectiveness of internal audit within eThekweni Municipality

Through your participation I hope to identify and understand, in detail, dynamics that impact the effectiveness of internal audit within eThekweni Municipality. The results of this study are intended to provide evidence for decision makers within the eThekweni Municipality on what measures to take in order to manipulate key factors influencing the effectiveness of Internal Audit in their endeavor to improve internal audit's effectiveness within the Municipality.

Your participation in this project is voluntary. You may refuse to participate or withdraw from the project at any time with no negative consequences. There will be no monetary gain from participating in this study. Confidentiality and anonymity of records identifying you as a participant will be maintained by the Graduate School of Business and Leadership, UKZN.

If you have any questions or concerns about completing the questionnaire or about participating in this study, you may contact me or my supervisor at the numbers listed above.

The questionnaire should take you about thirty (30) minutes to complete. I hope you will take the time to complete this questionnaire.

Sincerely

Investigator's sig



Date 14.10.2019

ANNEXURE B: INFORMED CONSENT FORM

UNIVERSITY OF KWAZULU NATAL
GRADUATE SCHOOL OF BUSINESS AND LEADERSHIP- WESTVILLE CAMPUS

Doctoral Degree: Doctor in Business Administration
Researcher: Mfanufikile Mwelase (082-5282319)
Supervisor: Dr Bibi Chummun (031-2608943)
Research Office: Ms P. Ximba (031-2603587)

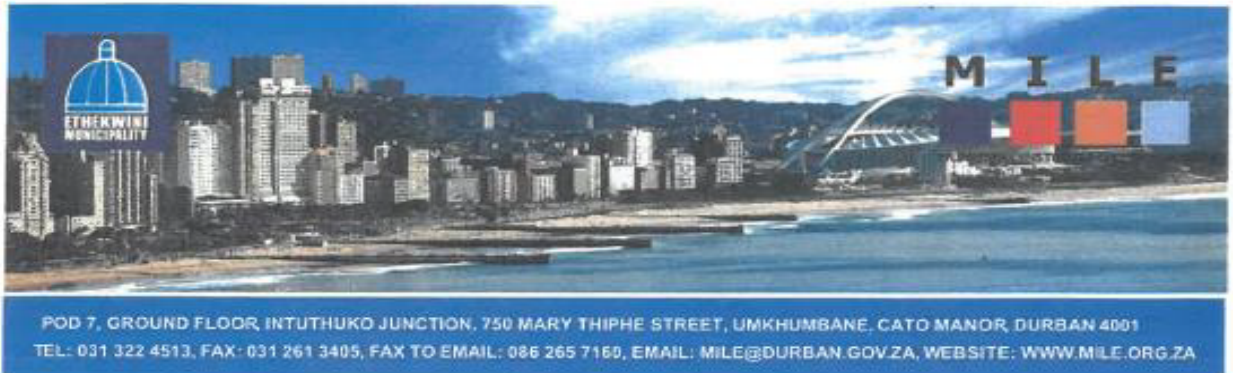
CONSENT

I _____,
.....
(full names of participant) hereby confirm that I understand the contents of this document and the nature of the research project, and I consent to participating in the research project. I understand that I am at liberty to withdraw from the project at any time, should I desire.

Participant's signature: _____

Date _____

ANNEXURE C: ETHEKWINI MUNICIPALITY GATE KEEPER LETTER



For attention:
Chair of Ethics Committee
Graduate School of Business
University of KwaZulu Natal
Westville Campus
Durban
4001

4 October 2019

RE: LETTER OF SUPPORT TO M.K MWELASE, STUDENT NUMBER 200306032 - GRANTING PERMISSION TO USE ETHEKWINI MUNICIPALITY AS A CASE STUDY

eThekweni Municipality Audit and Risk Assurance Services (EMARAS) and eThekweni Municipal Academy (EMA), have considered a request from MFANUFIKILE KHETHABAHLE MWELASE to use eThekweni Municipality as a research study site leading to the awarding of a DOCTOR OF BUSINESS ADMINISTRATION (DBA) entitled: *"Developing a conceptual framework for factors that influence the effectiveness of Internal Audit within eThekweni Municipality"*

We wish to inform you of the acceptance of his request and hereby assure him of our utmost cooperation towards achieving his academic goals; the outcome which we believe will help our municipality improve its services. The student is reminded of the ethical considerations when undertaking this study. In return, we stipulate as conditional that Mr Mwelase contacts Collin Pillay, Program Manager at (collin.pillay3@durban.gov.za) to present the results and recommendations of this study to the related unit/s on completion of his research study.

Wishing Mr Mwelase all the best in his studies.

Mr Ronald Machumi
Chief Audit Executive (Head: EMARAS)
eThekweni Municipality

Dr M. Ngubane
Head: eThekweni Municipal Academy
eThekweni Municipality

I, M.K. Mwelase hereby accept as conditional that I will comply fully as per the stipulations stated above.

Signed

Date: 07/10/2019

ANNEXURE D: QUESTIONNAIRE

Developing a conceptual framework for factors that influence the effectiveness of Internal Audit within eThekweni Municipality

Respondent no.:

Age	25 - 34	35 - 44	45 - 54	55 & above
Highest qualification	Matric	Diploma	Bachelor	Masters
Internal audit working experience	0 – 3 years	4 – 7 years	8 – 10 years	Above 10 years
ETM Department	EMARAS	Treasury	PME	Entities
Experience in your field	0 – 3 years	4 – 7 years	8 – 10 years	Above 10 years

To what extent do you agree or disagree with each of the following statements in relation to the effectiveness of Internal Audit within eThekweni Municipality?

No	Questions	Rating scale				
		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
Internal Audit Effectiveness						
1	Internal Audit assists the municipality achieve its objectives.	1	2	3	4	5
2	Internal Audit improves municipal operations.	1	2	3	4	5
3	Internal Audit creates added value to the municipality.	1	2	3	4	5
CAE Profile (Leadership)						
4	The CAE job profile requires adequate competencies for the job.	1	2	3	4	5
5	The CAE reports to the appropriate level of structure within the organisation	1	2	3	4	5
Internal Audit Team Competency						
6	The professional knowledge of internal auditors is adequate.	1	2	3	4	5
7	Internal Auditors are considered professionals in the organisation.	1	2	3	4	5
8	Internal Auditors are proactive.	1	2	3	4	5
9	Internal Auditors attend educational seminars for continuous training.	1	2	3	4	5
10	Internal Auditors have adequate subject matter education.	1	2	3	4	5
11	Internal Audit staff turnover is at an acceptable level.	1	2	3	4	5
12	Internal Auditors understand the operations of the organisation sufficiently.	1	2	3	4	5
Internal Audit independence						
13	Internal Audit is free to perform their work and discharge their mandate.	1	2	3	4	5
14	The CAE reports to a level within the municipality that permits Internal Audit to satisfy its obligations.	1	2	3	4	5
15	The CAE has direct contact to EXCO.	1	2	3	4	5
16	The CAE has direct contact to Council.	1	2	3	4	5
17	Internal Audit has direct contact with all executive management.	1	2	3	4	5
18	Irreconcilable circumstances are seldom present in the inner work of Internal Audit.	1	2	3	4	5
19	Internal Auditors seldom confront obstruction by administration while they conduct their work.	1	2	3	4	5

No	Questions	Rating scale				
		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
20	Internal Audit staff have free access to all departments and employees in the municipality.	1	2	3	4	5
21	Internal Audit staff are not asked to perform non-audit functions.	1	2	3	4	5
22	The CAE has unrestricted access to the Chair of the Audit Committee.	1	2	3	4	5
23	The CAE enjoys support from the Audit Committee.	1	2	3	4	5
24	Internal Audit contributes to the development of municipal processes.	1	2	3	4	5
Internal Audit Functioning						
25	Established Internal Audit objectives are achieved.	1	2	3	4	5
26	Communication between Internal and External Audit is sufficient.	1	2	3	4	5
27	Internal Audit's work is efficiently performed.	1	2	3	4	5
28	Internal Audit's findings are correctly justified.	1	2	3	4	5
29	Internal Audit's recommendations can be easily implemented.	1	2	3	4	5
30	Internal Audit's reports are accurate.	1	2	3	4	5
31	Internal Audit is of an adequate size to support the organisation.	1	2	3	4	5
32	Internal Audit has adequate resources to perform its functions.	1	2	3	4	5
33	Internal Audit performs core IA services.	1	2	3	4	5
34	Internal Audit is agreeable to performing additional special reviews when requested.	1	2	3	4	5
35	Internal Audit performs adequate risk assurance activities.	1	2	3	4	5
36	Internal Audit performs adequate risk advisory activities.	1	2	3	4	5
37	Audit engagements performed by Internal Audit are risk-based.	1	2	3	4	5
38	Internal Audit coordinate with other departments within the organisation.	1	2	3	4	5
Effective Communication						
39	Internal Audit adopts an accusatory style or fault-finding approach when reporting.	1	2	3	4	5
40	Internal Audit ensures clarity of message when communicating with auditees.	1	2	3	4	5

No	Questions	Rating scale				
		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
Internal Audit Status						
41	Organisational status of IA is sufficient for it to function to achieve its goals.	1	2	3	4	5
42	Internal Audit can influence senior management decisions.	1	2	3	4	5
43	Internal Audit provides sufficient support to other departments within the organisation.	1	2	3	4	5
Compliance with IIA Standards						
44	Internal Audit activities are performed in accordance with the IIA Standards (ISPPIA).	1	2	3	4	5
Top Management support for Internal Audit						
45	Senior management supports IA to perform its mandate.	1	2	3	4	5
46	Internal Audit furnishes senior management with adequate, solid and pertinent reports about the work they perform, and proposals made.	1	2	3	4	5
47	The reaction to IA reports by senior management is sensible.	1	2	3	4	5
48	Senior management ensures that the IA unit has adequate financial budget to effectively fulfil its obligations and responsibilities.	1	2	3	4	5
49	Senior management sufficiently monitors the implementation of IA recommendations.	1	2	3	4	5
Political support for Internal Audit						
50	Political head supports IA to perform its mandate	1	2	3	4	5
51	Internal audit furnishes political head with adequate, solid and pertinent reports about the work they perform, and proposals made	1	2	3	4	5
52	Political head monitors the implementation of IA recommendations	1	2	3	4	5
Effective Audit Committee						
53	The Audit Committee discusses and adequately monitors implementation of the Internal Audit recommendations.	1	2	3	4	5
54	The Audit Committee is responsible for the appointment and removal of the CAE.	1	2	3	4	5
55	The Internal audit reports functionally to the Audit Committee.	1	2	3	4	5

ANNEXURE E: INTERVIEW GUIDING QUESTIONS

The following is an interview guide that was used when interviewing respondents to gain a deeper understanding of the factors that influence the effectiveness of Internal Audit within eThekweni Municipality.

<p>Introduction:</p>	<p>I want to thank you for taking the time to meet with me today. My name is Mfanufikile Mwelase and I would like to talk to you about what you see as important factors that influence Internal Audit effectiveness within eThekweni municipality.</p> <p>The interview should take less than 30 minutes. I will be voice recording the session because I do not want to miss any of your comments. Although I will be taking some notes during the session, I cannot possibly write fast enough to get it all down. Because we are on tape, please be sure to speak up so that we do not miss your comments.</p> <p>All responses will be kept confidential. This means that your interview responses will only be used for the purposes of this research and I will ensure that any information I include in my report does not identify you as the respondent.</p> <p>Are there any questions about what I have just explained? Are you willing to participate in this interview?</p> <hr/> <p>Sign: Respondent Date</p>
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<p>Questions</p>	<ol style="list-style-type: none"> 1. How would you define Internal Audit effectiveness? 2. Who are the key stakeholders to the Internal Audit from whose point of view we should evaluate internal audit effectiveness? 3. Do you think Internal Audit within the eThekweni Municipality is effective? Why? 4. What in your opinion would constitute key drivers of Internal Audit effectiveness within the eThekweni Municipality context? 5. Does the CAE profile influence IAE? How? 6. Does IA Team's competency influence IAE? How? 7. Does IA independence influence IAE? How? 8. Does IA functioning influence IAE? How? 9. Does effective communication influence IAE? How? 10. Does IA status within the organisation influence IAE? How? 11. Does compliance with IIA standards influence IAE? How? 12. Does senior management support for IA influence IAE? How? 13. Does an effective Audit Committee influence IAE? How? 14. Does politics influence IAE? How? 15. What reforms would you suggest to ensure IAE within the eThekweni Municipality?
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Closing Key	<p>Is there anything more you would like to add?</p> <p>I will be analysing the information you and others gave me and I will be happy to send you a copy to review at that time, if you are interested.</p> <p>Thank you for your time.</p>
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ANNEXURE F: LANGUAGE EDITOR REPORT



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aweimann@iafrica.com OR cls@iafrica.com

26 October 2021

TO WHOM IT MAY CONCERN

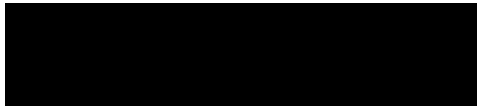
This is to certify that the thesis written by **Mfanufikile Khethabahle Mwelase (200306032)** and titled:

Developing a conceptual framework for factors that influence the effectiveness of internal audit within eThekweni Municipality

was copy edited by the undersigned. At the same time a reconciliation of citations and the accompanying Reference List was undertaken. The Reference List was also assessed for technical correctness.

The writer was provided with the corrections/amendments which required action. The corrected document was subsequently proof-read and a number of additional corrections were advised.

The undersigned takes no responsibility for corrections/amendments not carried out in the final copy submitted for examination purposes.



Dr Alan Weimann

ANNEXURE G: ETHICS APPROVAL



07 November 2019

Mr Mfanufikile Khethabahle Mwelase (200306032)
Grad School Of Bus & Leadership
Westville Campus

Dear Mr Mwelase,

Protocol reference number: HSSREC/00000774/2019

Project title: Developing a conceptual framework for factors that influence the effectiveness of internal audit within eThekwin Municipality

Full Approval – Expedited Application

This letter serves to notify you that your application received on 05 November 2019 in connection with the above, was reviewed by the Humanities and Social Sciences Research Ethics Committee (HSSREC) and the protocol has been granted **FULL APPROVAL**.

Any alteration/s to the approved research protocol i.e. Questionnaire/Interview Schedule, Informed Consent Form, Title of the Project, Location of the Study, Research Approach and Methods must be reviewed and approved through the amendment/modification prior to its implementation. In case you have further queries, please quote the above reference number. **PLEASE NOTE:** Research data should be securely stored in the discipline/department for a period of 5 years.

This approval is valid for one year from 07 November 2019.

To ensure uninterrupted approval of this study beyond the approval expiry date, a progress report must be submitted to the Research Office on the appropriate form 2 - 3 months before the expiry date. A close-out report to be submitted when study is finished.

Yours sincerely,



Professor Urmilla Bob
University Dean of Research

/dd

Humanities & Social Sciences Research Ethics Committee
Dr Rosemary Sibanda (Chair)
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Founding Campuses: Edgewood Howard College Medical School Pietermaritzburg Westville