



A framework for enhancing internal-audit-independence and objectivity within a provincial governance system of South Africa

By

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ABSTRACT

The lack of internal audit activity independence (IAAI) and internal auditors' (InAs) objectivity has depreciated the internal audit (IA)'s role in adding value to the operations of provincial governments (PGs). This malfunction has resulted in gaps within their IA process that limit the degree of reliance and trust that can be put on the IAs' role within the PG. The PG is tasked with a huge responsibility to work with the national government and assist local governments to effectively enhance provincial and local government service delivery objectives. Therefore, to ensure that service delivery expectations are satisfied, it is critical for every internal audit function (IAF) within the organs of state to regularly examine their operational strategies and best practice business processes. Against this background, this paper reports on IA independence and internal auditors' objectivity within the Western Cape Provincial Government (WCPG).

This paper sought to establish factors that lead to the lack of IA independence and internal auditors' objectivity. The main objective of this research study was to develop a framework to enhance IA independence and internal auditors' objectivity within the provincial governance systems. The study employed a mixed research method to investigate the IAAI and internal auditors' objectivity using a sample of 260 participants who responded to valid interviewer-administered questionnaires. To validate the results of this questionnaires, telephone interviews with a CAE and three deputy directors, as well as two focus group discussions of four and six participants respectively were held with employees of the WCPG. Data was collected from the 260 participating IAF employees of the WCPG.

This study employed several statistical techniques such as the descriptive statistic, correlation, and structural equation modelling to analyse the data from the survey. The survey results reflected that the IAF is faced with numerous operational challenges that affect its independence and objectivity. It was established from the study results that the IAF is not large enough to successfully carry out its duties, there are also budgetary constraints that prevents regularly equipping auditors through training programmes and the successful completion of audits. The results further showed that the IAF is given a low status in the management structure, hence its importance is not stressed sufficiently. The study respondents also indicated that management has a negative perception of IA as being a fault-finding exercise as opposed to adding value

to the organisation. It was also established that there is a lack of management commitment to timely take corrective action based on audit findings and recommendations. Based on the conclusions drawn, appropriate recommendations were suggested to assist the WCPG departments to overcome the issues of a lack of IA independence and internal auditors' objectivity. Although the study provided some useful insights, it is also acknowledged that further research could employ larger sample sizes and PG departments in other provinces.

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DEDICATION

This doctoral thesis is dedicated to my late father, Mziwakhe Wilberforce Geqeza.

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ABBREVIATIONS AND ACRONYMS

AC	Audit Committee
AGSA	Auditor-General of South Africa
AO	Accounting Officer
CAE	Chief Audit Executive
CFO	Chief Financial Officer
IA	Internal Audit
InAs	Internal Auditors
IAA	Internal Audit Activity
IAAI	Internal Audit Activity Independence
IAF	Internal Audit Function
IIA	Institute of Internal Auditors
KAM	Key Audit Matters
PFMA	Public Finance Management Act
PG	Provincial Government
WCPG	Western Cape Provincial Government

CHAPTER ONE

INTRODUCTION AND BACKGROUND OF THE STUDY

1.1 Introduction

The provincial governance systems in the South African government are developed in a way that promotes accountability. Accountability is one of the constitutional requirements for all government spheres in the Republic of South Africa. Considering that these spheres are run through taxpayer's money, accountability is a necessary mechanism to ensure taxpayers' money is used for a good cause (Etim, Jeremiah & Jeremiah, 2020:2). Therefore, accountability is used as a tool to ensure that expenditures for public services are incurred economically, efficiently and effectively (Oloruntoba & Gbemigun, 2019:219). One of the means of ensuring accountability is the internal audit function (IAF), it was established to assist management with internal controls and other governance procedures that provide some level of accountability to the organs of state officials (Rahayu, Yudi & Rahayu, 2020:2-3). Internal Audit functions further provide consulting and assurance activities that encourage adherence to statutory and legislative requirements (Kotb, Elbardan & Halabi, 2020:2). Statutory and legislative frameworks ensure that all government employees are accountable for their actions and the management is accountable for its decisions (Etim, et al., 2020:2)., thereby achieving the constitutional responsibility of providing a democratic and accountable government. The Public Finance Management Act 1 of 1999 and the Treasury Regulation of 2000, necessitated the establishment of the office of the Auditor-General of South Africa (AGSA).

The main purpose for the appointment was to maintain a high level of accountability and oversight that yields better corporate governance, sound administration of the public purse and enhances the delivery of public services (Oloruntoba & Gbemigun, 2019:221). The AGSA is the external auditor of all organs of state and has a "constitutional mandate and, as the supreme audit institution (SAI) of South Africa, it exists to strengthen the country's democracy by enabling oversight, accountability and governance in the public sector through auditing, thereby building public confidence" (AGSA,2021). Internal auditors on the other hand are working internally within the organs of state to assist them to gain control of their activities and achieve a sound

operational efficiency, good corporate governance, efficient management of risk and control processes (Saeed, Hamawandy & Omar, 2020:1455). However, the Institute of Internal Auditors (IIA) standard for internal as states that objectiveness is essential for such personnel when carrying out their duties and their IAA must be independent.

1.2 Theoretical framework

The discussions of this study underpin three theories namely: institutional theory and the Key Audit Matters (KAM) because these were established by the International Auditing and Assurance Standards Board (IAASB) in the year 2016. Such theories include principal agency theory and communication theory.

1.2.1 Institutional theory

The institutional theory has been explained by different scholars in several ways over time. In this study, however, institutional theory is defined as the theory that explains why departmental structures and practices were established (Moser, Winkler, Narayanamurthy & Pereira, 2020:2243). Basically, the institutional theory assumes that the authority is necessary for accounting officers (AOs) to operate within the support of institutional structures and practices and to remain in control (Prasad, 2020:123). This study extends that notion to the IAF. In the sense that the IAF's ability to demonstrate authority would have an impact on the attainment of their objectives, present proof of the value IA adds and one way for the IAF to demonstrate its credibility is through its efficacy. (Prasad, 2020:123). IAF's efficacy is achieved when auditors are performing their work objectively and their IAAs are independent (Wakil, Alifiah, Teru, 2020:840). The theory, therefore, is applicable to the study because the extent to which IA can be objective and its IAAs can be independent is limited to institutional structure, practices, and AOs' support.

1.2.2 Principal agency theory

The principal agency theory clarifies the association and problems that exist amongst two or more parties, where one party performs the work on behalf of another party (Abdulkadir & Alifiah, 2020:819) When the PG was established and managed by an AO on behalf of the government, the principal-agent relationship and problems arose because of the separation of ownership and control (Musarrat & Harani, 2020:3058-3059). The AO gained more information and understanding of the PG's day to day

operations as compared to the government, and that has created the problem of imbalanced information between the government and AOs (Hashim, Ahmad & Salleh, 2018:664). Such a situation is described as asymmetry information, which leads to major agency problems that include moral hazards and adverse selection (Syofyan, Misri, Sopian & Usman, 2020: 4135). As a form of mitigating this agency problem, independent auditors were appointed as an independent party to prevent asymmetry information problems between the government and AO as supported by agency theory under the agency cost function (Davis, Bendickson, Muldoon & McDowell, 2021:8). The extent to which Auditors can combat asymmetry problems is only limited to their objectivity and the freedom they are given (Hashim, et al., 2018:664).

In recent years, the conducting of an IA has created further agency relationship within the PG that in turn has impaired the trust that is imposed on IAF, this situation has produced new problems relating to their independence (Fashami, Boolaky & Omoteso, 2020:253-254). IAs serves to monitor the contractual relationships between government, AO, employees, taxpayers and/or the public, hence they must be independent (Rahayu et al., 2020:4). The literature correlates that there is an affirmative connection between audit independence and audit quality (Baotham & Ussahawanitchakit, 2009; Dozie, Mohammed & Onipe, 2019; Fashami, et al., 2020; Mamaile, 2018). According to Hashim et al. (2018), the KAM has arisen from the agency theory with the objective of enhancing the quality of audit engagements. Therefore, the new KAM was a necessary mechanism in which the key players in the agency theory are enhanced and comprise a new tool that improves the audit quality measurements for all government spheres.

1.2.3 Communication Theory

van Ruler (2018:367) citing Littlejohn (1983) describes communication theory as the body of theories, that result in society's understanding of the communication process. Abdullah, Ling, Sulaiman, Radzi and Putri (2020:697) and Hashim et al. (2018: 664) citing Cragan and Shields (1998) add that communication theory is also defined as a collection of concepts and related statements that helps one understand, describe, explain, evaluate, predict, and control the phenomena. The communication of auditing findings is one of the communication theory ideas (Ikiseh, 2020:28). The communication of audit has been developed as a research tool for taxpayers because

it provides necessary information regarding the PG's health (Besterci & Hazel, 2014; Booth, 1989; Ikiseh, 2020; Tourish & Hargie 2017). Through the information and descriptions given in the audit report, the government and the public can attain a picture of how the public purse is managed. Therefore, adequate accurate information must be communicated through the audit report (Razzaq & Thijeel, 2019; Wakil et al. 2020:842). The communication theory was applied in this study because internal auditors are employed to assure that the information about how the PG's funds are managed, is communicated effectively. However, the audit report can only be adequate when internal auditors execute their jobs without any influence from other persons or departments (Akther & Xu, 2020:4). The contents of the IA's report can be enhanced using the KAMs as a technique to improve the communication of financial information to the users in PG departments (Hashim et al., 2018: 664).

1.3 Problem statement

The IIA standards and framework have contributed significantly to the notion that the independence and objectivity of the IA plays a crucial role in value adding to the organisational operations. There is also an agreement in literature (Alzeban & Gwilliam, 2014; Gustavson & Sundstrom, 2016; Tepalagul & Lin, 2015) that the internal auditors can only exact their responsibilities when they are independent and objective. The question, however, that must be answered is whether the internal auditors in South African government departments are seen by their counterparts as independent and objective when drawing their conclusions and making recommendations. The auditing profession has been under fire since the implication of KPMG in South African state capture and the implosion of Steinhoff (Cameron, 2017). According to the IAs' representative body, there is intimidation imposed by management and politicians on auditors, that speeds up corporate and public institutions' capture in SA. This viewpoint is supported by the study conducted by Unegbu and Kida (2011), that indicated that auditors are subjected to different categories of humiliation, ridicule, and maltreatment. The authors further state that auditors are exposed to many hazards which impairs their audit efficiency– such as the several reported cases of assassinations, burglary, native medicine and acid attacks on their lives and property (Unegbu & Kida, 2011).

This study argues that these incidents lead to auditors' possessing little independence and low objectivity, resulting in biased recommendations and conclusions passed because of fear.

The Audit Committee (AC) is the backbone of the Internal Audit function (IAF), it must play a vital role towards strengthening and protecting IAA independence and internal auditors' objectivity (Razzaq & Thijeel, 2019). There is, however, a problem with the AC in government departments, its independence is presumed to be impaired by previous and the existing relations of AC members with the management and politicians. This perception prevents the committee from strengthening and protecting IAA independence and objectivity. The AC within government departments is also regulated by a distinctive governing framework with several sections of Acts and rules, to ensure the independence of the AC, such legislation and regulations include the Public Finance Management Act (PFMA) 1 of 1999 Section 38(1) and 76(4), and Treasury Regulations of 2000, paragraph 3.2. In these regulations, the terms of reference for the AC are not consistent in defining how the AC should complete its work with regards to the PG's departmental environment and enhancing the IAA independence and objectivity. Despite the lack of such clarity, the regulations recommend that measures must be in place to regularly assess, evaluate and enhance IAA independence and internal auditors' objectivity. It, therefore, is deemed that a holistic framework for assessing, evaluating, and enhancing IAA independence and internal auditors' objectivity is needed to guide IAF within the PG's systems, to ensure that these continue to be efficient and valuable to the organisational operations although adhering to the law's requirements for independence. This problem has not been widely researched within the South African government departmental context.

There, however, are some such studies (Mamaile, 2018; Motubatse, Barac & Odendaal, 2015) that have documented a similar problem, but they have not focused on an essential part-element relating to the problem investigated in this study. This problem relates to the fact that **there is no specific framework in place to evaluate and enhance IAA independence and internal audit objectivity within the PG**, to ensure that they continue to be efficient and valuable to the organisational operations although adhering to the law's requirements for independence. This problem is crucial to the effectiveness of IAF in adding value to the organisational operation. A similar

investigation to this study, however, has never been carried out in the South African PG, thus, this research project must fill this gap.

1.4 Rationale and significance of the study

Numerous studies have contributed to the notion that IAA independence and internal auditors' objectivity certainly plays an important role in exacting their mandate within the organization (Mamaile, 2018:1). IAA must be Independent and objective so that they can add value to the PG operations and assist the management to improve financial practice and performance to accomplish departmental goals. There is, however, a lack of IA independence and objectivity within the provincial government, that result in an inadequate evaluation of internal controls, a failure to provide full advice and reporting to the AC on matters such as accounting, risk management and loss control (Auditor-General South Africa, 2011:32; 2012:86; 2013:31,35,75,103). As such, this study developed a holistic framework to guide implementation and monitoring of IAA independence and internal auditors' objectivity, to enhance their effectiveness and value-add within PG operations. The findings established in this study positively added to the existing literature and could solve potential barriers affecting the independence and objectivity of IAs in South Africa and particularly the provincial governments. The research study should appear as an important addition to the body of knowledge, assist in enhancing the effectiveness of IAs to add value within the public-sector operations, thus assure the sound financial management of the PG departments, improving the operational efficiency and, thereby, boosting the service delivery in the region.

1.5 Aim and objectives of the study

This study suggested a framework to assess, evaluate and enhance IAA independence and internal auditors' objectivity, so that IAF can continue to effectively assist an AO on matters concerning internal controls, recommend areas for improvement to achieve sound financial practice and performance, prevent risk exposure and assist with compliance with the appropriate laws, thus adding value. Therefore, the mixed research method assisted in obtaining quantitative data, which was later validated using qualitative data collection procedures such as telephone

interviews and focus group discussions. The research study objectives are listed below:

1.5.1 Primary objective

The primary objective of this research was to suggest a framework to assess, evaluate and enhance IAA independence and internal auditors' objectivity within the provincial governance systems, with the aim to enhance their effectiveness and to ensure they add value to the PG operations although adhering to the law's requirements for independence and objectivity.

1.5.2 Theoretical objectives

To achieve the primary research objectives, the following theoretical objectives were developed for the study:

To conduct a literature review concerning the independence of IAF within the PG.

To conduct a literature review regarding internal auditors' objectivity within the PG.

To review literature on the challenges that deteriorate independence and objectivity of the IAs within the PG.

To discuss the characteristics of IAF that is effective in adding value to the PG operations.

1.5.3 Empirical objectives

In accordance with the primary objective of the study, the following empirical objectives were formulated to:

(a) Develop a framework to evaluate and enhance IAA's independence and IA's objectivity.

(b) Assess the functioning of IAF within provincial governance.

(c) Assess internal auditors' independence to include all audit findings in the audit report.

(d) Check whether the CAE reports to the level that allows IA to execute their responsibilities independently and objectively within the Western Cape PG.

(e) Investigate operational challenges that may impair the independence and objectivity of the IAF.

1.6 Research Questions

Is there a framework to evaluate and enhance IAA's independence and IA's objectivity?

How do the IAF functions within the provincial governance systems?

Are internal auditors free to include all the audit findings in the audit report?

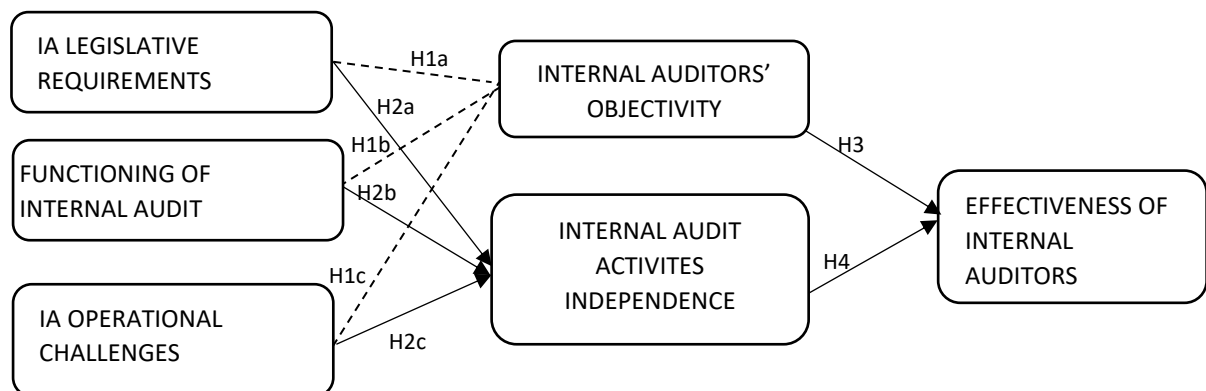
Is the CAE report to the level that allows IA to execute their responsibilities independently and objectively?

Are there operational challenges that deteriorate the independence and objectivity of IAF within the PG and what has been done to address these challenges?

1.7 Hypotheses

This study developed a framework that will enhance IAA independence and internal auditors' objectivity within a Provincial Governance System in South Africa. Therefore, the study proposed the conceptual framework for hypotheses as illustrated in Figure 1.1 below.

Figure 1.1 Conceptual Framework



The above framework was divided into two parts: the first involves independent, mediating, and dependent variables on IAs' objectivity, and the second includes the same variables but on IAA. The independent variables include factors that strengthen IAA's independence and internal auditors' objectivity that are adapted from the work of previous scholars (e.g., Motubatse, Barac & Odendaal, 2015; Mohammed Assfaw, 2017) in which the scholars used these factors to split the participants into two groups of IAA independence and IA objectivity to examine the effectiveness of the IA in adding value to the organizational operations.

However, for the purpose of this study, these factors are used as independent variables. Only 2 of the 8 independent variables shown below were validated. These are covered in further depth in Chapter 7 of this thesis.

Development of Hypotheses

Independent variables

IA legislative requirements

According to Mamaile (2018), IA legislative requirements provides crucial information that guide IAA independence and internal auditors' objectivity within the provincial governance systems. As a result, it is possible to hypothesize that:

H1a. There is a positive relationship between IA legislative requirement and IA objectivity.

H1b. There is a positive relationship between IA legislative requirement and IAA independence.

Functioning of internal audit function (IAF)

According to various researchers (Asaolu et al.; 2016; Dessalegn & Aderajew, 2007; Hailemariam, 2014; Mamaile, 2018) the effective functioning of IAF is attained through the internal auditors' ability to execute their engagements without any due influence and being able to include all their findings in the IA report. The following hypotheses are proposed.

H2a. There is a positive relationship between the IA and internal auditors' objectivity.

H2b. There is a positive relationship between the IA and IAA independence.

Internal auditors' operational challenges

It is no secret that internal auditors are faced with numerous challenges that hinder their ability to execute their engagements effectively, such operational challenges affect their IAA' independence and objectivity.

H1c. There is a positive relationship between the IA operational challenges and internal auditors' objectivity.

H2c. There is a positive relationship between the IA operational challenges and the IAAs' independence.

Mediating and Dependent variables

IAA independence and IA objectivity

According to Khalid, Ahmed, Abdalla & Ahmi (2020:596), IAA independence and internal auditors' objectivity are the foundation of auditing. The auditors' attestation will be worthless in the absence of independence (Khalid et al., 2020:596) and will simply result in the inability of the IA to add value to the provincial governance systems. The following hypotheses can be formulated.

H3. There is a positive relationship between internal auditors' objectivity and effectiveness of IAF to add value to the operations within the provincial governance systems.

H4. There is a positive relationship between IAA independence and effectiveness of IAF to add value to the operations within the provincial governance systems.

1.8 Preliminary literature review

In this section, a review of previous research studies related to the problem of the current study was conducted. The literature was reviewed using secondary data sources taken from relevant textbooks, journal articles, newspaper articles and the internet. The literature related to the concept of IAF adding value to the PG operations was examined to bridge the information gap revealed by a scarcity of research on a framework for enhancing IAA independence and internal auditors' objectivity within a provincial governance system in South Africa.

Despite advances in IAA independence and internal auditors' objectivity studies, critical problems remain unanswered due to research limitations or flaws. Previous scholars' (Mamaile, 2018; Motubatse et al., 2015) investigations of the IIA standards and framework, reveal contradictory findings of IAA independence and threats to internal auditors' objectivity, resulting in discrepancies that the current study addressed. Many of the studies relating to this study's subject area have either been conducted in the private sector or government spheres outside South Africa (such as those of Alzeban & Gwilliam, 2014; Akther & Xu, 2020; Gustavson & Sundstrom, 2016;

Ikiseh, 2020; Rahayu et al., 2020; Razzaq & Thijee, 2019; Tepalagul & Lin, 2015; Tourish & Hargie 2017; Unegbu & Kida, 2011). Consequently, their findings on IAA independence and internal auditors' objectivity threats were not relevant to South Africa government spheres. The literature searches also revealed that only the studies two researchers (Mamaile, 2018; Motubatse, et al., 2015) were conducted within the South African National and local government spheres context. This study closed the evident gap in the reviewed literature by identifying major IAA independence and the threat to internal auditors' objectivity within the provincial governance systems.

1.8.1 Government spheres

The research study elaborated on the formation of South African government spheres. Before elaboration was made on provincial governance systems, it was, therefore, necessary to first give information about government spheres, their roles, and functions. This practice was to give a clear picture of how provincial governance systems are connected from one sphere to another. With that said, according to 2018 South African Yearbook, there are three government spheres in South Africa, namely national, provincial, and local government.

National government:

In the national government sphere, there is a National Assembly and the National Council of Provinces (NCOP), that forms the parliament that passes laws and policies (Parliament of the Republic of South Africa, 2021). The NCOP was established to ensure that provincial and local governments are represented directly in parliament and any law or policy affecting provincial or local government must be debated and voted on by the NCOP (Parliament of the Republic of South Africa, 2021). According to the Public Finance Management Act 1 of 1999 and Treasury Regulations of 2000, such acts and regulations are voted on and approved by parliament to govern financial management and the operations of IAF. The approved laws and policies must be implemented by each government agency. The role of the national government includes coordinating governmental work and providing ministers and departments with directions and strategic support (Parliament of the Republic of South Africa, 2021). Thereafter, the national government evaluates and monitors the overall development towards attaining the government's objectives (Parliament of the Republic of South Africa, 2021).

Provincial government:

There are nine provincial governments within South Africa. Every province is required to create a Provincial Growth and Development Strategy (PGDS) that outlines the overall structure and plan for advancing the economy and improving services (Parliament of the Republic of South Africa, 2021). Each province must also have a Spatial Development Framework (SDF) that specifies where and how residential and commercial development should occur, as well as how the environment should be preserved. Each province's Member of Executive Committee (MEC) and Department of Local Government oversee municipal coordination, monitoring and support (Parliament of the Republic of South Africa, 2021).

Local government:

Local government is the government sphere closest to the people (Constitution of the Republic of South Africa, 1996 (Act 108 of 1996, s151) and is charged with the following functions:

electricity and water delivery for household use,
sewage and sanitation and storm water systems,
refuse removal and firefighting services,
municipal health services and decisions around land use,
municipal road and municipal public transport,
street trading abattoirs and fresh food markets,
parks and recreational areas, libraries, and other facilities and
local tourism.

The local government monitors and supports municipalities and receive grants and some loans from the provincial treasury to execute its responsibilities. An extensive literature search was conducted to explain the interrelations between these government spheres and the acts and laws governing the coordination of their work. An in-depth literature search was conducted on the provincial governance systems to identify operational challenges. The literature searches further endeavoured to articulate how the success or a failure of one sphere affects the operations of other connected spheres.

1.8.2 Accountability

This research study endeavours to consult previous research studies on accountability within the provincial governance systems. According to Oloruntoba & Gbemigun

(2019:219) accountability is a critical component of good governance. It concerns the government's relationship with the citizens and the extent to which the government is held accountable for its conduct (Oloruntoba & Gbemigun, 2019:219). This study argues that accountability is a necessary component of every government sphere. Hence, Melo, Martins & Pereira (2020:1) state that the absence of accountability has resulted in the recent corporate scandals and government leaders must be challenged to be more accountable than in the past. There is a correlation in the reviewed literature that accountability and good governance co-exist (Jeremiah & Jeremiah,2020; Khanal,2016; Melo, et al., 2020).

However, various scholars (Gberevbie, Joshua, Excellence-Oluye & Oyeyemi, 2017; Hall, Frink & Buckley, 2017) argue that lack of accountability in the leaders really undermines good cooperate governance, therefore, mechanisms must be put in place to hold everyone accountable. IA forms the structure entrusted with ensuring the effectiveness of such a mechanism in promoting accountability. Therefore, the reviewed literature analysed the risks relating to accountability failures and how best the IA can be used to ensure accountability. This section of the study further seeks to assess the current knowledge and align it with the objectives of this study.

1.8.3 Legislative framework

The IAF in the organs of the state is established through the Public Finance Management Act (PFMA) 1 of 1999, Section 38(1)(ii), under the supervision and control of an AC. The detailed functions of IA through the AC are provided under Sections 76(4)(d) and 77 of the PFMA, and the whole of paragraph 3.1 and 3.2 of the Treasury Regulations of 2000. Paragraph 3.2. [5]6 of these Treasury Regulations makes a provision that internal auditors should also execute their functions based on the Institute of IA standards (IIA). In the case whereby the stated PFMA's sections and treasury Regulation's paragraphs fail to clearly explain the requirements for IAF, AOs are charged with the responsibility of drafting circulars that address these requirements. Therefore, the stated PFMA's sections, Treasury Regulations' paragraphs, IIA standards and departmental circulars serve as the legislative framework for the operations of IAF.

The PFMA and Treasury Regulations do not always clearly define the requirements of the IAF in relation to enhancing its independence and objectivity. There is no specific

section or paragraph that details the IAA independence and objectivity in the PFMA and Treasury Regulations. It is worth noting that the IIA framework has contributed significantly to how organizations should ensure the independence of IAA and how the IA must maintain its objectivity. While the IIA framework has benefitted most organizations, it often fails to assist with the fulfilment of individual government departmental needs and demands due to their nature, structures and or governance systems. Therefore, this study seeks to close the evident gap in the reviewed literature and develop the holistic framework for assessing, evaluating, and enhancing IA independence and objectivity that is needed to guide IAF within the provincial governance systems.

1.9. Internal audit independence and internal auditor's objectivity

The studies conducted by Dawuda, Aninanya and Alnaa (2015) and Mamaile (2018) have revealed damning findings in terms of what leads to the lack of IA independence and objectivity in the public sector. The IAFs lack adequate resources to carry out their duties independently and with due influence on management (Motubatse et al., 2015). The study by Mamaile (2018) highlighted the following: lack of training, management's failure to take the IAFs' work seriously and inadequate independence of IAFs from management. Fashami, et al. (2020) in their study established that IA is sometimes bribed to pass subjective findings and recommendations. Furthermore, the study by Jachi and Yona (2019) revealed that, given the breadth of non-audit services, the internal auditors are typically involved in unavoidable personal relationships that develop between people who work together. Other studies (Dozie et al., 2019; Unegbu & Kida, 2011) shockingly revealed that internal auditors often receive threats and maltreatment from the management and, as a result, produce subjective findings and recommendations because fear affects their objectivity. Both studies were conducted in the local government sphere, however, it does not mean other spheres are immune to such incidents. Therefore, this study unpacks emerging threats to the IAA independence and internal auditors' objectivity within the provincial governance systems and seeks to assess the effectiveness of the existing management practices in dealing with emerging threats.

1.10 Definition of KEY concepts

1.10.1 Internal audit

IA is defined by the Institute of Internal Auditors (IAA) (2012) as:

an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

1.10.2 Independence and objectivity

Independence is described by the IIA as the ability of IAA to execute its responsibilities without any threat that prevents them from being carried out in an unbiased manner.

Objectivity is an unbiased mental attitude that allows internal auditors to perform engagements in such a manner that they believe in their work product and that no quality compromises are made. Objectivity requires that internal auditors do not subordinate their judgment on audit matters to others (Oyewumi et al., 2017).

1.10.3 Internal audit reliability

Dozie et al. (2019) defines IA reliability as the degree of certainty that the IAFs' established objectives are objectively and effectively met. The key objective for IAF amongst others is to safeguard organizational assets against loss, mismanagement and/or theft.

1.10.4 Accountability

The Cambridge English Dictionary defines accountability as "the fact of being responsibility for what you do and able to give a satisfactory reason for it, or the degree to which this happens".

1.10.5 Add value

According to Kenton (2019), the term 'add value' means the enhancement an organisation gives its products and service before offering them to the customers. However, the IIA explains the term 'add value' as a process of enhancing organisational operations by frequently reviewing its processes, detect and prevent elements of risk exposure, ensure compliance with laws and regulations. The Public Finance Management Act (PFMA) 1 of 1999 section 38(1) and 76(4), Treasury

Regulations paragraph 3.2, the Municipal Finance Management Act 56 of 2003, states that adding value to the organs of state's operations means assisting an AO on matters concerning internal controls, recommending areas for improvement to achieve a sound financial practice and performance, preventing risk exposure, and assisting with compliance with the appropriate laws. This process is aimed at ensuring the attainment of organizational objectives.

1.10.6 Financial mismanagement

Rangongo, Mohlakwana and Beckmann (2016) citing Rangongo (2016) defines financial mismanagement as the act of misconduct resulting to the poor management of finances. Such conduct includes the following:

maladministration as a corrupt behaviour,

wrongdoing on the part of an authority,

misappropriation in the form of dishonest use of funds for own or private gain and/or misuse the entrusted authority for private or secretive gain.

Chapter 10 of the PFMA articulates that the financial misconduct can be committed by officials in government departments when they wilfully or negligently:

fail to comply with the requirements of regulations and control activities,

make or allow an unauthorised, irregular, fruitless, and wasteful expenditure and/or

fails to exercise the power given to them or to perform their official duties.

1.11 Research paradigm

This study followed both a positivist and constructivist/interpretive research paradigm because it employed a quantitative and qualitative research approach. Quantitative approach is favoured by the positivist paradigm, whereas the constructivist/interpretive approach relies on qualitative research methods (Kivunja & Kuyini, 2017). The positivist research paradigm is defined as the scientific method of investigation that defines a worldview to research (Kivunja & Kuyini, 2017). Empiricism and implicit positivism critique using postpositivism was employed to observe complex and comprehensive clarification or explanation of the specific phenomenon and relations therein (Adam, 2014:6). This paradigm was used as a tool for gathering and interpreting data in an objective manner. Lastly, the positivist paradigm was used to quantify and statistically analyse the research findings.

Creswell (2014) explains constructivist/interpretive as a paradigm that endeavours to understand the subjective world of human experience. The constructivist/ interpretivist theorists suggest that humans' knowledge is constructed, and their thoughts are independent of reality (Henderson, 2015:14). Saunders, Lewis, and Thornhill (2009:140), further indicate that interpretivism emphasises that people are different, and as such create different meanings about physical phenomena. The views of the interpretivist/constructivists serve to suggest that the theoretical framework of various research conducted using a qualitative method perceives the entire world to be built, studied, and understood by people through their interactions as well as the broader social system (Maxwell, 2006, as cited by Hamza & Antwi, 2015:219). This paradigm was used in this study since it requires the researcher to study a complexity of views as opposed to limiting interpretations to a few groups or ideas.

1.12 Research approach

The study followed a triangulation research method because it triangulated aspects of qualitative and quantitative research instruments, in terms of the approach and design. According to Creswell (2007) as cited by Khan (2014:300) there are three research methods available, namely: qualitative, quantitative, and mixed methods. This study used triangulated qualitative and quantitative research instruments to:

solve the research questions,
achieve study's objectives and
attain information from online interviews conducted through focus groups and administrative questionnaires (Creswell, 2014).

Hamza and Antwi (2015: 220) illustrate the difference between these methods in the following manner:

The quantitative method is a research method that is more focused on or relates to a scientific or numeric method of data collection – the primary focus of this method is to test the theory and/or hypotheses. The qualitative method's primary focus is on the significance state of hypotheses, and it uses non-numeric data to test hypotheses and check if they are highly supported. Creswell (2014:12) explains mixed method research as a method that includes both qualitative and quantitative approaches for data collection purposes that provides a clear understanding of the research problem.

1.13 Research design

The study followed a cross-sectional descriptive research design. A descriptive research design is explained by Aggarwal and Ranganathan (2019: 34), as a method of describing the distribution of one or more variables without consideration being given to any causal or alternative hypotheses. Omair (2015:153) adds that a descriptive design study explores one single sample without comparing it to any comparative group. According to Aggarwal and Ranganathan (2019: 34) a descriptive study is often quite easy to conduct and useful for estimating the challenges facing a population. Such information is crucial for resource planning. A descriptive research design, therefore, was deemed appropriate, in terms of exploring a sample, estimating a challenge facing the population and allocating needed resources accordingly.

1.14 Demarcation/delimitation of study

The PFMA fully enforces the government departments to ensure that they develop and implement internal control activities governing the public financial management. For the government departments to implement these control activities each department must establish IAF. The government departments are further obliged to have IAF as per “Section 38 (ii) in accordance with the regulations and instructions prescribed in terms of Sections 76 and 77 of the Public Finance Management Act, No 1 of 1999”.

In consideration of the abovementioned statutory requirements, the scope of this study was focused on the IAA independence and internal auditors’ objectivity and the concept of adding value to the PG’s operations. The study was conducted within the Western Cape government WCG, although the topic being investigated is not unique to the WCG but is prevalent in most South African organs of state. Hence the result of this study contributes significantly to the practice and knowledge of internal auditing in the South African public sector.

1.15 Research methodology/processes

Population:

A population is defined as a data set that includes all members of a certain demographic, while the sample is a chosen portion or segment of a population that the

study uses and attempts to address the study query (Creswell, 2014). In this regard, the population of this study consisted of the employees from the WCG.

Sample

Creswell (2014) defines sampling as a process of selecting a small portion of the given population with the purpose of representing the entire population in the study. There are two major sampling methods used in research and according to Surbhi (2016) these are probability and non-probability sampling.

1.15.1 Probability sampling

The term 'probability sampling' means every object in a population has the same chance of being sampled. (Taherdoost, 2016:20). According to Chambliss and Schutt (2012:86), the items in the population are drawn at random. There are also techniques that are used to sample data, these are: simple random sampling, stratified sampling, cluster sampling and systematic sampling (Taherdoost, 2016:21).

1.15.2 Non-probability sampling

Non-probability sampling can be defined as a sampling method that does not provide the basis for any probability opinion that the universe's components will have a chance of being included in the research sample (Etikan & Bala, 2017: 215). According to Molina (2015), non-probability sampling techniques comprise quota sampling, purposive sampling, convenience sampling and snowball sampling. The purposive sampling method was used to select participants for this study, thus, IAF of the WCG were selected based on the researcher's priorities and the study's objectives (Dawuda, Aninanya & Alnaa, 2015:37). This technique was used because the researcher wished to reach out to a specific group of individuals; these are the IAFs within the WCG. Thus, only the participants who fitted this profile were selected comprising 300 employees.

Therefore, because of the evident limited number of employees who meet the objectives of this study, a total number of 300 employees was used in this study. These are the IA directors, IA managers, and IA assistants who have the necessary knowledge about this study's research problem. CAE, IA directors and IA managers were given open-ended interview questions and focus group discussions with IA

assistance managers as part of the qualitative data collection process whereas the rest of IA officers were given an administered questionnaire for quantitative data collection.

1.16 Data collection instruments

The study proposed that telephonic interviews, online focus group discussions and administered questionnaire were employed for collecting data. Therefore, a questionnaire was used as a data collection instrument. These questionnaires consisted of both semi-structured and administered interviews, while the telephonic interviews were arranged and conducted with the CEA, IA directors and IA managers, the group discussions were carried out with IA Assistant managers. The administered questionnaires were distributed to IA officers, clerks, and interns. The questionnaire comprised brief questions, written in basic English so that all participants could understand them. In addition, the layout of the questionnaire was also user-friendly so that the respondents could complete it on their own.

The questionnaire comprised open-ended and close-ended questions to offer the participants a chance to express themselves and seek clarity. The questionnaire was both alphabetical and numerically marked and unambiguously written to avoid misconstruction. The questionnaire had a variety of structured questions designed to elicit a range of answers. It further had several choices to each question with only one response required using a Likert scale measurement, as well as open-ended questions.

The secondary data was also gathered from various literature that related to this research study's problem in the following manner: the information concerning the placing of IAF within the provincial governance systems and independence of IAA and objectivity of internal auditors was collected through literature search. This helped in illustrating the importance of IAA independence and internal auditors' objectivity within the PG and in the profession at large. Further data in the form of literature search was collected to understand some of the common operational challenges, that undermine IAA's independence and internal auditors' objectivity within the PG sphere. The literature search consisted of characteristics of IAFs that are effective in adding value to the PG systems and operations. This literature review involved an intensive search

of academic journals, books, regulations governing financial management in government departments, IIA standards, laws and regulations intended to combat financial misuse, etc.

1.17 Data collection/fieldwork

The researcher had obtained written consent to collect data. This letter instructed the researcher to make an appointment with the CAE. Thereafter the CAE introduced the researcher via the email to the rest of the staff and encouraged their participation. The CAE was asked to supply the work email addresses of potential respondents so that the researcher could contact them and request their consent for participating in the research process. The researcher sent the questionnaire to participants and requested their contact numbers so that dates for the interviews and focus group discussions could be arranged. Telephone interviews and Microsoft Teams discussions were conducted for a qualitative data collection. 10 IA officials participated in the focus group discussion. The CAE; Deputy Director; Internal Audit, Director; ICT Internal Auditing and Assistant Director: Internal Auditing, took part in the telephone interviews. These officials were informed via email of the agreed dates for the interviews and given ample time to familiarize themselves with the questions. Thereafter, the in-depth interviews were conducted.

The quantitative part of the data collection took the form of an administered questionnaire. 280 copies of the questionnaire were emailed to the respondents, and they were asked to print, complete, and scan them, and then return the completed forms via email to the researcher. The second option was to populate the questionnaire online using Google forms and email the respondents a link to access the questionnaire. All respondents were asked choose option they preferred. They were allowed a week to complete the questionnaire and were reminded on the third day of the week to complete the questionnaire and, at the end of the week, they were asked to submit the completed questionnaire.

1.18 Qualitative data analysis

For qualitative data analysis the thematically analysis was used for analysing data. Moreover, qualitative data analysis of this study was conducted through the steps provided by Creswell (2014) as follows:

Review and organize data for analysis

This includes interview transcription, optical scanning of material, inputting field observations, classifying all visual materials, organizing, and dividing the data into various categories based on the information sources (Creswell, 2014).

Read or look at all the data

This step was used to attain a broad understanding of the subject and to enable the researcher to focus on its broader context. For example, this step was used to understand the participants' broad points of view, together with an overall perception of their ideas and the information's depth, credibility, and utility.

Coding

Coding is the method of assigning encryptions to the respondents' answers, a process that is often referred to as the initial step of data presentation (Creswell, 2014). The researcher made use of the coding process to provide an overview of the environment or individuals, and the categories or patterns for interpretation (Creswell, 2014).

Representation of data in the qualitative narrative

This process determines in advance how the description and concepts will be described in the qualitative narrative (Creswell, 2014). In this study a narrative passage was used to express the results of the analysis (Creswell, 2014).

Data analysis methods

For qualitative data analysis, thematic analysis was adopted. In this research study this method was used to analyse documented textual data. The collected data was analysed using a thematic analysis tool since it is efficient and practical.

Interpretation in qualitative research

In qualitative testing, the final step in data processing is to explain the observations or outcomes.

1.19 Quantitative data analysis

(a) Reliability tests

These tests are described as the effects of material obtained from a source that is constant over time, which provides trustworthy results of a sample size that signifies

the population in question (Sürücü & Maslakçi 2020). The Cronbach's Alpha test was computed using SPSS to confirm intrinsic accuracy of a measurement instrument's components. This process was performed to identify the degree to which different variables in a questionnaire evaluate the same general definition. This study used respondents from the IAF within the WCG because they possess appropriate knowledge and experience.

Validity tests

The term 'validity' refers to the accuracy of the answers or facts of the studied phenomenon (Sürücü & Maslakçi 2020). To validate the reliability of the survey findings of this study, convergent validity was conducted. Convergent validity confirms the degree to which two measures of constructs (administered questionnaire and face to face interviews) that, theoretically, should be related, are in fact related.

Data coding

For this study, unrelated similar responses were assigned comparable codes. After that, the codes were transferred to a coding sheet and the information was tested for accuracy to determine the reliability of the respondents' answers. The codes were discarded where there was a cause to suspect they are extreme and, thus, considered abnormal. New variables were then created to sort data, that was later used for analysis. The Statistical Package for Social Sciences (SPSS) was used to analyse primary data.

Data analysis

The analysis employed both descriptive and inferential statistical tools. These include independent t-tests, correlation analysis, reliability, and validity analysis. Descriptive statistics were used to analyse the composition of the study's sample. The subsequent statistical methods that were used to perform data analysis in this section were exploratory factor analysis, components analysis, structural equation modelling (SEM) and path analysis in AMOS. SEM was used to estimate a series of inter-relationships among latent constructs simultaneously in a model. According to Sarstedt and Ringle (2020:841), SEM is the most efficient method to handle the Confirmatory Factor Analysis (CFA) for measurement models, it analyzes the causal relationships among

latent constructs in a structural model, estimates their variance and covariance and tests the hypotheses for mediators and moderators in a model.

1.20 Ethical consideration

The term 'ethical consideration' applies to "the ethics to which the researcher adheres while gathering evidence, as well as appropriate human behaviour "(Walsh & Lipinski, 2009:569-585). Miles and Huberman (1994) categorized ethical considerations into five major points, namely: informed consent, voluntary participation, privacy, confidentiality, and anonymity.

(1) The participants were informed about the proposed study and asked to provide written permission to partake in this study

(2) Participation in this study was voluntary and the respondents were free to withdraw at any time they wished to do so.

(3) The researcher respected the privacy of the respondents by not disclosing to anyone the personal information that was attained from participants. The data was stored on the 'cloud' and only accessed by the researcher.

(4) Respondents were informed that the data gathered would be used only for scientific purposes and would never be exchanged with someone who is not personally interested in the findings of this research report.

(5) As a protection of their privacy, the respondents were subjected to anonymity; therefore, they were told that the questionnaire would not display their identities.

1.21 Outline of the dissertation

This thesis will contain eight chapters:

Chapter One: Introduction and the background of the study

This chapter illustrates the research problem, background, and the objectives of the research, together with the importance of the study, its approach and design.

Chapter Two: Provincial governance systems in South Africa

This chapter discusses provincial governance systems in South African. It places the IAF with the provincial governance systems of the WCG, outlines the acts, regulations and processes that guide the establishment and govern the operations of IAF. The IAF and the AC relationship towards assisting AOs for optimum effective use of government department funds is also examined. This chapter further discusses the

operational challenges faced by IAF in government departments and describes the impact that such obstacles have on the role of IAF and the sound, improved financial practice and performance of the department.

Chapter Three: IA independence and objectivity

This chapter provides an in-depth discussion of the history and establishment of the IAF within government departments, the role of IAF and AC within the provincial government and the relationship of IAF with the AC and their respective reporting relationships. The chapter further provides a detailed discussion regarding the independence of IAF within government departments. The criteria for measuring such independence, as well as how the independence should be maintained within the public sector is also provided.

Chapter Four: Theoretical framework

This chapter expands on the theoretical framework that underpins the research study. It involves a discussion of institutional theory, principal agency theory and communication theory.

Chapter Five: Qualitative research methods

Chapter Five provides details of how the study was conducted. The emphasis was on both primary and secondary sources, as well as data collection processes. The research approach, that includes the research design, sample and population, data collection and data processing techniques, is also addressed.

Chapter Six: Quantitative research method

The chapter provides further details of how the study will be carried out. The emphasis is on both primary and secondary sources, as well as the data collection processes. The research approach, that includes research design, sample and population, data collection and data processing techniques, is addressed.

Chapter Seven: Data analysis and discussion of findings

The chapter provides an analysis of the data and interpretation of the research findings, and an assessment of the reliability and validity of the research instrument.

Chapter Eight: Discussions, conclusion, and recommendations

This chapter covers the IAF implications, financial management and departmental implications. It also provides the recommendations, conclusion and suggested areas for further research.

1.22 Limitations of the research

Although triangulating qualitative and quantitative research instruments minimizes the limitations of both quantitative and qualitative approach and provides a better understanding of the study issues (Creswell, 2014), there are also some unavoidable restrictions and difficulties. Such limitations may include the lack of cooperation from respondents. Since the dissemination of the questionnaires and face-to-face interviews requires contact with the respondents, these processes necessitate cooperation. Some potential respondents refuse to participate in the research while others were hesitant to disclose the data required for this study. This study was conducted within the WCG, i.e. personnel from all the departments within this region were requested to participate. However, because the study involved voluntary participation, some departments were not willing for their staff to participate. This situation reduced the number of respondents participated in this study. Lastly, there might be negative publicity in the media and social networks regarding the risks experienced by people who have previously participated in research studies within the audit fraternity.

CHAPTER TWO

PROVINCIAL GOVERNANCE SYSTEMS IN SOUTH AFRICA

2.1 Introduction

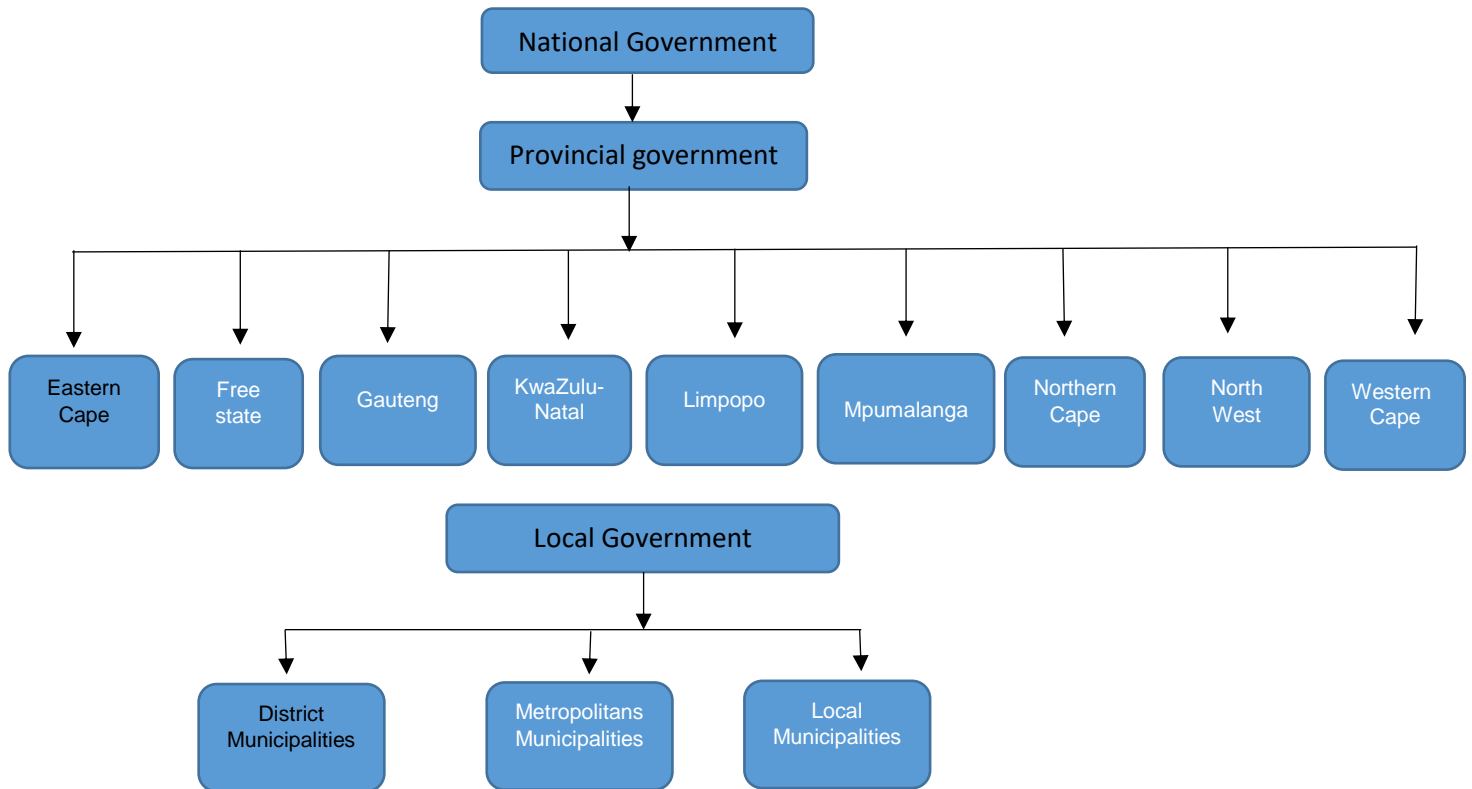
There is an ongoing advocacy worldwide in the recent years regarding the improvement of public sector accountability. There are proposals for an improved public sector accountability that are not only suggested because of the understanding that accountability is the constitutional right of democratic governance, but because the absence of accountability exposes the public sector prospects of every country to various socioeconomic risks. To prevent this latter occurrence, the South African government have passed various legislation and acts under the Public Finance Management Act (PFMA) and Treasury Regulations. These policies necessitated the establishment of various provincial governance systems in South Africa. The objective of which, amongst other purposes, was to hold the public servants accountable for their actions, more especially their decisions concerning the protection and disbursement of public funds.

The evidence from the reviewed literature indicates that the established governance systems in compliance with relevant prescripts founded on the PFMA and Treasury Regulations assist government officials to make informed decisions and safeguard public resources, thus, delivering on their mandate for public services. This chapter focuses on the importance of ensuring the efficiency and effectiveness of provincial governance systems that feed into a cooperative governance regime and its mandate for a better living for everyone, linked to the administrative, budgetary, and fiscal efficiency of a country's political system, thereby ensuring the quality of public service delivery and the welfare of the public.

It can be fairly argued that good governance systems are a cornerstone for a participative constitutional democracy, and that the delivery of public services can be regarded as the practical tool used to alleviate poor public standards of living, thus, attaining a better life for all. This chapter starts by discussing the governance systems with the PGs of South Africa. The chapter further aligns sound financial management processes to the governance systems and provides an in-depth explanation of these systems in relation to quality public service delivery. Lastly, the chapter discusses the challenges facing IAF within the PG.

2.2 Government spheres

There are three government spheres in South Africa as already explained in the previous chapter. The generic government sphere's structure is illustrated in Figure 2.1 below.



Generic Government spheres: Figure 2.1

National government

The national government is the highest sphere of government that passes the laws, acts, and polices through parliament as was explained in chapter one above. Section 100 (1) of the South African Constitution indicates that the national government should intervene and assist the PG when the province fails to execute its executive responsibility in accordance with the Constitution or legislation by: (a) issuing instructions to the provincial executive, explaining the extent of the province’s failure to fulfil its responsibilities, and describing the necessary steps required to meet its obligations.

(b) Assuming responsibility for the relevant obligation in that province to the extent necessary to:

(i) uphold vital national standards or achieve the established minimum standards for the rendering of a service.

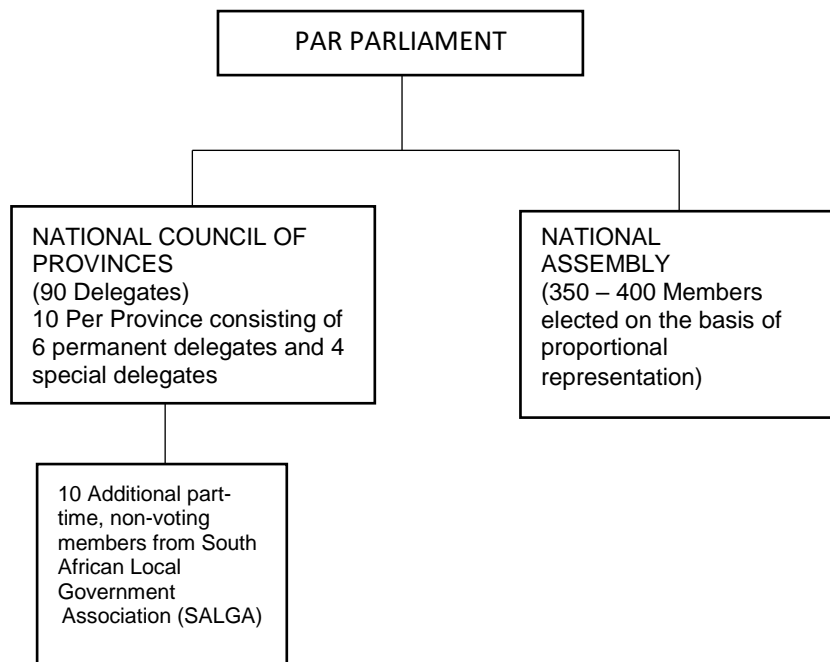
(ii) attain economic unity.

(iii) retain national security; and

(iv) prohibit the province from acting in a way that is harmful to the interests of other provinces or the country.

Legislative authority

National government reserves the role, powers and functions to approve various legislations and acts under the PFMA and Treasury Regulations through parliament that consists of the National Assembly and the National Council of Provinces (NCOP) (SA Parliament, 2023). The NCOP was established to provide the direct representation of provincial and municipal governments in parliament. It debates all the legislations and policies that govern provincial and municipal government (Maluleke, 2019). The National Assembly and NCOP are the coordinators of law-making policies and further oversee their execution by government organizations (Maluleke, 2019). Once these are passed, the provincial government and municipal government must implement them and develop governance systems as instructed by the approved legislations. The flow of legislative authority is depicted in Figure 2.2 below.



Legislative authority: Figure 2.2

Provincial government

The PG is the second sphere of government, and it is important to note that it is required to work with the national and local governments to enhance the effectiveness of provincial and local programmes (SA Parliament, 2023). According to the Department of Constitutional Development (2019) South Africa's Constitution assigns a variety of strategic responsibilities to provinces, that relate to the local government's continued evolution. These are:

A strategic role: Each province must establish a vision and a framework for cohesive economic, social and community advancement using corresponding regional growth and development strategies.

A development role: PGs have a role to oversee municipal planning and their processes of budget, to ensure that basic community needs are prioritized and social and economic development is promoted.

An intergovernmental role: Local government and traditional leaders should be included in decision-making through forums and mechanisms established by PGs.

A regulatory role: The Constitution grants national and PGs legislative and executive authority under Section 155(7), to ensure, by legislative and other methods, that municipalities carry out their tasks effectively.

An institutional development and capacity building role: The PGs have a significant responsibility in the municipalities' institutional development. The constitution under section 155(6) gives PGs a legislative mandate to promote local government capacity development to ensure that municipalities are carrying out and managing their functions and affairs efficiently and effectively.

A fiscal role: The PGs play a role in the monitoring of municipalities' financial status using provincial task teams to carry out project viability.

A monitoring role: The PGs play an important role in overseeing local government to maintain high levels of public service and good governance.

An intervention role: PGs have the authority to intervene in local government affairs to protect and uphold minimum standards of service delivery and to ensure that local government fulfils its constitutional mandate.

Legislative authority

In addition to the legislations and policies that are approved in parliament, there are others that are approved at a provincial level by the legislatures (SA Parliament, 2023). A legislature consisting of 30 to 90 members of the Provincial Legislature (MPLs) exists in all provinces (SA Parliament, 2023). There are nine Provincial Legislatures and nine Speakers, with the members ranging from 30 to not more than 90 members (SA Parliament, 2023). Members are elected because of proportional representation. Legislators are elected individuals who represent the people, approve policies and legislation, and oversee the work of the administrative departments (Mamaile, 2019). After the legislation and policies are approved by legislators, the PGs and municipalities must implement them and establish the governance system that will assure their accountability (Maluleke, 2019). Since the government officials are in charge of delivering public services they are accountable to the executive.

Local government

The South African local government system is categorised into three groups, these are Category A: Metropols, Category B: Local Municipalities and Category C: District Municipalities. According to South Africa's Constitution, 1996 (Act 108 of 1996, s151), local government is the sphere closest to the public. This sphere of government is required to work with national and provincial governments to ensure and enhance both provincial and local programmes' effectiveness. Such programmes include rebuilding local communities and environments as the foundation for a democratic, integrated, prosperous and non-racial society (Mashamaite & Lethoka, 2018:118). South Africa, in common with all other emerging countries, faces a variety of difficulties. When looking for solutions, the focus is usually placed on the constitutional structures of the country, thus, sometimes losing sight of the fact that the key challenge is to empower government officials to improve existing governance systems and to ensure continuous accountability.

2.3 Provincial governance systems

Governance systems are described as all the processes by which the government's legislation and policy decisions are made and implemented (Biswas, Jana, Arya & Ramamritham, 2019). Castrillón and Alfonso (2021) argue that governance systems are an effective democratic system of administration that depends on extensive public participation, accountability and openness. However, various scholars such as Etim, et al. (2020) posit that there is a lack of accountability in government spheres, which imposes a variety of socioeconomic risks on the prospects of the public sector. These authors further argue that the absence of accountability invites unethical behaviour in government spheres, that prevents the attainment of each governmental sphere's objectives and mandate.

2.4 Accountability

Accountability is a necessary mechanism to ensure each government sphere fulfil its mandate and it is a cornerstone of a good governance (Hall et al., 2017). Additional accountability is a revolving and multi-directional commitment that flows upwards from local government through provincial government to national government and downwards through national, provincial, and local government and, laterally at all levels amongst government officials (Nife & Lawal, 2018). This system is incorporated into the processes that compel government officials and spheres to explain, substantiate, resolve, and accept the ramifications of their acts and judgments made while serving as public trustees (Etim, et al, 2020). Thus, accountability assists all spheres of government to serve the public effectively in line with the Constitution of South Africa (Melo et al., 2020). Public spending and government programmes have increased substantially during recent years that has led to a high demand for accountability of the government officials who manage government programmes for the public good (Oloruntoba & Gbemigun, 2019:221).

According to Oloruntoba and Gbemigun (2019), accountability is segmented as follows:

2.4.1 Public sector accountability

Accountability is an essential component of good governance systems as already explained above, and involves forging a good relationship between the provincial

government and the public, and how government is accountable for its decision making (Oloruntoba & Gbemigun, 2019). Etim, et al. (2020) defines public sector accountability as a legal and reporting framework comprising organizational structures, strategies, procedures, and activities designed to ensure that when the sector uses public funds and make decisions that affect people's lives it is held accountable for its actions.

This type of accountability compels those in charge of managing government department to comply with established norms and standards when performing their duties and further provides just and honest performance outcomes in line with the required roles and plans (Melo et al., 2020). Public sector accountability promotes transparency and compliance with the due process as well as encouraging feedback on financial activities to the public (Nife & Lawal, 2018). This process involves keeping the public informed about how the department is run, at what cost and how service delivery is offered to them (Castrillón & Alfonso, 2021).

2.4.2 Financial accountability

This type of accountability means every person in charge of public resources has an obligation to report on the budgeted and actual expenditure pertaining to the resources of a public office and every position of trust in government (Muktiadji, Mulyani, Djanegara & Pamungkas, 2020: 847-848). According to Esezobor and Esther (2020), financial accountability is derived from financial accounting, that is concerned with examining how the records are kept and how public funds are spent. Financial accountability is crucial towards ensuring the efficient and transparent management of public funds and proper recording of every financial transaction on the organisational accounting books (Melo et al., 2020).

2.4.3 Administrative accountability

Administrative accountability entails a solid internal control system that complements and ensures that constitutional government and its involved citizens provide adequate checks and balances (Oloruntoba & Gbemigun, 2019). These measures comprise ethical guidelines, consequences for unlawful acts and administrative reviews. The Public Finance Management Act 1 of 1999 and Treasury Regulations of 2000 were written to provide detailed guidelines of how government officials should be financially and administratively accountable for their decisions. The stated act and regulations

also allow government officials to develop policies, procedures, processes, and internal controls with the assistance of IAF and under the authority of the AC that will be aligned specifically to their operational systems to ensure administrative accountability is always maintained.

2.5 The requirements for establishing IAFs in provincial government

Section 38 of the PFMA (Act 1 of 1999) and paragraph 3.2 of the Treasury Regulations (2000) in accordance with Sections 38(1)(a)(i) and 76(4)(e) of the PFMA, serve as the foundation for the establishment of IAF in PG, because these practices prescribe the requirements for such establishment. According to Oussii (2020) the IAF is viewed as a fundamental element of internal control, risk management and corporate governance and offers the organs of state essential guarantees and advisory services. Section 38 of the MFMA (Act 1 of 1999) and paragraph 3.2 of Treasury Regulations (2000) in accordance with Sections 38(1)(a)(i) and 76(4)(e) of the PFMA, further consider the IAF as one of the most important management mechanisms that adds value to the operations of all organs of state.

The IAF must be objectively and appropriately resourced to be able to give assurances to management on the effectiveness of internal control, risk management, and governance processes (Mensah, Ngwenya & Pelsler, 2020). A neutral attitude and sufficient independence are also expected of each internal auditor within the IAF, these qualities provide some level of assurance that auditors are impartial when passing judgment, offering opinions and/or presenting recommendations (Eulerich & Eulerich, 2020). It is essential that every internal auditor is not subjected to any conflicts of interest deriving from their professional or personal ties, or other interests (Oussii, 2020). Thus, internal auditors must not be subjected to any improper influence that could alter their judgment regarding the content of any audit report.

2.6 Laws and regulations shaping IAF in PG

The following legislation and regulations are among those that shaped IAFs in the PG domain.

2.6.1 PFMA and Treasury Regulation

The PG's 'purse' is regulated by various forms of legislation and acts meant to ensure the smooth operation of the sphere and its accountability. Amongst such legislation is

the PFMA (Act No 1 of 1999) and National Treasury Regulations of 2005, issued in terms of the PFMA, that predominately advocate accountability in all public entities, including national and PGs. In doing so, Section 38 of the PFM Act outlines the need for the development of an internal auditing system under the authority and direction of the AC. This legislation further states that the system must adhere to Sections 76 and 77 of the Act and operate in compliance with them. Section 76 addresses general treasury issues, whereas Section 77 specifies the composition of the AC.

The above legislation constitutes a prerequisite for establishing a functioning IAF and help to assure the IAF's budget and independence, as well as recognizing the IAF as fulfilling a significant function in the government sector (Mamaile, 2019). Finally, effective legal protection for ensuring IA practitioners' independence is a crucial component of statutory guidance that must be observed and applied, more especially under government service law such as the PFMA (INTOSIA, 2019).

2.6.2 International Standards for the Professional Practice of Internal Auditing

The International Standards for the Professional Practice of Internal Auditing (ISPPA) standards are mandatory guidelines for IA professional practice and assessing how well they perform (Mamaile, 2018). These standards that were formed in 1978 and periodically revised, are recognized as the mandatory guidelines to be followed by all IAFs and their engagements (Oussii, 2020). From these standards the definition of IA was formed and continues to be revised when necessary. The ISPPA emphasizes the principle of adding value as the foundation for the IAF's existence that must be persuade continuously in government departments.

The IAF is the primary source of information for ACs regarding the government's performance, a fact that has been explained in the proceeding sections. It, therefore, crucial that open lines of communication are maintained between IAF and AC to maximize the usefulness of the IAF.

2.6.3 Institute of Internal Auditors' standards and code of ethics

The Institute of Internal Auditors' (IIA) standards are the result of establishing the IIA. Section 21 of the Companies Act 61 of 1973 resulted in the establishment of the IIA in South Africa on 17 November 1964 as a non-profit national institute that is affiliated to

the IIA-global, that has its head office in the USA, the most important objective of the IIA-SA is to assist members, through:

1. technical support and products,
2. courses, seminars, and conferences,
3. networking events,
4. professional advice and guidance,
5. quality assessment services,
6. international benchmarking,
7. accreditation,
8. certification and
9. learnership programmes.

The former Chief Executive Officer of IIA-SA, Dr Claudelle von Eck, expressed the significant growth of the IA profession in South Africa in the past decades. This growth is attributed to the series of corporate failures and the later recommendations by the King Reports on governance (issued in 1994, 2002, 2009 and 2016 respectively). The IIA provided attributes and performance standards as guidelines on how the IAF should operate (IIA, 2023). Attribute Standards are concerned with the qualities of organizations and parties engaged in internal auditing, whereas Performance Standards define the type of IAA and give criteria for evaluating the performance of these services (IIA, 2023).

The IIA further provided the IA code of ethics. This code establishes the rules and standards that govern the conduct of internal auditing by individuals and organizations (IIA, 2023). It also specifies the minimal requirements for behaviour and expectations rather than specific actions.

2.7 The roles and responsibilities of IAF in provincial government

Section 38 of the PFMA (Act 1 of 1999) directs that the IAF of a PG department must perform the following roles, among others:

Must create a risk-based audit plan and an IA programme for each fiscal year.

Inform the AO and the AC about the implementation of the IA plan and other related issues including: “internal audit; internal controls; accounting procedures and practices; risk and risk management; performance management; loss control; compliance with this Act, the annual Division of Revenue Act, and any other applicable legislation”.

Execute other obligations that the AO may allocate to it.

The Treasury Regulations (2000) provided the bases for establishing the IA system that is overseen and operated by an AC and which adheres to and follows the rules and guidelines set forth in Sections 76 and 77. Paragraph 3.2.7 of the Treasury Regulations (2000) states that the IAF, in consultation with and approved by the AC, must prepare:

- a) A three-year rolling strategic IA plan that considers the organisation’s existing activities, those outlined in its strategic plan and its risk management strategy, to determine the significant areas of internal risk.
- b) A three-year rolling strategic IA plan with an annual IA plan for the first year.
- c) Plans in the yearly IA framework detailing the intended scope of each audit; and
- d) An efficient monitoring and potential action plan and a quarterly report to the AC documenting its performance according to the yearly internal audit plan.

Paragraph 3.2.8 of the Treasury Regulations (2000) indicate that all financial transfers made and received, including transfers under the annual Division of Revenue Act, must be assessed by IAF. Paragraph 3.2.10 of these regulations states that to provide sufficient coverage and minimize duplication of work, the IAF must coordinate with other internal and external assurance providers. Paragraph 3.2.11 further states that the IAF must assess the usefulness and efficiency of the controls in place, support the

AO in upholding effective controls, and make suggestions for improvement. The IAF must assist and ensure that the controls under consideration include the following:

- a) the context of information systems,
- b) financial and operational data validity and accuracy,
- c) operational efficiency.
- d) protection of assets and
- e) adherence to acts, rules and controls.

Lastly, Paragraph 3.2.12 the said rules states that the IAF should work with the AOs in ensuring that the organisational objectives are met by assessing and passing sound recommendations for the enhancement of the procedures through which:

- a) goals and standards are defined and shared,
- b) the achievement of these goals is monitored,
- c) accountability is guaranteed and
- d) corporate ethics are upheld.

Steaming from the above practices, it can be augured that the IAFs in PG are required to provide their services in accordance with the requirements of the PFMA, that directs all organs of states to be audited regularly, both internally and externally, to provide some level of assurance that the PG's goals are attained, and accountability is maintained. Hence the internal auditors are appointed to provide internal audit services to the PG departments.

2.8 The requirements of ACs according to the PFMA

According to Haddad, El Ammari and Bouri (2021) the AC should account to the organisation's governing body or board. The institutional authority is supported by the AC in executing activities related to governance, risk and internal control, also supervising the IAF's work (Haddad et al., 2021). The establishment of an AC is supported by Section 38(ii) of the PFMA, that highlights that an AO shall ensure that

the organs of state have and uphold a system of internal audit that conforms with and operates in line with the regulations and instructions established in Sections 76 and 77 of the PFMA.

The AC is required to execute the responsibilities afforded to them by the PFMA (Sections 76 & 77), and the corporate governance responsibilities given by the AO under its charter. As elaborated in the above paragraphs, a charter is a document that explains the scope, rights, goals and principles of an institution, such as an AC, however, in this case, it is not clear who approves the charter. Nonetheless, AC members' contracts are informed by the charter that continues the guiding policy for them. It is used to provide continual guidance to an AC's actions. Paragraph 3.1.8 of the Treasury Regulations (2005) states that the charter must be reviewed and updated on a yearly basis to maintain relevance, best practices, in line with the PFMA, AC Sections (76(4)(d) and 77), and other relevant regulations and guides.

2.8.1 Composition of an AC in provincial government

Section 77 of the PFMA (1999), avail the conditions for an AC's composition in the public sector. This section states that an AC: (a) must have not less than three people of whom, in the case of a department; (i) one needs to be sourced from outside of the public sector; (ii) except where there is an agreement with the relevant treasury, most members must not be employed by the department; and [Sub-para. (ii) substituted by s. 40 (a) of Act No. 29 of 1999]; (iii) the chairperson must not work for the department; (b) must meet at least twice a year and (c) may be established jointly for two or more organs of the state if the appropriate treasury deems such action more cost effective.

2.8.2 Appointment of AC members in provincial government

Paragraph 3.1.2 of the Treasury Regulations (2000) indicate that the institutional AO can appoint members of the AC after discussions with the relevant executive authority. This directive relates to a non-shared AC activity, however, when it comes to a shared AC activity, Paragraph 3.1.3 of the same regulation states that after consulting with the appropriate executive authorities, the head of the relevant treasury must nominate AC members. Paragraph 3.1.4 of the Treasury Regulations (2000) indicate that to ensure AC independence its appointed chairperson must not be a political office bearer or working for the same institution and should possess the appropriate knowledge about the status of the position, have the necessary business knowledge

and requisite financial and leadership skills. Lastly, Paragraph 3.1.5 of the Treasury Regulations (2000) states that the formation of the AC must guarantee its independence, and the organizational annual report must disclose details of its membership.

2.8.3 The roles and responsibilities of ACs in Provincial Government

According to PFMA (Act No 1 of 1999), National Treasury Regulations, 2005 issued in terms of the PFMA, the AC has the following roles and responsibilities to perform, especially with regards to IAF:

Ensure that the IAF's independence, charter and operations are all understood and aligned with the department's goals and the law.

Frequently evaluate the internal auditor's functional and administrative reporting lines to ensure that the organizational structure adheres to the ideologies of independence and accountability.

Examine and approve the IA charter, that includes the IA's strategic plan.

Ascertain that the yearly IA plan includes important risk areas in the department.

Inform the department about the resources allotted to carry out the IAF's work.

Ensure that senior management supports the IAF and external auditors.

Engage with management regarding the quarterly reporting of the IA's findings to the audit committee.

Ascertain management actions are taken in terms of the audit plan.

Consider and examine reports on issues encountered throughout the audit engagement, including any scope limitations or access to information reported to the AO that have yet to be rectified.

Evaluate the IAF's performance in relation to the agreed-upon goals and objectives as outlined in the audit plan.

Ensure that AC's chairperson is reasonable accessible by the head of IA.

Conduct an annual high-level IA review to determine if the IAF conforms with the International Standards for the Professional Practice of Internal Auditing.

Concur with the CAE's appointment or termination of services.

In addition to the obligations listed above, the IIA Standards allude that an external assessment of the IAF should be undertaken once every five years, however the CAE should address the necessity for more frequent external assessments with the

organization's top management (IIA (2003), Section 1312). The PFMA 1 of 1999, on the other hand, mandates the IAF to report to the audit committee as follows:

Continue to communicate openly and effectively with the AC.

Create a flexible annual audit plan utilizing a risk-based technique, resolving any detected risks or controls deficiencies.

Submit the audit plan for assessment and approval to the AC.

Report yearly on the audit plan's implementation and results, including any specific duties requested by management and the AC.

Assist in the creation of the agenda and paperwork, as well as their dissemination to the AC in advance for meetings.

Meet with the AC chairperson on a regular basis to discuss whether the material and information provided fits the AC's criteria.

Request the AC's guidance on whether the frequency and time allotted to the committee are adequate to handle all problems in an effective manner.

Cooperate with the AC as it conducts yearly evaluations of the IAF's performance.

Annually, or as needed, submit the IA charter to the AC for assessment and approval.

The establishment of AC in the PG has a favourable impact on the overall functioning of all governance systems in place (Biswas et al., 2019). These authors also stressed the fact that AC's transparent reporting has contributed to global markets' favourable recognition of South Africa point of view. Etim et al. (2020) affirms that such respect grows accountability for the accuracy and dependability of reporting and requires IAFs to perform their duties to the highest standards. This practice means that the AC, as the mainstay of IAF's effectiveness, must do everything in its power to ensure the proper functioning of the directorate. However, the formation of AC within the PG presents both various opportunities and problems for internal auditors. Senior management seeks professional opinion and direction from the AC, mainly on areas relating to finance and risk management, while the AC, on the other hand, expects comment and support from the IAF.

This situation can, at times affect IAF effectiveness since the AC plays an important role in the direct reporting line and, hence, has the power to "make or break" an IAF. Therefore, the ensuring the professional calibre of AC members is crucial for organizations and IAFs alike. Based upon the roles and responsibilities of the AC

discussed above, the AC's reports and IAF's setting comprises mutual strengthening activities. It is a statutory requirement as entrenched in the PFMA (Act No 1 of 1999) and National Treasury Regulations of 2005, issued in terms of the PFMA, for the AC to assist IAFs and their operations in PG in order to ensure that these IAFs perform as effectively as intended.

An effective operational AC, together with an appropriately functioning IAF and an efficient internal control system, are all essential mechanisms for sound corporate governance in PG in South Africa (Mamiele,2019). The PFMA 1 of 1999 demands the existence of these critical components of financial governance in government departments. The PFMA further instructs government departments to establish a functional IAF. When considering the looting of public funds because of weak internal controls, the extent to which the AC executes all the functions and their reliance on the IAF remains a mystery.

2.9 Challenges facing AC in provincial government

Based upon the above discussions, the AC is an important part of good governance. Its role is vital in helping the appropriate governing body fulfil its duties of monitoring financial and performance management, adherence to legal and other regulatory requirements and internal controls (Biswas, et al., 2019). As result the PFMA 1 of 1999, requires all government institutions to establish an AC. The AC is a separate oversight body that reports to the appropriate governing authority with responsibilities that vary according to the government's complexity, scope, and requirements (Castrillón & Alfonso, 2021). At times it is the complexity of government departments' structure and the lack of clarity on the related legislation, that result in the challenges facing the AC.

2.9.1 Legislative and regulatory requirements

The government institutions operate within a distinct regulatory framework, with numerous pieces of legislation and rules that must be followed as already explained in the preceding sections. The terms of reference for an AC within a government institution are not always clearly described regarding the institution's environment.

2.9.2 Clarity on the role of AC

The PFMA 1 of 1999 and National Treasury Regulations of 2005, issued in terms of the PFMA, provide details of the role played by the AC in respect to the governing authority. However, in government departments, AC's accountability, role clarity and reporting lines are not always obvious in terms of the stakeholder, executives, and management as they apply in the private sector. The King III Report (2009) specifies who oversees specific governance functions and its implementation is recommended. However, the structure of a specific government institution often presents a unique issue.

For example, the accounting authority is regarded as the board in the case of government institutions, nonetheless, the Minister is involved in the employment of the AC alongside the board. This employment process may cause some confusion over direct reporting lines because reporting to both parties is required.

2.9.3 Independence issues

The AC's independence may be jeopardized by prior/present associations of AC members or the AC as a whole, as well as political status, among other reasons. There are no measures in place to evaluate AC member's independence before their appointment, nor is their independence evaluated on a continuous basis throughout their term of office. The required declarations of interest are not always completed by AC members at every meeting.

2.9.4 Knowledge, skills and experience

The statutory setting requirements for the AC of the government institution, as indicated above, makes the composition of the AC an important concern. It means the members must have adequate knowledge, abilities, and experience in a variety of professions. In accordance with King III Report, the AC must have a collective understanding of:

integrated reporting (including financial reporting), internal financial controls, the external and internal audit process, corporate law, risk management, sustainability issues, information technology governance and organizational governance processes.

In addition, an understanding of government sector matters in areas such as performance management, risk management and adherence to laws and regulations

is essential. However, another concern in government departments is finding a pool of suitable individuals to serve on the AC. Another issue that must be addressed is the committee members' compensation and political interference in the employment process.

2.9.5 Commitment

Members' adequate dedication and commitment, as well as sufficient preparation for meetings, provision of reading materials prior to meetings, follow-up processes, attendance, and participation in meetings, are issues not receiving adequate attention.

2.9.6 Lack of support from management

There is a requirement in terms of the PFMA and the Division of Revenue Act, that requires the AC of departments to provide a monthly or quarterly report on the quality of management and the adequacy of the reports submitted. However, the AC is sometimes unable to analyse conditions because of the lack of quality information, that management should make available. As a result, the AC cannot fulfil all its tasks. There is also a need for the AC's assessment and oversight to be organized in such a way that management is held accountable. These challenges have a negative impact on the AC's overall performance and its reliance on IAF.

2.10 Conclusion

This chapter discussed the governance systems within the PG sphere. It also elaborated on the spheres of government in South Africa, the approval of laws and policies and the legislative authorities within the spheres of government. This chapter provided a brief discussion on the governance systems as well as the accountability issues necessary to ensure the smooth running of government departments and the efficient delivery of public services. The requirements for establishing IAFs, laws and regulations that are shaping the IAFs in PG were also discussed in this chapter, together with details of the roles and responsibilities of IAF in PG. The chapter further provided the requirements of ACs according to the PFMA, as well as the roles and responsibilities of ACs in PG. Lastly, the chapter challenges facing AC in PG

CHAPTER THREE

IA INDEPENDENCE AND OBJECTIVITY WITHIN THE PROVINCIAL GOVERNANCE SYSTEMS

3.1 Introduction

As previously discussed, the IAF can only perform its function provided that its members are objective, and their activities are independent. IA is currently a role incorporated into the system of corporate governance, that provides assurance of the efficacy of all organizational functions in the organization as well as advisory services to all management structures in carrying out their obligations. In this approach, the IAF actively seeks to bring value to the organization. However, achieving equivalent consequences, i.e., realizing the strategic function, is heavily dependent on IAA independence and objectivity, as well as the core concepts underlying their work.

True independence and objectivity have always been the cornerstones of audit philosophy and practice, but in the recent years, these notions have grown in prominence. This practice is because, in response to the call to increase the system of corporate governance, IA acknowledged a dual role, linking it with other systems' role players. Because of this unique position, the question of IAA independence and objectivity has become a much larger concern that must be addressed.

In line with the concern, this chapter seeks to provide an in-depth discussion on the IAA independence and objectivity of internal auditors' terms that are frequently used interchangeably. One of the important preconditions for internal auditors to attain their goal is to achieve independence and objectivity at work. Merely independent and impartial internal auditing secures the profession's existence and the reason why the prominence of these notions for internal auditors are frequently equated to the "Hippocratic Oath for physicians". Individuals or audit teams should strive for objectivity, while the environment in which IAs are carried out should strive for independence.

3.2 The history and origin of the internal audit

Auditing has a long history that may be traced back to 4000 BC, when businesses and governments in the Middle East established the first formal record keeping system (Ramamoorti, 2003:12). Historians view the establishment of formal record-keeping

systems as being the means to alleviate concerns around proper accounting of receipts, payments, and collection of taxes due. Countries such as Babylonia, Greece, the Roman Empire, and the City States of Italy were the first to develop a comprehensive system of accountability, that resulted in the need for audits of public finance systems (Mamaile, 2018). The government of these countries were specifically concerned about the prevention and detection of inaccuracies and errors caused by incompetent officials and wished to deny officials the opportunity to be corrupt even when motivated to commit fraud (Xhani, Avram & Iliescu, 2020:38).

The need for some level of independent conformation arose and led to the establishment of both external and internal auditing, to minimise record-keeping inaccuracies, misappropriation of assets and defrauding of organizations all over the world (Xhani et al. 2020:38). Mautz and Sharaf (1961), quoting accounting historian Richard (1905), traced auditing roots as a field in the following manner: the auditing history can be traced back further than the history of the accounting discipline. As time passed and civilisation advanced, the demand and need for one man to be entrusted with some sort of responsibility over the assets of another man became obvious, as did the need for some kind of caution to check on the former's reliability.

Originally, the IA role was to verify the accuracy of information contained in financial statements (Dozie et al, 2019). The railroad, defense and retail industries were among the first to use IA. The railroad executives in the 19th century wanted assurance that railroad ticket sellers throughout the region were disclosing the revenue from all ticket sales (Coetzee, Bruyn, Fourie & Plant, 2018). They appointed internal auditors as independent reviewers to provide a high level of confidence that the money was being handled properly by the railroad ticket agents (Coetzee et al., 2018). This practice meant that the decision to create distinct in-house assurance agencies was a necessity rather than a choice. The companies' decision-makers also required independent in-house assurance services to confirm essential accounting information (Çela, 2017). The business managers, as time advanced, required a further form of evaluation of the trustworthiness and efficiency of the work performed by employees (Avram, 2017).

Therefore, in the mid-20th century, the development of formal IAFs emerged and the evaluation of the trustworthiness and efficiency of work performed by employees was

given to them (Avram, 2017). As time progressed, the IAFs were also given the responsibility of collecting and interpreting chosen business information to aid managers in keeping track of essential business developments, operations, and results from various and extensive transactions (Ramamoorti, 2003 12). Organizations such as the railroad, defence and retail industries in the USA were amongst the first to recognise and accept the value of IAFs (Coetzee et al., 2018). These organizations were not only interested in financial statement auditing but were also keen to have reliable operating reports enclosing non-financial data, that may include details of the various parts in short supply, compliance to schedules and quality of the product (Whittington & Pany, 1998).

In addition, due to the comprehensive effect of the continuous complexity and volume of transactions, organizational executives' detachment from the source of such transactions and the possibility of a bias in the technical accounting skills of reporting parties, businesses were required to conduct relevant and independent reviews and summaries of their activities (Mamaile, 2018). There was a need to ensure that independence and objectivity was increased through organizational status, and that the "eyes and ears" of decision-makers needed procedural disciplines to be introduced (Razzaq & Thijeeel, 2019). As a result, the creation of IAF within corporate entities emerged, and began as an in-house entities' function with the focus being safeguarding the payroll against fraud, misuse of funds and other assets of the entity (Razzaq & Thijeeel, 2019). According to Reeve (1986), the scope of an in-house audit function was quickly extended to include the verification of just about all financial transactions and, as time advanced, the practice slowly evolved from being an audit for management to become an audit of the management's approach.

At the beginning of 1990s, it was fairly understood that internal auditors, taking into consideration their specific organizational needs and preferences, together with their performance engagements that include compliance audits, transactional cycle audits, investigation of fraud, irregularities, and assessment of operational efficiency (Xhani et al., 2020). Internal auditors' performance engagement involved areas such as examination, measurement and reporting on operational and entities-wide risks, as well as other consulting and assurance activities (Xhani et al., 2020). In performing these activities, Internal auditors were employing a risk-based and control focused

approach, using advanced technology applications in conducting audits. As time progressed, internal auditors began to present what was known as 'industry specialisation' because of their unique knowledge about the operations of both private and public sector industries (Çela, 2017). According to Mamaile (2018) IA has become more globally oriented and as a result IA method also became quite resourceful, with internal auditors engaging in and contributing to "special projects" on a contingency basis, conducting the role of risk officers, ethics officers or compliance officers, as the situation demanded.

Therefore, the IAFs are required to form a strong relationship with personnel who are responsible for institutional governance, and who are in direct communication with the AC – a practice that raises the IAF's organizational stature (Wakil et al., 2020). This IAF requirement is supported by vast evidence reported by previous scholars, that the relationship is mostly considered as the best practice in the more progressive institutions, that are dedicated to enhancing governance structures and processes (Wakil et al., 2020). In the latest study conducted by the Institute of Directors (IOD, 2009) on corporate audit, it was stated:

The AC is generally seen as a liaison between the board and the auditors; AC members had to increase their interest in, and be informed more, about auditing issues to fulfil their obligations to shareholders and the public. Management has also realized the importance of safeguarding itself by paying close attention to internal controls and conducting effective audits. As a result, it is now more receptive to proposals from auditors and information requests from the AC.

The above quotation displays the importance of IA as a profession within organizations. To meet the needs and expectations of IA, the IIA was established to monitor them in the ever-changing environment in which they practice their profession.

3.3 The development of the internal audit profession

According to Dozie et al. (2019) the IA profession existed in an elementary form in the 19th century with the role that was mainly focused on checking adherence to the organizational policies, procedures and verifying the existence of assets. However, in 2001 the IIA issued a revised definition of the IA process that broadened and advanced the IA scope to the level where it is now seen as a value-adding service to the organization, rather than just compliance auditing. According to the IIA's definition, the

concept of IA now includes functions that are not only limited to internal financial operations assurance.

The latest IIA definition defines internal auditing as an impartial assurance and consulting activity aimed at adding value and improving the operations of an organization, it assists an organization in achieving its goals by implementing a systematic, disciplined approach to evaluating and improving the efficacy of risk management controls and the governance process. It can be argued that this definition, enlarges the role of IA, thus, increasing their importance as part of the institutional management control system. It has also raised the demands placed on internal auditors (Pitchay, Ganesan, Haron & Hendayani, 2020). As a results, the responsibilities of internal auditors have expanded and become more demanding. There was also a growing demand from taxpayers for public sector institutions to maintain public accountability when delivering public services (Irwansyay, Malik, kusumawardani, Kusumah & Brata, 2020). This requirement led to the development of IAF in the public sector of South Africa.

3.4 Development of IAF in the public sector of South Africa

According to Dos Reis Fonseca, Jorge and Nascimento (2020: 247-248), the origin of IAF in the public sector can be traced back to the early 1990s, at which time they were not even recognised and mainly consisted of internal control and inspection elements, with a focus on compliance audits, financial and logistical inspection. This method produced valuable inputs for assuring compliance with laws, rules, policies, and directions, but there were some general flaws (Dos Reis Fonseca et al., 2020). Mamaile (2018) identified the most prominent weaknesses as: no specific methods for testing and evaluating internal controls; components depended on internal control or inspection by a third-party checking their functioning and outputs and systems were not examined, thus, limiting the IAF's efficacy inside the department. These weaknesses significantly reduced the IAF's contribution as a management tool.

As time passed, financial regulations based on the Exchequer Act 66 of 1975 were enacted, backed up by the Government Gazette No. 5791 of 1 November 1996, gave AOs the responsibility for developing effective IAFs and ACs. At this time IAFs in the public sector in South Africa received official and statutory recognition. The IAF of the

public institutions were expected to shift away from its traditional responsibilities of ensuring adherence to policy and procedure, as well as auditing financial controls, towards the direction of the modern expectation of being able to adapt to organizational and managerial needs as a management tool (Joshi, 2020). Three sources provided impetus in 1996 for the new status of South African IAFs in the public sector, namely:

In May 1993, the Regulations that govern Public Entities were introduced as a supplementary for the Reporting by Public Entities Act 93 of 1992, that made the IIA a legal entity for the first time by demanding the IAFs of public institutions to operate in accordance with the IIA standards. The Public Institutions Regulations promulgated in 1993 and were published in the Government Gazette No. 5076 of 7 May 1993. There was extension to the above-mentioned Act which specified that each entity's board oversees forming of AC and establishing a functioning IAF. Despite these institutions being semi-state entities, the Act played an important role in laying the groundwork for statutory regulations for establishing the IAF in the public sector.

In 1996, the campaign for the IAF's new status in South Africa's public sector began using the published King I Report on corporate governance (IOD SA, 1994). This report suggested that all South African listed companies should have a functional IAF, and as a result, in South Africa, the IAF almost immediately became more well-known in both private and public institutions. The Government Gazette No. 5791 of 1 November 1996 also clearly indicated that the King I Report recommendations on IAF, gave an AO an obligation to develop a functional IAF and AC.

The Auditor-General Act 12 of 1995, played a vital role in the development of the newly found status of the IAF in 1996. Section 3(4) (a)–(d) provides the extent of the AGSA's power in relation to the assessment of organizational controls, including the right to express his or her opinion on inefficient or ineffective of internal control and management measures within the public sector.

The IAF's founding history in the South African public institutions was completed with the provisions contained in the PFMA 1 of 1999 as amended by Act 29 of 1999, and the Treasury Regulations (2000) for departments and constitutional institutions issued in terms of the PFMA (Regulation Gazette No 6822 dated 31 May 2000). Section 38

of the PFMA, requires the AO to ensure that a national government department has an IAF, while Section 76 of the Act requires that National Treasury Regulations must promulgate what the AC and the IAF regulate in the national government departments. Section 3 of the Treasury Regulations (2000) contains further extensive requirements on the operation of the AC and the IAF in the South African public sector.

3.5 The value adding role of internal auditing

According to the International Professional Practices Framework's (IPPF) definition, internal auditing is an impartial assurance and consulting activity aimed at adding value and improving the operations of an organization. Simply put, the IA was established to play a crucial role that adds value the operations of the organization (Joshi, 2020). The definition further states how the IA should go about adding value and how their effectiveness can be achieved.

The IIA conducted a Global Internal Audit Survey on how to measure the value of internal auditing (2011:2), the results of their issued Report III suggested that the valued added by the IAF can be determined by its usefulness to its organization that can be gained through the freedom the IFA is given. Whereas ISPPIA Standards, indicate that 'add value' can be defined as the value that comes from continuously enhancing the chances of attaining organizational objectives, using assurance and advisory activities to ascertain operational improvements, and reducing risk exposure (Fashami, et al., 2020). IAF can only 'add value' when their activities are independent and objective. The ISPPIA also shares the same views as the International Standards for the Professional Practice of Internal Auditing Standards regarding the concept of IAF adding value to the operations of the organization.

When looking at the IIA's definition of 'value-adding', this concept includes, among other issues, the fact that the IAF primarily offers critical opportunities for attaining specified organizational objectives and goals. This practice means that the fundamental objective of having IAF is to help the organization realise its objectives, including the strategic goals. According to Dichabe (2020), the IAF actively participates in institutional strategic management by assessing and supporting the strategic management decisions made by personnel in positions of responsibility. Secondly the IAF is required to determine operational enhancement within the institution (Joshi, 2020). In support of this view, the IIA definition of IA, states that the activities of the

IAF should help an organization enhance its operations. It further indicates that IAF must assess and contribute towards the enhancement of operations, control processes and risk management, systems, and governance. Saeed et al., (2020) requested that all CAEs make 'value-adding' a top priority in support of risk management and governance processes.

Thirdly, the IAA must be independent and internal auditors be objective to decrease risk exposure (Wakil et al., 2020). It should achieve such a mandate by identifying areas of difficulty, that may prevent the attainment of institutional objectives and evaluate the control mechanisms in place to confirm whether these are suitable and acceptable to curb the risks identified (Siyaya, Epizitone, Jali & Olugbara, 2021). The IIA Standards agree with these scholars, and further state that the IAF must assess the appropriateness and effectiveness of controls used to curb risks within the institution's governance, information systems and operations to ensure their soundness, reliability of financial and operational data, the usefulness and efficacy of operations, asset protection and conformance with laws, rules, and contracts (IIA, 2022). De la Rosa (2007) reasoned that the scope of IAFs includes evaluation of the correctness of an institution's risk management reporting system, and gives independent, as well as value-adding, recommendations to management. Thus, IAFs are adding value to the operations of institution by communication, controls and contingencies that are used to react to the risk impact (Saeed et al., 2020).

Finally, according to the notion of value-added, IAFs give value by providing both assurance and consulting services. According to Morse (2012:2) a successful IAF should act as senior management's "eyes and ears", providing honest and concise information on the organization's affairs. Such information includes giving the executives, through the AC, assurance that the organizational systems and processes are strong enough to curb risk exposure and assist in attaining the organizational objectives (Fashami, et al., 2020). This practice implies that the IAF must give independent and objective assurance on the organization's current risks in the form of a time frame. This section has focused on the IAF's value-added role as described in the reviewed literature. This role is viewed as critical for justifying the IAF's existence, and, without which, the IAF is regarded as ineffective and irrelevant.

3.6 Expected roles to be performed by IAFS

The IIA (2012: 5) states that:

Auditing is a critical component of good governance. IAFs assist public institutions attain accountability and integrity, improve operations, and maintain public trust through impartial, objective assessments, that verify whether public funds are utilized ethically and effectively to accomplish the desired outcomes (IIA, 2012: 5). Thus, the role of IAFs in public sector organizations supports the oversight, insight, and foresight governance responsibilities.

3.6.1 Oversight role

According to Omolaye and Jacob (2017), the governance responsibility examines whether public institutions are performing as they should, as well as detecting and preventing public wrongdoing. This practice includes confirming that government institutions are using funds for the intended purpose and adhering to all applicable rules and regulations (Omolaye & Jacob, 2017). Mamaile (2019) stated that the audits relating to oversight should answer the following questions: (i) Has the organizational policy been carried out as planned? and (ii) Are those in charge of creating such policies putting in place effective risk-reduction measures?

From these questions it can be fairly argued that oversight audits help to increase public sector accountability by giving relevant leaders within and outside the audited organization access to the performance information. Key elements of an effective public sector audit activity suggest that AO and managers must be in charge of establishing organizational goals and objectives (Alhababsah, 2022). These two persons further play a crucial role relating to assessment of risk and implementing effective controls to curb risks and achieve organizational objectives (Joshi, 2020). Therefore, IAFs evaluate and report on the effectiveness of these efforts as part of their oversight function.

The term 'oversight' also refers to the various role of IAF that is responsible for detecting and preventing public wrongdoing, which includes fraud, unethical behaviour or non-compliance with acts, and other abuses of government employees' power and resources (Omolaye & Jacob, 2017). The IAF also assesses the effectiveness of

management's internal control structures to identify and eliminate conditions conducive to corruption.

3.6.2 Detection role

According to Nisaka and Rochayatun (2023) the IA detection role is to uncover and gather proof to support decisions concerning disciplinary proceedings and/or criminal prosecutions or other remedies after incorrect, ineffective, illegal, fraudulent, or abusive actions that have already occurred. Therefore, a conclusion can be drawn that the IAFs are required to identify areas in which mismanagement or wrongdoings have occurred and alert management so that appropriate corrective action can be taken to prevent the reoccurrence of such activities in the future.

3.6.3 Deterrence role

The purpose of the deterrence role is to uncover and eliminate factors that allow corruption to thrive (Nisaka & Rochayatun, 2023). Stemming from this practice, it can be argued that IAFs must be always proactive when executing their duties, to identify troublesome and unsafe locations before they escalate out of control. Such actions provide assurance that the organization's resources are protected and justify the IAF's existence (Alhababsah, 2022). As a result, it is evident that the IAFs must hire qualified staff with specialised talents to efficiently perform this function, thus bringing value to the organizations in which they are involved.

3.6.4 Insight role

The study undertaken by the IIA on auditor independence in times of crisis (COVID-19's impact on internal audit's roles and responsibilities, 2020) revealed that internal auditors play a crucial insight role, that provides an unbiased review of public institutions' activities, guidelines, operations, and results to decision-makers. They also assist AO by determining which activities and policies are effective and which are ineffective. Their role is to share excellent practices, benchmark data and seek for prospects to borrow, adjust or re-engineer management approaches horizontally, through government institutions, and vertically between government spheres (Fashami, et al., 2020). Therefore, the IAF must be competent in its internal auditing profession, and, in this case, it must be well-versed in the relevant policies and have

a thorough understanding of the field to provide the required value to the organization (Mamaile,2019).

3.6.5 Foresight Role

Dobrowolsk (2020) defines 'foresight' as the practice of carefully looking into the longer-term future of an organization, the economy and society to identify areas of strategic research and the emergence of generic technologies expected to offer the greatest economic and social benefits. The Supplemental Guidance on the Role of Auditing in Public Sector Governance issued by IIA (2012) states that IAFs assist their organizations by looking ahead, recognizing trends, and bringing potential concerns to their attention before they become catastrophes. Mamaile (2019) indicates that the IAFs can identify risks and opportunities arising from rapidly evolving science and technology, the complexities of modern society and changes in the nature of the economy.

3.7 Internal audit charter

According to the IIA position paper (2019), an internal audit charter is defined as a management-approved manuscript that specifies the goal, authority, and responsibilities of an IAF. This charter serves as the foundation for IAA independence, operations, and communication lines (Dzomira, 2020). The IAF's formal charter must be obtained by the CAE after it is has agreed upon with management and the departmental AC (IIA, 2019). The formal charter explains the IAF's mission, authority and responsibilities (Dzomira, 2020). The CAE must also develop a strategic plan and an annual coverage plan for the IAF in addition to the internal audit charter (IIA, 2019).

The internal audit charter is summarised in the IIA Attribute Standard 1000 under Purpose, Authority and Responsibility as follows:

The internal audit charter should be approved by senior management, the board and the AC.

It should be a written instrument that has been reviewed and signed by all parties involved.

The IAF's status in the provincial government should be established in the charter.

It should outline the scope of the IAF's operations (1000.A1).

the IAF should have free access to records, personnel, and other information pertinent to the completion of a specific engagement (1000.C1).

The internal audit charter should also document PG's fundamental rules concerning consulting activities.

The IAFs and AC in the PG relies on the content of the internal audit charter to assess the IAFs' activities within all the departments. The goal of this assessment is to provide assurance that the IAFs are operating efficiently. The audit approach and audit coverage, as well as the quality of reports throughout the year, the quality of personnel, cooperation with external auditors and management satisfaction, should all be considered in the evaluation (Nisaka & Rochayatun, 2023). The adherence of the IAF with the IIA Standards for Professional Practice (IIASPPPI) should also be assessed on a regular basis. The AC could ask the following questions to assess the performance of IAFs in the public sector and government departments:

Table 3.1: Questions to review IAFs performance in the public sector and government departments.

“Are there explicit terms of reference that specify the goals, duties, scope and lines of reporting for the IAF?

Are there any limitations imposed on the IAF's work?

Is the scope of the IAF's activities established using a risk-based approach based on IIA standards?

What is the relationship between conducting internal control reviews, value for money reviews and special projects?

How is the internal audit's independence guaranteed if requested to undertake special projects?

Does the IAF report to an appropriate level of management that ensures audit recommendations are given due attention?

Do internal audit staff have sufficient technical knowledge and experience to ensure that duties are performed in terms of the standards set by the IIA?

Are there sufficient information systems relating to audit expertise necessary for handling the IT systems of the municipality?

Has the IAF provided a needs assessment?

Is there a long-term strategic internal audit plan that schedules coverage of all areas identified in the risk assessment?

Is the work of the IAF properly planned, completed, supervised and reviewed in terms of the requirements of the standards of the IIA?

Are there quality assurance procedures in place?

Are internal audit reports issued on time?

Are the IAF reports followed up timeously, based on a systematic approach to following-up recommendations, and is there reporting on those for which little or no action has been taken by management?"

Source: Van der Nest, 2006

Van der Nest's study (2006) as delineated in Table 2.1 above, presents questions that should be considered when assessing public sector IAFs' effectiveness, including departments. These questions, however, do not consider some important factors that contribute to the effective operation of IAFs, such as independence, reporting and what issues constitute an effectively functioning IAF.

3.8 The IAFs and the ACs

The relationship between IAFs and ACs is discussed in the section that follows. This section further presents a review of IAF requirements as defined under the PFMA.

3.8.1 IAFs and ACs Relationship

The King IV Report (2016) stipulates that the board of directors must have a well-functioning and independent AC with terms of reference that have been authorized. The AC is regarded as an essential component of the risk management process, overseeing financial reporting risks, internal financial controls, fraud and IT risks related to financial reporting (Oussii, 2020). The AC should further oversee the following issues: hiring, firing and performance management of the CAE, approval of the IA plan, assessment of the document review of internal financial controls, evaluation of the internal audit performance and quality review function, monitoring and evaluation of the effectiveness of the organizational IAF (Nisaka & Rochayatun, 2023).

The tasks outlined in the above paragraph indicate that the AC must play a critical role to ensure that the institution's IAF is independent and has the resources, status, and

powers it needs to carry out its responsibilities (Dzomira, 2020). This role includes minimising overlapping audit tasks, by making the AC responsible for overseeing cooperation between external and internal auditing (Haddad, et al., 2021). As a result, the AC should evaluate the efficacy of internal audits at least once a year and report to the board on its findings (Pitchay et al, 2020). According to the King IV Report (2016), boards should ensure that effective risk-based IAFs are in place, controlled by a board-approved internal audit charter that adheres to the IIA Standards and code of ethics. It is a mandatory requirement for the IAF to: report to the AC (the CAE should report functionally to the chairman of the AC) and to attend all AC meetings; assess the effectiveness of risk management and the internal control architecture by objectively evaluating the organization's governance processes; assess institutional procedures and controls and provide data regarding fraud and wrongdoings (Haddad et al., 2021).

In addition, the institutional strategies and risks that inform the internal audit plan should exist for IAFs; always, IAFs must maintain their independence from management and be objective; report on the effectiveness of institutional internal controls systems and management of risk to the board; test controls, document assessments and report to the AC once a year (Biswas, et al., 2019). Mamaile (2019) states that the responsibilities of AC are met when their relationship with the IAF is good. As such, the AC and the CAE connection is extremely crucial (IIA, 20019). In conclusion, the IAF, through the CAE, must uphold a good relationship with the AC and must endeavour to undertake the following activities:

In addition to reporting administratively to the AO, the CAE should also report functionally to the AC.

The AC should be easily accessible to the CAE.

The CAE should communicate directly and regularly with the AC.

The CAE should be present at AC sessions.

Regular private meetings between the CAE and the AC should take place in the absence of management to discuss topics of shared interest.

The AC must authorize the hiring or dismissal of a CAE.

The CAE shall keep the AC informed of her/his interactions with external auditors, as well as the status of internal and external audits (IIA, 2019).

3.8.3 Reporting by ACs

The chairperson of an AC should quarterly report on the IAF's and the AC's operations to the institutional AO and or executive authority, or more often if necessary (IIA, 2019). The report must include the following information:

A synopsis of the IAF's and AC's work in accordance with the annual work plan.

Internal controls' effectiveness, as well as any further steps that must be taken to curb identified risks.

An overview of major concerns addressed, such as substantial internal and external audit findings and recommendations, as well as their current status.

The status of any investigations and the results of those investigations.

Meeting details, including the number of meetings attended by each member.

Other issues brought to the attention of the IAFs and AC.

The chairperson of the AC must submit a copy of her/his report at least once a year, or at other agreed-upon periods, to the executive authority for consideration with the oversight report (IIA, 2019). The chairperson of AC should be available at all times whenever executives/management requests answers regarding the details of the AC report (IIA, 2019). As a result, the IAF's and AC's roles, responsibilities and outputs guide the work of the executives and other oversight structures.

3.9 The development of IA strategic plans

The PFMA 1 of 1999 requires government departments' CAEs to develop risk-based strategies to examine whether the IAF's priorities are compatible with the department's objectives. The plan for the IAFs, and the fieldwork, should be focused on the risks that the department faces. A logical procedure for developing a strategic audit plan is outlined below:

3.9.1 Understanding the environment

The Eastern Cape Department of Education circular 06 of 2019/20 specifies that the IAFs must have an awareness of the department's strategic plan and objectives to identify the risks to which they are currently exposed and those to which they are likely to be exposed in the future. To have a better understanding of the operational risks and controls for curbing such risks, a 'top-down' view of the department should be adopted (Mensah et al., 2020) This concept describes the operating environment of

any organ of state. A complete risk analysis of the department must be carried out to identify the risks that have an impact on the attainment of the departmental goals (Pitchay et al., 2020). The information is useful in designing, directing a risk management strategy, and serves as the foundation for risk management actions.

3.9.2 Developing operational IA plans

Section 38 (1)(i)(ii) of the PFMA (Act 1 of 1999) and paragraph 3.2 of Treasury Regulations (2000) in accordance with (Sections 38(1)(a)(i) and 76(4)(e) of the PFMA) strongly suggest that all the organs of state, including PG's IAFs should develop operational IA plans. The operational IA plans must be based on a risk and exposure assessment that could affect the department, and it must be updated at least once a year to reflect the department's most recent plans (Mensah, et al., 2020). The operational plans must be aligned with evaluated risk assessment to the overall departmental objectives. The CAE is responsible for ensuring that once year strategic and operational plans are established, authorized by the AC and accepted by the AO (Pitchay et al., 2020).

The following essential factors should be considered while designing operational IA plans: the comprehensiveness of the departmental risk assessment report; IA personnel's availability and experts; changes in the organization's risk environment, the implication that the risk environment should be assessed annually; the operational plan has be approved and accepted by the AC; the importance of ad-hoc requests, all of which could have a substantial impact on the typical audit planning and timing procedures (Mamaile, 2019).

Paragraph 3.2.7 of the Treasury Regulations (2000) highlight that an IAF should prepare, in discussion with and authorised by the AC the following documents:

A three-year rolling strategic IA plan that considers the organization's existing activities, those outlined in its strategic plan, and its risk management strategy to determine the significant areas of risk within.

A three-year rolling strategic IA plan with an annual IA plan for the first year.

Plans in the yearly IA plan detailing the intended scope of each audit.

A quarterly report to the AC documenting its performance according to the yearly internal audit plan to enable efficient monitoring and potential action.

Based upon the above discussions, the importance of the role played by IAF in South African government departments has been proved. The objectivity and independence of these IAFs are crucial for their effective operation that involves assisting departments to compile operational plans for attaining their stated objectives.

3.10 Internal audit independence and objectivity in provincial government

The PFMA and Treasury Regulations (2000) issued in terms of the PFMA and IIA standards requires a provincial government's CAE to report at a level within the government department or government entity that allows the IAF to carry out its duties. For interaction at this level to be effective, the IAF must have the necessary authority to foster independence, ensure extensive coverage and take appropriate action on engagement recommendations (Fashami, et al., 2020). Attribute Standard 1110 of the ISPPIA (2012) also supports this criterion, because it states that for the IAF to fulfil its obligations, it must report to the highest level within the institution. The standard also reiterates that the suggested highest level must also allow the IAF to execute its activities independently and objectively (Wakil et al., 2020).

To further enforce IAF independence and objectivity, the CAE is required to report administratively to the AO and operationally to the AC (Siyaya et al., 2021). According to ISPPIA Advisory Standard 1110-2, in addition to the CAE having a functional reporting relationship with the AC, it must as well as have an administrative reporting relationship with senior management, to receive the necessary support for IA's day-to-day tasks. Such assistance must include putting the function and the CAE in the organization's structure in such a way that the function has appropriate status within the organization and having full access to staff, information, and documentation (Siyaya et al., 2021). The IAF's organizational standing and objectivity help it attain independence. For the IAF to execute its duties freely and objectively, it is mandatory to have the support of both senior management and the AC (Shalimova & Kuzmenko, 2022). The CAE is required to communicate directly with the AO, AC and other applicable governing bodies (PFMA, 1 of 1999).

The CAE can establish direct communication through regular attendance at and participation in meetings pertaining to IA oversight duties, financial reporting, corporate governance, and control. The attendance and participation of CAE at these meetings

allows for the exchange of information to senior management about the plans and activities of IAFs (PFMA).

3.11 Importance of IAF independence and objectivity in the public sector

Wakil et al. (2020) state that, regardless of the level of government involved, the necessity for audit independence and objectivity is critical. Independence and impartiality are essential in ensuring stakeholders that IA work and results are trustworthy, accurate and unbiased. IA's purpose and its role in providing unbiased and reliable information on the usage of government resources and services, requires the IAF to carry out its tasks without limitations, interference, or pressure from the organization under review or from the audited area (Dozie et al., 2019).

The IAFs' knowledge and understanding of the organization aid in the development of effective relationships as well as the assessment and improvement of risk management effectiveness, processes of internal control and governance (Đorđević & Đukić, 2017). The employees of the organization are required to bring operational challenges, information, and important issues to the IAF's attention. In addition, services, information, and direction will be sought from an efficient and well-run audit department (Siyaya et al., 2021).

The IAF helps public sector organizations, such as government departments, realize accountability and integrity, improve operations, and instil confidence among residents and stakeholders by providing impartial, neutral assessments of whether the government sector's operations and resources are responsibly and effectively managed to achieve the planned results (Shalimova & Kuzmenko, 2022). The IIA's Standard 1100 on independence and objectivity stipulates that the IAF must be independent, and internal auditors must be objective in their work. The necessity for the IAF's independence in any organization is emphasized by this guideline, furthermore, independence is defined as the absence of situations that jeopardize the IAF's capacity to carry out its internal auditing tasks objectively (Alander, 2023).

To attain the level of independence required to effectively carry out the obligations of both the IAF and CAE, both parties should have unrestricted access to the organization's senior management and board of directors (Alander, 2023). This practice can be accomplished by establishing a dual-reporting relationship. Individual

auditors, engagements, functional groups, and organizations must all deal with threats to their independence (Đorđević & Đukić, 2017). The IIA standards define objectivity as an impartial mental approach that enables internal auditors to carry out their duties in such a way that does not compromise the quality of their work. Internal auditors must maintain objectivity by not deferring their audit judgment to others.

According to IIA Standard 1110 the CAE must be allowed to report to a level within the organization that permits the IAF to accomplish its mandate. At least once a year, the CAE must inform the board of the IAF's progress. The standard suggests that the effective way to achieve organizational independence within the institution, is when the CAE functionally reports to the board. The standard also advises that the IAF be given complete autonomy in deciding the scope of internal auditing, carrying out its tasks and disseminating the findings. This standard also emphasizes the critical requirements that each IAF must meet to be considered autonomous. However, various reviewed studies (Christopher, Sarens & Leung, 2009; Dozie et al., 2019; Fashami, et al., 2020; Unegbu & Kida, 2011) revealed that the independence of IAFs is typically jeopardized by members who use the IAF as a stepping-stone to other positions; obtaining approval from the CEO or CFO for the IAF's budget and having their opinions included in the IA plan; taking the internal auditor into consideration as a partner, especially when these actions are paired with other indirect threats. Significant concerns highlighted in the AC's relationship include CAEs not reporting effectively to the AC, the AC not being solely responsible for the hiring, removal and evaluation of the CAE, and appointing AC members who do not have accounting degrees. This study investigated various aspects relating to the independence of IAFs in provincial governance systems to see if these bodies are operating according to the stipulated norms discussed.

3.11.1 Criteria for independence and objectivity

The criteria to assess and evaluate public sector IAFs' objectivity is outlined in the International Standards of Supreme Audit Institutions (ISSAI, 1610). The criteria indicate whether the IAF is governed by law or regulation and whether: (i) it reports to the senior management, such as the AC and those responsible for governance; (ii) top management, such as the head or deputy head of the government institution, are informed of the audit findings; (iii) it is positioned outside of the staff and management

functions of the audit unit and (iv) it is sufficiently free of political influence to perform audits and honestly disclose facts, views and conclusions without fear of political retaliation. Moreover, to eliminate any presumed conflict of interest, IA employees are not allowed to audit operations for which they were previously responsible; or have access to those in positions of power (Shbeilat, 2018).

Wakil et al. (2020) proposes that criteria for assessing the independence of IAFs in the government institution may include: concisely and properly explained authority and duties of IA in an audit charter; internal auditing is functionally and personally separated from management duties and decisions (e.g., as heads of operational working groups in administrative reform projects); sufficient CAE independence in developing audit strategies; adequate compensation and grading within the salary structure based on the scope and importance of internal auditing and the CAE's involvement and participation in the hiring of audit staff.

3.12. Public sector internal auditing

According to the International Organization of Supreme Audit Institutions (INTOSAI) (2023) IA in the government sector should be hired to help their organizations improve their operations. The IAFs in the public sector are viewed as a component of a robust public sector governance foundation (INTOSAI, 2023). The majority of IA operations in the government sector are established for a crucial accountability role that forms part of the check-and-balance process.

Similarly, within the provincial government, IAF independence can be broadly described as freedom from reliance on, influence from or subject to the commands of another person, group, or government. Internal auditors are employed by and primarily answer to the organization being audited. Therefore, independence for IAA refers to the freedom from factors that jeopardize the IAF's or CAE's ability to conduct their IA obligations objectively. IAA independence enables them to make the objective and unbiased decisions required for the appropriate execution of such engagements.

3.13. How to achieve IAF independence in the provincial government

INTOSAI (2023), the worldwide group representing all auditor-generals, offered the following recommendations for promoting public sector independence of IAFs:

3.13.1 Appropriate placement and organizational status

The ability of the IAF to attain independence and objectivity is dependent upon its suitable placement and organizational standing inside an organization, or in the context of this study within the PG (Mamaile, 2019). Therefore, it can be argued that the IAF's organizational state should be adequate to allow it to carry out its audit charter-defined activities. The placement of IAF should allow its members to work with the management and employees of the programme or department being audited and to have unrestricted access to all operations, documentation, assets, and personnel, including those responsible for governance (INTOSAI, 2023). Wherever possible, individuals entrusted with governance, such as the AC, should use discretion and be advised about the CAE's nomination, dismissal, and remuneration considerations (Melo et al., 2020). The CAE may also be appointed using an adequately organized, independent organization. The CAE should have the same rank as the organization's senior management (IIA, 2023). To eliminate potential conflicts of interest, the CAE should report to a level within the organization that allows the IAF to carry out its obligations successfully (INTOSAI, 2023). The governance authorities and the CAE should communicate directly with one other. This communication process increases the internal auditing's organizational position, provide it with full support and allows it complete access to departments, documentation, assets and employees, and aids in ensuring its independence (Mamaile, 2019). The governance body should give sufficient authority to the IAF to guarantee broad audit coverage, appropriate evaluation of engagement communications and suitable action on its recommendations.

3.13.2 Reporting relationship

According to the IIA Standards, the CAE must report to a level within the organization that permits the IAF to carry out its tasks. In the case of the PG, the AO or authority is the level that the CAE should report to for aid in creating direction, support, and managerial interface; and to those entrusted with governance for strategic direction, strengthening and responsibility. The IAF's independence should be protected by those in charge of governance, such as the AC, by approving the IA charter and (if necessary) its mandate (IIA, 2023). To help protect the IAF's independence, the IIA Standards and other recommendations strongly encourage that its personnel report

administratively to the CAE or equivalent, and functionally to those entrusted with governance.

3.13.3 Competency

Leading practices and the IIA Code of Ethics mandate the IAF officials to carry out their activities in accordance with the Standards, fully use their expertise and effectiveness possible and only conduct services for which they have the necessary training and experience. According to the IIA Standards, IAF officials must collectively have or advance their knowledge, skills and other abilities required to execute their engagements. The success of the IAF can be increased by having competent and qualified internal auditing professionals, especially those who follow the IIA Standards.

3.14 Conclusion

This chapter provided discussions on the origin and history of internal auditing first looked at the government spheres that exist in South Africa and their accountability as one of the factors that necessitated the establishment of the IIA. The details of the establishment of this body in South Africa, the legislation and code of ethics that serve as the statutory requirements for the establishment of the IAF were provided. This chapter further discussed the development of IA profession and the growth of IAF in the public sector in South Africa. Details of the roles that the IAF are expected to execute were provided as well as the IA charter, that provides the scope and responsibility statement of the IAF. This chapter also highlighted the IAF's relationship with the AC and the requirements of ACs according to PFMA.

The chapter further delineated the composition of the AC, its appointment, reporting processes, roles, and responsibilities in the PG. It also discussed the need for the IAF and the requirements for establishing it, its independence and objectivity in South Africa's PG. The development of IA strategic plans, the importance of its independence and objectivity and, lastly, the criteria for measuring these attributes was highlighted.

CHAPTER FOUR

THEORETICAL FRAMEWORK

4.1 Introduction

Chapter Two above dealt with the provincial governance systems and the placement of IAF within South Africa's PG, while Chapter Three discussed IAA independence and internal auditors' objectivity within the provincial governance systems in South Africa. The current chapter thoroughly examines the diverse theories that underpin IAA independence and internal auditors' objectivity within South Africa's provincial governance systems. These discussions are based on the notion that IAA independence and objectivity, and the success of the WCG, are socially constructed phenomena that should be situated within a robust and complete theoretical context.

Theoretical concepts are crucial in any research study because they serve as a guiding lens through which to view the research subject critically (Boamah, 2020). Similarly, Simon and Goes (2011) stated that the theoretical framework provides a well-supported basis for research and helps the reader to comprehend the researcher's viewpoint. Boamah (2020) further argued that the theoretical framework promotes effective field development and is essential for the actual implementation of real-world situations. These claims indicate that significant studies are conducted using theoretical frameworks. As a result, a theoretical framework is regarded as the foundation of research since it provides critical insights into the theory on which each research project is founded.

This chapter draws on the principal agency, institutional and communication theories as the blueprint for the IAA independence and internal auditors' objectivity and the impact these concepts have on the IAF's performance within government departments, because no single hypothesis has been discovered to adequately explain them. However, it should be noted that there are several theories that have positively influenced the functioning of IAF in government departments, such as the principal-agency, institutional, stewardship, communication, public admiration, and accountability theories. However, for the purpose of this study, focus was placed on the institutional, principal-agency and communication theories owing to the complexity of the institution chosen for examination. These three theories are discussed below.

4.2. Institutional theory

In this current organizational study, institutional theory provides a significant viewpoint. It includes a wide and diverse corpus of theoretical and empirical work that is linked by its focus on cultural understandings and shared expectations. According to Aksom and Tymchenko (2020) the acceptance and dissemination of formal organizational structures, such as written policies, standard procedures, and novel forms of organization, are frequently explained using institutional theory. Fogarty (1996) states that information technology (IT) contributes to a better understanding of how written policies, standard procedures and social factors surrounding an organization influence organizational structures and behaviour. Scott (2004) opines that organizations, such as government departments, in developing economies, must adhere to all governing rules, regulations and culture that are prevalent in their respective contexts, since non-compliance can lead to a department being unable to deliver its mandated public services.

The institutional theory acknowledges that departments and officials could provide, sustain, and deliver public services using various mechanisms complying with laws, IAF services and accountability systems (Camilleri, 2018). The theory holds that organizations such as government departments are embedded in a complex system of culture, public purse, politics, and economics that exert institutional pressure on them (Ara & Harani, 2020). This theory explains how institutions respond to their surroundings/pressures in order to adopt the prevalent rules and institutional norms through which they function (Dragu & Tiron-Tudor, 2013; Jeroe, 2016). According to Franco and Franco (2022), it is the privilege of institutional isomorphism to recognize that in order for the department to survive, it must conform and adhere to the acceptable behaviour. Franco and Franco (2022) further alluded that decoupling is one of aspects of institutional theory. Decoupling implies that, in the case of the WCG, even if AO can recognize the need to adhere to specific institutional approaches that are constitutionally approved and to execute the proper formal processes, the departmental practices may differ. This difference at times results in the AO being more interested in spending taxpayers' money on the delivery of public services while neither complying with the proper formal processes nor ensuring compliance with all the applicable prescripts.

4.2.1 Application of institutional theory to this study

The fact that government departments are state institutions ruled by government and operated on taxpayers' money, implies that legitimacy is critical to their survival. According to Vyas-Doorgapersad and Mothabi (2022), current corporate misconduct places social demands on institutions to find means of controlling risks and assuring organizational effectiveness. Compliance with the legislative and regulatory requirements has a substantial impact on the institutions' structure and performance. To start with these mandatory requirements, establish a connection between the government department and the external environment. Secondly, these rules assist the IAF to oversee the management and administrative processes that will guide the institutional performance.

The IAF's role in the performance of government departments is to ensure that the departments gain legitimacy to demonstrate societal appropriateness through the proper management and utilization of resources, and to guarantee that the institute complies with all relevant prescripts, beliefs, and norms (Shbeilat, 2018). This practice is demonstrated by the availability of the IA Charter, which is a reminder that the IAFs should behave in a trustworthy manner that is consistent with the requirements of the charter. Melo, et al, (2020) indicate that the IA Charter serves as a legal guide for IAFs to carry out their obligations. When Al-Twajiry, Brierley and Gwilliam (2003) studied the evolution of IAFs in Saudi Arabia, they accepted the isomorphic viewpoint. Motubatse et al, (2017) revealed in their findings that the precise operations of IAFs are not always connected to the expectations of how they will operate, as demonstrated by the ISPPIA. The survey conducted by Al-Twajiry et al., (2003) found that the IAFs in Saudi Arabia are underdeveloped. A study conducted by Unegbu and Kida (2011) indicated that IAF officials are subjected to different categories of humiliation, ridicule, and maltreatment, hence they are not performing as expected. These authors further stated that the IAs are subjected to several threats which impede the effectiveness of their audits, such as the numerous recorded incidences of assassination, burglary, native medicine and acid attacks on their lives and property. This situation results in a lack of IAA independence and internal auditors' objectivity, a notion that is also supported by Unegbu and Kida (2011). Therefore, IAA independence and internal auditors' objectivity is appropriated thereby allowing IA to provide reasonable assurance that the institutional processes will be upheld. In line

with the objectives of this study that focuses on the performance of IA within the provincial governance systems, the importance of IAA independence and internal auditors' objectivity that ensures compliance with the governance systems that assist the institution to attain its objectives.

Institutional theory is relevant, studied, and justifiable within internal government sector research, notably in both developing and developed countries (Aksom & Tymchenko, 2020). In South Africa's PG, the theory, as part of the institution's phenomena, consists of a domain comprising IA practices. IAA independence and internal auditors' objectivity could sustain research in auditing in an underdeveloped country such as South Africa (Mihret, James & Mula, 2012). According to DiMaggio and Powell (1983), normative isomorphism assumes that organizational transformation is achieved through the process of professionalism. This practice is accomplished through formal education and research-based sources from credible experts, professional interconnected systems that share science and technology, as well as professional norms.

The code of ethics suggests that internal auditors must have an appropriate understanding of the profession attained through universities and/or professional bodies. This requirement might place a strain on government departments when recruiting internal auditors. This system could be viewed as the current manifestation of normative isomorphism. According to DiMaggio and Powell (1983), an organization may imitate another organization's structure because of the change that a corporate organization internally recognizes. This practice occurs when an organization becomes aware of the IAFs' influence on organizational control and functional execution, that is critical to its implementation.

The mimetic may also happen when IAFs of a PG department that is not performing well may copy the best practices of IAFs from another department that has a fully functional IAF. Another possibility is that a PG's internal auditors may imitate the best practice of internal audits conducted by another department in the similar sphere. Mimetic isomorphism may result from the uncertain condition in terms of best practices for internal auditors. Since provincial and local government institutions are financed with taxpayers' money and are accountable to national government, the existence of coercive isomorphism may be demonstrated by the pressure to uphold all the relevant

prescripts to gain legitimacy. These prescripts may indicate the degree of coercive isomorphism in some government departments' use of IAFs. The WCG operates within the parameters of the South African Constitution, PFMA and Treasury Regulations (2000) as issued in terms of the PFMA.

It, however, is unfortunate that there are still certain government departments that do not adhere to these prescripts when carrying out their duties, as indicated by pervasive corruption and reports of malfeasance from the AGSA. Corruption is a disease in the current South African government and is deeply embedded in most public institutions as was exposed during the Commission of Enquiry on State Capture. Most institutions have fostered a refined corruption culture that has been entrenched deeply and broadly within their 'political veins'. In view of this malaise, it is critical to develop a framework to enhance IAA independence and internal auditors' objectivity to ensure that IAFs are functioning adequately and carrying out their missions by robustly upholding norms, laws, and regulations. Institutional theorists believe that entities, such as governments departments, should ensure that formal structures e.g., IAFs, are functioning independently and objectively in all departments.

4.2.2. Criticism of the institutional theory

The AOs in South Africa's PG, such as the WCG are entrusted with the responsibility of ensuring that government departments prevent all the conditions and risks that may jeopardize the departments; objective of delivering public services (Oloruntoba & Gbemigun, 2019:221). While all government departments are operated on the same legislated framework, their institutional structure and process flows are different even if they operate within the same sphere. The processes are more voluntary than legislated and are rooted on the departments' size and institutional structure. Owing to this distinct factor, adopting the best practices of other IAFs does not always produce fruitful results.

There is also a risk of adopting a 'disguised best practice', since it has come to light that numerous institutions may claim that their practices are in line with the external environment's expectations, when in fact they are not (Meyer & Rowan, 1997). Similar practices happen in South Africa's public sector institution, in which there are several Acts and regulations that govern the operations of government institutions, however,

non-compliance with these statutory requirements have been indicated in numerous AGAS reports (AGSA, 2023).

Institutional practices and processes are infused within IT parameters. Similarly, IA is a well-understood institutional practice that operates within and around IT. IT encompasses and explains the existing power that supports rules, ideas, values, and norms, that are formed from external encounters. IT is underpinned by both new and old institutional theories, with the new theory being focused on the macro level of the institution and the old theory focused on its micro level. However, many researchers (Aksom & Tymchenko, 2020; Dragu & Tiron-Tudor, 2013; Franco & Franco, 2022; Jeroe, 2016) have highlighted flaws in the institutional theory, claiming that it is an overgeneralized view of an organization.

These authors further hypothesized that the new institutional theory focuses on the role players' power and interest and, as a result, misses the potential for players influencing and shaping economic enterprises. It, therefore, ignores the function of power and politics in the institutionalization process. The primary shortcoming of IT is that it does not recognize a specific concept of power in the institutionalization process discourse but rather ignores it.

4.3 Principal-agent theory

The agency theory was presented by various scholars (Alchian & Demser, 1972; Fama, 1980; Fama & Jensen, 1983; Jensen & Meckling, 1976; Mitnick, 1973) based on the principal-agent arrangement. The functional agency theory is a result of the split of ownership among the company's management (Abdulkadir & Alifiah, 2020). Typically, agents are used to monitor and regulate normal business activities. However, when ownership and control are separated, competing interests between the agent and the principal emerge. As a result, agency theory was established to tackle agency problems by reviewing financial reporting methods, monitoring management operations, and minimizing or controlling management's selfish behaviour (Muhamma, Xiaoming, Riaz & Rehman, 2017).

Academically, in the case of PGs, this practice should be reduced or even avoided through the highest level of accountability. Theory serves as a monitoring mechanism in this scenario (Miras-Rodríguez, Martínez-Martínez & Escobar-Pérez, 2018).

4.3.1. Applicability of principal-agency problem to this study

Various scholars have significantly contributed on the application of agency theory in Internal Auditing literature (Adams,1994; Droege & Spiller, 2009; Eisenhardt,1989; Gray & Manson, 2008; Miesser et al., 2010; Schroeder & Clark,1995; Sherer & Kent,1983; Tiessen & Waterhouse, 1983; Watts & Zimmerman, 1986). Recent academics (Basau & Lederer, 2011; Hannafey & Vitulano; 2013; Lopes, 2012; Mahaney & Lederer, 2011; Zu & Kaynak, 2012) have confirmed the essentialness of the agency theory. Other studies (Attila, 2012; Bosse & Phillips, 2016; Clark, 2016; Coupet & McWilliams, 2017; Dawson et al., 2016; Grizzle & Sloan, 2016; Pouryousefi & Frooman, 2017; Ştefănescu et al., 2016) acknowledged that agency theory has real-world applications for the public sector. In the case of government departments, the principal-agent relationships are formed between government who is the principal and the AO who acts as the agent and, because of information asymmetry, agency costs are increased.

Agency theory suggests that IAFs are developed in organizations to assist the AO with internal control-related issues and to provide reasonable assurance that the department is functioning effectively, thus, boosting the taxpayer's confidence (Adams,1994; Sarens, 2007). For example, in this scenario, the bonding cost can be the cost of the AO reporting on how it utilized government resources and managed IA remuneration on a regular basis. This practice is also observed when departments are willingly generating accounting reports. In agreement with the notion suggested by the agency theory, the government established IAF to demonstrate that the department is under control, as well as to offer superiors confidence that there is sufficient compliance with the internal control systems, effective risk management and corporate governance (Fashami, et al., 2020). Abdulkadir and Alifiah (2020) assert that IAFs are used to reduce agency expenses by establishing beneficial and effective cost-effective contracting mechanisms between government and AOs.

In this situation, IAFs provide an independent monitoring function and a government agent to ease the unequal transmission of information. In the case of a principal-agent conflict of interest, the AOs have a duty to account to government because they are entrusted with the departments' significant resources. To fulfill this commitment, the

AO must first compile an asset report detailing how government assets have been utilized and submit this report to the IAF for review (Siyaya et al., 2020)

When considering the government and AO relationship through agency theory, it can be noted that it refers mainly to how the AO should behave and the outcomes of her/his behavior. It, therefore, is suggested that perhaps this contractual relationship falls within the parameters of both behaviour-based and outcome-based types of contracts. According to Eisenhardt's (1989) theory, if the principal has sufficient knowledge about the agent's behaviour, both outcome- and behaviour-based contracts are sufficient to align the agent's interests with the principal. The above author also discovered that the uncertainty of results and information systems are strongly connected to behaviour-based contracts, whereas conflicting aims between principal and agents, as well as result measurability, are also positively associated with outcome-based contracts.

In the event of a conflict of interest, the AO considers bonding costs and, therefore, persuades shareholders that management will act in their best interests. In the event of a potential conflict of interest, the AO takes bonding costs into account and persuades government that the shareholders will behave in government's best interests. The creation of IAFs is crucial because it will lower bonding costs for government and will increase accountability and the public's satisfaction. IAFs are seen as controlling mechanisms by Aoki (2001) since they are employed to align the interests of government and AOs. Moreover, in the case of government department there are numerous agency relationships to consider, for example, the government is a principal of AO, and in the same vein, the AO is the principal of workers who assume the agent's role to the AO. In this situation, it is easier for a conflict of interest and information imbalance to exist. IAFs should provide assurance services to AOs so that they can keep monitor and prevent employee misbehavior.

An independent and objective IAF easily reduces any conflict of interest that may exist between the government and AOs, AOs, and subordinate employees. According to positivist writers, an agency relationship in a corporate governance context refers to a situation in which the government acts as the department's principals and delegates the responsibility for the day-to-day operations of the department to the AO. Conflicting self-interests of government (principal) and AO (agents) were first expressed by Adam

Smith (1776) in *The Wealth of Nations* and was later reiterated by Jensen and Meckling (1976), and information asymmetries resulted in agency difficulties (ICAEW, 2005 & Subramaniam, 2006). Jensen and Meckling (1976) state that monitoring and bonding expenses are two examples of agency costs. According to Godfrey, Mather, and Ramsay (2003) monitoring expenditures include expenses for budgeting, operating procedures, management compensation schemes and external auditing services.

In the case of the WCG, the AGSA cost as the public sector external auditor are minimized by the AO ensuring that her/his department have established a functional IAF, upon which AGSA has placed some reliance. There are also noted shortcomings in the monitoring responsibilities, that are demonstrated by several public institution scandals. In recent years, it was established that South Africa's public sector was badly affected by numerous corporate scandals ranging from financial mismanagement to state capture. As result the country witnessed cross examination of alleged perpetrators and witnesses on during a commission of enquiry that established to probe these scandals. In 2018 the former Finance Minister stated that the public sector has "suffered immensely due to financial mismanagement and weak governance".

The preceding incidents demonstrate the inconsistency in expectations of good governance and proper professional care and diligence on the part of AOs and internal s. The IA is viewed as a bonding cost since it is considered an agents' guard against wrongdoing by designating notable individuals in their department to perform checks and balances (Adejumo, Sanyaolu, & Tonade, 2020). Internal auditors are assigned oversight positions since they are responsible for effective governance, management of risks, and internal controls procedures, as opposed to the AGSA who are responsible for providing an independent opinion on the representations made by AOs on holistically departmental events illustrated on the financial statements for statutory purposes (Jiyane, 2020). Therefore, independent, and objective IAFs reduce the amount of work undertaken by the AGSA, because they provide answers to problems regarding decision-making, notably in government departments (Mamaile, 2019).

Jiyane (2020) proposed that internal auditors should provide value-added services to the institution in cooperation with the AO. Internal auditors undertake activities other

than auditing work, they advise, offer assurance services and pass recommendations to AOs to help them with departmental strategies. By providing such services, IAFs is providing the department with valuable information for decision-making and a more aesthetically pleasing internal control structure because of their expertise and professional backgrounds. Internal control, management control processes and risk management are some examples of the solutions that IAFs develop. With regarding to these solutions and given the public sector scandals in South Africa, Internal Auditors must be independent and objective to effectively execute their mandate. The presence of a competent AC in government departments increases the independence of IAFs, resulting in fewer interventions by AOs regarding the scope and conduct of IAs. For instance, the AC has the authority enforce and determine problems concerning the employment and remuneration of internal auditors and enjoys exclusive power to fire or employ the CAE. Adding to the above situation, another crucial aspect of organizational support towards IAF, it is when the AO ensures that all the departmental units are implementing IA recommendations.

Agency theory suggests that administrators (parliament in the case of government institutions) and owners (the general public for the government) are distinct individuals (Coetzee et al., 2012). Therefore, in the case of government departments, the national government has assigned the responsibility of the running of the provincial and local government departments to the AO. The AO must report on how these departments are functioning through the submission of financial statements with the assistance of IAF. The presence of an IAF within an entity adds value to the agency theory by keeping workers vigilant. An independent and objective IAF further enhances the theory, thus, IAFs are a crucial part of the agency theory. The agency theory considers IAA independence and AO's expertise to be the most important characteristics of a monitoring system (Usman, 2020). According to Kinuu et al. (2012), IAFs reduce the difficulties that might occur in an organization because of the agency contract between the principal and the agent. The use of IAFs is based on their ability to provide answers to agency challenges, such as agency costs, and their existence also improves transparency in departmental operations, thus improving the performance of government departments.

According to Boamah (2020), the national government must ensure that proper governance structures exist in all their departments, including ACs, external and

internal auditors, so to assist the AO in following all the relevant prescripts and achieving the planned goals. The agency theory is relevant to this study because taxpayers delegate authority to public servants with the expectation that they will utilize the entrusted command in accordance with the taxpayer-assigned directives. The IAFs, on the other hand, are actively participating to ensure that taxpayers' money is spent wisely and for the intended purpose. The IAA must be independent of management and the internal auditors must have diverse skills set to successfully conduct their duties in a professional manner for the benefit of the public. The effectiveness of AO's responsibility in the various department depends on the efficient functioning of the IAF, due to its role that adds value to the department's operations, that ensure the successful carrying out the department's mandate. The IAF was established in line with the PFMA and Treasury Regulations and, thus, it is authorized to work diligently and without impediment, according to the ethical attitudes of its principals being effectively implemented.

According to Enofe et al. (2013), the adoption of the agency theory is critical since AOs must rely on a strong and diligent IAF to complete their allocated tasks in the expected manner. Since internal auditors are viewed as representatives of the AC and, therefore, are responsible for the evaluation of AO's performance, the fact that the IAF is permitted to report to the AO rather than to the AC presents a dilemma. Additionally, internal auditors may have a greater allegiance to ACs than to the AOs, since AOs may abuse their control over the internal auditors' future positions and remuneration. As a result of these circumstances, IAFs may will relinquish their objective mental attitude. Internal auditors, as agents of government and the AC, must have the necessary qualification, knowledge, and experience to perform their duties professionally. Due to their possession of the above-mentioned professional qualities, the board and AC are likely to have faith in IA. According to Khaled and Mustafa (2013) government, ACs and IAFs must all function efficiently. This requirement is important because the effectiveness of government, ACs and IAFs when performing their assigned roles, results in ethical monitoring and ensures that the AOs are carrying out their responsibilities in accordance with government instructions. It is also crucial for information to be conveyed in a simple and concise manner that is beneficial to the department, while providing channels for feedback (Sambo & Webb, 2017). IAFs in government departments should be able to plan their own engagements, as well as

those of external auditors, in a way that enables the department to initially adopt audit recommendations well in advance of the AGSA's audits.

4.3.2 Principal-agency problem

Although the agency problem has been extensively discussed in corporate governance, this issue persists wherever agents are hired. Agency theory's relationships pose several difficulties. Apart from incompetence, when the interests of both the principal and agent are aligned there are few challenges to address (Hendry, 2002). However, according to Mitchell and Meacham (2011), the focus of agency theory originates from notions that the agents may be opportunistic, more especially when their interests compete, or are mismatched, with those of the principal. Another concerning factor is that the agency has differing risk tolerances. In the case of WCG, the government, as a principal, has its reserves' holdings and tends to urge the AO, as the agent, to take some risks. Since the AO's wealth is linked to the government department, it tends to follow low-risk tactics.

To allow congruence and adequately balance risks within the above situation, governance measures are required. However, monitoring through governance structures is complex and expensive. Furthermore, monitoring contracts are costly to enforce, complicating the agency relationship even further. Incentives are frequently used to match the interests of the government and the AO, however, due to factors such as information asymmetry, this process is not always successful. From the agency's perspective, moral hazards and adverse selection are frequently to blame for these difficulties. Adverse selection happens both when AOs make claims and promises that they are unable to fulfil and there is asymmetry of information.

In this scenario, the AO possesses knowledge that the government may not have, e.g., to obtain employment, AO candidates may exaggerate their abilities or even overstate what they can accomplish. This unethical practice normally holds the government liable for matters that exceed what they are prepared to offer and can also cause the AOs to lose credibility. It is important to consider the moral hazard issues that arise when either the government or AOs modify their behaviour after a contract has been signed. In other words, the dishonest party will benefit from the deal because they will not suffer the cost of such false declarations. For instance, someone might take on unreasonable levels of risk because they know that, if they are hurt because

of such actions, their insurance company will be responsible for covering the costs. This practice can also occur in the agency problem when AOs complete less work than they declare they have fulfilled, have different risk choices than their contractors or waste corporate resources.

Another element is asymmetry of information that causes another agency difficulty known as 'adverse selection' as already highlighted above. Adverse selection occurs when the government is unable to determine whether the activities performed by the AO are in the best interests of the organization because, when decisions are made, essential information is not readily available to the government. Watts and Zimmerman (1986), however, state that conflict of interest and information asymmetry can be managed by monitoring. Eisenhardt (1989) proposed two approaches that an entity can take to address agency issues:

A contract between the government and the AO and that is based on the AO's performance must be drafted.

To monitor the AO's behavior, the government must invest in a process for obtaining the operational information.

The monitoring approach is critical in reducing agency challenges in an organizational setup; thus, it is classified as an agency cost. According to Christopher (2010), agency costs include monitoring and managing management operations that can be divided into the following four categories:

The monitoring expenditures by the principal

Government has posed several legislations to try and ensure that the AO represents government interests. It established the IAF to provide consulting and assurance services that are meant to ensure the smooth operation of government departments. This practice was also implemented to ensure that AOs comply with the established legislation and the statutory requirements of the department, but to also help the AOs administer relevant internal controls that will prevent risk exposure. Hence, the establishment of IAF can be seen as the mechanism used by the government to try and minimize the risk of AOs not representing government interests, thus, resulting in a bonding cost.

Adams (1994) proposed that since monitoring costs have a significant impact on the agent's salary, it is crucial to establish IAFs as an entity to reduce monitoring costs and their detrimental effects on the agent's compensation.

The residual loss (residual cost)

According to Adams (1994), when the agent's judgments are not aligned with the interests of principal, some welfare loss may be experienced. In the case of government departments, the government should monitor and oversee the AOs' conduct and decision-making processes through the construction of IAFs and allow them to achieve the organizational objectives.

The initial costs for negotiating the terms of the contract

The expenses related to negotiating the terms of the contract are sometimes the result of management's opportunistic behaviour, in which an actor exploits a competitive advantage in information knowledge (Kieser & Ebers, 2006; Topfer, 2007). This practice can be disclosed in four ways: hidden qualities (adverse selection), hidden information/knowledge (moral hazard), hidden acts (moral hazard) and hidden intents (hold-up). These circumstances are detailed further below.

(i) Hidden attributes.

This condition typically occurs when the principal and agent formalize the contract. In this situation, the principal can overlook the dangers involved in choosing the agent, a process that leads to unfavorable selection.

(ii) Hidden information or knowledge

This condition shows how the agent uses his or her everyday knowledge of the entity to take a position, manage the entire system and benefit personally from it. As a result of this behavior, moral hazards arise.

(iii) Hidden action.

This circumstance arises in a case whereby the principal can only see the outcome of the agent's behavior and is unable to foresee the agent's true intentions regarding the

outcomes. The agent will then use this lack of acumen to mislead the principal for personal advantage. This practice also may cause a moral hazard.

(iv) Hidden intentions

This condition implies that the agent may mislead the principal and exploit her/him into making judgments that can be later used to as a blackmail by the agent. As a result, this scenario is known as a 'hold-up'.

Since various expenditures are incurred while negotiating the terms of the contract to provide essential services, they have an impact on the public as a whole and, more especially, on the government department involved (Bosse & Phillips, 2016). While these expenses might be significant, they could be challenging to estimate properly. According to Jensen and Meckling (1976), negotiating a contract also leads to agency costs and, as a result, a situation often is established in which the agents have self-seeking motivations, capitalize on the knowledge asymmetry between the principals and themselves, and maximize their personal wealth at the expense of the principals. Bosse and Phillips (2016) and Coupet and McWilliams (2017) hypothesized that ineffectiveness of those in authority exacerbates the agency problem. As a result, the principal's activities and organizational goals are not completed. Given that provincial and local government departments fall under the national government, the agency problem hypothesizes that the AO's inefficiencies will lead to less-than-ideal service delivery to the public by the said departments.

A fourth assumption is that staff would inefficiently use resources, preventing government departments from achieving their specified goals (Bosse & Phillips, 2016; Coupet & McWilliams, 2017; Pouryousefi & Frooman, 2017). According to other researchers (Dawson et al., 2016; Taga, 2017; Walter, 2015) employees might enable resource diseconomies, that would affect how quickly the public receives products and services. The fifth hypothesis holds that personnel of government departments have the potential to unfairly appropriate and misuse government resources for their own purposes (Bosse & Phillips, 2016; Pouryousefi & Frooman, 2017). This practice occurs because the agent failed to provide the asymmetrical information necessary for the principal to detect such losses.

When public resources are misused, an agent unfairly benefits at the expense of the principal, who should be enjoying the returns on her/his investments. There is also a passive opposition agency problem. According to Bosse and Phillips (2016) and Pouryousefi and Frooman (2017) the agent will not object to commands from the principal in a circumstance known as passive resistance, but the agent's actions, such as strikes and 'go-slows', will negatively impact the accomplishment of the principal's intended intents and plan of action for accomplishing an overall goal.

Lastly, a situation in which an official may avoid or disregard her/his obligations, causing severe damage or undesirable conditions for the principal is known as 'shirking' (Bosse & Phillips, 2016; Pouryousefi & Frooman, 2017). Shirking might go unreported and halt the implementation of corrective steps due to the principal possessing asymmetrical information.

4.4 Communication theory

Effective communication is essential in a variety of circumstances, particularly in a multicultural workplace (Abdullah, 2010). This process allows the people in a company to interact and operate successfully and efficiently. According to Carr, Holman, Stephenson-Abetz, Koenig Kellas and Vagnoni (2015) the widespread use of modern technologies in the workplace, the global nature of organizing and the changing person-organization interaction, all highlight the importance of effective communication in the workplace because it contributes to workplace success. Acts, interactions, and double interactions are the three types of communication behaviour that combine to advance conversational objectives (Cornelissen, 2014). As a result, it is fascinating to uncover these socially taught communication patterns that occur in any organization. Given the importance of communication at work, experts have focused on competency and success in corporate communication. Communication theory focuses on how individuals use messages to construct meaning inside and beyond contexts, cultures, channels, and media, to attain the fundamental aim of comprehension (Summers, 2014).

4.4.1 Application of Communication theory in this study

Communication is at the heart of all organizational strategies since it involves not just interactions between management and personnel, but also efficient communication

inside an organization. Communication theory was recently identified as a method for communicating within the organization (Linjuan, 2014; Odine, 2015; Omilion-Hodges & Baker, 2014). This theory is primarily concerned about how the process of meaning is formed: how people construct meaning psychologically, socially, and culturally; how communications are intellectually interpreted and how ambiguity occurs within messages and is addressed. According to Van Ruler (2018) communication cannot occur without the transmission of a meaning and individuals create and employ meaning in their interpretation of events. Similarly, communication is a vital tool that is used within government departments to disseminate information and messages conveying compliance processes.

Communication is essential for the dissemination of the information necessary for decision-making, a fact noted by the information and communication component of the Committee of Sponsoring Organizations of the Treadway Commission (COSO) ERM framework of 2004. Therefore, it is necessary that accurate, timely and up-to-date information reaches all departments' employees and decision-makers so that they can successfully carry out their respective responsibilities (Chakabva, 2020). In the same vein, communication from sources both inside and outside the organization is used to circulate crucial information both internally and externally when necessary to reply to messages and satisfy departmental needs and expectations (COSO, 2019). The institution's internal flow of information also enables senior management to show staff members the importance of control processes (COSO, 2019).

Communication audit is an element of communication theory. According to Tourish & Hargie (2017), communication audits assist firms to identify their internal communication hurdles and offers solutions for guaranteeing efficient channels of communication. Communication auditing seeks to identify specific issues within an organization's internal and external communication environments. A communication audit, according to Smith (2017), is a deliberate research methodology that analyzes the organizational strengths and shortcomings of its internal and external communication systems. The communication audit also reveals communication gaps within an organization to decision-makers, thereby allowing them time to consider the information before making a deliberate choice of action (Besterci & Hazel, 2014).

The communication of audit findings is one of the communication theory's ideas (Ikiseh, 2020:28). Practically, apart from rendering assurance services, Internal auditors renders, also provide advice to the management. Another skill that is necessary for auditors to complete their professional responsibilities is the capacity to communicate (Mulyandini, 2023). This requirement is because during the audit engagement, the auditor is constantly in communication with the auditee. According to Hogard and Ellis (2006), this connection is aimed at fostering good cooperation for the audit process to be successful. It is also important to recognize that internal auditors and auditees are individuals with distinct features, behaviours and habits that are manifested in their conduct. When there is conflict in the interaction between the internal auditors and the auditee, that could prevent the audit process from going smoothly, the internal auditors need to have a solid understanding of human behaviour. To tackle such a situation psychologically and more effectively through communication, an internal auditors must have specialized knowledge or abilities, thus, in this case effective communication skills become vital (Tourish & Hargie 2006).

It is hoped that internal auditors will comprehend and gain knowledge of the actions and communication strategies that can be used to build rapport with the party being audited (Hogard & Ellis, 2006). When performing their professional duties internal auditors must establish a comfortable environment for the auditee. The internal auditor's empathy may serve as an entry point for the auditee's openness in fact-finding (Saiewitz & Kida, 2018). According to Kent et al. (2006) auditors must be able to motivate themselves to acknowledge their own efforts and the hard work they put into their professional duties. This practice is necessary for the internal auditor to communicate effectively and maintain self-control when interacting with the auditee.

According to Sarapaivanich et al., (2019) success in audit assignments is largely dependent on a variety of factors, including the internal auditors' physical appearance, skills and knowledge, social graces, communication talents, the ability to understand the psychology of the auditee, and leadership qualities. An internal auditor must first comprehend her/himself and the tasks to be performed before constantly developing and maintaining self-control when interacting with auditees to increase her/his professionalism (Raiborn & Stern, 2019). Additionally, the auditor must work to

establish contact and cooperation with the auditee and attempt to comprehend the auditee's conduct.

Government departments are institutions whose capital is wholly contributed by the state through taxpayer's money. To safeguarding taxpayer's money and communicating departmental status through financial statements, IAFs were established in government departments. The internal auditors must know how to properly communicate with the taxpayers and what information is crucial for the government to know or be aware of. However, according to Wijayati (2023) they are frequently repeating the same auditing findings in their audit reports. These results are hampered by a lack of communication during audits (Masdan et al., 2017). The IIA performance standards instruct that the CAE must communicate with the institutional leadership regarding plans for audit activities, resource needs and budget requests (Nadziliyah, 2022). The CAE must also communicate the impact that may occur as result of resource constraints. Since the IAF is intended to contribute a value to the organization, care must be taken while offering IA consulting services to ensure that the consultants have the necessary skills and knowledge to support the organization's objectives (Saiewitz & Kida, 2018). Communication is critical in the auditing process since it is the first step for the auditor to express her/his professional responsibility to the auditee. The auditors well-developed contact with the auditee will promote a seamless operation in finding and assessing the required audit evidence (Hogard & Ellis, 2006).

4.4.2 Audit Communication effects on the audit assignment

Communication is critical for internal auditors since audit tasks entail the process of obtaining and transmitting information required to accomplish audit results. In this aspect, the internal auditors, at the very least, could influence the auditee's psychological state. Among other issues, the psychological atmosphere of the interaction offers a friendly, safe environment in which the auditee feels welcomed in delivering the information required concerning the facts of irregularities discovered by the internal auditors (Tourish & Hargie, 2006). The term 'communication' is derived from the Latin word *communis*, that means "making togetherness or building togetherness between two or more people" (Mulyandini, 2023).

According to Sarapaivanich (2019) communication serves as a conduit for enacting and receiving the effects of the change processes, a tool to promote more motivation, as well as an intermediate way for an organization to accomplish its objectives. The auditee, who is the client in this instance, is contacted at the most advanced level during the audit. The internal auditors are guided by IIA attribute standards to always have an objective mental attitude. However, according to Kent et al. (2006) the auditee's psychological characteristics also influence the internal auditors' judgment. According to Sarapaivanich et al. (2019), communication style and psychological comfort have an impact on how much people trust audit services. To accomplish corporate goals, Hogard & Ellis (2006) argued that effective communication during an audit is essential.

A technique that combines effective communication within the institution to accomplish institutional goals involves the quality of communication between management, personnel, and the internal audit (Tourish & Hargie, 2006). According to Dinda (2021), to generate sound conclusions and make workable suggestions from the information exchanged during an audit, the internal auditors need to have effective communication skills. Audit communication can obtain the data required for audit testing, while audit psychology can comprehend the auditee's behaviour, attitudes, and leadership styles (Mulyandini, 2023).

4.4.3 Barriers to communication theory

The provincial government such as the WCG, have in place legislation that governs the internal and external flow of information. However, there are internal and external barriers to effective communication that defeat the purpose of communication theory (Ikiseh, 2020). Owing to this revelation, accurate, updated, and timely information does not always reach all the employees and decision-makers so that they can successfully carry out their respective responsibilities. These barriers stem from both poor communication and environmental factors. Patako and Yazdanifard (2014) argue in their recent research that communication is a multifaceted and frequently challenging process for both managers and employees.

Communication hurdles can arise from both managers and employees, obstructing or distorting the true meaning of a message and stifling clear, open, and satisfactory communication in the department (Ikiseh, 2020). According to various researchers

(Agarwal & Gary, 2012; Conrad, 2014; Rani, 2016) there is also a risk of message overload, lack of response and physical challenges, all of which impede successful communication. Message overload normally occurs when a person receives an excessive amount of information in one message. Physical obstacles include the nature of the surroundings, that might result in environmental problems such as physical noise over which the department has no influence. Unwanted interference, primarily linked with message delivery, is one of the environmental elements that impact efficient communication inside the department. Also, the lack of feedback or not knowing who to report to instance, have an adverse impact on effective communication inside the department. Noise and a lack of input, for example, can harm the department. Lastly, these barriers constitute a hindrance that prevents the employee and employer from successfully transmitting information, ideas and messages (Rani, 2016).

4.5 Conclusion

This chapter dealt with the theoretical framework that underpins this research study. This outline included institutional theory, principal agency theory and communication theory. Each theory was broadly discussed and applied in this study. Based on the above information, it is evident that IAA independence and internal auditors' objectivity plays a crucial role toward the success of government department. Its importance is noted more especially in relation to its functions that boost accountability, trust and reliance that have been put to them by the stakeholders, as a trusted independent party, to hold the AO accountable, thus, giving rise to the demand for auditing, particularly internal auditing.

Since government is not a single institution but comprises many levels and departments using different forms of financial mismanagement, opportunistic behaviour can be implemented by a conspiracy of multiple people. Additionally, the government's actions regarding the various departments are influenced by the South African Constitution, legislation, rules as well as current corporate and societal culture. As a result, it can be inferred that the role of IAFs in government departments is impacted by the institutional, principal agency and communication theories discussed earlier in this chapter. These ideas also have influenced assumptions about the

acceptance and importance of the practice of internal auditing to departmental performance.

CHAPTER FIVE

QUALITATIVE RESEARCH METHODS

5.1 Introduction

Chapter Five provides a more comprehensive picture of the qualitative research methodology employed in this research study by presenting the decisions and actions taken to ensure the quality of the research data sets. The aim of this chapter is to describe how the study was structured to carry out the chosen research methodology. It discusses the following matters: the research paradigm, qualitative research approach, delineation of the study, sampling framework, sampling method and sampling size, validity and reliability issues in qualitative research, ethical considerations, data collection methods, the research questionnaires, instrumentation, data analysis and conclusion. The qualitative research paradigm used in this study is distinguished by its primary goal, namely, to comprehend some aspect of social life, as well as its method, that employs words as a means of data analysis (Patton & Conchron, 2002:1). This research approach is classified as inductive. Observation is the starting point for inductive research (Yin, 2019:143). The basic goal of inductive research is to allow study findings to emerge from raw data using frequent, dominating, or essential themes without the use of formal technique (O'reilly, 2009:4). The inductive structure is ideal for this study's subject because the primary goal is to develop a framework for enhancing IAA independence and internal auditors' objectivity within a provincial governance system in South Africa. The inductive approach generates new information and generalizes from specific observations (Holidays, 2016:1). The study's population was the WCG. The questions posed and answered were pertinent to employees involved in the implementation and enhancing of IAA independence and internal auditors' objectivity. Qualitative researchers understand that it is critical for researchers to be able to comprehend and make meaning from their observations (Leedy & Ormrod, 2004:133).

5.2 Qualitative research approach

Qualitative research is a form of research that employs words to analyse data and is distinguished by the goals of the study (Yin, 2019:142). It is widely regarded as subjective because it does not adhere to usual objective scientific research techniques. According to Thomas (2003:2), qualitative research aims to gain a deeper knowledge of personal comments and behaviour during a variety of situations. Qualitative researchers typically only express broad research concerns and interviews participants using broad research questions regarding the topic being examined (Leedy & Ormrod, 2004:134). The qualitative study's main goal is to gain a deeper understanding of the phenomenon by collecting participants' opinions, experiences, and behaviours. The qualitative research approach involves studying phenomena that occur in all their complexities.

Phenomenology (the study of the structure of experience and consciousness) is employed to gain a better knowledge of how consciousness function and to allow the researcher to capture how people construct their perspective of social life. This discipline employs a variety of methodologies, including in-depth interviews and written accounts (Hesse-Biber, 2006:72). Yin (2019) quoting Leedy and Ormrod (2004) provide the following qualitative research objectives:

Description: It can reveal the nature of a scenario, setting, process, relationship, system, or individuals.

Interpretation: It enables researchers to gain a new understanding of certain occurrences and exposes existing difficulties within the phenomenal realm.

Verification: It allows the researcher to put specific assumptions, assertions, ideas, and generalizations to the test in real-world situations.

Evaluation: It adds to the researcher's knowledge, allowing the researcher to assess the efficacy of specific policies, practices, or innovations.

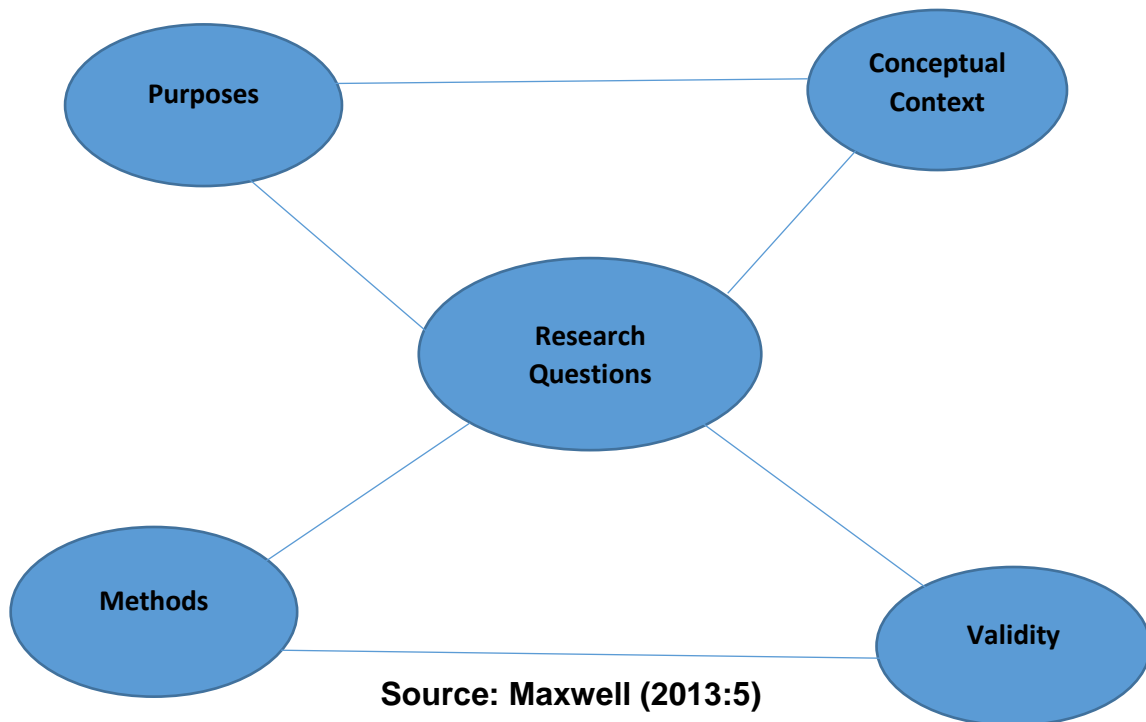
According to Maxwell (2013:6), qualitative research often asks how 'X' contributes to 'Y' and the type of relationship that 'X' and 'Y' have. The main research question of this study is to investigate the measures currently in place for enhancing IAA independence and internal auditors' objectivity within a provincial governance system.

The effectiveness of IAF is based on the freedom given for executing their engagements without any influence from other parties.

5.3 Attributes of qualitative research

The paradigm, presented by Maxwell (2013:4), represents five components of qualitative research, as shown in Figure 5.1 below.

Figure 5.1. An interactive model of research design



The purpose of research, as shown in the Figure 5.1 above, refers to the research's goal, as well as the problem, objectives and significance of the study and its findings. The conceptual context refers to how the research on the topics to be researched is viewed. The investigation's theory and conceptual framework, preliminary results and any existing research on the phenomenon are relevant issues. The research questions are the inquiries that will be made to better understand the phenomena being studied, as determined by the research gap or problem statement stated in the research objectives. The methods are the systems and processes used to gather data and information needed to answer the issues as stated in the research objectives generated from the problem description. Furthermore, validity is a measure of how strong and likely a research notion and conclusion are to withstand any examination. This assessment includes the ability of the chosen tools (in this example, the qualitative research method) to accurately measure what it purports to assess based

on the evidence gathered. According to Leedy and Ormrod (2004:95-97), qualitative research has the following characteristics:

Purpose: Its goal of is to describe and explain, to investigate and understand and to construct theory. Qualitative research is exploratory in nature and uses observation to create a holistic theory to gain a deeper understanding of a complex issue.

Process: It is typically comprehensive and "emergent" with a defined goal, methodology, measurement equipment and interpretation that may shift as the study develops. Qualitative researchers approach the study with an open mind, allowing for flexibility along the route, and interacting with participants in their natural habitat.

Data collection: The assumption behind qualitative research is that reality can be easily separated into discrete measurable characteristics. Personal participation (of both the interviewer and the interviewee) in settings such as interviews and observations, is required for qualitative data gathering. Qualitative research selects a small number of samples that can provide more accurate results in the phenomenon being studied. Interviews, remarks, documents, and field notes may be collected, as well as non-verbal material, such as drawings, photographs, videotapes, and participant behaviours during the interview.

Data analysis: Inductive reasoning, meanings and observations are used by qualitative researchers to draw conclusions about broader and more universal phenomena. Inductive methods are used initially to identify themes in qualitative research, and then deductive methods are used to change and verify the findings with more data.

Reporting: Qualitative research uses data to construct accounts that attempt to convey the complexities of the phenomenon being studied.

5.4 Sampling framework

Turner (2003) defined a sample framework as "a list of the things or materials in your selected population". In this study, IAF employees within the WCG who were interviewed, and the ensuing discussions audio recorded for the accuracy of the data.

5.5 Population

The targeted population of this study was CAEs and IA managers within the WCG. For the participants to qualify for the participation in this study, they had to adhere to the following set of guidelines.

all participants must be employed by the WCG,
all participants must be employed within the IAF of WCG,
participants will be limited to IAF leaders (i.e., CAEs and managers),

5.6 Sampling method

In most cases, qualitative research examines a small group of people, a single setting, or a single location, with the sampling method being a theoretical or purposeful instance of probability sampling (Maree, 2007:79). Furthermore, according to Hesse-Biber (2006:72), the qualitative research approach often involves purposive sampling.

5.6.1 Purposive sampling

Purposive sampling was used in selecting the IAF participants within the WCG who can guide and ensure IAAs' independence and internal auditors' objectivity within the provincial government systems. Purposive sampling enables the selection of a sample that only delivers the data needed to meet the study's purpose. Purposive sampling, according to Palyse (2008:29), involves the selection of people who are most likely to provide the largest amount of information required for the research study's purpose. The richness of data and depth of description are more important in qualitative research than the extent to which the sample's data can be generalized to the entire population (Struwing & Steady, 2001:125).

Purposive sampling was employed to select participants based on their role, qualifications, experience, and ability to provide the information that was required for the research study (Marrer, 2007:80). The primary goal of qualitative research is to obtain in-depth research data and purposeful is preferred over random selection (Struwing & Steady, 2001:121). Sampling under qualitative research is flexible and typically continues until no new themes emerge from the data collection process, a process known as data saturation (Marre, 2007:79). Struwing and Steady (2001:121) emphasize that qualitative research must analyse why a specific sample was chosen over another.

The following are the features of purposive sampling as defined by Struwing and Stead (2001:122): In contrast to quantitative research, the sample sum is not chosen in advance. Potential participants' gender, age and field of study are considered because they may make up the final sample. The sample size may be adjusted as the investigation progresses; thus, it is only finalized after the study is completed. Each sample unit is pulled once the preceding sample unit's data has been analysed; more units are only necessary if the previous samples provide insufficient information or differs from the information requested. As more data is required, more precise sample units are sought, that may result in the discovery of new insights or hypotheses that the research endeavour develops. The analysing of the new sample units progresses until new information is no longer required.

5.7 Sample size

For this research, purposive sampling was used. Eight participants were targeted for telephone interview, but only four were successfully interviewed and ten participants for focus group discussions.

5.8 Data collection

The telephone interview participants consisted of the CAE and deputy directors of the WCG, these individuals are the decision makers and are charged with the management of IAF. According to Walliman (2005:270), once the problem has been identified and the statement has been created, the type of data required for the problem statement and the type of analysis that will be appropriate for data analysis should be known. The objective of the study was specified in the consent letter, as well as the confidentiality and privacy of the data gathering process. According to Holiday (2016), regardless of the project's size, data collecting is critical to any research effort. Primary and secondary data are the two forms of data used in this research investigation.

5.8.1 Primary data

Primary data is information that does not exist unless it is gathered through interviews, experimentation, observations, and surveys (Crowther & Lancaster, 2009:74). According to Walliman (2004:184) primary data must be sampled and utilized in

gathering only the information in which the researcher is interested and that is pertinent to the research study and research problem. For this study, an interview questionnaire was used as a data collection instrument from a sample of WCG employees – namely CAE and Deputy directors.

5.8.2 Secondary data

Secondary data refers to the presentation and analysis of related information that was previously gathered by other scholars that relates to the current study's primary goal. For a social research topic, Hax and Boeije (2005:596) suggest leveraging data acquired by other scholars for a different purpose than that of the current research study. According to Walliman (2004:177), all research studies require secondary sources because previously recorded data provides background information on the current study and support for the study's subject and hypotheses.

Data was gathered for this study from a variety of sources, including prior studies on the issue, journals, and textbooks. The benefit of secondary data is that it has been provided by a group of experienced scholars who have proven their ability to track changes over time and it can be compared to the current study's main data (Walliman, 2004:177). In addition, Walliman (2004) identifies the following types and sources of secondary data:

Written material: Organizational records such as reports, personal data, committee reports and meeting minutes; communication such as emails, letters and notes; publications such as books, journals, newspapers, and all types of government publications.

Non-written material: Television programmes, audiotapes, videotapes and all forms of films, including documentaries, live reporting and interviews.

Survey data: government population censuses, employment surveys, household surveys, economic data and organizations' surveys of markets, sales, economic forecasts, and employee attitudes.

5.8.3 Authentication of the data source

According to Sargeant (2012:2) authentication is a crucial procedure used in a research project, to ensure that the data is sufficient, accurate and trustworthy.

Furthermore, Rossman (2006) claims that regarding data authentication, sources such as government statistics and data collected from larger or well-known organizations are more likely to be validated, as the major goal of authentication is to retain credibility.

5.8.4. The data collection instrument

This research study employed the interview questionnaire guide. The questions were developed based on the study's objectives and were also used as an instrument to attain the respondents' understanding of the phenomena under investigation. The study's goal was to investigate and gain a better understanding IAA independence and internal auditors' objectivity within the provincial governance systems. The interview questions were developed based on the literature review. The questionnaire for this research study consists of three sections, namely:

Section A: Establishment of Internal Audit Function

Section B: Functioning of Internal Audit Function

Section C: Internal Audit Activity Independence

Section D: Internal Auditors objectivity

Section E: Internal Audit effectiveness

Section F: Operational challenges to IAA independence and internal auditors' objectivity

5.8.5 Structured interviews

Structured interviews have detailed and pre-planned questions that are typically utilized in many case studies or larger groups to maintain consistency (Adhabi & Anozie, 2017:88). According to O'Keeffe, Mijic, Brozović, and Sinha (2016), structured interviews entail posing the same set of questions to each participant. Standardised interviews, according to Alshenqeeti (2014:41), entail of a set of formally constructed questions based on the interviewer's philosophy and experience, with minimal room for elaboration.

5.8.6 Semi-structured interviews

The semi-structured interview is a hybrid of the structured and unstructured interviews that allows the interviewer to elicit numerous responses by having the participants respond to predefined questions. Such interviews are constructed in a framework that permits a list of questions to be asked, but not in a predetermined order, thus, extra questions may be asked when necessary (Smith, 2003:128). Semi-structured interviews are guided by the questions that are asked and permit respondents to communicate issues that are relevant to them (Adhabi & Anozie, 2017:89).

5.8.7 Focus group discussions

Focus groups are a more in-depth, focused version of the interview process that also includes discussion. The chosen themes are explored in a disciplined and organized manner with the assistance of a facilitator or moderator. Focus groups are:

group interviews on specific topics, facilitated by professional moderators... The focus group's objective is to offer insightful information on the subject, according to Collins and O'Brien (2003,142).

5.8.7.1 Advantages of a focus group

Focus groups encourage participants' spontaneous involvement. thus, sets them apart from other methods whereby data can be obtained individually (Gundumogula, 2020). When compared to data gained through one-on-one interviews, group social contact frequently produces data that is more varied, deeper, and richer (Thomas, MacMillan, McColl, Hale & Bond, 1995). They are inclusive of those who cannot read or write and can entice involvement from respondents who are unwilling to participate in interviews on their own or who believe they have nothing to say (Kitzinger, 1995). The focus group method also carefully investigates the participants' thoughts and feelings are on the subject.

5.8.7.2 Online focus groups

Online focus groups are focus group talks that are conducted utilizing internet technology. Recently, the usage of online platforms has come to the forefront to replace face-to-face meetings. Focus groups can be held utilizing online platforms that the participants are already familiar with, such as Google Meet, Skype, Ms Teams and Zoom. To this study Ms Teams was used.

5.8.7.3 Preparation for online focus groups

The researcher ensured that the laptop was fully charged, correctly connected to the internet, and working efficiently. The researcher also checked that the laptop's camera was functioning, and the Ms Teams program was operational. No recording problems were encountered during the online meeting.

5.8.7.4 Conducting online focus group

The respondents of this study were drawn from the same sample as those who completed the survey questionnaire. The respondents were divided in two groups of four and six. The two focus group discussions took place on Ms Teams because of the COVID-19 Regulations. Each session of the focus group lasted one hour and thirty minutes. The participants included middle managers. From the moment respondents arrived for the focus group discussion session, every effort was made to establish a welcoming and unthreatening atmosphere. This situation was achieved by greeting the participants as they were joining MS Teams and engaging them in a conversation that was aimed at putting them at ease. To foster trust, participants were assured that their identities would be concealed in the research report and that any information they provided would be kept confidential and used only for the stated research purpose.

As a guarantee that the focus group discussion would take place within ethical boundaries, a copy of a consent letter authorising the researcher to conduct the research project previously obtained from the CEA of the WCG Office of the Premier, was presented to participants at the commencement of the focus group discussion. Additionally, consent to record the discussion held on Ms Teams was obtained from the respondents before the focus group discussions started. Even though the main responsibility of the researcher was to steer the conversation in the right direction, a few notes were also taken. Ms Teams recording and note-taking facilities were used as the methods of data collection during the focus group discussions.

Transcripts of the focus group notes, and Ms Teams recordings underwent various stages of processing. To achieve a general understanding of the data and consider its significance, the researcher first ran a preliminary analysis. A thorough analysis that separated the data into portions reflecting different responses came next. Following this process, a list of important topics was created, and the themes were arranged into

key finding categories. To classify the information into these groups, the data from the two focus group conversations was once more analysed. To identify patterns among the participants' responses, the various categories of the important findings were analysed. Ultimately, an understanding of the mechanisms necessary to enhance IAA independence and internal auditors' objectivity was achieved, as well as the operational challenges that effects these mechanisms.

5.8.7.5 Role of the moderator

The focus groups' engagement was facilitated by a moderator using a series of previously prepared open-ended questions. To successfully lead a focus group discussion, the moderator was carefully prepared in terms of the opening statements, the questioning order, and other resources. Before the start of the discussions, each participant was asked to indicate his or her willingness to participate and give his or her consent that the discussion could be recorded. Finally, the moderator created a conducive environment for the participants before starting the discussions.

5.8.8 Telephone interviews

The telephone interviews were conducted because of COVID-19 restrictions, this method was also convenient for the participants, provided privacy and was appropriate for cost consideration. According to Alshenqeete (2014:40), several scholars believe that telephone interviews provide more accurate information than mail questionnaires. The study identified five IA deputy directors and one CAE for telephone interviews. These participants were selected because they are the decision makers and are charged with the management of IAF. The six identified respondents were sent the invitation to participate in personal interviews via email and the questions were sent simultaneously and the respondents and given ample time to familiarize themselves with the questions. From the six invitations sent out, four responses were received and the other two did not respond even after numerous reminders were disseminated.

Following the above response, the researcher had to use the four respondents' willingness and availability to engage principle, resulting in a sample frame of 1. CAE, 2. Deputy Director: Internal Audit, 4. Assistant Director: Internal Auditing and 6. Director: ICT Internal Auditing. The researcher considered using the sequence in which invitation answers were received, namely participants 1, 6, 2 and 4. The

telephone or MS Teams methods of interviewing were offered to the selected respondents who were asked to choose their preferred method of interview. All participants provided their cell phone numbers and chose to be interviewed via a telephone call since they were working from home. Each participant provided a suitable day and time slot for the telephone interview. Both a day before and on the morning of each interview, a reminder was sent to individual participants. All of them responded and availed themselves for the research process.

5.8.8.1 Advantage of telephone interviews

According to Alshenqeete (2014:40), the telephone interview offers the interviewer an opportunity to interact with respondents, it has a beneficial effect on the accuracy of data acquired and usually results in a good response because the interviewer has the power to persuade the individual to engage in the research project. Telephone interviews offer the interviewer an opportunity to immediately understand and analyze the quality of the response, as well as to detect if the question has been misunderstood by the participant (Tuner, 2010:756).

5.8.8.2 Preparing for an interview

The researcher ensured that his phone was fully charged, the audio recorder was working properly, and that the battery was fully charged. He also checked that there was sufficient space on the recording device to record the interview. During the interview process, no recording problems were encountered. After the interview, the researcher checked to see if the entire interview had been successfully recorded.

5.8.8.3 Conducting the interview

At the start of each interview session, participants were informed of the nature of the study, how their responses would be utilised, and that the interview would be recorded using a smartphone. Therefore, before each interview commenced, each participant was asked to indicate her/his willingness to participate verbally and to give the researcher her/his consent to record the interview. Each interview was recorded, and notes were taken simultaneously by the researcher. The following codes were assigned to the audio recording of each interview: Participant- #1, Participant-#6, Participant- #2, and Participant- #4. After listening to the audios and reviewing the notes, the researcher prepared a shortened transcript for each interview. These

shortened transcripts comprised direct quotes that were considered necessary. The results of each of the four interviews were then categorized into themes. The themes arising from the views of the four participants were compared and a single document was prepared to present their opinions. The following section will explain how the data was analyzed.

5.8.8.4 Role of the interviewer

According to Yin (2017:139), the interviewer's responsibility during the interview is as follows: To establish a setting conducive to a thoughtful, meaningful discussion – the interviewer should be calm and relaxed. Concentration should be high while briefly listing facts, asking for explanations and/or deciding on a follow-up question. The interviewer must strike a balance between advantaging her/his personality and that of the interviewee. An aggressive personality scares the interviewee; thus, questions must be asked in an unthreatening manner. The interviewer should encourage the interviewee to speak freely, while keeping in mind that she/he may have strong feelings about certain topics and, thus, refrain from expressing outright disapproval of such opinions.

5.8.8.5 Role of participants

In this study, telephone interviews were used. The participants were a CAE and IA Managers of the WCG who are exposed to the phenomenon being investigated. They were charged with the responsibility of ensuring the effective functioning of IAF and, thus were able to provide pertinent information. The participants were able to respond to the questions without feeling rushed or compelled to do so and were permitted to ask questions regarding issues they did not understand. Throughout the interview, the participants were relaxed and their interest in the phenomena under investigation was evident. When responding to some questions, the participants were able to easily express their views, accompanied by nonverbal responses. Most of the participants expressed an interest in receiving feedback on the research study once it was completed.

5.8.8.6 Translation

The interviews were all conducted in English, and all of the participants understood and responded in English. Thus, the services of a translator were not required.

5.8.8.7 Transcribing

As part of the data analysis, each interview was transcribed— a lengthy process according to Stuckey (2014:2). Transcription must be comprehensive to express essential aspects of non-verbal communication such as pace, tone of voice, timing and pauses, as these nuances can be crucial for data interpretation (Bailey, 2014:128). Rubin and Rubin (2003:204) agree that transcripts of interviews contain 'stalling' expressions such as 'uh' and 'oh', that are spelled as they are pronounced, as well as the silences and pauses that occurred during the interview (all are shown in brackets). According to Stuckey (2014:2), recoding allows the interviewer to pay greater attention to the participant without being distracted or needing to take notes. The recordings of the interviews were played repeatedly to check that the transcription of the data was correct. Since it is the most important step in the data analysis process, transcription necessitates an intense focus during frequent listening to the data contained in the recorded interviews (Bailey, 2014:129). Additionally, transcription considers the interruptions that occur during the conversation (Siwangaza & Dubihlela, 2017). On completion of the transcription process the participants' identity was deleted from the transcripts for the sake of confidentiality.

5.8.8.8 Data storage

The most important step in data storage was backing up the data to avoid the frustration of data loss. Data was backed up on a secure online computer storage facility and was destroyed following transcription and data analysis.

5.9 Validity and reliability issues

5.9.1. Validity

The concept of validity in qualitative research has been a source of contention, with many qualitative researchers avoiding it entirely because they believe it is too closely linked to quantitative assumptions that are unsuitable for qualitative research (Maxwell, 2013:122). Byrman and Bell (2011:24) states that validity is more concerned with the integrity of the research study's conclusions. Jackson (2008:71) comments that "Validity refers to whether a measuring instrument measures what it claims to measure". Furthermore, Crowther and Lancaster (2009:80) argue that validity is more

concerned with how well the information is gathered or the research procedures describe or measure what they are supposed to describe or measure. Leedy and Ormrod (2004:100) define and discuss the following additional measures for ensuring the validity of qualitative research findings;

Extensive time in the field: The researcher devotes extensive time to researching the phenomenon in question, generating theories, and looking for evidence to support or refute those hypotheses.

Negative case analysis: The researcher searches evidence that refute the hypothesis and adjusts the study's theory and explanations until all the differences are resolved.

Thick description: The qualitative data must be substantial and comprehensive so that the readers can draw their own conclusions from the information provided.

Feedback from others: The research seeks the opinions of other experts in the field to assess the accuracy of the data interpretation and to agree or disagree with it.

Participant's validation: The research asks the participants if they agree or disagree with the study's results, based on their personal experiences.

5.9.2 Validity issue in qualitative research

Richards and Merse (2007:80) state that validity in qualitative research is typically avoided due to the misunderstanding that it represents an attitude toward analysis or interpretation that satisfies the standards of qualitative research methodologies. In the following section, Maxwell (2013:89-90) explores the topic of validity in qualitative research.

Description: The ability to describe or convey what the researcher has seen and heard is a key danger to validity description. The data may be inaccurate or inadequate. The problem can be resolved by capturing audio or video observations, interviews, and transcriptions of these recordings.

Interpretation: The main threat to validity is the researcher's bias, that occurs when interpreting the findings rather than attempting to understand the participants' words and behaviour. The researcher may ask leading questions and deny participants an opportunity to reveal their own perceptives.

Theory: The validity risk associated with theory is that the researcher may be unwilling to pay attention to and examine other explanations and knowledge of the phenomenon under investigation.

5.9.3 Reliability

The term 'reliability' refers to whether the conclusions of a research study can be reproduced (Siwangaza & Dubihlela, 2017:89). The degree to which the data gathering method will produce the same results on multiple occasions is referred to as reliability. Jackson (2008:67) mentions, "Reliability refers to consistency or stability of measuring instrument". Patton and Conchron (2002:11) describe and clarify the strategies that should be used to assure the validity and reliability of interview data.

Reproductively: This concept refers to someone else being able to research the same topic and to generate the same or similar data.

Systematic: This concept refers to the guarantee that interviews and data are not chosen to confirm the researcher's pre-conceived notions about the answer to the research questions.

Credible: This concept relates to the questions that are posed, and how they are posed, to provide a valid account of occurrences.

Transparent: This concept refers to presenting the procedures in such a way that the reader can gain a better understanding of how the data was gathered and presented. Patton and Conchron (2002:11) emphasized the importance of the interviewer's training and expertise for maximizing validity and reliability. During the interviews, the statements of the participants are not altered in any way to fit the study's needs. Participants should be given an opportunity to review the interview transcripts to ensure their comments were accurately recorded to verify the study's findings. The qualitative data generated by the designed instrument should accurately reflect the influence of the controlled variable's internal validity and should allow for generalization beyond the immediate experimental situation's external validity.

5.9.4 Triangulation

Triangulation is a trusted method for improving the validity and reliability of research findings and/or assessing results (Sargeant, 2012:2). In qualitative research,

researchers employ triangulation to assure the validity of their results, compare multiple sources of information in search of similar patterns (Leedy & Ormrod, 2004:100). Triangulation reduces the possibility of bias by allowing the researcher to collect data using multiple approaches, such as observation and in-depth interviews (Forbes & Heale, 2013:1).

Multiple data gathering procedures, such as interviews, observation, and documentation analyses, are widely regarded as important and appropriate for assuring the study's credibility (Fusch, Fusch & Ness, 2018:22). For this study, a triangulation of the results of the focus group discussions, telephone interviews and quantitative survey was conducted.

5.9. 5 Credibility and trustworthy of the study

Personal interviews were substituted by telephone interviews in this study and were conducted because these have been shown to improve data accuracy (Strewing & Stead, 2001:87). The audio recordings of the interviews were repeatedly replayed and carefully listened to ensure that the transcribed text was accurately written. According to Yin (2017:139), employing several techniques of data collection, such as interviews, field notes and observation, can help the researcher accomplish the study's credibility. The results were presented in such a way that readers can gain a better knowledge of how methodologies are applied, data is collected and analysed (Patton & Conchron, 2002:11).

5.9.6 Generalisation in qualitative research

Rather than using probability sampling, qualitative researchers purposefully select the respondents who will provide the information they require, study a single setting and fewer individuals, and rarely generalise their findings (Beck & Polit, 2010). Maxwell (2013:94) distinguishes between internal and external generalisability, stating that internal generalisability refers to the generalisation of conclusions within the group of individuals being investigated, whereas external generalisability refers to the generalisation of conclusions beyond the group of individuals being investigated.

5.10 Ethical consideration

According to Flic (2007:72), it is best to develop a mutual contract that describes the goal or objectives of the research study as well as the participants' expectations. The participants in this study were informed about its purpose and that participation was voluntary and that they may withdraw from the study whenever they wished to do so.

Confidentiality refers to how information about participants is handled. According to Yin (2017:142), any scientific study involving humans must respect the participants' right to privacy. After explaining the nature and purpose of this study to the participants, as well as the fact that confidentiality and privacy were assured, they were informed that the data collected from them would only be used for the purpose of the study and would be destroyed once the thesis based upon the research proceedings was completed.

To maintain confidentiality and anonymity, no image, name, or other demographic information were presented in the study. The participants were recognized for example as Participant- #1, Participant- #2, Participant- #4 and Participant-#6.

5.11 Qualitative data analysis

According to Maxwell (2013:77), each qualitative researcher must decide on how the data will be analysed, and that decision should both influence, and be influenced by, the entire of the research design. Holliday (2016) states that “a data analysis is a process of making sense of sifting, organizing, cataloguing, selecting, determining themes -processing the data”.

5.11.1 Thematically analysis

Thematic analysis was used to analyse qualitative data collected for the purposes of this study. According to Patton (2002:23):

thematically analysis looks across all the data to identify the common issue that recurs and identify the main themes that summarised all the views you have collected.

The interviews conducted for this research study were recorded and saved as a backup on Google Drive. For the analysis, the recorded interview was replayed several times for the researcher to acquire better comprehension of the participant's

responses, and each interpretation of the data was compared to other units before being assigned to a category/theme and given a unique code.

The thematic analysis of this study followed the following key stages in line with Patton (2002:23) and Bengtsson (2016:8) guidelines:

Read and annotate transcript: This is the first stage, when no summary of the data has been supplied and only a preliminary observation has been made. This process is useful when the research first commences the transcript and is still deciding how to handle the information it contains.

Identifying themes: During this stage the data was analysed, and more details were explored to uncover themes, the data was summarised, and the researcher tried to recall what the participants had said during the interviews. After summarising the data, themes were identified and a list of them compiled.

Developing a coding scheme: After the themes were selected and gathered, a coding system was created. There are wide codes that have multiple sub-codes. The establishment of the coding system began at the preliminary stages of data collection because early data analysis aids in the organization of data collected at a later stage.

Coding the data: After designing a coding system, codes were applied to a complete set of data and were also written on the margins of the transcripts and noting or margining the text on the line. The coding technique was 'tweaked' as an in-depth data analysis was conducted. According to Yin (2017:135), any inductive coding that results in more than eight key themes may not be finished since the categories may need to be combined and the researcher must identify both the most significant codes and those that are of lesser importance.

5.12 Chapter summary

This chapter gave a synopsis of qualitative research techniques, including the steps and decisions taken to ensure the study's quality. To have a better understanding of the approach utilized and why it was used in the study, qualitative methodologies were described and are explored. The data gathering methods employed, including telephone interviews and field notes, were outlined, and explained in this chapter. The study's data gathering methods that were chosen in accordance with the study's

principal goal were discussed. The validity issue in qualitative research was also explored in this chapter and the study's credibility and reliability were assured through a distinct way of data collection. In this chapter, the sampling technique and size were discussed. It was noted that the study's sample size is different from a quantitative sample size because the study's major goal was to focus on the quality and richness of the data rather than the quantity. The CAE, IA deputy directors, IA assistant managers and IA officers within the WCG comprised the study's population. The procedure for analysing results was explained and discussed. The chapter provided a detailed explanation of the data display and analysis procedure, together with a definition of the data analysis method. The ethical considerations were explored, and details provided of how respondents were treated, and their anonymity and privacy guaranteed, as well as the fact that they not subjected to either physical or psychological abuse. Throughout the data gathering procedure, the researcher was fully cognizant of the ethical implications.

CHAPTER SIX

QUANTITATIVE RESEARCH METHODS

6.1 Preamble

The previous chapter (Chapter 3) dealt with qualitative research methods. The aim of this chapter is to examine the research methodology that underpins this study. The discussions concerning the number of research methodologies to be employed, as well as the reasons why these specific approaches are chosen, will be provided. The chapter will further illustrate the research objectives, approaches and strategies. It will also discuss the adopted sample methods, data collection details and the data analysis methodologies used while analysing data. A brief explanation of how the questionnaire survey was validated will be provided.

6.2 Introduction

This chapter provides extensive details of the research design and technique used in this study. The following is an outline of how these discussions will be structured: research context is briefly delineated in Section 3.3. Section 3.4 provides examples of the research paradigms that can be used in research, together with the chosen paradigm and the justification for its selection. Next the appropriate research strategy

chosen this study is described, clarified, and justified in Section 3.5, while Section 3.6 describes the chosen research approach, Section 3.7 discusses the chosen research design together with its clarification and justification. Section 3.8 defines and discusses the research study's population from which the study's research sample was selected. The procedures used in process, plus the rationale for their usage are also provided in this Section. A brief delineation of the research study is provided in Section 3.10 while Section 3.11 presents the data collection methods— each method includes details of the instruments used and the data gathering procedure. Statistical analysis is discussed in detail under Section 3.14. The steps taken to validate the research findings are highlighted in Section 3.17, and Section 3.18 deals with the reliability tests. The ethical considerations observed in this study are described in Section 3.19. Lastly, a summary of the entire research design and methodology is presented in Section 3.20 to conclude the chapter.

6.3 Research context

This study followed deductive and inductive reasoning to arrive at its conclusions. According to Woiceshyn and Daellenbach (2018) quoting Locke (2007) as well as Nola and Sankey (2007) deductive reasoning are a process that moves from general to specific, such as starting with a theory, develop hypotheses from it, testing these hypotheses and then, if necessary, modifying the theory. Whereas induction is described as a form of reasoning that includes a probability component (Locke, 2007). In logic, induction is defined as the reasoning of a generalized inference from specific occurrences (Woiceshyn & Daellenbach, 2018). Induction, thus, involves drawing conclusions based on what is known or observed.

The conclusions drawn in this study were based on both generally accepted statements or facts and what is known or observed. An empirical study's questions are pre-determined, as are the logical relationship between perceptions. This research study, however, took a different path, and focused on gathering empirical evidence that either supports or refutes certain assumptions. However, to keep the study relevant when embarking on this field, the most recent internet figures and current statistics were used to update the theoretical sections of the study on a regular basis.

The current research study was conducted within conducive research settings in the WCG where the witnessed phenomena exist. Furthermore, the findings of this study

were used to respond to the research problem and to highlight areas for future research as needed.

6.4 Research paradigm

The study has chosen a positivist and constructivist/interpretive research paradigm;

6.4.1 Positivist paradigm

The positivist paradigm was founded by Auguste Comte, a French philosopher (1798–1857). This paradigm describes a research viewpoint that is based on what is known as the scientific process of enquiry in research methodologies (Kivunja & Kuyini, 2017). It is the ideal viewpoint for research that aims to understand observations in terms of facts or quantifiable entities (Fadhel, 2002). To arrive at the results, researchers employing this paradigm use deductive logic, hypotheses development, hypotheses testing, operational definitions and mathematical equations, computations, extrapolations, and expressions. Researchers seek to explain and create predictions that are based on observable results. These observable results are underpinned by four assumptions that Cohen, Manion and Morrison (2000) outline as determinism, empiricism, parsimony, and generalisability.

The determinism assumption states that observed events are the result of other variables. Therefore, in order to comprehend casual interactions among factors, the predictions made and potential implications of the explanatory aspects on the dependent factors must be controlled. Empiricism implies that to analyse a research problem, the researcher must be able to collect verifiable empirical data to support the theoretical framework chosen for the study and should allow the verification of the hypotheses made. The parsimony in a positivist paradigm refers to the most economical way the researcher can use to explain the study's phenomena. Finally, the generalisability assumption states that inductive inferences should be able to apply the outcomes of a research endeavour undertaken inside the positivist paradigm to other contexts.

The positivist paradigm will be used in this research study to assist the researcher to observe events related to the topic being examined and to enable broad generalisations regarding what might happen in similar situations elsewhere in the world. Stemming from these assumptions, the positivist paradigm promotes the use of

quantitative research techniques as the foundation for the researcher's ability to be precise in describing the limitations and coefficients in the data that is collected, analysed, and interpreted, to comprehend interactions embedded in the data.

6.4.2 Interpretivist/constructivist/ paradigm

The interpretivist paradigm's main goal is to comprehend the subjective realm of human experience (Guba & Lincoln, 2005). This method attempts to 'get inside the heads' of the subjects being researched and to comprehend and interpret what they are thinking or interpreting of the context in which they exist. Every attempt is made to 'grasp' the subject's point of view rather than the observer's point of view. This action emphasises the individual's understanding and interpretation of the environment around them. As a result, the Interpretivist paradigm's central assumption is that reality is socially constructed (Bogdan & Biklen, 1998). This notion is the reason this paradigm is sometimes referred to as the constructivist paradigm. In this paradigm, theory follows research rather than preceding it, so that it is founded on the data gathered during the research process. As a result, when using the interpretivist/constructivist paradigm, data is collected and analysed in accordance with grounded theory (Strauss & Corbin, 1990). This paradigm assumes a subjectivist epistemology, a relativist ontology, a naturalist methodology and a balanced axiology. These elements are briefly explained below:

Subjectivist epistemology assumes that the researcher makes sense of their data using their own thinking and cognitive processing of data informed by their interactions with participants. There is an assumption that the researcher would develop knowledge socially because of her/his real-life experiences in the natural settings studied (Punch, 2005). There is an understanding that the researcher and their subjects would be involved in interactive procedures in which they communicate, converse, question, listen, read, write and/or record research findings. Chalmers, Manley, and Wasserman (2005) state that relativist ontology holds an assumption that the researcher believes the issue under investigation has various realities, each of which can be examined and given meaning through human interactions between the researcher and the study subjects, as well as among the research participants.

Naturalist methodology assumes that the researcher uses data obtained from interviews, discourses, text messages and reflective sessions, serving as a participant

observer (Carr & Kemmis, 1986). Lastly, Kivunja and Kuyini, (2017) argue that a balanced axiology assumes that the research's findings will reflect the researcher's values, with the goal of presenting a balanced summary of the findings.

Epistemological Relevance: Epistemology is the branch of philosophy that deals with the nature of knowledge, how it is acquired, and the criteria for determining what counts as knowledge. Therefore, in other words the chosen paradigms, helped the researchers to explain how their approach contributes to the understanding of what can be known with regards to IAA independence and internal auditors' objectivity and how such knowledge is obtained.

Ontological Relevance: on the other hand, the ontological is concerned with the nature of reality and existence. it calls for an explanation of how the research paradigm aligns with certain assumptions about the nature of reality. Therefore, the chosen paradigms assisted in understanding that in order for IAF to be effective, their activities must be independent and auditors must be objective in passing findings and recommendations.

6.5 Research strategy

According to Dinnen (2014), a research strategy is a "step-by-step plan of action," or a roadmap that gives direction towards the achievement of research objectives, permits research to be conducted systematically within time constraints, and delivers high-quality and detailed reporting. According to this definition, a research strategy was used as a guide to achieve research objectives in this study. Furthermore, this study used theory-testing and empirical research. Since numerous research studies have been recorded elsewhere on this study's subject, and the essential factors have also been established from those scholars, the theory of testing was appropriate to employ. The primary goal of this research study is to determine whether these prevalent issues occur in South African the WCG.

The research strategy to be followed to achieve this study's aims is clearly articulated in Table 6.1 below.

Table 6.1: Research strategy for IAA and internal auditors' objectivity

IAA and internal auditors Objectivity Variables	Preliminary analysis/ Literature review	Formal analysis
Management	Management interventions with internal auditors' performance duties Management prevents Internal auditors from include all audit findings in their audit report. Lack of management's timely corrective action based on audit findings and recommendations	IAA independence barrier by management Internal auditors' objectivity barrier on application IA corrective action and recommendation barrier on implementation
Internal Audit Function	Role of IAF	Effectiveness of the role of IAF
Employees	Internal auditors are biased in their recommendations. Internal auditors have personal/romantic relationships with-auditee employees	IAA independence barriers by employees IA objectivity barriers by employees

6.6 Research approach

This study proposed a mixed research approach. According to Creswell (2014), mixed methods research is an investigation that involves gathering both quantitative and qualitative data, combining these two types of data and employing different designs that may include philosophical assumptions and theoretical frameworks. (The qualitative and quantitative research approaches were discussed in Chapter Five above.) However, the underlying premise of this technique is that combining qualitative and quantitative approaches yields more a comprehensive understanding of a study subject than either strategy alone (Creswell, 2014). This study's research approach includes plans and procedures that cover everything from general assumptions to

detailed data collecting method, analysis, and interpretation. This plan necessitates a number of decisions, none of which must be made in the sequence in which they make sense to a researcher or in which they are presented. The ultimate decision entails deciding which method to utilize to investigate a subject. The philosophical assumptions that the researcher takes to the study, as well as the procedures of inquiry (known as research designs) and specific research methodologies of data collection, analysis, and interpretation, should all play a role in this decision.

Table 6.2 provided below clearly illustrates as a form of summary the differences between qualitative and quantitative research design.

Table 6. 2: Summary of quantitative and qualitative research designs

	QUALITATIVE	QUANTITATIVE
Objective	To gain qualitative understanding of the underlying reasons and motivations of a certain behaviour	To quantify data and generalise sample results to the whole population using inferential statistics
Sample	Small number of non-representative cases	Large number of non-representative cases
Data collection	Unstructured/informal and flexible	Structured/formal
Data analysis	Non statistical and heavily reliant upon the researcher's interpretations	Statistical and findings are usually expressed in numbers
Outcome	Develops an initial understanding	Recommends a final course of action

Types of data	Verbal statement qualification	Numbers/statistics
Tools for data collection	Focus groups, case studies, observation, unstructured in-depth interviews	Use of surveys, questionnaires, personal interviews, archives, shopping mall surveys and experiments

SOURCE: Maholtra (2014:137).

6.7 Research design

Creswell (2014) explains research designs as the types of investigation that provide specific guidance in research design techniques located within qualitative, quantitative, and mixed methodologies approaches. McMillan & Schumacher (2001:166) state that research design is referred to as the study's plan that gives an inclusive methodology for acquiring data. The type of data that will be needed, the methods that will be used to collect and analyse that data, and how these aspects will be designed to answer the research questions and address the research problem are all communicated in the research design (Creswell, 2014). In research, several alternative designs are utilized, each with its own set of advantages and disadvantages. The goals of the study and the nature of the phenomenon under investigation, on the other hand, determine which research design is most appropriate. Kraska-Miller (2013:6), provides three distinct categories into which the research designs can be classified, these are descriptive research designs (non-experimental), experimental research designs and quasi-experimental research designs.

6.7.1 Descriptive research design

Palaiologou, Needham and Male (2016:7) state that the researcher in a descriptive research design is interested in observing and describing the event or phenomena under examination. Other researchers (Gabel, 2016:46; Jackson, 2014:20; McNabb, 2015) provide the main categories involved in a descriptive research design as follows:

Observation entails gathering information without interfering with natural behaviour. It gathers data on the 'what' of behaviour without revealing the underlying motivation (the 'why').

Case studies are employed to gain a thorough grasp of a difficult circumstance, event, or problem in its natural setting. These aid the clarification, description, or investigation of an occurrence in its natural setting.

Personal interviews are face-to-face conversations between the researcher and the respondents. These aid the investigation of respondents' responses to obtain further and more detailed information.

Focus group is a gathering of people for the purpose of discussing a specific topic or topics for a set period. It aids the gathering of people's perceptions and opinions about certain issues, concepts, products, or services.

According to Calmorin and Calmorin (2007:70) a descriptive research study aims to provide a snapshot of the current status of the topic being studied. Stangor (2011) adds that this process gives a complete picture of the situation regarding the specific phenomenon under inquiry at any given time, allowing questions to be formulated for further investigation. However, despite descriptive research's ability to generate information on the qualities or elements of the entities being studied, it does not address cause-and-effect issues (Eliason, 2007:92). To address this deficiency, Mitchell (2015:1) proposes the use of an experimental research design.

6.7.2 Experimental research design

In an experimental research study, the investigator uses a single variable impacting the experimental group, known as the independent variable, and then controls the rest of the variables (dependent variables) (Pirlott, & MacKinnon, 2016; Zaidah, 2003). According to Anastas (2012:89) dependent variables are those that the investigator does not wish to impact the experiment's outcome. It is critical to identify and regulate such dependant variables to reach a meaningful conclusion to an investigation and to minimize the impacts that can be linked to other variables. Extraneous and unnecessary variables can be removed with the help of variable control (Burns & Grove, 2010:40). More significant outcomes are frequently attained because of the researcher's control of variable and stringent circumstances. According to Burns and Grove (2010) using an independent variable makes it simple to discover the relationship between the cause and effect. According to Balaz and Williams (2017:3), and Zainal (2017:4) despite these advantages, the researcher must note that experimental study designs have significant disadvantages that may produce fake circumstances that are not necessarily representative of real-life events. This practice

is primarily due to the fact that all other variables are rigorously controlled, which may not result in a totally realistic situation.

Experimental study design plays a crucial role in confirming internal validity, however at times, this endorsement is achieved at the expense of external validity (Balaz & Williams, 2017:5). When such a practice occurs, the results cannot be applied to the full population. Due to these limitations, Marczyk et al. (2005:137) claimed that experimental study design is not viable in all studies and that, when this is the case, researchers should use quasi-experimental designs.

6.7.3 Quasi-experimental design

According to Trochim, Donnelly & Arora (2015:258) the quasi-experimental study design is like experimental designs as these test causal hypotheses. Maxfield & Babbie (2014:380) add that the definition of quasi-experimental, however, excludes random assignment. As a result, a quasi-experimental design is commonly employed when an experimental design is not practicable, such as when selecting a control group at random (Maxfield & Babbie, 2017:182). In its most basic form, quasi-experimental design comprises randomly selected groups against which a variable is tested, however, without the use of random pre-selection processes (Bringle, Hatcher & Clayton, 2013). Following this selection, the experiment proceeds as usual, with a variable being compared between distinct groups.

Mangal and Mangal (2013:130) state that in social sciences, in which pre-selection and randomization of groups are frequently impractical, quasi-experimental designs have distinct advantages over actual experimental research methods because they can aid in the generation of data for broad patterns. A quasi-experimental design also saves time and resources because no full pre-screening or randomization is required (Shuttleworth, 2008). However, with a quasi-experimental design, no pre-existing factors are considered and, thus, it is acknowledged that influences outside the experiment may have influenced the outcomes (Shuttleworth, 2008). As a result, statistical tests can be meaningless in the absence of sufficient pre-screening and randomization.

Stemming from the above arguments, it became evident that each research design has advantages and disadvantages, and it is critical to have a complete awareness of

these constraints to reach accurate study conclusions. A mixed methods research design was chosen for this study after reviewing the literature on various research designs, as well as other variables that will be discussed in the sections that follow.

6.8 Sampling strategy

The sampling procedures that were followed in this research study are described in the sub-sections below:

6.8.1 Population

Denscombe (2014:21) defines a research population as all the elements that fall under the category of the objects being investigated. A rigorous screening method was used to describe the population correctly and clearly for this investigation. At the beginning of this study, the researcher sought to study the entire WCG out of overzealous ambitions. However, it is not easy to collect data from all members of the population, more especially when the elements of the population are quite large. In this scenario, it was important to narrow the focus of the research to only the IAF of the WCG. This decision was also motivated by considering the cost that would be incurred, and the time expended collecting such a large amount of data.

Moreover, the entire IAF employees were selected, this was to ensure that the respondents of this study have sufficient and relevant work experience in the field of internal auditing. Based on the above discussion, the appropriate population for this study consists of 300 WCG IAF employees.

6.8.2 Sample design

The research population may be small enough to warrant inclusion of all the aspects in a study. However, it is equally important to note that most studies normally have hundreds and thousands of aspects, that make it extremely difficult to collect data from all aspects considering time and costs. In such a scenario, a significant portion of the population known as a sample is usually selected (Chambliss & Schutt, 2012:86). Nonetheless, the population of this study is small enough to include all the elements in the study. Thus, the entire research population will also be considered as the sample size.

6.8.3 Sampling methods

There are various sampling methods that can be used to draw samples from the population. These sampling techniques can be categorized into one of two groups as shown in Figure 6.1 below. even though these are not a comprehensive list of the sampling techniques, however, they are the most used.

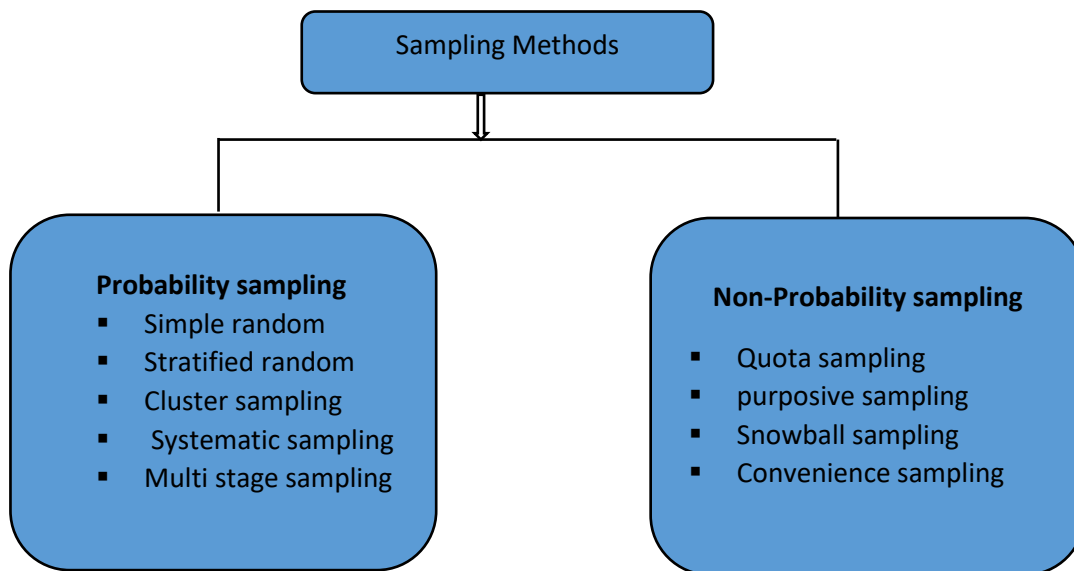


Figure 6.1: Sampling methods (**Source:** Taherdoost, 2016)

Figure 6.1 above indicates that there are two key types of research sample categories, namely probability and non-probability samples. A probability sample, according to Chambliss and Schutt (2012:86), is a subset of the research population chosen at random. It consists of simple random sampling, stratified sampling, cluster sampling and systematic sampling. There are several characteristics that all probability sampling methods share, as well as a few differences between them. As a result, they all begin with a sample frame, that includes a list of all items in the population of interest, including demographic details such as names, phone numbers and physical addresses (Krathwohl, 2009:164).

The probability sampling techniques shares a common feature, which entails that all the elements in a research population have an equal chance of being selected for the sample (Babbie, 2016:227). DePoy and Gitlin (2015:194) indicate that the main objective behind employing probability sampling is to reduce the sampling error because this type of sample is more likely to be representative of the population. However, there are situations in which using probability sampling is impractical or not

technically sound, for instance, in the absence of a list of all population items or the population size is uncertain (Kusek, 2010:316). In such cases, researchers use non-probability sampling methods, which was the case in this study.

Non-probability sampling approaches consist of quota sampling, purposive sampling, convenience sampling and snowball sampling (Molina, 2015). This type of sampling does not involve the selection of elements randomly, instead, accessibility or the researcher's personal assessment determines the selection of items (Egan, 2014:124; Jha, 2014:191). This results in the exclusion of an unidentified portion of the population, for instance, those entities that could not be accessed, thus, making it difficult to compute an ideal sample size (Wegner, 2010:215). Most researcher, therefore, appear to prefer probability sampling methods over non-probability because they are more precise and rigorous (Trochim et al., 2015:86). However, as indicated above, non-probability was more suitable for this study.

Purposive non-probability sampling was used in this study through which 300 IA employees in the WCG were selected. Although some researcher regard non-probability sampling methods as less vigorous than probability sampling, there were substantial theoretical and practical reasons for their use in this study. This method advocates the selection of sample members based on their knowledge, experience, and interest in the phenomenon being researched (Johnson & Christensen, 2010:231). In this study, the sample members were chosen because they have adequate appropriate work experience in the field of IA within the provincial governance systems because they are employees of the WCG involved in all aspects of IA.

This study considers a purposive sampling technique appropriate due to a number of reasons. First, the technique allows a sample to be drawn from a population that has features related to the researcher's interest (De Vos, Strydom, Fouché & Delport, 2011:232). Second, it is a cost-effective method and easy to apply since it is governed by limited sample selection rules. Lastly, it has been used successfully in previous studies in which the population size was unknown (Bruwer, 2016; Chakabva, 2020; Siwangaza, 2013).

6.8.4 Sampling size

The sample size for this study was 300 respondents, that corresponded with the number of IA employees in the WCG. However, the following limitations emerged during the data collection phase: due to the constraints listed below, a total of 40 respondents remained unaccounted for after data collection:

A total number of thirty participants, did not complete the questionnaire and did not state the reasons why, despite regularly reminders requesting their participation.

Ten of the returned questionnaires were incomplete and, thus, were considered invalid.

As a result of the above limitations, only 260 valid questionnaires were collected.

6.9 Response rate

The response rate is typically used to describe the number of complete questionnaires returned as a proportion of the total questionnaires distributed. As such, the response rate for this study was 87%. Efforts were made to obtain as many responses as possible through the constant dissemination of weekly email reminders. The distributed questionnaires also included a cover letter outlining ethical considerations and assuring participants that their responses would be treated confidentially.

6.10. Delineation of the research

After the establishment of the target population, sampling methods and sample size, the following step was implemented to establish the tone for the questionnaire's completion. As a result, data collection was only limited to the WCG IAF employees. Furthermore, the study stipulated other criteria that had to be met before the responses from the research participants could be considered:

All research respondents must be working for the WCG's IAF.

All research respondents must work as either IA officers, senior IA officers, Deputy Directors, Directors, or CAEs.

6.11 Data collection methods and instruments

In this study, an administered questionnaire, focus group discussion and telephone interviews were considered as the most appropriate sources of primary data collection.

Secondary data in the form of a literature review was also conducted and used to complement the primary data. Various sources of extant literature were consulted during the secondary data collection process including Government Gazettes, university publications, published journal articles and other academically approved sources.

6.11.1 Development of the survey questionnaire

The administered questionnaire survey was created in three major steps, comprising: the initial development of the questionnaire survey, a pre-testing process and the construction of the final questionnaire survey that was sent to respondents.

6.11.1.1 Initial development process

The disseminated questionnaire survey's initial development process comprised a cautious review of the extant literature on IAA independence and internal auditors' objectivity in the public sector, a further review of related questionnaires employed in prior studies, and insights gained from the evaluation of government policies in Government Gazettes. These procedures resulted in the creation of the first draft of the questionnaire survey that consisted of five sections. The questions comprised open and close ended questions.

Majority of these questions were close ended in the Likert scale format. According to Monette, Sullivan & DeJong (2010:354) the Likert scale is a technique that involves numerically ordered options on a scale ranging from "strongly agree" to "strongly disagree". This scale was deemed essential for this study because it is easy for participants to use and produces reliable results (Lam & Kolic, 2008:246). There were two open-ended questions that afforded participants an opportunity to express their responses in their own words. The limitation of open-ended questions was encouraged by the fact that most questionnaire respondents are not enthusiastic about writing answers and, thus, more than two of such questions could reduce their interest in participating in the study.

Furthermore, caution was exercised over the drafting of the questions used in this study and the researcher ensured that they were precise and easy for respondents to understand. To support this requirement, the researched formulated short questions and avoided ambiguous questions that could have two or more meanings and leading

questions that required specific answers. Clear instructions were provided on the first page of the questionnaire as well as for each section of the questionnaire to avoid any confusion on the part of the respondents. Great attention was also given to the compilation of the questions to ensure that their responses that would help to answer the research questions addressed by the study.

6.11.1.2 Pilot testing of the survey questionnaire

Before drafting the questionnaire that was administered to the study participants, a letter authorising the research process had already been obtained from the WCG. A thorough pre-testing procedure was followed to address any potential flaws that remained after the initial development process. This procedure was carried out on a sample of 30 managers and the CEA within the WCG to test the correctness of the questionnaire. These pilot participants were requested to comment on any difficulties they had faced while completing the questionnaire. The questionnaire was subsequently revised in line with the pilot participants' feedback and recommendations. As a result, some questions were rephrased to eliminate any potentially confusing technical jargon.

6.11.1.3 The final survey questionnaire

Following the pre-testing procedure described above, final questionnaire survey was drafted considering the changes mentioned above. The research supervisor also suggested questions to be included on the questionnaire and assessed the final version to ensure it was both valid and reliable. The questionnaire was also forwarded to the CAE to assessed validity and reliability. All parties consulted were satisfied that the questionnaire covered all relevant topics and accurately represented IAA independence and internal auditors' objectivity within the public sector.

6.11.1.4 Questionnaire attributes

Table 6.3 below evaluates the characteristics of a questionnaire when used in various situations. This table served as a guide for distributing the questionnaires.

Table 6.3: Main attributes of questionnaires

Attribute	Online	Delivery and collection
-----------	--------	-------------------------

Suitability of population's characteristics for the study	Computer literate individuals who can be contacted by e-mail or internet	Literate individuals who can be contacted by post, selected by name, department, etc.
Confidence that right person has responded	High if using e-mails	Low but can be checked at collection
Likelihood of contamination or distortion of respondent's answer	Low	May be contaminated by consultation with others
Size of sample	Large, can be geographically dispersed	Dependent on number of field workers
Likely response rate	Variable, 30% reasonable within organization, internet 10% or lower	Moderately high, 30-50% reasonable
Feasible length of questionnaire	Conflict advice, however fewer screens probably better	8-9 A4 pages
Suitable types of questions	Closed questions	Closed questions but simple
Questions	Simple and sequenced	Sequenced
Time taken to complete and collect questionnaire	2-4 weeks from the date of distribution	Dependent on the sample size and number of available field workers
Main financial resources' implications	World Wide Web Page design	Field workers, travel, printing data entry
Role of interviewers/field workers	None	Delivery and collection of questionnaires, enhancing respondents' participation

Data input	Captured	Closed questions will be designed so that responses maybe entered using optimal mark readers after questionnaires have been returned
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SOURCE: Saunders, Lewis & Thornhill (2008:284).

6.11.1.5 Questionnaire design

A questionnaire is defined as a well-organized procedure for data collection that consists of a series of sequential questions that respondents must answer verbally or in writing (Zikumnd et al., 2012:65). According to Hague (2002:106) these questions are intended to elicit facts and opinions, and they are quite valuable in gathering information. A questionnaire containing such questions must be well-crafted to catch the respondents' attention and encourage them to deliver complete, accurate, and relevant responses (Maholtra, 2004:278). Upfold and Sewry (2006:5) provided details on how to prepare an effective questionnaire, thus, this study's questionnaire included the following features:

The questionnaire attracted the respondents' interest and, as a result, many people completed it easily and quickly.

The questionnaire was kept to a reasonable length.

The presentation of the questionnaire gave the impression that the participants' responses are valuable and, thus, worth the time and effort expended upon them.

The questions were phrased in a user-friendly manner so that respondents could complete the questionnaire in the researcher's absence.

6.11.1.6 Questioning format

There are various types of organized questions that can be used to elicit a variety of responses. The format of the questionnaire varies depending on the instrument used to gather data. Therefore, this study's questionnaire was formatted in line with Martins et al. (1996) recommendations:

Variety of options in a question but only one answer required

In such questions, the respondents are given more than one options to choose from but were only allowed to select one of them.

Dichotomous questions

Dichotomous questions were posed in which respondents were given statements to which they had to respond with either a 'Yes' or a 'No' answer. However, the use of these questions was limited because they usually necessitate further questioning for the researcher to understand the actual activities taking place on the ground.

Scaled questions

These questions are commonly referred to as point Likert scale measurements. Such questions were used to confirm occurrences and measure respondents' attitudes towards certain issues. To confirm the occurrence of issues, a scale comprising the options 'strongly disagree', 'disagree', 'neutral', 'agree' and 'strongly agree' was used. Moreover, the scale from 'never', 'rarely', 'sometimes', 'most of the time' and 'always' was also used to measure respondents' attitudes towards certain issues. The responses to the Likert scale statements were recorded next to each corresponding statement of the conditions studied.

Open-ended questions

Since the responses to such questions are unknown, all possible answers are accepted in this form of questioning. Unlike closed questions, open-ended questions allow respondents to express exactly what they know or understand about a specific issue without being swayed by the options provided. Caution, however, was exercised when compiling these questions to avoid the generation of irrelevant data.

6.11.1.7 Question content and phrasing

The questionnaire content and phrasing were formulated in line with Giesen et al. (2012:10)'s following guidelines:

Questions were kept as simple and concise as possible, using an 'easily understandable' style of English.

To avoid invalid responses, uncertain/ambiguous terminology that may have various meanings, such as the use of terms such as 'routinely', 'rarely' or 'frequently', were excluded from this study's questionnaire.

Leading or loaded questions that have the potential to sway participants' responses were avoided to counter the risk of biased questions and/or responses.

The questions were posed in such a way that they did not appear to be assumptions.

6.11.1.8 Questioning sequence

To ensure a smooth flow, the questions posed in this study's questionnaire were developed sequentially. Initially simple questions were asked to pique the respondents' interest. Questions that had to be answered by specific respondents were grouped together, with a clear indication as to which respondents were required to answer them.

6.11.1.9 Questionnaire layout

It is critical to examine a questionnaire's design and format closely because these processes can have a significant impact on both the completion of a questionnaire and its response rate. The survey's questions were organized into five sections, each of which addressed a specific research question as indicated below:

SECTION A: FRAMEWORK TO EVALUATE AND ENHANCE IAA'S INDEPENDENCE AND IA'S OBJECTIVITY

This section was used to gather in-depth information from respondents about the acts, legislations and policies that govern the establishment of the IAF and its operational structure.

SECTION B: THE INTERNAL AUDIT INDEPENDENCE

The section was developed to obtain in-depth information from the participants regarding IAA independence. It sought answers to the following investigative questions to achieve the study's research objectives:

Are internal auditors free to include all the audit findings in the audit report? (Questions 1, 2, 4, 5, 6, 7, 8, 9 and 10 of the administered questionnaire survey were developed to answer this question.)

Is the CAE report to the level which allows internal auditors to execute their responsibilities independently and objectively? (Question 3 of the questionnaire survey was designed to answer this research question.)

SECTION C: INTERNAL AUDITORS' OBJECTIVITY

This section was designed to solicit answers from the participants regarding the IA/InAs' objectivity. It was also devised to answer the following research question and its respective objective:

What are the measures in place for enhancing internal audit independence and objectivity within a provincial governance system? (Questions 6 and 7 were drafted to answer this research question.)

SECTION D: INTERNAL AUDIT EFFECTIVENESS

This section was aimed at obtaining information about the effectiveness of IA within the WCG. It was also aimed at soliciting answers to the following question and their respective objectives:

How do managers respond to internal audit findings and recommendations? (Questions 2, 6, 9 and 11 were designed to answer this research question.)

SECTION E: OPERATIONAL CHALLENGES TO INTERNAL AUDIT INDEPENDENCE AND AUDITORS' OBJECTIVITY

This section was drafted to obtain information regarding operational challenges to IAA and in objectivity. It was also aimed at answering the following investigative research question and its respective objective:

Are there operational challenges that deteriorate the independence and objectivity of IAF within the provincial government and what has been done to address these challenges? (Questions 1, 2, 3, 4, 5 and 6 were developed to answer this research question.)

6.11.2 Administration of the survey questionnaire

The head of IAF had given the consent for conducting the research project and the researcher had requested her personal assistance in encouraging the prospective respondents to consent to their email addresses being given to the researcher to enable the data collection process. After that request was agreed to, the email addresses of prospective respondents were forwarded to the researcher and these individuals were sent a link that would enable them to complete the questionnaire. The formal survey took place between July 2021 to Dec 2021. The respondents were

allowed 5 months to complete and submit the questionnaire online and were sent reminders every two weeks during this period requesting them to complete the online survey. By the end of the fifth month 270 questionnaires has been submitted.

Before the questionnaires were considered valid for data collection, the researcher perused them to ensure all questions had been answered. As a result of this assessment, it was discovered that 10 questionnaires contained irregularities and lack certain essential information. Consequently, these questionnaires were deemed invalid and discarded – hence 260 questionnaires were considered valid for data capturing and processing.

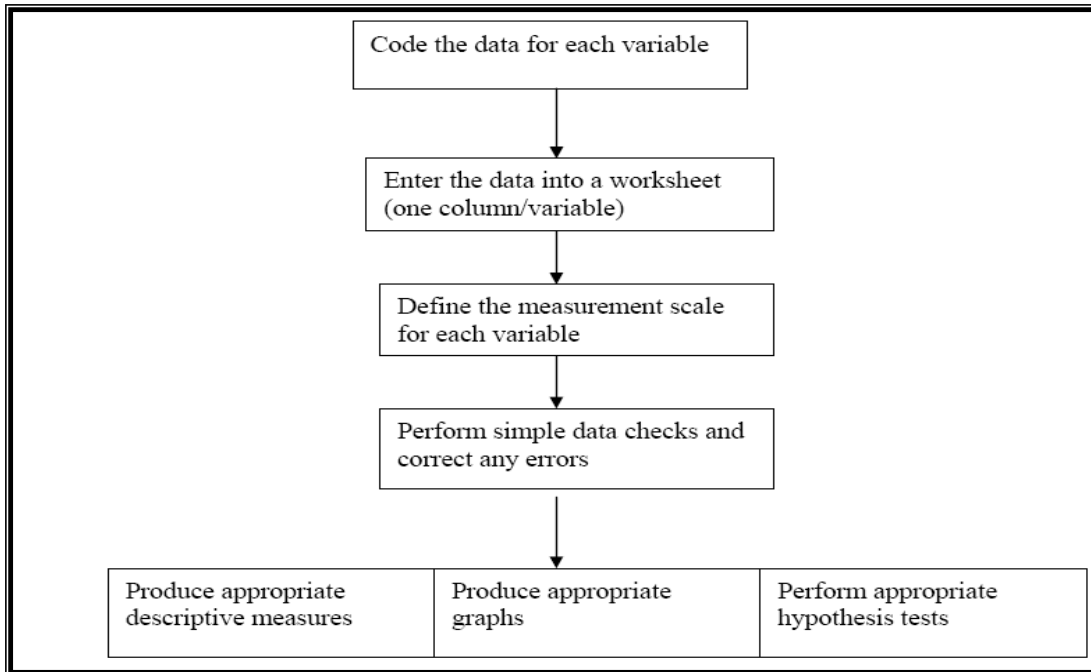
6.12 Reply options

A portion of this study’s questionnaire was prepared using Google Forms, and a link was emailed to the respondents, who were required to access this link and complete the questionnaire. The ‘send-back’ option was made available to respondents after they had completed the questionnaire, thus, allowing them to return the completed version. This method was used to minimize close contact in line with the COVID-19 regulations. The instructions for completing a questionnaire were well-articulated: respondents were requested to try to answer all questions even if they were unsure of the answer. Respondents were also requested to answer each question and section in chronological order.

6.13 Statistical analysis

With the help of statistical science, accurate conclusions can be reached in the event of uncertainty. This research study conducted descriptive and inferential statistics analyses. Data reduction, that serves to summarize answers; data display that aims to highlight connections and distributions of answers; and data analysis that assist the researcher in making inferences and seeks to confirm whether sample results can be generalized to the population; are the three stages that this study followed in conducting statistical analysis. Statistics are used to validate research findings by analyzing data and deducing conclusions based on the results.

Figure 6.2 Schematic illustration of a typical data analysis process



SOURCE: Page & Meyer (2003:162).

6.13.1 Data reduction (preparation)

Data preparation activities involved sorting, refining, and organizing raw data into manageable 'chunks' so that meaning could be extracted from it. This process enabled the synthesis and application of statistical tools to interpret the results in relation to the research problem. This stage entailed editing and coding processes.

Editing

According to Maholtra (2004), the goal of editing is to improve the accuracy and precision of the questionnaires' responses. It entails screening for answers that are illegible, partial, inconsistent, or unclear. Editing can sometimes prompt the researcher to return to the field to seek clarification, assign missing values or even dismiss unacceptable questionnaire replies.

In line with Maholtra (2004), the editing process in this study critically examined responses to the questionnaire and sought to ensure this practice adhered to the following criteria:

Complied with sample specifications.

Accepted questions that have been appropriately answered to provide appropriate information.

Ensured completeness by checking if answers to questions on all pages and sections were provided. (Respondents may leave blanks because they are hesitant to submit information or because they consider some of the questions to be unnecessary.)

Ensured responses, particularly those to open-ended questions, were readable (i.e., checked the legibility of handwriting).

Ensured the responses provided were understandable, including abbreviations, language, and content.

Guaranteed responses to questions were consistent.

Ensure consistency when recording responses to specific questions.

Ensured the accuracy of the analysis of findings.

Coding

As part of the coding process, similar codes were awarded to comparable answers in mutually exclusive categories. Regarding the responses to open-ended questions, codes were assigned to those with analogous meanings. Thereafter the codes were imported onto a coding sheet, and the data double-checked to ensure that the coding process was consistent. Extreme codes that were deemed unusual were eliminated, new variables for the analysis were created and the resultant data was saved.

6.14 Survey data analysis

SPSS software was used to analyse the quantitative data collected through the administered questionnaire. This data was first cleaned and organised and then further subjected to hypothesis testing, correlation analysis, exploratory factor analysis, components analysis, structural equation modelling (SEM) and path analysis in AMOS.

6.14.1 Hypothesis testing

A null hypothesis was developed at the commencement of the study and the researcher then had to prove this statement either correct or incorrect. The possibility of rejecting a genuine hypothesis (type 1) or adopting a false hypothesis must be considered by researchers (type 2 error). Such probability is known as the 'significance level,' and it is usually expressed as a percentage. To maximize the researcher's confidence that the decision made was correct, the significance threshold for

measuring type 1 error must be kept to a minimum (Hague 2002:90). To test the differences between data sets in this study Chi-Square and 'T' tests were used.

6.14.2 Correlation analysis

Pearson correlation "r" was used as a statistical tool to study and determine the leaner relationship in the data, as well as to test the statistical significance of the relationship between each of the variables. At the 95% significant level ($p= 0.01$), these variables showed a moderate to strong correlation with one another. The correlation coefficients analysis was used to measure the strength of a linear association between two variables. A positive association is indicated by a linear correlation coefficient greater than zero, whereas a negative relationship is signified by a value less than zero. However, a value of zero signifies no association between the analysed variables.

6.14.3 Exploratory factor analysis

Factor analysis, according to Matsunaga (2010:98), is a broad phrase that refers to a variety of statistical techniques that allow for the estimation of unobserved fundamental structures of variation for observed variables, as well as their interrelationships. Factor analysis works on the assumption that measurable and observable variables may be reduced to a smaller number of factors that have a mutual but unobservable variance (Yong & Pearce, 2013:80).

When conducting factor analysis, this study used a principal component analysis (PCA) with orthogonal Varimax with Kaiser Normalisation rotation approach, as recommended by Dubihlela and Chauke (2016). To extract the main components that matched the minimum condition (≥ 1) the PAC was utilized. To extract the factors that met the cut-off criterion of .40 (extraction method), Varimax with Kaiser Normalisation (Rotation method) was employed.

Factor loading and extraction: Factor extraction is a factor analytical component (Yong & Pearce, 2013:83-84) that is based on a theoretical model that assumes that observable measures are influenced by underlying mutual and irreplaceable factors, and that correlation patterns must be established. Furthermore, factor loading is another factor analysis tool that can be used to test the strength of a factor's relationship. While the extractions in this study are based on similarities, all

eigenvalues' values less than one were removed. After rotation, eigenvalues and variance were determined by extracting the rotation for the sums of squared loadings.

The PCA was used to provide interpretation, while the loadings matrix was rotated to obtain Varimax rotation, that was used to suppress small coefficients and eigenvalues values less than one were eliminated. The key goal of such an analysis was to identify item loadings greater than 0.40 that are relevant for interpretation. Lastly, components with two or fewer items were removed because they signify a lack of correlation pattern.

6.14.4 Structural equation modelling

Structural equation modelling (SEM) is a multivariate statistical method for estimating parameters for a system of concurrent equations (Stein, Morris & Nock, 2012). SEM was used to estimate a series of inter-relationships among latent constructs simultaneously in a model. According to Sarstedt and Ringle (2020:841), SEM is the most efficient method to handle the Confirmatory Factor Analysis (CFA) for measurement models, analyse the causal relationships among latent constructs in a structural model, estimate their variance and covariance, and test the hypotheses for mediators and moderators in a model.

6.15 Validation and reliability of the findings of the study

According to various researchers (Lichtman, 2012; Muhibbin & Mantja, 2015; Robson, 2002), triangulation of research methods improves the accuracy, validity, dependability, and credibility of the study findings. In accordance with these authors, a mixed methodology, as demonstrated by the triangulation of three methodologies, (survey questionnaires, focus group discussions and telephone interviews) were used to ensure the validity and reliability of this study. The initial method used to collect data was a survey questionnaire then focus groups discussion and telephone interviews were employed to supplement and validate the findings of the survey questionnaires. Additionally, the measuring instrument (statements) were further subjected to a reliability test (Cronbach's Alpha Coefficient) to determine whether the scale used was reliable. The results showed a Cronbach Alpha Coefficient of more than 0.70 on all measuring instruments, thereby indicating the accuracy of the measuring device.

6.16 Ethical consideration

The term 'ethics applies to the principles of "appropriate human behaviour" to which the researcher should adhere while gathering evidence (Walsh & Lipinski, 2009:569-585). Miles and Huberman (1994) categorized ethical considerations into five major points namely: informed consent, voluntary participation, privacy, confidentiality, and anonymity.

(1) The participants were informed about the study and asked to provide their written consent to participate in this study

(2) Participation in this study was voluntary and the respondents were free to withdraw at any time should they wish to do so.

(3) The researcher respected the privacy of the respondents by not disclosing to anyone, the personal information that is attained. The data was stored on cloud, where it could only be accessed by the researcher.

(4) Respondents were told that the data gathered would be used only for scientific purposes and would never be shared with anyone who is not personally interested in the contents of this research report.

(5) As a protection of their privacy, the respondents were subjected to anonymity; therefore, they were told that the questionnaire would not disclose their identities.

6.17 Conclusion

This chapter examined the research methodology that underpins this study. The discussions regarding the various research methodologies to be employed, as well as the reasons why such approaches were chosen, was briefly explained. The chapter further discussed the adopted sample methods, data collection methods and processes, and the data analysis methodologies that were followed when analysing data. Brief discussions on how the questionnaire survey was validated was also provided. The measuring instrument (statements) was subjected to a reliability test (Cronbach's Alpha Coefficient) to determine whether the scale was reliable. The collected data will be analysed and discussed in the next chapter.

CHAPTER SEVEN

DATA ANALYSIS AND DISCUSSION OF FINDINGS

7.1 Introduction

The preceding chapters thoroughly detailed the research methodologies and designs employed in this study. In line with the research questions, this chapter presents the analysis of the data collected from the respondents. The survey questionnaire was the primary basis for the analysis, the telephone interviews and focus group would validate the findings of the questionnaire.

7.2 Participants demographics for telephone interviews

According to Ledney and Ormrod (2004), 'demographics' encompass the study of a population's specific characteristics, it offers demographic information about the people in the representative sample that helps to validate the study procedure. The demographics approach was specifically picked to allow for appropriate information regarding the internal IAF to be gathered. To provide a valid response, participants would have to adhere to the following criteria:

Be engaged with the IAF procedures of the WCG.

Hold a managerial position within the IAF.

Practicing internal auditors.

Participants were asked to provide biographical data on matters such as employer, gender, position in the IAF, function and years of experience. This biographical information is shown in Table 7.1 below.

Table 7.1 Biographical profiles of the study participants

Name of the Employer	Gander	Position	Qualification	Years of Experience
#1	Female	Chief Audit Executive	Post Grad Degree	More than 5 years
#2	Male	Deputy Director: Internal Audit	Degree	More than 5 years
#6	Female	Director: ICT Internal Auditing	Degree	5 years

#4	Female	Assistant Director: Internal Auditing	Degree	4 years
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7.3 Survey questionnaire

As indicated previously, the survey was conducted within the WCG's IAF. The survey's main goal was to examine the IAA's independence and internal auditors' objectivity within the provincial governance system. This chapter presents the analysis of data collected the administered questionnaire. De Vos (2002:339) explains data analysis as "the process of bringing order, structure and meaning to the mass of collected data". The SPSS statistical package was used to examine the responses to the study's questionnaire.

This section provides quantitative analysis and reports the results relating to IAA independence and internal auditors' objectivity within the WCG. This chapter also includes a discussion of the study's findings. A Likert scale ranging from 'strongly agree' (5) to 'strongly disagree' (1), 'always' (5) to 'never' (1) and 'a lot' (5) to 'never' (1) was used to collect the information. Initially this chapter discusses the descriptive statistics, after which the validity and reliability of the instrument tests are described and the findings that address the study's research questions are supplied.

7.4 Descriptive statistics

According to Loeb et al. (2017:1), descriptive statistics is a data simplification technique that allows a set of data to be summarized into a few short descriptive measures. Descriptive statistics are useful for retrieving and organizing key pieces of information from huge amounts of data since they can be used to represent the full population or simply a sample of it. According to Wegner (2012:7), summarized data allow researchers to identify profiles, patterns, connections, and tendencies within the data, that are typically represented by measures of central tendency, validity or spread.

7.5 Data Coding

Data coding is defined by Smith and Davies (2010:155) as the process of assigning keywords to text segments. Saldaña (2013:5,8) describes coding as a "cyclic" process in which more cycles can be incorporated into the coding process to produce categories, concepts, and themes from the data. Furthermore, according to Smit (2002), data coding is critical in data analysis. The data regarding the legislative requirements for the IAF was coded as LRIAF, the functioning of IA was coded as FIAU, IAA independence was coded as IAAI, IA objectivity was coded as IAO, IA effectiveness was coded as IAE and IA operational challenges was coded as IAOC. All the codes and their meanings will be utilized to test the data's reliability, as shown in Table 7.2 below:

Table 7.2: Items coding

<i>CODE</i>	<i>FACTOR</i>
LRIAF	Legislative requirement for internal audit function
FIAU	Functioning of internal audit unit
IAAI	Internal audit activity independence
IAO	Internal audit objectivity
IAE	Internal audit effectiveness
IAOC	internal audit operational challenges

7.6 Descriptive statistics results

The outcomes of this investigation were represented using three data core measures: median, mean, and standard deviation. Mean values are typically used to rank or prioritize items (Gravetter & Wallnau, 2013:72), whereas median values are utilized to provide insight into the absolute middle (average) value. The central measures indicated earlier were utilized to create a five-point Likert scale to calculate the 'I don't know' or 'moderate point, where the mean value is 3. Similarly, a mean number more than 3 (i.e., 4 and above) indicates agreement, while a mean value less than 3 indicates disagreement.

7.7 framework for evaluating and enhancing IAA independence and internal auditors' objectivity.

7.7.1 Results of survey questionnaire

To understand the evaluation and enhancing IAA's independence and internal auditors' objectivity, sample participants were asked to the state to which extent they agreed or disagrees with the statements related to the establishment and functioning of IAF. This practice used 5-likert scale (strongly agree = 5, agree =4, I don't know =3, disagree =2 and strongly disagree = 1).

Table 7.3: Legislative requirement of IAF

	Valid						Median value	Mean value	Standard Deviation
	1	2	3	4	5	Total agreement			
My department acts provide for establishment structure and operation of the IAF	4,6%	9,2%	13,1%	9,6%	63,5%	73.1%	5	4,18	1,234
My department has a policy that authorises IAA	5,4%	13,5%	10%	10%	61,2%	71.2%	5	4,08	1,317
My department's IA Charter has been established	3,8%	12,3%	9,2%	10,4%	64,2%	74,6%	5	4,19	1,242
My department's IA Mission statement has been established	11,9%	9,6%	5,4%	8,5%	64,6%	73.1%	5	4,04	1,471
The purpose of IA is clearly defined in my department	11,5%	6,5%	10,8%	6,5%	64,6%	71.1%	5	4,06	1,435
The IA purpose of my department is in line with the standard of professional practice as provided by IIA	7,3%	6,2%	11,5%	11,2%	63,8%	75%	5	4,18	1,277
Document defining IA purpose and authority in my department is approved by AC	7,7%	9,2%	6,2%	10,8%	66,2%	77%	5	4,18	1,326
The IAF in my department is not large enough to successfully carry out its duties	7,7%	11,2%	8,1%	10,8%	62,3%	73.1%	5	4,09	1,357

On average, all aspects of IAF with the median values from 4 and above represents agreement with the establishment of IAF. These statics are supported by computed mean values, that indicate crucial aspects of IA establishment present within the WCG.

All these aspects help to ensure the proper functioning of IAF. With such insight as 'My department acts provides for establishment structure and operation of the IAF' (with a mean value of 4,18); 'My department has a policy that authorises IAA' (with a mean value of 4,08); 'My department's IA Charter has been established' (with a mean value of 4,19); 'My department's IA Mission statement has been established' (with a mean value of 4,04); 'The purpose of IA is clearly defined in my department' (with a mean value of 4,06); 'The IA purpose of my department is in line with the standard of professional practice as provided by IIA' (with a mean value of 4,18); 'Document defining IA purpose and authority in my department is approved by AC' (with a mean value of 4,18); 'The IAF in my department is not large enough to successfully carry out its duties' (with a mean value of 4,09). As result of the above results, a conclusion can be reached that there is a guide for IAF operations.

7.7.2 Results of telephone interviews

The participants in the telephone interviews concurred with these results, but further noted the following: With respect to the mechanism to evaluate and enhance IAA's independence; the unit (Chief Directorate: Internal Audit) has within its Terms of Reference made provision for independence and objectivity. This document provides access to all the information within a client's department. There are also ongoing educational programmes, individual independence declarations, organizational independence and monitoring of results related to independence activities and reporting these matters to the AC.

7.7.3 Results of the focus group discussions

The participants in the focus group discussions concurred with these results, but further noted the following: even though most of the participants in the focus group discussions indicated that WCG IAF was established in compliance with legislative requirements, there are some hindrances. These are causes by the absence of the necessary framework to enhance IAA independence and objectivity within the public sector at large.

7.8 Assessing the functioning of IAF within the provincial governance systems

7.8.1 Results of survey questionnaire

To understand the functioning of internal audit function (FI AF) within the WCG, the sample participants were asked to what extent they agreed or disagreed with the statements related to the establishment and functioning of IAF. This was done using a 5-likert scale (strongly agree = 5, agree = 4, I don't know = 3, disagree = 2 and strongly disagree = 1).

Table 7.4 Functioning of IAF

	Valid					Total agreement	Median value	Mean value	Standard Deviation
	1	2	3	4	5				
In my organization IA does not have a sufficient budget to successfully carry out its duties	14,6%	10%	7,3%	56,2%	11,9%	68,1%	4	3,41	1,250
In my organization IA have a separate annual budget	14,6%	10%	5,4%	58,1%	11,9%	70%	4	3,43	1,251
In my organisation internal auditors possess sufficient experience to understand the organizational systems	15,0%	8,8%	8,5%	55,8%	11,9%	67,7%	4	3,41	1,250
IA of my organization has policies for hiring IA staff	14,6%	9,6%	8,1%	55,8%	11,9%	67,7%	4	3,41	1,247
Adequate short-term training in my organization is arranged for internal auditors each year	11,5%	13,1%	6,2%	62,3%	6,9%	69,2%	4	3,40	1,156
There is a complete IA manual to guide IA work in my organization	11,5%	10%	7,3%	61,2%	10%	71,2%	4	3,48	1,161
The IA supervisor in my organization supervises field work	11,9%	8,1%	5,4%	61,9%	12,7%	74,6%	4	3,55	1,176
IA supervisors of my organization supervise IA working papers	11,9%	8,1%	7,3%	60%	12,7%	72,7%	4	3,53	1,177
Risk assessment in my organization is done as part of IA planning	11,9%	8,1%	7,7%	59,6%	12,7%	72,3%	4	3,53	1,177

On average, all aspects of IAF with the median values of 4 and above represents the agreement with the functioning of IAF. Supported by calculated means: 'In my organization IA does not have sufficient budget to successfully carry out its duties' (with a mean of 3,41); 'In my organization IA has a separate annual budget' (with a mean of 3,43); 'In my organization internal auditors possess sufficient experience to understand the organizational systems' and 'The IA of my organization has policies for hiring IA staff' (both with a mean of 3,41); 'Adequate short-term training in my organization is arranged for internal auditors each year' (with a mean of 3,40); 'There is a complete IA manual to guide IA work in my organization' (with a mean of 3,48); IA supervisors in my organization supervise field work' (with a mean of 3,55); 'IA supervisors in my organization supervise IA working papers' and 'Risk assessment in my organization is done as part of audit planning' (both with a mean of 3,53). Based upon the above results, it can be argued that the WCG IAF meets the standards set by IIA.

7.8.2 Results of telephone interviews

The participants in the telephone interviews concurred with these results.

7.8.3 Results of the focus group discussions

The participants in the focus group discussion concurred with these results, but further noted following issues: The IAF is mostly regulated by the Public Finance Management Act (PFMA) 1 of 1999, Sections 38(1) and 76(4), and Treasury Regulations (2002) paragraph 3.2, with compliance to several sections of these Acts and rules being non-negotiable to ensure the independence of the AC. In these regulations, the terms of reference for the AC do not consistently define how the AC should operate with regards to the departmental environment and enhancing IAA independence and internal auditors' objectivity. While there are also best practices prescribed by the IIA, King Reports etc., the effective application of these stipulations has proved to be rather challenging due to the reporting structures in the various government departments. The study participants indicated that the Minister of Finance is involved in the appointment of the AC that is seen as the accounting authority.

"The accounting authority is seen as the board; however, the minister is involved in the appointment of the AC with the board. This appointment process may create some

uncertainty as to direct reporting lines; however, there should be reporting to both parties.”

7.9 Analysis of the Internal Auditors’ Independence to include all audit findings in the audit report

7.9.1 Results of survey questionnaire

To understand internal auditors’ independence to include all audit findings in the audit report, sample participants were presented with several descriptors on assessing IAA independence. The participants were then asked to indicate the extent to which they agreed or disagreed with the statements. This was done using 5-Likert scale ranging from strongly agree = 5, agree =4, I don’t know =3, disagree =2 to strongly disagree = 1.

Table 7.5 Internal Audit Activity Independence

	Valid						Median value	Mean value	Standard Deviation
	1	2	3	4	5	Total agreement			
In my department IA is free from Intervention in performing its duties	0,4%	1,9 %	0,8 %	-	96,9%	96,9%	5	4,91	.508
IA feel free to include any audit findings in their audit report in my organization	0,4%	2,3%	1,2%	3,5%	92,7%	96,2%	5	4,86	.575
CAE of my department reports to a level within the organization that allows the IAA to fulfil its responsibilities	0,8%	1,9%	0,8%	11,9%	84,6%	96,5%	5	4,78	.631
A functional AC in my organization has been established	0,4%	1,9%	0,8%	11,2%	85,8%	97%	5	4,80	.582
In my department IA provides reports to the AC	0,4%	1,9%	1,9%	9,2%	86,5%	95,7%	5	4,80	.603
AC in my organization oversees the employment decisions in IA	0,4%	1,9%	0,8%	11,9%	85%	96,9%	5	4,79	.585

My department AO and top management involved in the appointment of CIA	0,4%	1,9%	0,8%	8,1%	88,8%	96,9%	5	4,83	.565
My department CIA only reports administratively to AO	0,4%	1,9%	0,8%	9,6%	87,3%	96,9%	5	4,82	.573
CIA has unrestricted access to AC in my department	0,4%	1,9%	0,8%	9,6%	87,3%	96,9%	5	4,82	.573
CIA reports functional to AC in my department	0,4%	1,9%	0,8%	3,1%	93,8%	97%	5	4,88	.532

All IAA independence descriptors with the median values 4 and above indicate IAAs are independent. This result is supported by calculated mean as follows: 'In my department IA is free from Intervention in performing its duties' (with a mean value of 4,91); 'IA feel free to include any audit findings in their audit report in my organisation' (with a mean value of 4,86); 'CAE of my department reports to a level within the organization that allows the IAA to fulfil its responsibilities' (with a mean value of 4,78); 'A functional AC in my organization has been established' and 'In my department IA provides reports to the AC' (both with a mean value of 4,80); 'The AC in my organization oversees the employment decisions in IA' (with a mean value of 4,79); 'My department AO and top provincial government management involved in the appointment CIA' (with a mean value of 4,83); 'My department CIA only reports administratively to AO' and 'CIA has unrestricted access to AC in my department' (both with a mean value of 4,82); and 'CIA reports functional to AC in my department' (with a mean value of 4,88).

7.9.2 Results of telephone interviews

The participants in the telephone interviews concurred with these results, but further noted following: With respect to extent of IAA independence's contribution towards enhancing the institutional operations, the collected data indicated that it helps promote the status of IA within PG and provides additional trust in the work of internal auditors, it provides sound recommendations that address relevant issues, internal auditors can provide professional judgements without any influence in an unbiased manner, thus, achieving organizational objectives. Regarding to the extent to which

IAA independence helps internal auditors to curb the risk of financial misuse, after exploring the requirements for IAA independence and the role of IA regarding the risks threatening the attainment of organizational objectives, the results of the telephone interviews indicated that most of the participants agreed that IAA independence enhances the role of IA concerning organizational risks.

7.9.3 Results of the focus group discussions

The participants in the focus group discussion concurred with these results, but further noted following: even though the AC's Terms of Reference provides guidance in terms of its roles and responsibilities to its stakeholders, and enhancing IAA independence, the previous and/or current relationships of AC members and their political standing impairs their independence.

“The independence of the AC may be impaired due to previous/current relationships of AC members or the AC as a whole and political standing, among other factors.”

In view of the above results, however, it can be inferred that these elements provide a fair level of IAA independence within the WCG. This fact is confirmed because the above are elements suggested by the IIA to be present in all IAFs to ensure IAAI independence is achieved.

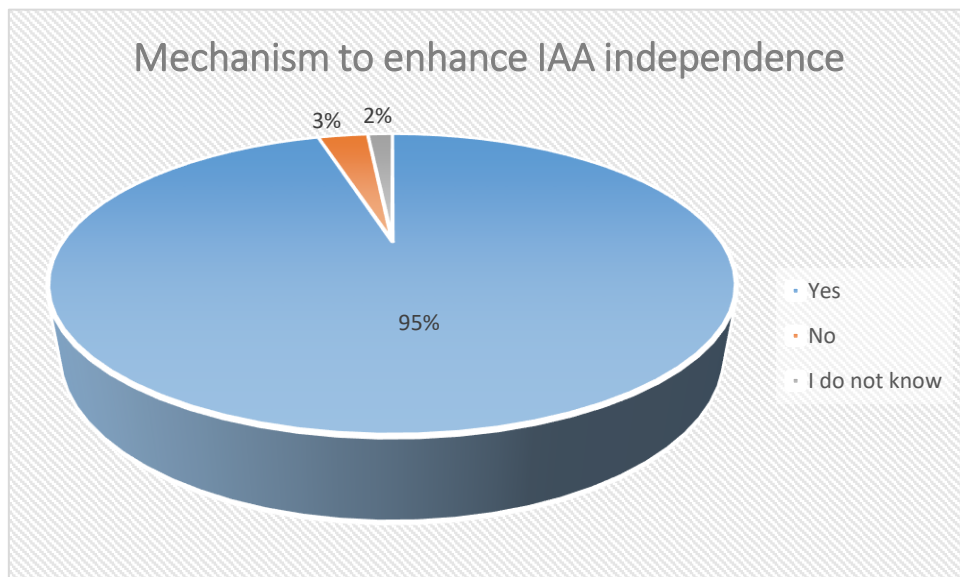


Figure 7.1: Mechanism to enhance IAA independence.

Figure 4.1 shows that 95% of respondents have indicated that the WCG have mechanism in place to enhance IAA independence. **The participants in the**

telephone interviews concurred with these results, but further noted mechanism as follows:

- a. *The unit (Chief Directorate: Internal Audit) has within the Terms of Reference made provision for independence and objectivity. This document provides access to all information within a client department.*
- b. *The AC, which is the oversight body may also be made aware of limitation of scope in a report (where the client did not provide information), although the AC does not get involved in operations and is an oversight body, Internal audit can appeal to the AC to facilitate the matter and the assessment thereof on the control environment” (Participant – #1).*
- c. *“The reporting lines of IAA are enforced as per the International Standards of the Professional Practice of Internal Auditing: the chief audit executive is reporting administratively to the Head of the Department and functionally to the Audit committee.*
- d. *All policies of IAA are approved by the AC (strategic plan, operational plan, audit charter, methodology and report).*
- e. *IA has unrestricted access to all the organizational information.*
- f. *There is a checklist in place to check if the codes of ethics are applied.*
- g. *Conform to the IPPF and Standards” (Participant – #4).*

Ongoing education:

- *Annually we ensure all staff in the department has a refresher on ethics in general (this may include topics related to independence).*

Individual independence declarations:

- *Staff signs an annual independence confirmation detailing adherence to the IIA standard for ethics.*
- *Staff signs an annual independence confirmation detailing adherence to the ethical requirements of government employees (this is administered by the Department of the Premier).*
- *For each report issued, staff are required to complete an independence confirmation, confirming their independence for the projects.*

Organizational independence:

- *The CAE reports functionally to the AC.*
- *Included in the CAEs job description and annual performance requirements adherence to the IIA standards (including measures related to independence).*

- Independence requirements are detailed in the AC terms of reference, the IA Charter and methodology.

Monitoring:

- Results related to independence activities are reported to the AC (**Participant – #6**).

7.10 Internal auditors’ objectivity

7.10.1 Results of survey questionnaire

To understand the way internal auditors conduct themselves when performing their audit engagement, several descriptors on assessing Internal auditors’ objectivity was presented to participants and they were asked to indicate the extent to which they agreed or disagreed with the statements. This result was achieved using 5-Likert scale ranging from strongly agree = 5, agree = 4, I don’t know = 3, disagree = 2 and strongly disagree = 1.

Table 7.6 Internal Auditors’ Objectivity

	Valid						Median value	Mean value	Standard Deviation
	1	2	3	4	5	Total agreement			
Objectivity is a key factor for the IAF effectiveness in my department	5,8%	3,1%	3,5%	14,6%	73,1%	87,7%	5	4,46	1,095
In my department internal auditors are not assigned to review their work	6,5%	3,1%	3,5%	6,5%	80,4%	86,9%	5	4,51	1,137
Internal auditors of my department are not exposed to social pressure threats	8,8%	5,4%	3,5%	23,8%	58,5%	82,2%	5	4,18	1,267
Internal auditors in my department are unbiased in their recommendations and conclusions	6,5%	3,1%	3,5%	5%	81,9%	86,9%	5	4,53	1,137
My department internal auditors do not evaluate the work of the individual or department that makes decisions that directly affect future employment opportunities	8,1%	9,2%	3,5%	28,5%	50,8%	79,3%	5	4,05	.489
My department some internal auditors have	10,4%	5%	3,1%	32,3%	49,2%	81,5	5	4,05	1,289

friendship relationships with auditee employees									
Internal auditors my department do not approach audit work with preconceived notions	7,3%	7,3%	8,1%	29,6%	47,7%	77,3%	5	4,03	1,230
Internal auditors my department disclose all material facts known to them	6,5%	2,7%	3,1%	4,6%	83,1 %	87,7%	5	4,55	1,123
In my department, internal auditors do not participate in audit of activities for operations for which they were responsible	5%	3,1%	3,1%	4,2%	84,6%	88,8%	5	4,60	1,044

All elements to assess internal auditor’s objectivity with a median value 4 and above indicates that internal auditors are objective when performing audit engagements. Supported by calculated mean, ‘Objectivity is a key factor for the IAF effectiveness in my department’ (with a mean value of 4,46); ‘In my department InAs are not assigned to review their work’ (with a mean value of 4,51), ‘Internal auditors in my department are not exposed to social pressure threats (with a mean of 4,18); ‘Internal auditors in my department are unbiased in their recommendations and conclusions’ (with a mean value of 4,53), ‘My department internal auditors do not evaluate the work of the individual or department that makes decisions that directly affect future employment opportunities’ and ‘In my department some internal auditors have friendship relationships with auditee employees’ (both with a mean value of 4,05); ‘Internal auditors in my department do not approach audit work with preconceived notions’ (with a mean of 4,03); ‘Internal auditors in my department disclose all material facts known to them’ (with a mean value of 4,55); and ‘In my department, internal auditors do not participate in audit of activities for operations for which they were responsible’ (with a mean value of 4,60).

In view of the above statics, a conclusion can be made that the elements to assess ‘internal auditor objectivity enhances effectiveness of IA within the WCG. This conclusion is also based on the fact the above are elements suggested by IIA appear to be present in all IAFs to ensure internal auditors’ objectivity.

7.10.2 Results of telephone interviews

The findings of the telephone interviews agree with information about the internal auditors' objectivity.

7.10.3 Results of the focus group discussions

during the focused group interviews participants indicated that the familiarity of working frequently with the same client often becomes a problem, the internal auditors forge friendships that can make it difficult for them to remain objective in their findings and conclusions. *“There is a lack of rotating IA resulting in them being familiar with working on the same client often becomes a problem as friendship relationships are forged, which makes it difficult for IAs to remain objective” (Participant – #1, #4 & #6)*

7.11 Internal Audit (IA) effectiveness

7.11.1 Results of survey questionnaire

Several descriptors were posed to the sampled participants from IAF within the WCG to attain a better understanding of the effectiveness of IA. To achieve this result, participants were presented with a statement and the 5-Likert scale and were asked to indicate the extent to which they agreed or disagreed with the statements (strongly agree = 5, agree = 4, I don't know = 3, disagree = 2 and strongly disagree = 1).

Table 7.7 Internal Audit effectiveness

	Valid						Median value	Mean value	Standard Deviation
	1	2	3	4	5	Total agreement			
Objectives and goals of the activities to be audited are taken into consideration when planning audit programmes	1,2%	2,7%	2,3%	4,6%	83,8%	88,4%	5	4,73	.739
Significant audit findings and recommendation in my department are immediately brought to the attention of management	2,7%	2,3%	8,1%	7,7%	79,2%	86,9%	5	4,58	.932
In my department IA follow up to ensure that correction actions are taken	1,2%	2,7%	1,5%	7,7%	86,9%	94,6%	5	4,77	.716

My department has a formal subsequently audit follow up policy	1,2%	2,3%	3,8%	6,9%	85,8%	92,7%	5	4,74	.741
Audit findings are discussed with auditee before being reported on in my organization	2,3%	3,1%	1,5%	6,5%	86,5%	93%	5	4,72	.835
Management is not taking timely corrective action based on audit findings and recommendations in my organization	1,9%	6,2%	4,6%	5,8%	81,5%	87,3%	5	4,59	.969
The IA plan of my department is fulfilled	4,6%	2,3%	1,9%	8,5%	82,7 %	91,2%	5	4,62	.985
The IA plan of my department is completed at the required time	1,2%	2,3%	2,3%	5,4%	88,8%	94,2%	5	4,78	.703
In my organization the implementation rate of IA recommendations is low	1,2%	2,3%	2,7%	6,2%	87,7%	93,9%	5	4,77	.799
IA findings in my department are not solved within the required period	1,9%	5%	2,7%	7,3%	83,1%	90,4%	5	4,65	.904

On average, all the factors to assess IA effectiveness with median value of 4 and above means IAs are effective in adding value to the operations of the organization. Therefore, supported by computed means, Objectives and goals of the activities to be audited are taken into consideration when planning audit programmes in my department' (with a mean value of 4,73); 'Significant audit findings and recommendations in my department are immediately brought to the attention of management' (with a mean value of 4,58); 'In my department IA follow up to ensure that correction actions are taken' (with a mean value of 4,77); 'My department has a formal subsequently audit follow-up policy' (with a mean value of 4,74); 'Audit findings are discussed with auditee before being reported on in my organization' (with a mean value of 4,72), 'Management is not taking timely corrective action based on audit findings and recommendation in my organization' (with a mean of 4,59); 'The IA plan of my department is fulfilled' (with a mean value of 4,62); 'The audit plan of my department is completed at the required time' (with a mean value of 4,78); 'In my

organization implementation rate recommendations is low' (with a mean value of 4,77); and 'IA findings in my department are not solved within the required period' (with a mean value of 4,65). Stemming from the above factors, a conclusion can be drawn that these factors are useful in assessing IA effectiveness in adding value to the institutional operations.

7.11.2 Results of telephone interviews

The participants in the telephone interviews concurred with these results, but further indicated the following: With regards to IA findings and recommendations, the management only accepts the audit report issued when it highlights that controls are adequate and effective. With regards to improving the IAF, it was clear that this function must improve, establish a clear reporting structure, address the strategic and operational risks faced by the department, recommend relevant controls to mitigate risks, carry out its work with proficiency and due professional care and be allocated more resources.

7.11.3 Results of the focus group discussions

The participants in the focus group discussion concurred with these results, but further indicated the following: The effectiveness of IA is influenced by the lack of adequate dedication and commitment on the managements' part to address all IA findings, effectively preparing for meetings by reading materials in advance, engaging in follow-up processes, as well as attending and actively engaging in meetings.

"When the reports issued highlights that controls are adequate and effective, the management is naturally happy with the result.

"When it comes to audit findings, it does depend on the maturity of the client and their understanding of internal audit. Certain clients value our assessment; however, others see it as something that their supervisors will use against them. In the latter case, they will not agree to findings and in certain instances we have more than one exit meeting. We do not change our assessment and may have to clear it at a higher level"

(Participant – #1).

"When the reports issued highlights that controls are adequate and effective, the management is naturally happy with the result. However, when it comes to audit findings, client will argue findings despite evidence provided and this causes delays in finalizing reports" **(Participant – #6).**

7.12 investigate operational challenges that may impair the independence and objectivity of the IAF

7.12.1 Results of Survey Questionnaire

To confirm operational challenges that may impair the independence and objectivity of the IAF, sampled respondents were presented with a few of the common challenges experienced in relation to IAA independence and internal auditor objectivity. The participants were asked to indicate their extent of agreement as follows (strongly agree = 5, agree = 4, I don't know = 3, disagree = 2 and strongly disagree = 1).

Table 7.8 operational challenges to IAA independence and interna auditors' objectivity

	Valid						Median value	Mean value	Standard Deviation
	1	2	3	4	5	Total agreement			
In my organization IA are not pressurised into changing the substance of an audit observation by superiors/peers/management	4,6%	5%	9,2%	33,8%	47,3%	81,1%	4	4,14	.079
In my organization IA are not intimidated/threatened by and audit client over the reporting of an adverse condition	2,7%	3,5%	6,5%	51,2%	36,2%	87,4%	4	4,15	.888
Sectional heads of my organization are not cooperating with the IA departments	2,3%	3,8%	7,3%	44,2%	42,3%	86,5%	4	4,20	.905
IAF of my department is given low status in the management structure	3,1%	5%	7,7%	38,5%	45,8%	84,3%	4	4,19	.990
Management of my organization have a bad perception about IA as adding value to the organization	3,8%	5%	5%	51,9%	34,2%	86,1%	4	4,08	.968

On overage, all the challenges with a median value of 4 and about suggest the prevalence of the challenge within the WCG. Supported by calculated mean, 'In my organization IA are not pressurised into changing the substance of an audit observation by superiors/peers/management' (with a mean of 4,14); 'In my organization IA are not intimidated/threatened by and audit client over the reporting of an adverse condition' (with a mean of 4,15); 'Sectional heads in my organization are not cooperating with the IA departments' (with a mean of 4,20); 'IAF of my department is given low status in the management structure' (with a mean of 4,19); and 'Management of my organization have a bad perception about IA as adding value to the organization' (with a mean of 4,08).

7.12.2 Results of telephone interviews

The participants in the telephone interviews concurred with these results, but further noted the following:

With respect to operational challenges that affect IAA independence the following issues were highlighted: management is not providing actual plans timeously, the IAF is used as a management training ground for this sector of the organization, the IAF is being undermined and auditors are seen as a 'policing' exercise and not as an 'adding value' activity, resistance to a change, lack of 'buy-in' from management, organizational capacity issues, a limited budget for training and improving the performance of the and the fact that IAs need more resources because the current deficiency reduces the scope of field verification.

7.12.3 Results of the focus group discussions

The participants in the focus group discussions concurred with these results, but further noted the following: it was mentioned during the focus group discussion that the threat of familiarity and the lack of rotation of IA staff during their engagements are amongst the many issues that affect IAA's independence and internal auditors' objectivity.

“a. Management not providing actual plans timely.

b. Another challenge that affect internal audit independence is the use of internal audit function as a management training ground and the sector of the organization.

c. IAF is being undermined and auditors are seen as police not adding value activity.

d. people do not want a change, lack of buy in from management, capacity issues in our organizations, limited budget for improve and train the IAs.

e. IA needs more budget/resources as these affects scope coverage such field verification” (Participant – #1, #4 & #6).

7.13 Reliability and validity of the results

It is critical in the current field of study that the information gathered is reliable. A reliable data gathering tool was, thus, used to collect data. Sürücü & Maslakçi (2020) define data reliability as "sufficient, thorough and correct data collection that tries to measure the relevant concept under research". Cronbach's Alpha test was performed

to determine the reliability and consistency of the Likert scale statements that were presented to the study respondents.

Additionally, the Cronbach's Alpha test was employed to verify internal consistency, determining how well distinct variables in a questionnaire measured the same broad notion. According to the Institute for Digital Research and Education (2017), a Cronbach's Alpha value of 0.700 and higher for internal consistency testing suggests reliability. Kerlinger and Lee (2000:44) disagree with this statement, stating that in some circumstances, internal consistency values less than 0.70, i.e., 0.60 and 0.50, are acceptable. The Cronbach alpha test results for the survey of this study are shown in Table 7.9 below.

Table 7.9: Cronbach’s Alpha Values for the Reliability Test

<i>Constructs</i>	<i>Cronbach's Alpha</i>	<i>Cronbach's alpha based on standardized items</i>
LRAF	.898	.901
FIAU	.939	.938
IAAI	.971	.972
IAO	.965	.967
IAE	.957	.962
IAOC	.818	.820

NOTE: LRIAF= Establishment of Internal Audit function; FIAU= Functioning of internal audit function, IAAI= internal audit activity independence; IAO= internal auditors objectivity; IAE= internal audit effectiveness; IAOC= internal audit operational challenges.

The results of Cronbach Alpha test presented in Table 7.9 above clearly demonstrates the results of the constructs. The Cronbach’s alpha for legislative requirement of internal audit function (LRIAF) was .901, this means 90% reliability for all statements under this construct. The construct functioning of internal audit unit (FIAU) was .938, thus, 94% reliable. The construct for internal audit activity independence (IAAI) was .972, this means 97% reliable. While construct for internal auditors’ objectivity (IAO) was .967, thus 97% reliable, the construct for internal audit effectiveness (IAE) was .962 this indicates 96% reliability. Lastly, the construct for internal audit operational challenges (IAOC) was .820, this means that the statements represented by this construct are 82% reliable.

Items with low reliability values were deleted with the intention of improving the Cronbach Alpha values. However, Cronbach’s alpha values for all constructs

remained the same. Based on the Cronbach Alpha values, inference was made that the survey produced reliable data and valid for analysis.

7.14 Correlation analysis

Inter-item correlations analysis was also conducted for each construct as a way of establishing their relationship – see Table 7.10 below.

Table 7.10: Inter-item correlation table for EIAF

	Correlations									
	Means	SDV	DPAF	DPA	IAC	IAME	PIAD	IAPS	DDIA	LESD
DPAF	4,18	1,234	1							
DPA	4,08	1,317	.886**	1						
IAC	4,19	1,242	.914**	.875**	1					
IAME	4,04	1,471	.559**	.594**	.617**	1				
PIAD	4,06	1,435	.340**	.337**	.340**	.368**	1			
IAPS	4,18	1,277	.432**	.384**	.446**	.356**	.628**	1		
DDIA	4,18	1,326	.409**	.387**	.436**	.360**	.623**	.922**	1	
LESD	4,09	1,357	.415**	.350**	.382**	.302**	.562**	.819**	.854**	1

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

NOTE: DPAF = My department acts provides for establishment structure and operation of the IAF; DPA = My department has a policy that authorises IAA; IAC = My department's IA Charter has been established; IAME= My department's IA Mission statement has been established; PIAD= The purpose of IA is clearly Defined in my department; IAPS= The IA purpose of my department is in line with the standard of professional practice as provided by IIA; DDIA= Document defining IA purpose and authority in my department is approved by AC; LESD= The IAF in my department is not large enough to successfully carry out its duties.

To examine and determine the main relationship in the data, as well as test the statistical significance of the link between each of the variables, the statistical tool Pearson correlation "r" was used. Table 7.10 above presents the results of IAF context, represented as DPAF- LESD. These factors have shown moderate to a strong association with one another at 95% significant level $p = 0.01$. A moderate cross-correlation was produced by the following variables; IAME and LESD, DPA and PIAD, DPAF and PIAD, IAC and PIAD, DPA and LESD, IAME and IAPS, IAME and DDIA, IAME and PIAD, IAC and LESD, DPA and IAPS, DPA and DDIA, DPAF and DDIA, DPAF and LESD, DPAF and IAPS, IAC and DDIA, IAC and IAPS with $r=.302^{**}$, $r=.337^{**}$, $r=.340^{**}$, $r=.340^{**}$, $r=.350^{**}$, $r=.356^{**}$, $r=.360^{**}$, $r=.368^{**}$, $r=.382^{**}$, $r=.384^{**}$, $r=.387^{**}$, $r=.409^{**}$, $r=.415^{**}$, $r=.432^{**}$, $r=.436^{**}$ and $r=.446^{**}$ respectively.

A strong cross-correlation was produced by the following variables; DPAF and IAME, PIAD and LESD, DPA and IAME, IAC and IAME, PIAD and DDIA, PIAD and IAPS, IAPS and LESD, DDIA and LESD, DPA and IAC, DPAF and DPA, DPAF and IAC, IAPS and DDIA with $r=.559^{**}$, $r=.562^{**}$, $r=.594^{**}$, $r=.617^{**}$, $r=.623^{**}$, $r=.628^{**}$, $r=.819^{**}$, $r=.854^{**}$, $r=.875^{**}$, $r=.886^{**}$, $r=.914^{**}$ and $r=.922^{**}$ respectively.

Table 7.11: Inter-item correlation analysis – functioning of internal audit unit

	Correlations										
	Means	SDV	SBSD	SAB	PSE	PHIA	ASTT	MGIA	OSFW	OSWP	RAAP
SBSD	3,41	1,250	1								
SAB	3,43	1,251	.991**	1							
PSE	3,41	1,250	.995**	.987**	1						
PHIA	3,41	1,247	.985**	.979**	.980**	1					
ASTT	3,40	1,156	.677**	.687**	.672**	.684**	1				
MGIA	3,48	1,161	.756**	.767**	.767**	.763**	.837**	1			
OSFW	3,55	1,176	.371**	.377**	.366**	.375**	.418**	.475**	1		
OSWP	3,53	1,177	.363**	.369**	.358**	.364**	.407**	.484**	.990**	1	
RAAP	3,53	1,177	.361**	.367**	.356**	.365**	.408**	.482**	.992**	.999**	1

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

NOTE: SBSD = In my organization IA does not have sufficient budget to successfully carry out its duties; SAB = In my organization IA have a separate annual budget; PSE = In my organization IA possess sufficient experience to understand the organizational systems; PHIA = IA of my organization have policies for hiring internal audit staff; ASTT= Adequate short-term training in my organization is arranged for internal auditors each year; MGIA= There is a complete IA manual to guide IA work in my organization; OSFW= IA supervisor in my organization supervises field work; OSWP= IA supervisors of my organization supervises IA working Papers; RAAP= Risk assessment in my organization is done as part of audit planning.

Table 7.11 above clearly demonstrates the results of IAA independence variables that range from SBSD to RAAP. At a significant level ($p = 0.01$), these variables showed a moderate to a strong correlation to one another. A moderately cross-correlation was produced by the following variables; PSE and RAAP, PSE and RAAP, SBSD and RAAP, SBSD and OSWP, PHIA and OSWP, PHIA and RAAP, PSE and OSFW, SAB and RAAP, SAB and OSWP, SBSD and OSFW, PHIA and OSFW, SAB and OSFW, ASTT and OSWP, ASTT and RAAP, ASTT and OSFW, MGIA and OSFW, MGIA and RAAP, MGIA and OSWP with $r=.356^{**}$, $r=.358^{**}$, $r=.361^{**}$, $r=.363^{**}$, $r=.364^{**}$, $r=.365^{**}$, $r=.366^{**}$, $r=.367^{**}$, $r=.369^{**}$, $r=.371^{**}$, $r=.375^{**}$, $r=.377^{**}$, $r=.407^{**}$, $r=.408^{**}$, $r=.418^{**}$, $r=.475^{**}$, $r=.482^{**}$ and $r=.484^{**}$ respectively.

PSE and ASTT, SBSD and ASTT, PHIA and ASTT, SAB and ASTT, SBSD and MGIA, PHIA and MGIA, SAB and MGIA, PSE and MGIA, ASTT and MGIA, SAB and PHIA, PSE and PHIA, SBSD and PHIA, SBSD and PHIA, SAB and PSE, OSFW and OSWP, SBSD and SAB, OSFW and RAAP, SBSD and PSE, OSWP and RAAP with $r=.672^{**}$,

$r=.677^{**}$, $r=.684^{**}$, $r=.687^{**}$, $r=.756^{**}$, $r=.763^{**}$, $r=.767^{**}$, $r=.767^{**}$, $r=.837^{**}$, $r=.979^{**}$, $r=.980^{**}$, $r=.985^{**}$, $r=.985^{**}$, $r=.987^{**}$, $r=.990^{**}$, $r=.991^{**}$, $r=.992^{**}$, $r=.995^{**}$ and $r=.999^{**}$ respectively, demonstrated a strong correlation.

Table 7.12: Inter-item correlation analysis – internal audit activity independence

Correlations												
	Means	SDV	IPP	AFAR	CAER	FAC	RAC	ACD	AOTA	CIARA	UAAC	RFAC
IPP	4,91	.508	1									
AFAR	4,86	.575	.867**	1								
CAER	4,78	.631	.769**	.646**	1							
FAC	4,80	.582	.841**	.815**	.794**	1						
RAC	4,80	.603	.810**	.762**	.763**	.907**	1					
ACD	4,79	.585	.833**	.703**	.919**	.864**	.831**	1				
AOTA	4,83	.565	.876**	.746**	.652**	.708**	.681**	.711**	1			
CIARA	4,82	.573	.858**	.728**	.644**	.699**	.672**	.702**	.977**	1		
UAAC	4,82	.573	.858**	.728**	.654**	.688**	.661**	.713**	.762**	.742**	1	
RFAC	4,88	.532	.946**	.815**	.714**	.784**	.754**	.775**	.820**	.801**	.864**	1

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

NOTE: IPP = In my department IA is free from Intervention in performing its duties; AFAR = IA feel free to include any audit findings in their audit report in my organization; CAER = CAE of my department reports to a level within the organization that allows the IAA to fulfil its responsibilities; FAC = A functional AC in my organization has been established; RAC= IA of my department provides reports to the AC; ACD= The AC in my organization oversees the employment decisions of IA; AOTA = My department AO and top provincial government management involved in the appointment; CIARA= My department CIA only reports administratively to AO; UAAC= CIA has unrestricted access to AC in my department; RFAC= CIA reports functional to AC in my department.

Table 7.12 above clearly demonstrates the results of IAA independence variables that range from IAP to RF. At a significant level ($p = 0.01$), these variables showed a strong correlation to one another. A strong cross-correlation was produced by the following variables CAER and CIARA, AFAR and CAER, CAER and AOTA, CAER and UAAC, RAC and UAAC, RAC and CIARA, RAC and AOTA, FAC and UAAC, FAC and CIARA, ACD and CIARA, AFAR and ACD, FAC and AOTA, ACD and AOTA, ACD and UAAC, CAER and RFAC, AFAR and CIARA, AFAR and UAAC, CIARA and UAAC, AFAR and AOTA, RAC and RFAC, AFAR and RAC, AOTA and UAAC, IPP and CAER, ACD and RFAC, FAC and RFAC, CAER and FAC, CIARA and RFAC, IPP and RAC, AFAR and FAC, AFAR and RFAC, AOTA and RFAC, RAC and ACD, IPP and ACD, IPP and FAC, IPP and CIARA, IPP and UAAC, FAC and ACD, UAAC and RFAC, IPP and AFAR, IPP and AOTA, FAC and RAC, CAER and ACD, IPP and RFAC AOTA and CIARA with $r=.644^{**}$, $r=.646^{**}$, $r=.652^{**}$, $r=.654^{**}$, $r=.661^{**}$, $r=.672^{**}$, $r=.681^{**}$, $r=.688^{**}$, $r=.699^{**}$, $r=.702^{**}$, $r=.703^{**}$, $r=.708^{**}$, $r=.711^{**}$, $r=.713^{**}$, $r=.714^{**}$, $r=.728^{**}$,

$r=.728^{**}$, $r=.742^{**}$, $r=.746^{**}$, $r=.754^{**}$, $r=.762^{**}$, $r=.762^{**}$, $r=.769^{**}$, $r=.775^{**}$, $r=.784^{**}$, $r=.794^{**}$, $r=.801^{**}$, $r=.810^{**}$, $r=.815^{**}$, $r=.815^{**}$, $r=.820^{**}$, $r=.831^{**}$, $r=.833^{**}$, $r=.841^{**}$, $r=.858^{**}$, $r=.858^{**}$, $r=.864^{**}$, $r=.864^{**}$, $r=.867^{**}$, $r=.876^{**}$, $r=.907^{**}$, $r=.919^{**}$, $r=.946^{**}$ and $r=.977^{**}$ respectively.

Table 7.13: Inter-item correlation analysis – internal auditors’ objectivity

	Correlations										
	Means	SDV	OFE	ARW	SPT	URC	DEO	RAE	AWP	DMF	AAOR
OFE	4,46	1,095	1								
ARW	4,51	1,137	.932 ^{**}	1							
SPT	4,18	1,267	.717 ^{**}	.762 ^{**}	1						
URC	4,53	1,137	.930 ^{**}	.988 ^{**}	.760 ^{**}	1					
DEO	4,05	1,282	.694 ^{**}	.755 ^{**}	.732 ^{**}	.725 ^{**}	1				
RAE	4,05	1,289	.645 ^{**}	.707 ^{**}	.675 ^{**}	.701 ^{**}	.653 ^{**}	1			
AWP	4,03	1,230	.740 ^{**}	.762 ^{**}	.737 ^{**}	.750 ^{**}	.690 ^{**}	.661 ^{**}	1		
DMF	4,55	1,123	.895 ^{**}	.961 ^{**}	.738 ^{**}	.958 ^{**}	.726 ^{**}	.683 ^{**}	.737 ^{**}	1	
AAOR	4,60	1,044	.816 ^{**}	.887 ^{**}	.678 ^{**}	.889 ^{**}	.646 ^{**}	.623 ^{**}	.671 ^{**}	.852 ^{**}	1

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

NOTE: OFE = Objectivity is a key factor for the IAF effectiveness in my department; ARW = In my department IAs are not assigned to review their work; SPT = IAs of my department are not exposed to social pressure threats; URC = IAs in my department are unbiased in their recommendations and conclusions; DEO= My department IA does not evaluate the work of the individual or department that makes decisions that directly affect future employment opportunities; RAE= My department IA have friendship relationships with auditee employees; AWP = IA of my department does not approach audit work with preconceived notions; DMF= IA of my department disclose all material facts known to them; AAOR= My department IA do not participate in audit of activities for operations of which they were responsible.

In Table 7.13 above the results of internal auditors’ objectivity variables range from OFE through AAOR. At a significant level ($p = 0.01$), these variables demonstrated a strong positive correlation. A strong cross-correlation was produced by the following variables RAE and AAOR, OFE and RAE, DEO and AAOR, DEO and RAE, RAE and AWP, AWP and AAOR, SPT and RAE, SPT and AAOR, DEO and AWP, RAE and DMF, OFE and DEO, URC and DEO, ARW and RAE, OFE and SPT, URC and DEO, DEO and DMF, SPT and DEO, SPT and AWP, AWP and DMF, SPT and DMF, OFE and AWP, URC and AWP, ARW and DEO, AWP and SPT ARW and AWP, OFE and AAOR, DMF and AAOR, ARW and AAOR, URC and AAOR, OFE and DMF, OFE and URC, OFE and ARW, URC and DMF, ARW and DMF, ARW and URC with $r=.623^{**}$, $r=.645^{**}$, $r=.646^{**}$, $r=.653^{**}$, $r=.661^{**}$, $r=.671^{**}$, $r=.675^{**}$, $r=.678^{**}$, $r=.690^{**}$, $r=.683^{**}$, $r=.694^{**}$, $r=.701^{**}$, $r=.707^{**}$, $r=.717^{**}$, $r=.725^{**}$, $r=.726^{**}$, $r=.732^{**}$, $r=.737^{**}$, $r=.737^{**}$, $r=.738^{**}$, $r=.740^{**}$, $r=.750^{**}$, $r=.755^{**}$, $r=.762^{**}$, $r=.762^{**}$, $r=.816^{**}$, $r=.852^{**}$, $r=.887^{**}$, $r=.889^{**}$, $r=.895^{**}$, $r=.930^{**}$, $r=.932^{**}$, $r=.958^{**}$, $r=.961^{**}$ and $r=.988^{**}$ respectively.

Table 7.14: Inter-item correlation analysis – internal Audit effectiveness

	Correlations											
	Means	SDV	PAP	AFR	CAT	APP	DAR	AFC	IPF	ACR	IRH	FS
PAP	4,73	.739	1									
AFR	4,58	.932	.596**	1								
CAT	4,77	.716	.871**	.681**	1							
APP	4,74	.741	.849**	.608**	.888**	1						
DAR	4,72	.835	.707**	.668**	.749**	.705**	1					
AFC	4,59	.969	.630**	.558**	.606**	.576**	.625**	1				
IPF	4,62	.985	.574**	.704**	.619**	.574**	.505**	.379**	1			
ACR	4,78	.703	.763**	.599**	.820**	.803**	.686**	.561**	.541**	1		
IRH	4,77	.714	.860**	.702**	.921**	.878**	.771**	.632**	.677**	.816**	1	
FS	4,65	.904	.675**	.577**	.657**	.677**	.552**	.639**	.633**	.782**	.808**	.1

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

NOTE: PAP = The objectives and goals of the activities to be audited are taken into consideration when planning audit programs in my department; AFR= Significant audit findings and recommendation in my department are immediately brought to the attention of management; CAT= In my department IA follow up to ensure that correction actions are taken; APP = My department has a formal subsequently audit follow up policy; DAR= Audit findings are discussed with auditee before being reported on in my organization; AFC= Management does not take timely corrective action based on audit findings and recommendation in my organization; IPF= IA plan of my department is fulfilled; ACR= Audit plan of my department is completed at the required time; IRH= In my organization Implementation of recommendation rate is low; FS= IA findings in my department are not solved within the required period.

The results of IA effectiveness variables range from PAP through FS as are shown in Table 7.14 above. At a significant level ($p= 0.01$), these variables have demonstrated a moderate to a strong relationship. Only Variables AFC and IPF with $r= .379^{**}$ demonstrated moderate relationship. A strong cross-correlation was produced by these variables; DAR and IPF, IPF and ACR, DAR and FS, AFR and AFC, AFC and ACR, PAP and IPF, APP and IPF, APP and AFC, AFC and FS, PAP and ARC, AFR and ACR CAT and AFC, AFR and APP, CAT and IPP, DAR and AFC, PAP and AFC, AFC and IRH, IPF and FS, AFC and FS, CAT and FS, AFR and DAR, PAP and FS, IPF and IRH, APP and FS, AFR and CAT, DAR and ACR, AFR and IRH, AFR and IPF, APP and DAR, PAP and DAR, CAT and DAR, PAP and ACR, DAR and IRH, ACR and FS, APP and ACR, IRH and FS, ACR and IRH, CAT and ACR, PAP and APP, PAP and IRH, PAP and CAT, CAT and APP with $r=.505^{**}$, $r=.541^{**}$, $r=.552^{**}$, $r=.558^{**}$, $r=.561^{**}$, $r=.574^{**}$, $r=.574^{**}$, $r=.576^{**}$, $r=.577^{**}$, $r=.596^{**}$, $r=.599^{**}$, $r=.606^{**}$, $r=.608^{**}$, $r=.619^{**}$, $r=.625^{**}$, $r=.630^{**}$, $r=.632^{**}$, $r=.633^{**}$, $r=.639^{**}$, $r=.657^{**}$, $r=.668^{**}$, $r=.675^{**}$, $r=.677^{**}$, $r=.677^{**}$, $r=.681^{**}$, $r=.686^{**}$, $r=.702^{**}$, $r=.704^{**}$, $r=.705^{**}$, $r=.707^{**}$, $r=.749^{**}$, $r=.763^{**}$, $r=.771^{**}$, $r=.782^{**}$, $r=.803^{**}$, $r=.808^{**}$, $r=.816^{**}$, $r=.820^{**}$, $r=.849^{**}$, $r=.860^{**}$, $r=.871^{**}$, $r=.888^{**}$ and $r=.921^{**}$ respectively.

Table 6.15: Inter-item correlation for IA operational challenges

	Correlations						
	Means	SDV	PSC	RAC	SHC	ILS	MWP
PCS	4,14	1,079	1				
RAC	4,15	.888	.530**	1			
SHC	4,20	.905	.512**	.520**	1		
ILS	4,19	.990	.448**	.456**	.457**	1	
MWP	4,08	.968	.459**	.467**	.485**	.432**	1

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

NOTE: PCS In my organization IA are not pressurised into changing the substance of an audit observation by superiors/peers/management; RAC= In my organization IA are not intimidated/threatened by and audit client over the reporting of an adverse condition; SHC= Sectional heads of my organization are cooperating with the IA departments; ILS = IAF of my department is given low status in the management structure; MWP= Management of my organization have a bad perception about IA as adding value to the organization.

The results of IA effectiveness variables ranging from PCS through MWP are shown in Table 7.15 above. At a significant level ($p = 0.01$), these variables have demonstrated a moderate to a strong relationship. Cross-correlation of variables showed a moderate correlation as flows ILS and MWP, PSC and MWP, RAC and ILS, SHC and ILS, PSC and MWP, SHC and MWP with $r=.432^{**}$, $r=.448^{**}$, $r=.456^{**}$, $r=.457^{**}$, $r=.459^{**}$, $r=.467^{**}$ and $r=.485^{**}$ respectively. PSC and SHC, RAC and SHC, PSC and RAC with $r=.512^{**}$, $r=.520^{**}$ and $r=.530^{**}$ respectively demonstrated a strong correlation.

7.15 Factor Analysis

Factor analysis, according to Matsunaga (2010:98), is a broad phrase that refers to a variety of statistical techniques that allow the estimation of unobserved fundamental structures of variation for observed variables, as well as their interrelationships. Yong and Pearce (2013:80) state that factor analysis works on the assumption that measurable and observable variables can be reduced to a smaller number of factors that have a mutual but unobservable variance. Based on the information presented above, a conclusion can be drawn that factor analysis allows for the reduction of extensive records with multiple items by grouping them into a descriptive category. When undertaking factor analysis, this study used a principal component analysis (PCA) with orthogonal Varimax with Kaiser Normalisation rotation approach, as recommended by Dubihlela and Chauke (2016). The PAC was used to find the

important elements that matched the basic requirements (1), (see Table 6.15: Total variance explained above). The components that fulfilled the cut-off condition of .40 were extracted using Varimax with Kaiser Normalisation (rotation technique) (extraction method).

Table 7.16 Total variance explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	10.998	21.565	21.565	10.998	21.565	21.565	8.061	15.806	15.806
2	7.225	14.166	35.732	7.225	14.166	35.732	7.289	14.292	30.098
3	6.071	11.903	47.635	6.071	11.903	47.635	7.202	14.121	44.219
4	4.961	9.727	57.362	4.961	9.727	57.362	5.402	10.593	54.812
5	4.597	9.013	66.375	4.597	9.013	66.375	3.366	6.600	61.412
6	2.926	5.738	72.113	2.926	5.738	72.113	3.309	6.489	67.901
7	2.171	4.256	76.369	2.171	4.256	76.369	3.006	5.894	73.795
8	1.656	3.246	79.616	1.656	3.246	79.616	2.968	5.820	79.616

Extraction Method: Principal Component Analysis.
 Rotation Method: Varimax with Kaiser Normalization.
 a. Rotation converged in 6 iterations

Table 7.16 above shows 8 factors with eigenvalues ≥ 1 . The percentage of overall variability accounted for by each of the summary components is displayed in the variance column. For instance, component 1 accounts for 22% of the variability in all the 8 variables, and all the components cumulatively explained 80% of the variance in the data, a measure that was statistically significant.

7.15.1 Factor loading and extraction

Factor extraction, according to Yong and Pearce (2013:83-84), is a component of factor analysis that is based on a theoretical model that postulates that observable measures are influenced by underlying mutual and irreplaceable components, and the correlation patterns must be established. Furthermore, factor loading is another factor analysis tool that aids in determining the strength of a factor's association. As a result, Table 7.15 above shows a variate of significant components that were identified and retrieved, and only the rotated values that were interpretable. While the extractions in this study are based on similarities, all eigenvalues smaller than one were discarded. After rotation, the sums of squared loadings that displayed eigenvalues and variance were extracted. The PCA was utilized to provide interpretation, while the loadings

matrix was rotated to obtain Varimax rotation, that was used to suppress tiny coefficients by removing eigenvalues below 1.

After completing the above-mentioned techniques, 8 items were subjected to extra scrutiny. The main purpose for this additional examination was to find item loadings >0.40 that were significant for interpretations. Furthermore, components with two or less items were then removed because they revealed a lack of association pattern. Following the removal of these components, the analysis yielded a twelve-component factor solution with a straightforward structure (factor loadings >.40). The following section describes the content of the questions/statements that were loaded into one factor. This practice was carried out to identify all factors that contributed most strongly to each variable as common themes, which would then aid in determining what the construct might be.

Table 7.17 Rotated component matrix

	Component							
	1	2	3	4	5	6	7	8
IPP	.942							
RFAC	.899							
FAC	.898							
ACD	.898							
RAC	.873							
AOTA	.869							
CIARA	.859							
AFAR	.846							
CAER	.844							
UAAC	.829							
ARW		.970						
URC		.964						
DMF		.945						
OFE		.924						
AAOR		.876						
SPT		.844						
AWP		.825						
DEO		.818						
RAE		.785						
IRH			.933					
CAT			.900					
APP			.873					
PAP			.872					
DAR			.821					
ACR			.820					
FS			.813					
AFR			.788					

IPF			.731					
AFC			.709					
SAB				.970				
SBSD				.970				
PSE				.968				
PHIA				.966				
MGIA				.823				
ASTT				.769				
DDIA					.919			
IAPS					.912			
LESD					.884			
PIAD					.727			
IAC						.919		
DPA						.914		
DPAF						.907		
IAME						.718		
RAAP							.949	
OSWP							.948	
OSFW							.945	
PCS								.778
SHC								.776
RAC								.776
MWP								.732
ILS								.729
Extraction Method: Principal Component Analysis.								
Rotation Method: Varimax with Kaiser Normalization.								
a								
a. Rotation converged in 6 iterations.								

7.15.2 Interpretation of factors

Table 7.17 above displays a rotated component matrix converged in 6 iterations, that resulted in a pattern of factor loadings. The factor loadings present an eight-item solution. These results showed that 10 items were loaded onto component 1 associated with IAA independence, hence labelled “*provision for internal audit activity independence*”. These were: ‘In my department IA is free from Intervention in performing its duties’ =.942; ‘CIA reports functional to AC in my department’ =.899; ‘A functional AC in my organization has been established’ =.898; ‘The AC in my organization oversees the employment decisions in IA’ =.898; ‘IA of my department provides reports to the AC; =.873;’, ‘My department AO and top provincial government management are involved in the appointment of IA’ =.869; ‘My department CIA only reports administratively to AO’ =.859; ‘Internal auditors feel free to include any audit findings in their audit report in my organization’ =.846; ‘CAE of my department reports

to a level within the organization that allows the IAA to fulfil its responsibilities' =.844; 'CIA has unrestricted access to AC in my department' =.829.

Nine items have loaded into component 2 (In my department IAs are not assigned to review their work=.970; IAs in my department are unbiased in their recommendations and conclusions=.964; IA of my department disclose all material facts known to them=.945; Objectivity is a key factor for the IAF effectiveness in my department=.924; In my department IA do not participate in audit of activities for operations of which they were responsible=.876; Internal auditors of my department are not exposed to social pressure threats=.844; 'Internal auditors of my department do not approach audit work with preconceived notions=.825; My department Internal auditors does not evaluate the work of the individual or department that makes decisions that directly affect future employment opportunities=.818; My department IA does have friendship relationships with auditee employees=.785). These statements relate to how internal auditors should conduct themselves when fulfilling their engagements IA to maintain their objectivity, hence labelled "*provision for internal auditor's objectivity*".

Ten items have loaded into component 3 (In my organization the implementation rate of recommendations is low=.933; In my department IA follow up to ensure that correction actions are taken=.900; My department has a formal subsequently audit follow up policy= .873; The objectives and goals of the activities to be audited are taken into consideration when planning audit programmes in my department=.872; Audit findings are discussed with the auditee before being reported on in my organization=.821; The audit plan of my department is completed at the required time=.820; IA findings in my department are not solved within the required period=.813; Significant audit findings and recommendation in my department are immediately brought to the attention of management=.788; The IA plan of my department is fulfilled=.731; Management does not take timely corrective action based on audit findings and recommendation in my organization=.709). These statistics relate to the activities conducted by internal auditors to ensure that their objectives are achieved within the organization, hence labelled "*need for internal audit effectiveness*".

Six items have loaded into component 4 (In my organization IA have a separate annual budget=.970; In my organization IA does not receive sufficient budget to successfully carry out their duties=.970; In my organisation Internal auditors possess sufficient

experience to understand the organizational systems=.968; The IA of my organization has policies for hiring internal audit staff=.966; There is a complete IA manual to guide IA work in my organization=.823; Adequate short-term training in my organization is arranged for internal auditors each year=.769). These statistics relate to equipping the IAF with the necessary resources and skills needed to successfully carryout their engagements and, hence are labelled "*provision of IAF competences*".

Four items have loaded into component 5: Document defining IA purpose and authority in my department is approved by AC=.919; The IA purpose of my department is in line with the standard of professional practice as provided by IIA=.912; The IAF in my department is not large enough to successfully carry out its duties=.884; The purpose of IA is clearly defined in my department=.727). These statistics relate to the establishment and a mandate of IAF within the provincial governance systems, and, hence, are labelled "*The mandate of IAF with the provincial governance systems*".

Four items have loaded into component 6: My department's IA Charter has been established=.919; My department has a policy that authorises IAA=.914; The department Acts provide for establishment structure and operation of the IAF=.907; My department's IA mission statement has been established .718). These statistics relate to statutory requirements for IA operations' independence and, hence, are labelled "*provision of statutory requirement for Internal audit operations*".

Three items have loaded into component 7: Risk assessment in my organization is done as part of audit planning=.949; IA supervisors of my organization supervises IA working Papers=.948; IA supervisor in my organization supervises field work=.945). These statistics relate to assuring that the audit performed was accurate and complete and, hence, was labelled "*a need for accurate and complete audit*".

Five items have loaded into component 8: In my organization internal auditors are not pressurised into changing the substance of an audit observation by superiors/peers /management=.778; Sectional heads of my organization are cooperating with the IA departments=.776; In my organization internal auditors are not intimidated/threatened by an audit client over the reporting of an adverse condition=.776; Management of my organization have a bad perception about IA as adding value to the organization=.732; IAF in my department is given low status in the management structure=.729). These

statistics relate to operational challenges experience by IAF and, hence, are labelled, “*lack of operational support*”.

7.16 Structural equation modelling

Bag (2015) describes structural equation modelling (SEM) as a general linear model (GLM) extension that allows simultaneous testing of various regression equations. In this study SEM was used to explore a set of relationships amongst the endogenous and/or exogenous variables, these are usually dependent and independent variables. The SEM was further used to test models and to evaluate more complex associations and models, such as confirmatory factor analysis. The use of SEMs also means that the structural linkages can be graphically depicted to aid the researcher in comprehending the framework being developed.

Furthermore, the ability to test the complete model in a single analysis is one advantage of SEM (Shadfar & Malekmohammadi, 2013:582). To attain the effectiveness of SEM in this study, AMOS software was utilised to analyse data. Kline (2011:11) states that SEM is typically applied to large samples. It, therefore, is crucial to determine whether a model is appropriate to be used by comparing it to the data collected (Gao, Shi & Maydeu-Olivares 2019:1). The SEM combines partial least squares, modelling of pathways and factor analysis (Chen et al. 2014:253). Lastly, according to Shadfar and Malekmohammadi (2013:585) there are certain ‘fit’ statistics that must be checked and confirmed before a decision can be made to use SEM. Table 7.3 summarises SEM statistical fit.

7.16.1 Fit index for IA effectiveness model

Various ‘fit’ indices have been established over time and, consequently, interpretations may differ (Hox & Bechger, 1995). At least three fit indices to the structural model under consideration are ideal (Hair, Black, Babin, Anderson & Tatham, 2010). For IAA independence and internal auditors’ objectivity within the provincial governance systems model, the following fit indices were obtained (see Table 7.18 below):

Table 7.18: Model fit indices (Sources: IBM, SPSS, AMOS, SEM)

Fit Index	Recommended Value	Observed Value
Cmin		243.833

Df		290
p-value	As close to 1.0	.977
RMSEA	< 0.05 (Hox & Bechger, 1995)	.000
NFI	0.0-1.0 (Iacobucci, 2010)	.786
NNFI	≥ 0.95 (Hox & Bechger, 1995)	1.098
CFI	0.0-1.0 (Iacobucci, 2010)	1.000
IFI	≥ 0.90 (Hox & Bechger, 1995)	1.054
RFI	> 0.9	.679
GFI	≥ 0.90 (Hox & Bechger, 1995)	.937
Cmin/DF	≤ 3.0 (Schreiber et al., 2006)	.841

The confirmatory factor analysis (CFA) model's overall model fit indices are listed in the Table 7.18 above, the accepted standard is at least three fit indices (Hair et al., 2010). CFA is a statistical technique employed to explain variation among observed and associated factors in terms of a potentially lower number of unnoticed variables (Chen et al., 2014:253). This technique is normally followed by a model hypothesis, that is subsequently compared to the covariance matrix (Schreiber et al., 2006). The comparative fit index (CFI), whose ideal value is 1.000, compares one set of data to many models to see whether the hypothesised model is more accurate than a simple

model. CFA determines how well the model fits the data (Lacobucci, 2010). This analysis was accomplished for the model under consideration.

Supporting the viewpoint of Hair et al. (2010), at least five indices were discovered to be within the necessary fit, with the normed fit index (NFI) .786; the non-normed fit index (NNFI) reading 1.098; the incremental fit index (IFI) 1.054; the root mean square error of approximation (RMSEA) .000 and the goodness for fit index (GFI) .937.

7.16.2 Confirmatory factor analysis

The factorial structure of the proposed factor model was examined using the CFA. The variables were all permitted to correlate. Each of the measures was only permitted to load on the main component of interest and no other factors. The CAF was carried out utilizing data gathered from the sampled respondents. The regression path diagram is provided in Figure 7.2 below.

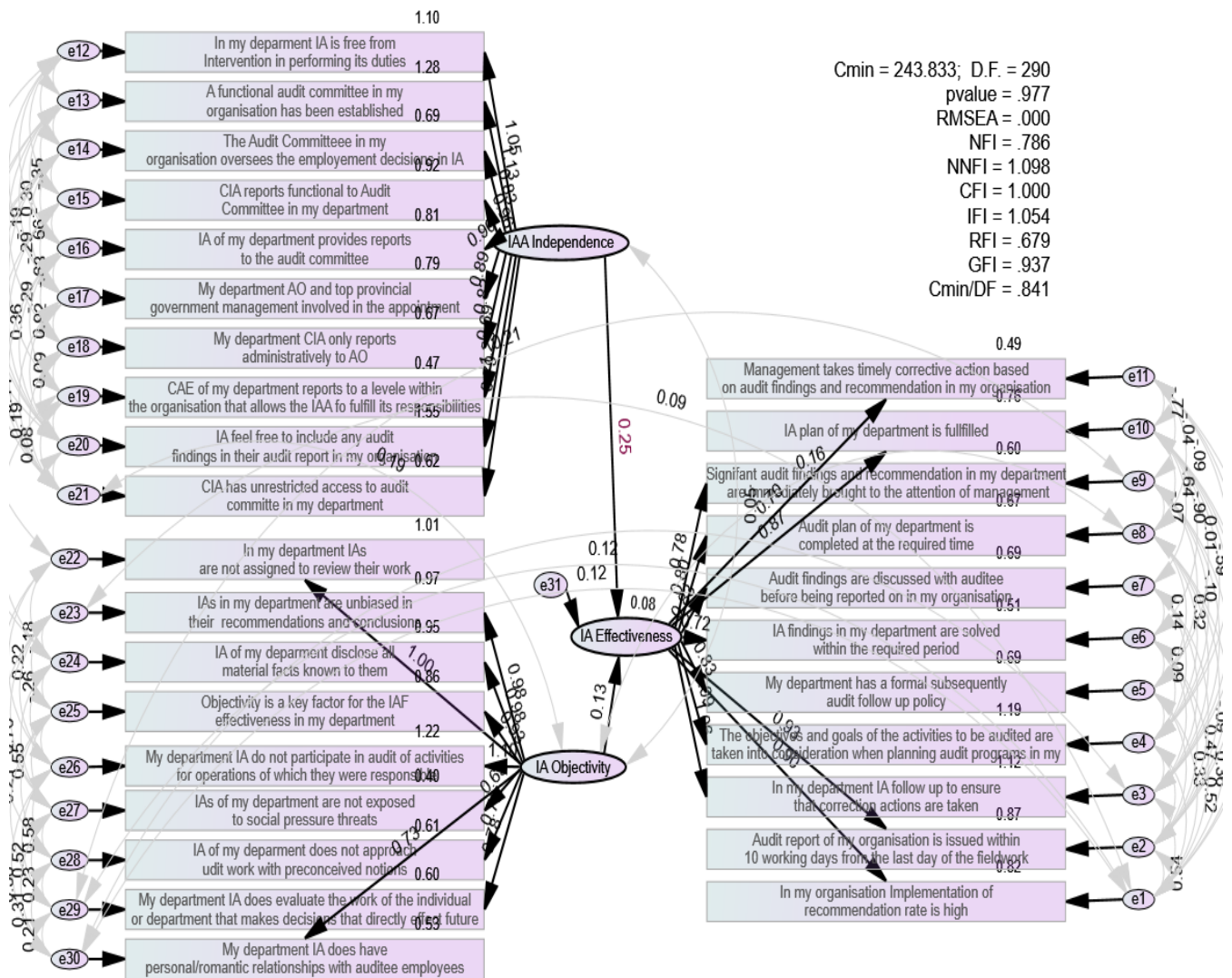


Figure 7.2 Regression path diagram

The results presented in Figure 7.2 above indicate that the IAA independence and internal auditors' objectivity contribute towards IA effectiveness to ensure their role continues to add value to the operations of WCG. Initially there were six variables, however, three of them, namely, Legislative requirement for Internal audit, functioning of internal audit function and Operational challenges to IAA independence and internal auditors' objectivity did not fit on the path diagram, therefore, they were removed. The hypothesis validation is provided in Section 7.10.4 below, while a clear model for the variables that fit the model is presented in Figure 7.3. below.

Table 7.19 below provides the results of the regression weight for independent and dependent variables.

TABLE 7.19: Regression weights of the independent and dependent variables.

Path		Estimate	S.E	C.R.	P	Significance level
IAE	<--- IAAI	.319	.066	4.819	***	Accepted at p <0.001
IAE	<--- IAO	.073	.025	2.908	.004	Accepted at p <0.05

IAAI= internal audit activity independence, IAO, IA effectiveness, construct reliability. *, p < 0.001.

By the norm the value of p must be less than 0.05. The p value below .0001 is expressed by these ***. This result confirms the relationship between IAA independence and IA effectiveness, IA objectivity and IA effectiveness.

As results of above recorded outcomes, the conceptual framework had to be revised, as shown in Figure 7.2 above. (For a complete list of all questions within each variable and their values, see Appendix E.) Stemming from the research outcomes and scientific evidence attained through the responses to the research survey, the proposed conceptual framework for IA effectiveness as described in Chapter 1 has been revised as depicted in Figure 6.2.2 above. Both the Mediating and Dependent variables recognised in Chapter 1 above that have an impact on IA effectiveness have been retained.

7.16.3 Model for IAA independence, IA objectivity and effectiveness

Figure 7.3 IAA independence, IA objectivity and IA effectiveness model.

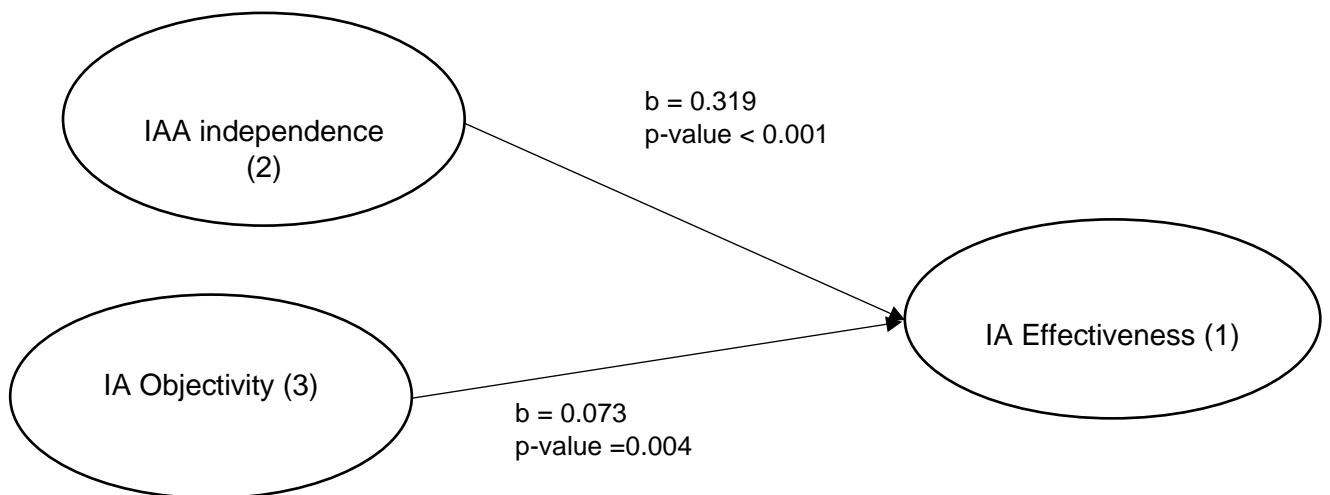


FIGURE 7.3: SEM Sketch

Figure 7.3 above illustrates the SEM for IAF effectiveness within the provincial governance systems, three major variables were identified and subdivided. These are IAA independence, IA objectivity and IA effectiveness. In terms of IAA independence, IA objectivity and IA effectiveness (*Estimated Value* = 0.319); (*Estimated Value* = 0.073) and (*Estimated Value* = 1.00) respectively.

7.16.4 Hypothesis validation

The proposed hypotheses delineated in Chapter 1 above uncovered 8 potential links. However, SEM eliminated 6 and verified only 2. The hypotheses listed below are maintained by the statistical analysis, of the data acquired and explained above.

H3 There is a positive relationship between IA objectivity and effectiveness of IAF to add value to the operations within the provincial governance systems.

The literature review identified and summarized several elements that have an influence on IA effectiveness to add value to the operations within the provincial governance systems. It has been determined that IA objectivity has a major impact with a p-value= 0.004. Thus, H₃ is supported.

The research questions were concerned with IA objectivity, assignment of IA, pressure experienced by internal auditors, unbiasedness of IA, internal auditors' work relationships with client engagements, approach of engagements and IAs disclosures. The findings obtained through research process have verified the relationship between IA objectivity and the effectiveness of IAF to add value to the operations within the WCG's provincial governance systems.

H4 There is a positive relationship between IAA independence and effectiveness of IAF to add value to the operations within the provincial governance systems.

The reviewed literature identified and summarized several elements that have an influence on IA effectiveness to add value to the operations within the provincial governance systems. It has been determined that IAA independence has a major impact with a p-value<0.001. Thus, H₄ is supported.

The research questions were concerned with the freedom internal auditors are granted when executing their engagements, their reporting relationship with the CAE and AC. A positive influence on the organizational operations and the attainment of organizational objectives were retained during the research. Therefore, this result confirms that IAA independence is crucial towards enhancing IA effectiveness in and,

thus, adding value to the organizational operations. This fact is further confirmed by the best practices and IIA standards.

Stemming from statistical data, the following hypotheses have not been supported:

H1a There is a positive relationship between IA legislative requirement and IA objectivity.

H1b There is a positive relationship between IA legislative requirement and IAA independence.

H2a There is a positive relationship between functioning of IA and IA objectivity.

H2b There is a positive relationship between functioning of IA and IAA independence.

H1c. There is a positive relationship between the IA operational challenges and IA objectivity.

H2c. There is a positive relationship between the IA operational challenges and IAA independence.

7.17 Conclusion

This chapter analysed and interpreted the results of this research study, that was conducted to explore IAA independence and IA objectivity issues within the provincial governance system in South Africa. This chapter was constructed in three phases. The first phase presented the results from telephone interviews. The next phase provided the results from the focus group discussions. The last phase looked at the results from the survey questionnaire. The survey questionnaire results were triangulated with the telephone interviews and focus group discussions results. This practice was undertaken on the understanding that the qualitative and quantitative data collection procedures followed complemented each other, thus, also validating the study. Correlation and Cronbach's analyses were also conducted to validate and confirm the reliability of the study.

CHAPTER EIGHT

CONCLUSIONS AND RECOMMENDATIONS

8.1 Introduction

This study was concerned with the enhancement of IA independence and objectivity within the provincial governance systems of the WCG. The preceding chapter presented, analysed, and discussed the data collected from the IAF of the WCG. This chapter commences by providing a summary of the study's objectives. It then will proceed to summarise the research methodology that was employed, the sample identification and how the information was collected and analysed. This section is followed by a summary of the survey's key findings. Reference is also made to the implications of the study. Conclusions and recommendations are provided next. Chapter 8 further discusses the limitations of the study and possible avenues of further studies. The chapter closes with concluding observations.

8.2 Summary of the study's objectives

The purpose of this study was to contribute to the effectiveness of internal audit within the provincial governance systems by means of enhancing IAA independence and IA objectivity practices. The study was inspired by a dearth of research in South Africa on the independence and objectivity of internal auditors in the public sector. As a result, the research aspired to overcome the existing theoretical gap by merging public sector legislative requirements with the IAA independence and internal auditors' objectivity practices, to provide a more comprehensive framework that guides implementation and monitoring of IAA independence and internal auditors' objectivity in the public sector, with the aim of enhancing their effectiveness and value-adding capabilities within public-sector operations. In addition, it sought to solve the research deficit relating issues of independence and objectivity of IAs in government departments.

8.3 Summary of the research design and methodology

The study used a triangulation approach, that entails collection and analysing quantitative data first, followed by two qualitative methodologies. The administered survey questionnaire was discovered to be suitable for examining IAA independence and IA objectivity from the perspective of IAF employees in Phase One and the

perspective Deputy Directors, Directors, and CAE in Phase Two of this study. The key feature in this approach was that in Phase One quantitative research methods were used as the main procedure of the study, whereas in Phase Two, two qualitative research methodologies was used to substantiate the results of Phase One.

As a result, three distinct data collection approaches were used to obtain information from the various study participants as follows:

Phase One – questionnaires were administered to obtain information from IAF employees within the WCG of South Africa.

Phase Two – conducting telephone interviews with Deputy Directors, Directors, and CAE. whereas focus group discussions were conducted with IAF Middle Managers.

In Phase One, 300 survey questionnaires were sent to IAF employees within the WCG Office of the President, South Africa, using a sample to reflect the entire South African public sector. 260 out of 300 questionnaires distributed were returned, yielding a 87% response rate. Various statistical analysis, including descriptive statistics, correlation, chi-square independence tests, EFA and SEM, followed.

After the completion of data analysis in Phase One, telephone interviews began with the pre-identified participants. Since the qualitative research method was employed to validate quantitative results a sample size of four respondents was deemed adequate given less weight. Proceeding with Phase Two, Middle Managers participated in two focus groups comprising with four and six people respectively. The respondents in the focus group discussions were drawn from the sample respondents who had completed the survey questionnaire. The findings from these two focus groups and telephone interviews were examined utilizing a qualitative content analysis method, following three different analytical techniques, each of which are described in greater depth in Chapter seven above.

8.4 Key survey findings

The important findings are summarized in this section within the context of the study topics. Each research question is discussed individually.

8.4.1 Measures to enhance IA independence and objectivity

The first research question “Is there a framework to evaluate and enhance IAA’s independence and IA’s objectivity?” relates to the terms of reference document that details the provision for IA independence and objectivity, and contains checklist to assess if the necessary code of ethics is applied, and/or conform to the IPPF standards, i.e., all IAF staff should participate in an ongoing annual education programme, attend a refresher course on ethics in general (this course covers topics related to independence), provide individual independence declarations, use monitoring tools to ensure organizational independence amongst others. Despite having these rules in place, 82% of the survey results indicated that there are friendship relationships between some IA members and auditee employees. The lack of internal auditors’ rotation was amongst the causes for such relationships. Internal auditors are assigned to one client for a long period, they become familiar with the working environment and auditee employees. As a result, friendship relationships are developed that can impair and compromise the professional judgement of internal auditors owing to the codes of loyalty that exist between auditor and auditee. The IPPF standards define objectivity as an impartial mental approach that enables internal auditors to carry out their duties in such a way that it does not compromise the quality of their work. These standards further state that internal auditors must be free from all conditions that are or presumed to impair their ability to conduct their IA responsibilities in an unbiased manner.

Based on the above, it can be argued that the friendships developed between internal auditors and auditees, are presumed to impair their ability to conduct their IA responsibilities in an unbiased manner, thus, comprising the quality of their work. Frequent rotation of IAF staff should be maintained to limit or eliminate friendship relationships and the results of all IA activities must be monitored.

8.4.2 Assessing the functioning of IAF within provincial governance systems

To address the second researcher question “How does the IAF functions within the provincial governance systems?”, the study outcomes confirmed that when the issued reports highlight that controls are adequate and effective, the management is naturally happy with the result. However, when negative findings are presented, the management will argue with the internal auditors despite the evidence provided and

this situation causes delays in finalizing reports. More than 90% of the survey results also noted that IA findings are not solved within the required period. Furthermore, just above 87% of the respondents indicated that the management is not taking timely corrective action based on audit findings and recommendations. As a result, more than 93% of the participants commented on the slow rate of implementing the recommended corrective action.

This observation suggests a lack of management commitment to implementing IA recommendations in the form of controls to mitigate the negative findings. It is understood that internal auditors can only add value to the organizational operation if their recommendations are implemented. Failure to implement these recommendation renders the role of IA fruitless. The management must take note of the importance of IAs' role in relation to the attainment of organizational objectives. Develop a supporting relationship with the IAF and commit themselves to timeously implementing the IAs' recommendations.

8.4.3 Internal audit findings included in the report

In relation to the third research question “Are s free to include all the audit findings in the audit report?”, 96% of the respondents indicated that internal auditors are free to include all the audit findings in their audit report. However, although most respondents indicated that internal auditors could report freely on their audit findings, there are still prevalent hindrances as outlined in Section 5.4.3 above.

As a result of these latter findings, the internal auditors' freedom to include all audit findings in their report becomes meaningless when the recommended corrective actions are not implemented. Such negligence on the part of management allows repetition of irregularities that could have been avoided if the necessary corrective action had been implemented for the benefit of the organization.

8.4.4 The reporting of Chief Audit Executive

Regarding the fourth research question “Does the CAE report to the highest level within the organization, thus, allowing IAs to execute their responsibilities independently and objectively?”. Just above 96% of the respondents agreed that the CAE reports to the highest level within the organization i.e., the level that allows the IA to fulfil their responsibilities – this level is the AC. The survey results suggested that

the independence of the AC may be impaired due to previous/current relationships of AC members or the AC as a whole and its political standing.

The IIA standards and best practices instructs the AC to remain independent in order to protect and enhance IAA independence. This lack of such autonomy will disrupt the IA operations, thereby preventing them from achieving their objectives. Measures should be put in place to assess the independence of AC members prior to their appointment. Their continued independence should also be assessed on an ongoing basis throughout their term of office. Declarations of interest should be completed by AC members at every meeting.

8.4.5 IA operational challenges

Concerning the last research question “Are there operational challenges that undermine the independence and objectivity of IAF within the provincial government and what has been done to address these challenges?”. The following IA operational challenges were identified and agreed upon:

The IAF in my department is not large enough to successfully carry out its duties (73.1% agreeance).

In my organization IA does not have sufficient budget to successfully carry out its duties (68,1% agreeance).

IAF in my department is given low status in the management structure (84,3% agreeance).

Management of my organization have a bad perception about IA as fault finders as opposed to adding value to the organization (86,1% agreeance).

It is recommended that the provincial government structures take note of the abovementioned operational challenges and implement the necessary steps to address them.

8.5 Implication of this research study

The findings are examined in this section in terms of the implications of theoretical, managerial, and legislative requirements.

8.5.1 Theoretical implications

This study's primary theoretical proposition is that IAA independence and internal auditors' objectivity characteristics can be viewed as breeding grounds for IA effectiveness, that need to be enhanced within the provincial governance systems. Drawing on institutional theory, principal agency theory and communication theory that views IAA independence and IA objectivity as a value creating opportunity to ensure that internal auditors effectively perform their respective roles within the provincial governance systems. This study argues that the IAF can only add value to the organizational operations and providing some level of assurance that the organizational objectives will be achieved when practice independence and objectivity in all their actions.

This argument is also supported by this study's empirical findings which suggest that IAA independence and internal auditors' objectivity are traits that ensure IA effectiveness. Previous research conducted in the private sector has indicated that IAA independence and internal auditors' objectivity are the pillars of IA effectiveness, a notion that likewise can be drawn from this study in the public sector. Furthermore, this is the first research study to examine IAA independence and internal auditors' objectivity as the pillars of IA effectiveness within the provincial governance systems. As a result, this study adds to the extant literature by exploring IAA independence and internal auditors' objectivity in a critical yet underserved requirement within the WCG.

Furthermore, unlike prior studies on the same topic, this study employed institutional theory, principal agency theory and communication theory to analyse the results, thereby providing a deeper understanding of IAA independence and internal auditors' objectivity principles.

8.5.2 Managerial implication

By considering operational challenges that effect IA effectiveness within the provincial governance systems, the outcomes of this study have significant implications for enhancing IAA independence and internal auditors' objectivity. According to the survey, the most significant operational challenges accrue from the lack of IAA independence and internal auditors' objectivity because of the lack of management support. In their efforts to attain organizational objectives, management's support of

the IAF through their taking IA findings seriously and implement the necessary corrective measures must be a priority. The supportive attitude of management towards the role of internal auditors within the PG is important to the IA's performance as a corporate governance tool. Anything opposing the IA independence and objectivity would undermine IA's effectiveness as a tool for corporate governance and negatively affects the PG's mandate to service the needs of the population they serve. Full management support and commitment to the IAF operations, notably ensuring IAA independence, together with the adequate resourcing of IAF, is crucial to the overall performance of the PGs' IAF.

The IAF assist the management to have and maintain an effective internal control system, that ensures the best possible use of public funds when providing public services (Sebola & Mamabolo, 2016:60). Therefore, these internal control systems can only remain effective when they are constantly reviewed by the IAF and, in a case of anomalies being found, corrective measures being implemented by the management. Thus, the management must execute the corrective measures to prevent the risks that jeopardize the attainment of organizational objectives. Furthermore, this study expands the understanding of possible challenges imposed on IA effectiveness by the lack of management commitment to implement their recommendations. This study also provides management with a chance to consider dealing with emerging risks by overcoming their current failure to effect the recommended corrective measures to prevent the reoccurrence of such irregularities.

8.5.3 Institutional implication

Understanding the importance and the value that is added by internal auditors within the operations of the institution is crucial for their effectiveness. The IAF add value to the organizational operations through various consulting and assurance engagement activities. Therefore, the institutions must ensure that this function is given sufficient budget and resources to operate. Such support will ensure proper coverage of scope, more especially with field verification engagement activities. It will empower the IA staff members in terms of job-related abilities and expertise, and it will also ensure that internal auditors receive constant training, that will enhance the skills they need to deal with the growing issues confronting the PG. Thus, IAF employees' knowledge and skills will be sharpened and their 'value-add' role will be achieved.

The PG must put measures and procedures in place that ensure the speedy filling of IA vacant positions to avoid capacity issues. The IAF has an important function with the organisation and forms part of the organizational structure, therefore, it must be given a high status within the management structures. The IAF can only exact its responsibilities through the freedom it is granted within the institutional management structures. The institution should regularly acknowledge the importance of IAA independence, as a fundamental attribute of their effectiveness. This practice should be achieved by the institution ensuring that the internal auditors' report to a high level of management that allows the IAF to execute its responsibilities independently. The institution must further create a conducive environment that informs all employees about the IAF and their importance within the operations of the provincial government. This requirement could be achieved through institutional trainings, workshops and seminars. Lastly, only when all institutional employees understand the role and importance of IAF within the organization, will the IAF be viewed as adding value to the PG's operations as opposed to being labelled as mere 'fault finders'.

8.5.4 Legislative requirements implication.

The organs of state operate within a distinct regulatory framework, with numerous pieces of legislation and rules that must be followed. AC's terms of reference as stipulated in such legislative documents do not always clearly identify the AC's requirements regarding the entity's environment. These terms of reference direct and focus the IAs' functions and responsibilities to its stakeholders. It should be well-written and describe the AC's expectations. The AC's terms of reference should specifically include: all legislative requirements, as well as other organizational governance best practices, and the duties of the AC with respect to compliance, performance and financial management, and the role of management in supporting IAF operations.

These terms of reference should be updated regularly and ensure that the number of meetings scheduled for the IAF is adequate its members to fulfil their obligations. To assure coverage, the IAF should employ a yearly meeting planner in which specific functions/duties are linked to the scheduled meetings throughout the year. It should consider the various legislative dates for submitting documents to the Treasury, executive authorities and InAs. The legislation should also make a provision for the the AC to become aware of and comply with the following:

Its reporting line is to the appropriate governing authority and that governing body must be clearly stated.

There are no managerial reporting lines. However, the management must account to the AC on financial and performance management as well as internal controls, allowing the AC to assess the appropriateness of the internal control design and its effectiveness during the reporting period.

Emphasise that the AC serves as an impartial oversight body in the organization.

After each AC meeting, the AC should submit input to the relevant governing body, resulting in the escalation of major concerns.

The executive authority and AC ought to consult on governance issues at least once a year.

The continual training of all AC stakeholders, including those who appoint them, management, and IA, should take place to remedy the lack of clarity and overlapping roles in the organs of state.

The AC should be encouraged to request executive authority to report on issues that have not been sufficiently addressed to the AC's satisfaction.

They should also encourage effective communication with national or provincial treasuries, as well as oversight bodies, such as portfolio committees.

The legislative requirements, as indicated above, should include provisions for assessing the independence of AC members prior to appointment and on an ongoing basis throughout their term of office. Members should complete 'Declarations of Interest' prior to the start of every meeting.

8.6 Conclusions and recommendations

This section provides a concise conclusion to the study together with its recommendations.

8.6.1 Overview

Despite the crucial role played by IAF in providing reasonable assurance to stakeholders regarding the attainment of governmental objectives, management does not seem to implement its recommendations on the findings concerning the risks that could affect governmental operations. Such disregard has a negative impact on overall policy, regulations, and legislative compliance, exposing government departments to

a high risk of financial mismanagement, that impairs service delivery. As a result, unauthorised, irregular, fruitless, and wasteful expenditure continues to thrive within government departments. The conclusions drawn and recommendations made because of this study's finding are presented based on the operational challenges experienced by the IAF.

8.6.2 IA operational challenges to IAA independence and internal auditors' objectivity

The IAF is not large enough to successfully carry out its duties.

The IA section does not have sufficient budget to successfully carry out its duties, including necessary trainings to keep internal auditors up to date with the best practices.

The IAF is given low status in the management structure

Management has a negative perception of internal auditors as fault finders as opposed to adding value to the organization.

Management does not take timeous corrective action based on IA findings and recommendations.

Rate of implementing the recommended corrective action is very slow.

Recommendations

The institutional management should consider employing more IA staff to avoid capacity issues.

A sufficient budget must be made available to ensure the proper functioning of the IAF.

The IAF must be given a high status within the organizational structures.

Management should understand that the role of IAF within the organization is to add value and not that of a 'fault finder'.

Management should commit itself to taking timeous correction action in response to identified IA findings and to implementing recommendations as suggested by InAs on the financial risk exposure that could hinder service delivery.

Management should not interfere with the operations of the IAF and should give members freedom to execute their role without any influence.

8.7 Suggested framework to enhance IAA independence and IA objectivity

The discussion of the theoretical framework that underpins this study, the agency theory in Section 1.2 and the study findings in the preceding sections have been coalesced. The IAF operates under a variety of challenges that are related to legislative requirements, institutional, communication and agency problems. These problems negatively affect IAA independence and internal auditors' objectivity, thereby undermine the value adding role of IAF within the provincial governance systems. There, however, is currently no framework for enhancing IAA independence and internal auditors' objectivity within a provincial governance system in South Africa. The public sector IAFs are currently operating according to an IA framework, that has been effective in providing the basis for IAA independence and internal auditors' objectivity.

The framework discussed in this research study expressed how the organs of state should formulate an independent IAF and how the internal auditors should conduct themselves to achieve objectivity. However, this framework has to date failed to enhance IAA independence and guide internal auditors' objectivity. Based on this finding, the necessity for developing an effective framework to enhance IAA independence and internal auditors' objectivity within the provincial governance system that will address all important operational challenges is recommended in this chapter. This framework identifies significant operational challenges as result of the lack of clarity on legislative requirements, and institutional and agency problems regarding the enhancement of IAA independence and internal auditors' objectivity. This framework recommends certain features that any IAF should have to work optimally and add the necessary value to the provincial governance systems:

Independent and objective IA who will be able to:

- Assist officials in positions of power in making sound decisions.
- Assist officials in positions of power in carrying out their responsibilities.
- Report timeously and with credibility.
- Assist in identifying threats and making practical recommendations to resolve these.
- Assist in the evaluation of corporate operational plans and procedures.

Inform officials in positions of responsibility about the functioning of internal controls including deficiencies.
Increase the AGSA's reliance on their work.
Assist in uncovering legislative violations.

For internal auditors to possess these characteristics, their activities must be independent, and their attitude should be objective. The definition of IAA independence and internal auditors' objectivity is given in the formula below.

IAA independence & internal auditors' objectivity = impartial & unbiased judgement + quality & credible reports

IIA standards clearly indicate that for IAF to be independent and objective, the following must occur:

internal auditors should be free from any intervention in performing their duties.
internal auditors should have the freedom to include all necessary audit findings in their audit report.
CAE should report to a sufficiently high level within the department that allows the IAA to fulfil its responsibilities.
A functional AC should be established.
The AC should oversee the employment decisions in IAF.
internal auditors should provide reports to the AC.
AO and top management should be involved in the appointment of Certified Internal Auditor (CIA).
CIA should only report administratively to AO and functional to the AC.
CIA should have unrestricted access to the AC.
Internal auditors should not be assigned to review the work they were previously responsible for completing.
Internal auditors should not evaluate the work of the individuals or departments that make decisions that directly affect their future employment opportunities.
Internal auditors should not approach audit work with preconceived notions.
IAs should disclose all material facts known to them.

Internal auditors should not participate in audit of activities for operations they conduct.

The above recommendations indicate that IAF should always be independent to provide reliable and sustainable audit outcomes, thus, offering the required value within the provincial government. The meaning of IAF independence is interpreted using the following formula:

Reliable and sustainable outcomes = Independent IAF + quality reports + credible reports

Through reliable and sustainable audit outcomes, IAF adds value and justifies its existence within the provincial government. Therefore, to achieve this status, IAF should fulfil the following responsibilities:

IAF should be adequately resourced and experienced, and generate timely, appropriate, and high-quality reports on their provincial government's internal control systems.

IAF members should clearly identify their duties and responsibilities and hold violators accountable.

IAF members should outline gaps in their IA process that limit the AGSA's ability to rely on their work for external audit purposes, as well as the IAF's involvement in performance information.

IAF should help AO make informed decisions by ensuring the credibility of planning papers and in-year reports on actual performance.

IAF should give independent assurance on internal controls, financial information, risk management, performance management and compliance with legislation that will assist AO and management to fulfil their roles.

IAFs in all government spheres should be fully skilled to keep pace with IT trends.

IAFs and AC should produce reliable reports.

IAFs should ensure that their IA plans are aligned with the risks recognized in their sphere, with a particular emphasis on key controls that have a direct influence on the reliability and exactness of financial and performance reporting, as well as compliance with laws and regulations.

ACs and IAFs should assist in finding legislative loopholes and reporting these violations to the leadership so that appropriate action can be taken against individuals involved.

IAF should improve provincial government’s daily operations and service delivery by assessing its procedures and operational plans.

IAF should function efficient to help ensure reliability of financial and non-financial information is utilized in decision-making.

The IAF should recommend new controls that may be introduced to reinforce environmental control and attain reliable reports.

IAFs should be more effective in following provincial government's progress in executing management commitments related to previously flagged audit findings.

IAFs should outline risks and adopt procedures to mitigate them.

In the year 2022, IIA Australia issued an updated ‘face sheet’ on IA independence and objectivity. The face sheet recommends the following measures to enhance IAA independence and Internal auditors’ objectivity:

✘	○	✔
Not recommended	Possible with safeguards	Recommended

Internal Audit Mandate and Positioning

IA mandate must be defined in a charter authorized by the AC.	✔
IA is autonomous and not a part of the line management of the organization.	✔
Internal auditing is a function of line management.	✘

Chief Audit Executive

The appointment of the CAE is one of the top management in-house.	✔
The AC, with advice from the AO, is in charge of selecting, evaluating, and terminating the top audit executive.	✔
The AC is functionally reported to by the CAE through the chair.	✔
Administratively, the CAE reports to the AO	✔
As a non-voting adviser, the CAE attends all AC meetings.	✔
The IA plan is prepared, managed, and executed by the CAE.	✔
Line 2 assurance efforts are overseen by the CAE. *Note 1	○
The CAE is also in charge of Line 1 operational duties.	✘
Functionally, line management is reported to by CAE.	✘

Administratively, line management is reported to by CAE.	x
The CAE provides IA services.	x
Internal Audit Work	
IA and management requirements in respect to IA operations are defined in an AC-approved IA protocol.	✓
IA has complete access to the organization, its employees, and all financial and operational activities.	✓
IA scope of work has no restrictions	✓
IA scope of work comprises advisory and assurance engagements	✓
IA offers a variety of services in addition to standard IA engagements, such as real-time project assurance operations	✓
In response to emergent risks and challenges, IA has unallocated time in the IA plan to deliver ad hoc services to the AC and senior management.	✓
AC authorize the IA plan of work.	✓
IA can offer an advisory service then later conducting subsequent audits. *Note 2	○
Management authorize IA plan of work.	x
Internal auditors audit things they don't know how to audit.	x
IA reports are examined by the management before submitted to the AC.	x
Internal Audit Service Providers	
IA service providers are hired through a service agreement written and issued by the procurement department.	✓
Service providers annually or for each internal audit service should provide attestation to the CAE that all IA work has been completed by competent and objective professionals without any influence with respect to the subject, scope, or observations of the internal audit work.	✓
Management initiates consulting relationships with IA service providers. *Note 3	○
The external auditor can be a provider of IA services	x
Conflicts of Interest	
The organization has a framework in place to manage IA service provider conflicts of interest, with the AC deciding whether or not a conflict exists.	✓
IA service providers self-declare whether consulting engagements pose a conflict of interest, and the procurement department accepts this.	x

Note 1:

In a case whereby the CAE oversees both IA (Line 3 assurance) and non-audit operations such as risk management (Line 2 assurance), precautions should be put in place to give some amount of separation between the two positions. However, under no circumstances should a CAE oversee Line 1 operational duties such as procurement. Additional measures should be added in the IA charter to provide some

precautions whereby the CAE is responsible for a non-audit activity. These may include:

Having independence precautions in place to guide the CAE in terms of which non-audit activities she/he may be responsible for.

Ensuring that the CAE does not conduct audit duties when in charge of or conducting non-audit activities and

Ensuring that non-audit operations are reviewed, controlled, and conducted independently from the CAE and reported directly to the AC.

Note 2:

Internal auditors must avoid evaluating specific activities over which they have previously presided. The IIA Standards forbids such practices and offers guidance, it states that IA must not participate in all activities that may impair, or presume to impair, their professional judgement. Such activities include providing assurance services for the operations over which they presided within the previous year. However, each case should be carefully evaluated, and a time of more than a year may be required to guarantee internal auditor objectivity is not compromised.

Note 3

Other parts of an organization may occasionally seek to employ the IA service provider to execute consultancy assignments. If there is the possibility of a conflict of interest, such a practice could be an issue. The simplest method to eliminate a potential conflict of interest would be to limit the IA service provider's activity to internal auditing and prohibit consultancy engagements. However, there may be times when the IA service provider's expertise, or a previously completed audit, means she/he has valuable information that may take another IA service provider some time to acquire, potentially resulting in a longer engagement time and higher cost to the organization. The following actions should then be taken:

In accordance with the official conflict of interest policy, all levels of management should be informed that they are not allowed to engage the IA service provider for advisory services without the approval of the AC.

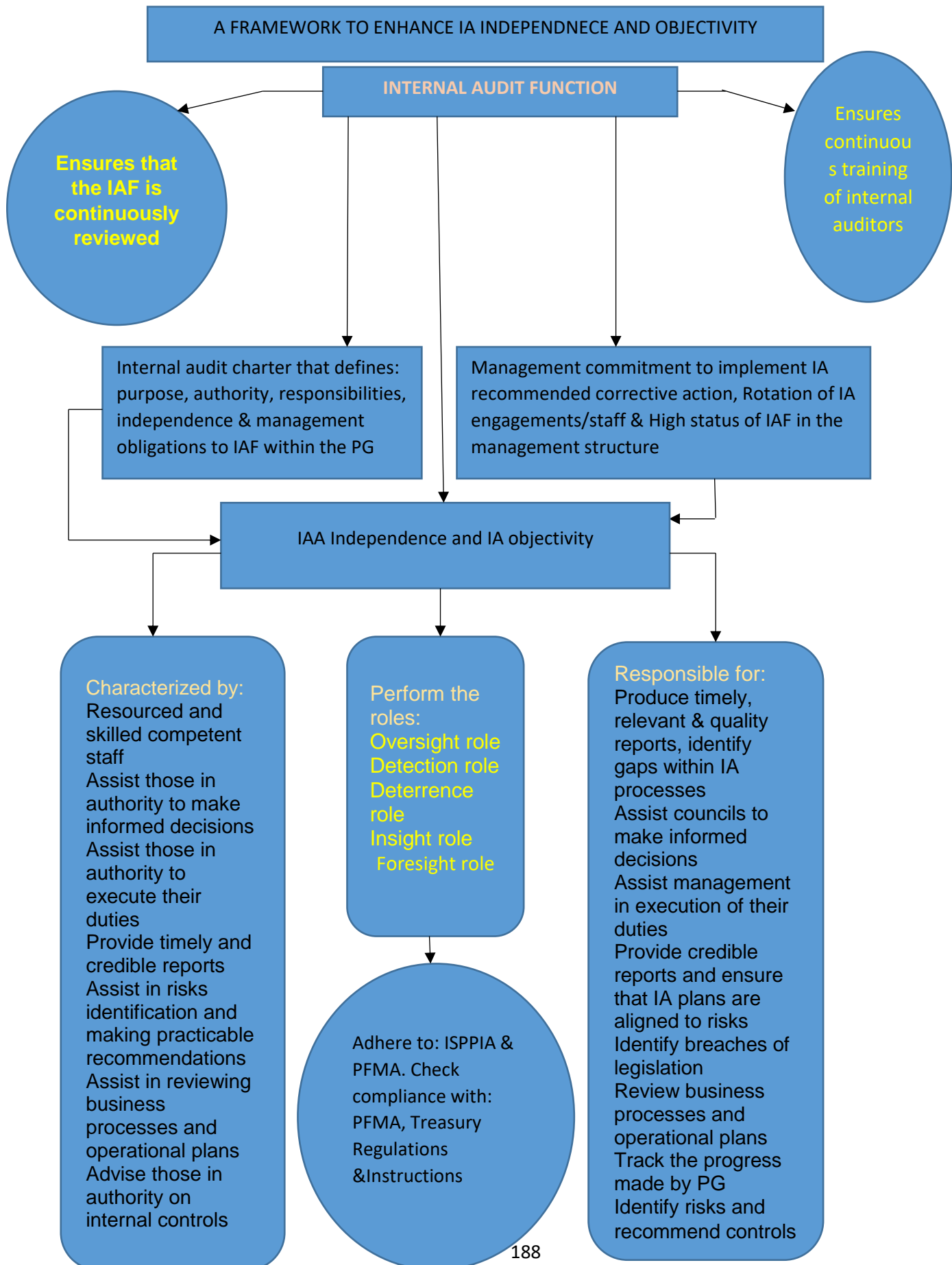
The AC should be the arbitrator of whether a conflict of interest exists and not the IA service provider.

To ensure transparency, all advisory services should be documented in the IA plan and reported to the AC at the time they occur.

The established framework advises that IAA independence and internal auditors' objectivity are the core requirement for internal auditors to execute their roles effectively and add the required value. It should be noted that the IIA, the Chartered Institute of Internal Auditors and others have created and developed several frameworks in the past, including Crowe Horwath's New Internal Audit Framework. However, all these frameworks have focused on IAFs in general rather than those in provincial government specifically, as was seen in the reviewed literature.

As a result, the above listed frameworks lacked the components required to enhance IAA independence and internal auditors' objectivity within provincial governance systems. As a result of this study's observations, interpreted results and deductions, it is possible to conclude that for an IAF within provincial governance systems to function successfully and in line with the IIA and AGSA criteria, the framework depicted in Figure 8.1 should be followed:

Figure 8.1: A FRAMEWORK TO ENHANCE IA INDEPENDNECE AND OBJECTIVITY



8.8 Limitations of the study

This section provides a brief overview of the study's limits and constraints. Simon (2011) described limitations as potential flaws that cannot be discounted rationally and, if not reported, can affect the analysis of research outcomes. Simon (2011) further stated that limits are outside a researcher's control because of statistical model constraints, inadequate financing and/or other restricting variables. This statement was reinforced by Simon and Goes (2013), who claimed that the researcher cannot always solve restrictions, that influence almost all study initiatives. Likewise, despite the anticipated contributions outlined in the preceding section, this study has a number of limitations.

8.8.1 Participants

This survey was limited to the CAE, IA Directors, IA Deputy Directors, and all IA employees in lower levels within the IAF of the WCG. These individuals might not be the only government employees who are well-informed about the IAA independence and IA objectivity. However, the researcher was only given permission to engage with these employees.

8.8.2 Sampling method

This study's sample size was limited to 300 IAF employees as stipulated by the permission granted by the WCG. As a result, the researcher was forced to employ a non-probability sampling strategy, notably the purposive sampling method. However, the purposeful sampling method has been utilized successfully in prior research, thus, providing the rationale for selecting purposive sampling as the primary method.

8.8.3 Geographic area

Due to the researcher's restricted financial position and the right of potential participants to decline to engage in the study, it was limited to the WCG area, that is situated near the researcher's home. Efforts were initially undertaken to involve at least three provinces in the study, namely Eastern Cape, Gauteng, and Western Cape, however, both the Eastern Cape and Gauteng provincial government declined the invitation. Nonetheless, the Western Cape makes a large economic contribution to South Africa, estimated at 14.5%, according to the South African Business Coalition

on HIV and AIDS (SABCOHA) (2014:14), a fact that supports the choice of this region for this study.

8.9 Avenues for further research

The limitations of this study described above give rise to ideas for future research. Thus, while this survey was limited to the CAE, IA Directors, IA Deputy Directors and all IA employees within the lower levels with the IAF of the WCG, Financial Management Directorate employees also could have been involved. As a result, future research may want to include this Directorate.

This study only examined IAA independence and IA/InAs' objectivity within the WCG, future studies may wish to explore IAA independence and internal auditors' objectivity in other provincial government departments or even the IAA independence and internal auditors' objectivity within South African government departments in general. In addition, the current study's findings are based on a sample of 260 IAF employees. Future researchers may wish to engage with a larger sample size to gather more extensive data and improve the generalizability of their research findings.

It is also proposed that a triangulation of various South African provinces be employed to eliminate the current study's provincial imbalance. Thus, a comparative study of South African government departments could be a useful route for future research. A larger and more diverse sample size is likely to yield more detailed data on IAA independence and internal auditors' objectivity within South African government departments.

8.10 Conclusion

This study noted that the lack of IAA independence and internal auditors' objectivity within the provincial governance systems is one of the most significant hindrances for IA to effectively add value to the operations of the provincial government sphere. This problem invites irregularities that are threatening the attainment of the provincial governments' objectives. Based upon the outcomes of the data collected and analysed in this study, it is evident that internal auditors can only be effective when their activities are independent and objective. However, it was established that the management does not support the IAF role to the extent required. Although the IAF's position was regarded by the participants as being beneficial in giving consulting and reasonable

assurance on risk exposure, the study's results also revealed various operational issues faced by the IAF within the WCG. Such operational constraints have a significant impact on the IAF's ability to add value to the operations of the provincial governance systems. The causal and predictive elements that contribute to IAA independence and internal auditors' objectivity problems were found to be the following: the IAF is not large enough to successfully carry out its duties, the IA department does not have a sufficiently large budget to successfully carry out its duties, the IAF is given low status in the management structure, management have a negative perception about internal auditors as fault finders as opposed to their adding value to the organization, management is not taking corrective action timeously based on audit findings and recommendations and the rate of implementing the recommended corrective action is low.

It is critical that the WCG address the concerns surrounding the IAF's role because these relate to IAA independence and internal auditors' objectivity within the provincial government, particularly a crucial government such as the WCG. This practice could be accomplished through a variety of purposeful initiatives designed to improve organizational dynamics and communication inside the said department. Strategies such as regular seminars, team building exercises and ongoing monitoring and assessment could produce beneficial results. It is also obvious that these techniques may need to be policy-driven in order to produce beneficial results and to moderate stakeholder behaviour.

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ANNEXURES

ANNEXURE A: QUANTITATIVE RESEARCH QUESTIONNAIRE



Questionnaire: Internal Audit independence and Objectivity

May 2021

Dear sir/madam

I, Awonke Gegeza am undertaking a Doctorate degree research project entitled 'A framework for enhancing internal audit independence and objectivity within Provincial Governance Systems' The main objective for developing this framework, is to guide implementation and monitoring of internal auditors' independence and objectivity in the public sector, with the aim of enhancing their effectiveness and value-add within public-sector operations. The researcher seeks your permission to share approximately 10-15 minutes of your valuable time during the questionnaire-based interviews.

Explanatory notes:

Your participation in this study is completely **voluntary**. Please **do not** provide your name or contact details.

All information given in this questionnaire will be kept strictly **confidential** and **anonymous**. Under no circumstances will other employees or your department have access to the information provided by you.

Your responses will be used in an aggregate form with other responses. At no time will your responses or your name be identified in any reports.

Please answer **ALL** questions even if you are not completely certain of your response.

Kindly return the questionnaire (if not using online survey) in the postage paid return envelope on or before **30 July 2021**. Summary result of this research project will be used for producing Master thesis which may appear in the Cape Peninsula University of Technology library and research articles in research journals and at conferences.

Should you have any queries regarding this survey, you are welcome to contact the research team.

Mr A. Gegeza

Doctorate Student-FBMS
Cape Peninsula University of Technology
Cape Town, 8000
South African
Tel: 076 683 0586

Prof J. Dubihlela (PhD)

HOD Internal Auditing & FIS - School of Accounting Sciences
Faculty of Business & Management Sciences
Cape Peninsula University of Technology
Cape Town, 8000
South Africa

SECTION A A FRAMEWORK TO EVALUATE AND ENHANCE IAA'S INDEPENDENCE AND IA'S OBJECTIVITY

The following statements pertain to the legislative requirement for internal audit function (IAF) of your department; **Please indicate the extent to which you agree or disagree with the statements. Strongly agree = 5, agree =4, I don't know =3, disagree =2 and strongly disagree = 1.**

CROSS ONLY ONE NUMBER FOR EACH STATEMENT

A1. My department acts provide for establishment

structure and operation of the IAF

5 4 3 2 1

A2. My department has a policy that authorizes IAA

5 4 3 2 1

A3. My department's IA Charter has been established

5 4 3 2 1

A4. My department's IA Mission statement has been

- established 5 4 3 2 1
- A5. The purpose of IA is clearly Defined in my department 5 4 3 2 1
- A6. The IA purpose of my department is in line with the
standard of professional practice as provided by IIA 5 4 3 2 1
- A7. Document defining IA purpose and authority
in my department is approved by AC 5 4 3 2 1
- A8. The IAF in my department is not large enough to
successfully carry out its duties 5 4 3 2 1
- A9. In my organisation IA does not have sufficient budget
to successfully carry out its duties 5 4 3 2 1
- A10. In my organisation IA have separate annual budget 5 4 3 2 1
- A11. In my organisation IA possess sufficient experience
to understand the organisational systems 5 4 3 2 1
- A12. IA of my organisation have policies for hiring IA staff 5 4 3 2 1
- A13. Adequate short-term training in my organisation is
arranged for internal auditors each year 5 4 3 2 1
- A14. There is a complete IA manual to guide IA 5 4 3 2 1
- A15. IA supervisor in my organisation supervises field work 5 4 3 2 1
- A16. IA supervisors of my organisation supervises
IA working Papers 5 4 3 2 1
- A17. Risk assessment in my organization is done as
part of audit planning 5 4 3 2 1

SECTION B THE INTERNAL AUDIT INDEPENDENCE

I would like to find out a little about the internal audit independence. Below are a number of descriptors on assessing Internal audit independence. Please indicate the extent to which you agree or disagree with the statements. Strongly agree = 5, agree =4, I don't know =3, disagree =2 and strongly disagree = 1.

CROSS ONLY ONE NUMBER FOR EACH STATEMENT

- B1. In my department IA is free from Intervention in
performing its duties 5 4 3 2 1

B2. IA feel free to include any audit findings in their audit report in my organisation 5 4 3 2 1

B3. CAE of my department reports to a level within the organisation that allows the IAA to fulfil its responsibilities 5 4 3 2 1

B4 A functional AC in my organisation has been Established 5 4 3 2 1

Please answer each question by indicate the extant of occurrence (1 = Never, 2 =Rarely, 3= Sometimes, 4 =Most of the time, 5 = Always).

B5. In my department IA provides reports to the AC 5 4 3 2 1

B6. AC in my organisation oversees the employment decisions in IA 5 4 3 2 1

B7. My department AO and top management involved in the appointment of CIA 5 4 3 2 1

B8. My department CIA only reports administratively to AO 5 4 3 2 1

B9. CIA has unrestricted access to AC in my department 5 4 3 2 1

B10. CIA reports functional to AC in my department 5 4 3 2 1

SECTION C INTERNAL AUDITORS OBJECTIVITY

I would like to find out a little about the internal auditor's objectivity. Below are a few descriptors on assessing Internal auditor's objectivity. Please indicate the extent to which you agree or disagree with the statements. Strongly agree = 5, agree =4, I don't know =3, disagree =2 and strongly disagree = 1.

CROSS ONLY ONE NUMBER FOR EACH STATEMENT

C1. Objectivity is a key factor for the IAF effectiveness in my department 5 4 3 2 1

C2. In my department IAs are not assigned to review their work 5 4 3 2 1

C3. IAs of my department are not exposed to social

pressure threats 5 4 3 2 1

C4. IAs in my department are unbiased in their
recommendations and conclusions 5 4 3 2 1

C5. My department IA does not evaluate the work
of the individual or department that makes
decisions that directly affect future
employment opportunities 5 4 3 2 1

C6. My department some IA have friendship relationships
with auditee employees 5 4 3 2 1

C7. IA of my department does not approach audit work
with preconceived notions. 5 4 3 2 1

C8. IA of my department disclose all material facts
known to them 5 4 3 2 1

C9. in my department, IA do not participate in audit of
activities for operations of which they
were responsible 5 4 3 2 1

C6 Are there measures in place to assess and enhance internal Auditors objectivity,
if yes kindly provide the measures.....

C7 If the answer above is yes, would say those measures achieves the desired
results.....

SECTION D INTERNAL AUDIT EFFECTIVENESS

I would like to find out a little about the internal audit effectiveness. Below are a few descriptors on assessing Internal audit effectiveness. Please indicate the extant of agreement with the statements (Strongly agree = 5, agree =4, I don't know =3, disagree =2 and strongly disagree = 1).

CROSS ONLY ONE NUMBER FOR EACH STATEMENT

D1. Objectives and goals of the activities to be audited are
taken into consideration when planning audit programs 5 4 3 2 1

D2. Significant audit findings and recommendation in

My department are immediately brought to the attention of management. 5 4 3 2 1

D3. In my department IA follow up to ensure that correction actions are taken 5 4 3 2 1

D4. My department has a formal subsequently audit follow up policy 5 4 3 2 1

D5. Audit findings are discussed with auditee before being reported on in my organisation 5 4 3 2 1

D6. Management is not taking timely corrective action based on audit findings and recommendation in my organisation 5 4 3 2 1

D7 IA plan of my department is fulfilled 5 4 3 2 1

D8 Audit plan of my department is completed at the required time 5 4 3 2 1

D9 in my organisation Implementation of recommendation rate is low 5 4 3 2 1

D10 IA findings in my department not are solved within the required period 5 4 3 2 1

D6 kindly confirm whether the number of audit findings indicate the conformity or nonconformity to the established procedure, and or they lead to the identification of improvement recommendations.....

SECTION E OPERATIONAL CHALLENGES TO INTERNAL AUDIT INDEPENDENCE AND AUDITORS OBJECTIVITY

I would like to find out a little about the operational challenges to internal audit independence and objectivity. Below are a few descriptors, please indicate the extant of occurrence (1 = Never, 2 =Rarely, 3= Sometimes, 4 =Most of the time, 5 = Always).

CROSS ONLY ONE NUMBER FOR EACH STATEMENT

- E1 in my organisation IA are not pressurized into changing the substance of an audit observation by superiors/peers/management 5 4 3 2 1
- E2. In my organisation IA are not intimidated/threatened by and audit client over the reporting of an adverse condition 5 4 3 2 1
- E3 Sectional heads of my organisation are not cooperating with the IA department 5 4 3 2 1
- E4 IAF of my department is given low status in the management structure 5 4 3 2 1
- E5 Management of my organisation have a bad perception about IA as adding value to the organisation 5 4 3 2 1
- E6 would you kindly share other operational challenges that affect internal audit independence experienced in your department.....

***Thank you for your time and cooperation.
Your views are much appreciated.***

ANNEXURE B: QUALITATIVE RESEARCH QUESTIONNAIRE



Questionnaire: Internal Audit independence and Objectivity

May 2022

Dear sir/madam

I, Awonke Gegeza am undertaking a Doctorate degree research project entitled 'A framework for enhancing internal audit independence and objectivity within Provincial Governance Systems' The main objective for developing this framework, is to guide implementation and monitoring of internal auditors'

independence and objectivity in the public sector, with the aim of enhancing their effectiveness and value-add within public-sector operations. The researcher seeks your permission to share approximately 10-15 minutes of your valuable time during the questionnaire-based interviews.

Explanatory notes:

Your participation in this study is completely **voluntary**. Please **do not** provide your name or contact details. All information given in this questionnaire will be kept strictly **confidential** and **anonymous**. Under no circumstances will other employees or your department have access to the information provided by you. Your responses will be used in an aggregate form with other responses. At no time will your responses or your name be identified in any reports.

Please answer **ALL** questions even if you are not completely certain of your response.

Kindly return the questionnaire (if not using online survey) in the postage paid return envelope on or before **12 May 2022**. Summary result of this research project will be used for producing Master thesis which may appear in the Cape Peninsula University of Technology library and research articles in research journals and at conferences.

Should you have any queries regarding this survey, you are welcome to contact the research team.

Mr A. Geqeza

Doctorate Student-FBMS
Cape Peninsula University of Technology
Cape Town, 8000
South African
Tel: 076 683 0586

Prof J. Dubihlela (PhD)

HOD Internal Auditing & FIS - School of Accounting Sciences
Faculty of Business & Management Sciences
Cape Peninsula University of Technology
Cape Town, 8000
South Africa

Taking into account your experience and knowledge in Internal Auditing Field: in brief, what are the mechanism the department/institution has put in place to enhance Internal audit activity's (IAA) independence?

Taking into account your experience and knowledge in the Internal Audit Function (IAF); in brief, How do audit client managers respond to internal audit findings and recommendations?

Taking into account your experience and knowledge in the IAF; in brief, in what way do you want to see Internal Audit improve its function.

Based on your perception of IAF within the provincial government, to what extent does IAA independence contribute towards enhancing the institutional operations?

In your opinion, do you think the mechanism put in place to enhance IAA independence in general; incorporate robust analysis to curb risk of financial misuse within the provincial government?

ANNEXURE C: CONSENT LETTER



Blanche Cairncross

Chief Audit Executive

Email: Blanche.Cairncross@westerncape.gov.za

Tel: +27 483 6837

Cape Peninsula University of Technology

P.O. Box 1906

Bellville, 7535

South Africa

Dear Sir/Madam

This is to confirm that Mr Awonke Geqeza student number 21706856, who is a student in your institution has approached our department, namely, Western Cape Department of the Premier- Internal Audit Chief Directorate for assistance with his research project.

The conditions, that final questionnaire be presented and agreed by the department and an ethical clearance certificate from his institution confirming authenticity and approval of his research project on the said topic by the institution be shared with the department, has been adhered to and accepted by the Internal Audit Chief Directorate.

Mr Awonke Geqeza's request is hereby approved. We look forward to participating in your research project.

Kind Regards,

Signature
Blanche Cairncross Chief Audit Executive
WCG: Department of the Premier

ANNEXURE D: DECLARATION OF LANGUAGE EDITING

A thesis submitted in fulfilment of the requirements for the degree Doctor
of Commerce in Internal Auditing

in the Faculty of Business and Management Sciences at the Cape

Peninsula University of Technology entitled:

Framework for enhancing internal-audit-independence and objectivity within a
Provincial Governance System in South Africa

By

Awonke Geqeza – 217068456 Supervisor: Prof. J.

Dubihlela

has been subjected to an English language edit by Dr Barbara

Basel

(The edits still have to be implemented by the student.)

D.Litt. University of Pretoria,
MA Potchefstroom University,
BA UNISA

Vice President of the Council of English Academy of Southern Africa

Associate Member Professional Editors' Guild

Past Lecturer in English Literature, Linguistics, Communication and Business

English for 10 years at Pearson Institute for Higher Education (previously Midrand Graduate Institute), Cape Town Campus.

Academic Editing – PhD, MBA, MComm, MEd, MPM and Master's in Graphic Design

Theses, External Examiner for MEd Thesis.

Cell: 082 651 1659

barbara.basel@gmail.com

Barbara Basel

7 August 2023

ANNEXURE E: TURNITIN REPORT

Framework for enhancing internal-audit-independence and objectivity within a Provincial Governance System in South Africa

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