Employee Perceptions of the Function of Internal Auditing in Municipalities Within the West Coast District, South Africa

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Abstract:

South African municipalities are formed through the provisions of law, offering service to residents of South Africa by delivering a variety of basic services. Internal Auditing (IA) activities in municipalities help with enhancing transparency and improving the quality of public services and efficient administration. Thus, IA activities are crucial within local governments (LGs) for continuous assessment of their operational plans and recommended business processes to assure that citizen's goals are met. The aim of the study is to investigate employee perceptions of the IA function within the West Coast District municipalities (WCDMs). An enhanced understanding means having clear and summative knowledge of issues. This applied research study is placed within a quantitative positivist research paradigm, employing a quantitative approach for the data collection, data analysis and interpretation. A clear understanding within the context of this study can be achieved through issuing standardized questionnaires to the participants.From the data analysis and findings derived in this study, the IA function performed by municipalities within the West Coast District has become clear and are thoroughly understood. The expectation arising from the results of the study is that the experiences and expectations shared by the participants will improve and enhance the strategic role of the IA function' within IA operations across the WCDMs. This will add value to the IA departments' operations, enhance risk management effectiveness, and achieve successful process control and governance implementation.

Introduction

South African municipalities are formed through the provisions of law, offering services to residents of South Africa by delivering a variety of basic services. Internal auditing (IA) activities in municipalities help to enhance transparency and advancing public service quality and administration efficiency. Thus, IA activities are crucial within local governments (LGs) for the continuous assessment of their operational plans and recommended business practices to assure that citizens' goals are achieved.

The Global Internal Audit Survey on measuring the value of internal auditing (IA), released by the Institute of Internal Auditors (IIA), states that "the fundamental principle of an IA role is that its significance is defined by its organisational value" (IIA, 2011:2) and its value is expressed in its perceived contribution to the employees.

The concern therefore arises whether the employees' view of the internal auditing function (IAF) at South African municipalities is adding value and whether such facilities can be considered helpful to them.

Background of the study

Internal auditing activities are considered useful if it fulfils the expected end results (Mihret & Yismaw, 2007:1). This study aims to establish employees' views on how effective the IA function is within South African West Coast District municipalities (WCDMs). The phrase 'internal auditing activities' (plural) is often preferred to the term 'internal auditing activity' (IAA) as set out in the "International Standards for the Professional Practice of Internal Auditing" of the IIA because of the broad use of the concept in literature by researchers (Christopher et al., 2009; Nagy & Cenker, 2002; Kinsella, 2010; Soh & Martinov-Bennie, 2011; Sarens & Abdolmohammadi, 2011).

In addition, employees' views on the duties of internal auditors cannot be ignored. Previous studies also show that insight and perception happen when someone has gained evidence, knowledge or an understanding of something. Robbins (2004) explains that perception is the mechanism used by individuals to manage and interpret their sensory stimuli to give meaning to their environment. However, the role of the IA department or unit (IA in short) in every municipality is to support the municipal management by reviewing, assessing and helping to improve and ensure adequate internal monitoring systems and achieving its goals. IA goals include the provision of primary services by means of assessing risk management, control and governance procedures as well as the efficiency of the different insurance and consulting facilities outlined in the assessment report in each municipality (IIA,2016:23).

Purpose, Problem Statement and Significance of the study

For this study, the main purpose is to investigate employee perceptions of the function of internal auditing in municipalities within South Africa's West Coast District. Municipal IQ (2017) reported 152 service

protests in South Africa in 2017. Many of these protests were found to relate to the provision of service. Such demonstrations are targeted at South African municipalities having an IA department or unit that helps them fulfil their duties, including those in authority positions/government.

These demonstrations targeting South African municipalities has led to the question: "What are the difficulties faced by the municipalities in spite of having internal auditing functions?" The challenge embedded in the above question is confirmed by Pillay (2016:2), who notes that wrongdoing is more prevalent when there is a systemic and institutional motive for individuals being unscrupulous, which begs the question, "What is the standing of internal auditing in this situation?" There is animosity between employees and IA in municipalities, which is perceived to be influenced by employees' perceptions towards the internal auditors within municipal settings.

The research problem statement reads as follows: There exist employee perceptions of the Internal Auditing function (IAF) within West Coast District municipalities in South Africa, which adversely affect the way IA operates in these municipalities. The study's findings will, to an extent, bring forth employees' understanding of the overall need and the importance of the IA function within municipalities. The study further aims to empower employees' broad understanding of the significance of the duties of IA activities and the benefits of sound internal control activities in the municipalities. Thus, the study endeavours to contribute to the scientific body of knowledge through validating existing/current information and add to the outcomes of previous studies.

Literature Review

To date, there has been limited studies that outlines the employee perceptions of the internal audit functions within Municipalities. Other studies have covered the assessment of employee perceptions on Internal Audit (Japi, 2015) and customers' perceptions of the work performed by the internal audit functions in the public sector, a case study of national treasury (2014).

However, there has been significant research undertaken in the general area of customer perception of the work of internal audit functions in the public sector. K. Motubatse (2014) reviews that the experiences and expectations expressed by the participants will inform the operation of the IAF in National Treasury and improve their strategic role in the department for the purpose of adding value, improving operations and the effectiveness of risk management, and achieving effective implementation of control and governance processes.

Define Internal Auditing

The Institute of Internal Auditors (IIA) (Na.theiia.org, 2017) has defined internal auditing 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."

Another definition of internal auditing is presented stating that internal audit is "an appraisal activity established within a company as a service. Its functions include examining, evaluating and monitoring the adequacy and effectiveness of the accounting and internal control systems" (Soltani, 2007:621).

Internal audit and its role in an organization

Internal audit is designed to help the organization to reach its objectives. Fulfillment of organizational objectives defines the company's achieved success. Business objectives are organizational goals and what the company wants to achieve. If they are coherent and can be measured, they are in fact evaluation criteria of the organization's success.

The organization states its objectives in a mission and vision statements. Mission statement conveys what the organization is and what it wants to achieve today. Vision statement communicates aspirations to what it intends to achieve in the future. (Reding et.al, 2013)

Business objectives' categorization is a matter of discussion and believes. COSO (Committee of Sponsoring Organizations of the Treadway Commission) categorizes them as follows (Reding et.al, 2013):

Strategic objectives are about what managements do and plan (strategy) in order to create value for the organization's stakeholders.

- Operations objectives focus on organization's operations in order to increase effectiveness and efficiency
- Reporting objectives are about reporting internal and external information and the level of its reliability
- Compliance objectives concentrate on existing laws and regulations and their implementation in the organization

According to Reding et.al (2013), business objectives are measures of success for the organization, but for an internal auditor, they provide foundations for engagement objectives. Engagement objectives are goals of an internal auditor that are to be achieved within the organization. Internal auditor's mission is to help the organization to achieve its objectives. Therefore, the proper and thorough definition of engagement objectives within given organization is vital.

Another vital point for the fulfillment of organizational objectives and sustainable success is effective risk management, control and governance process. The role of the internal auditor is to evaluate and improve those processes (Reding et.al, 2013):

- Governance process is an achievement of the organization's objectives by authorization, directions and overseeing management by the board of directors.
- Risk management is a process of understanding and dealing with uncertainties by the management of the organization. Uncertainties are all risks and opportunities that could affect (negatively or positively) organization's ability to achieve its objectives.
- Control is a process of mitigating risk to the level that can be accepted by the management of the organization.

The Duties and Responsibilities of IAFs

Diamond (2002:22-23) highlights the duties and responsibilities of IAFs in public service institutions as follows:

- "to review compliance with the existing government financial regulations, instructions and procedures;
- to evaluate the effectiveness of internal control systems;
- to review the reliability and integrity of record keeping and reporting on financial and operating information systems;
- to investigate irregularities identified or reported on cases leading to wastage of resources or cases of general misuse or misappropriation of financial resources and government property
- to carry out spot checks on areas such as revenue and receipts collection points, projects, supply and delivery sites to ensure compliance with procedures and regulations."

Internal Auditing Functions Adding Value in the Public Sector

In the light of the above discussion, IAFs in the South African public sector perform diverse functions within the statutory regulatory environment. They should, nevertheless, focus on adding value to the public sector, since this is a fundamental element of internal auditing (Ray, 2009:13). Internal auditing is defined as providing improvement opportunities in support of efforts to achieve organisational objectives, identifying operational improvement and reducing risk exposure through both assurance and consulting services (IIA, 2009a).

Most organisations view internal auditing as critical for efficient operations and effective internal controls, risk management and governance (Pickett, 2003:274). According to Roth (2003:1), internal auditing helps organisations to improve their functioning and to achieve their desired goals and objectives. Fadzil, Haron and Jautan (2005:864) maintain that in order to add value, internal auditors should positively influence internal control systems.

The IAF in public service institutions has a responsibility towards the AC (Unegbu & Kida, 2011:305). Hence the IAF in public service institutions could contribute to the effectiveness of good public sector governance by serving as a liaison between the public sector departments and the ACs. According to the IIA (2010a), ACs expect the IAFs to position themselves as knowledgeable providers of assurance, and consultants on internal control systems, risks and governance processes in the organisations. Hence the reports of the IAFs in the public sector should be critical to empowering and enhancing the role of the ACs in public service institutions.

The Role of IAFs in the Public Sector

The role of IAFs in the South African public sector is discussed in terms of the regulatory environment, global best practices, and the IAFs' duties and responsibilities as presented in various IIA guidance documents. It is therefore important to understand the structure of the public sector.

Municipality

The Concise Oxford Dictionary (1995:895) defines the word "municipality" in two ways, i.e. as a demarcated geographic area, and as the governing body responsible for an area. However, the two descriptions are inextricably linked. As a geographic area, municipality refers to a town or district that has been demarcated and its size can be measured in terms of the land area it occupies. As a governing body, the concept refers to the social entity (juristic person) that holds the authority to making, implementing and adjudicating law in a specific jurisdiction based on agreement and representation.

Municipality could also refer to the employees who sell their service for remuneration to a social entity. For the purpose of this thesis, municipality adopts the meaning of a geographic area. Where reference is made to the governing body or employees, it will be articulated as a municipal council and municipal officials, respectively.

Municipal Council

Municipal council refers to a governing body of the municipality with both the executive and legislative authority in an area of jurisdiction. This is an elected body of representatives forming the final decision-making authority of a municipality. Members may be elected directly by the electorate of a municipality or assigned by a political party or association from the party list, according to the number of votes obtained by the party (Thornhill & Cloete 2014:58). A municipal council is naturally a political structure and it consists of a specific number of councilors responsible for the executive and lawmaking functions of a municipality.

Functions and Objectives of a Municipal Council

The primary role of the municipal council is that of political oversight of the municipality's functions, programmes and the management of the administration. All the powers of local government are vested in the municipal council. It has the power to make by-laws (legislative authority) and the powers to put those laws into effect (executive authority). The municipal council has executive and legislative authority over the matters set out in Part B of schedule 4 and Schedule 5 of the Constitution. The municipality may also administer any other matter assigned to it by national or provincial legislation. In administering the matters assigned to local government, the municipal council must strive within its capacity to achieve the Constitutional objects of local government.

Municipal Fiscal Powers and Functions

The Constitution vests certain fiscal powers in municipalities. Section 229(1) provides that a municipality may impose:

- rates on property and surcharges on fees for services provided by or on behalf of the municipality; and
- if authorised by national legislation, other taxes, levies and duties appropriate to local government and or to the category of local government into which that municipality falls, but no municipality may impose income tax, value-added tax, general sales tax or customs duty.

Methods and Data

The study employed multiple data collection methods in the form of both primary and secondary data. The primary data pertained to the field work data while the secondary data was collected from scientific literature. The literature review is an important tool "to identify the theoretical debates within which [the research] question is situated and to underpin what is being investigated with what has already been published in the field" (Gaudet & Robert, 2019).

Equally, the primary data provides the empirical evidence to concur or dispute what is published in the literature. Therefore, secondary as well as primary data sources were deemed crucially important in the execution of the research. The literature review has been conducted using a variety of resources in relation to the phenomenon under study. This includes sources such as journal articles, books, government publications, conference proceedings and internet resources.

Data collection Instrument

The primary data was solicited through a digital questionnaire that was designed using the Monkey Survey software tool. The questionnaire contained both structured and unstructured questions, which

was useful for capturing both the quantitative and qualitative responses. This data collection instrument was found to be the best suited tool for collecting the data. Further advantages associated with using a digital questionnaire are that it produced a higher response rate as the questionnaire was electronically distributed to participants for completion; less energy and time were required from participants to answer the questions; the principle of anonymity was offered as participants' details were not required prior to the completion of the questionnaire; there were fewer opportunities for being biased as the questions were posed and presented in a concise and consistent manner; and the closed questions easily enabled the researcher to compare and validate the participants' responses. In addition, the questionnaire was distributed together with the information letter and consent form to all the participants. Moreover, the researcher was able to track the participation and responses of participants while the survey was still underway. The researcher distributed the survey questionnaire and information letter via email with the help of IA managers in the respective municipalities.

Questionnaire Design

There are basically two formats of designing a questionnaire for data collection, namely, the open or free response format, also known as an unstructured questionnaire, and the closed response format, which is commonly known as a structured questionnaire. A good questionnaire uses both the closed and open response formats (Yin, 2011) or questions.

Accordingly, the questionnaire for this study was designed to contain both structured and unstructured questions. The questions aimed to collect facts and viewpoints from the participants to obtain data and/or evidence on the phenomenon being studied. However, Malhotra (2004:278) warns that a questionnaire containing a combination of structured and unstructured questions has to be structed and framed such that participants' interest are drawn effectively, leading to their full participation (i.e., providing complete, accurate and relevant answers). Accordingly, the survey questions designed for this study engendered the desire within the participants to provide honest answers. Moreover, the survey questions were designed to be exhaustive and mutually exclusive, and only important and significant questions relevant to the study were posed. Importantly, the questions were designed to be easily answered by the participants in the absence of the researcher. That is, the questionnaire were sent to the participants using a digital platform, and in response, the participants were able to successfully complete both the open-ended and closed questions at their own pace and in their own time.

Data Preparation and Analysis

The data presentation and analysis stemmed from the qualitative survey conducted in this study. This strategy involved retrieving the open-ended and the closed questions from online survey software known as Monkey Survey. On the one hand, the quantitative data in the form of Likert ordinal scale, ratio

frequencies and nominal measures was retrieved and analysed using SPSS software. The data was then presented through descriptive statistics using Microsoft Excel's bar and pie charts as well as tables before it was transferred to a Microsoft Word document.

On the other hand, the qualitative data was retrieved and uploaded to the qualitative data analysis software called MAXQDA for coding and categorising as the preliminary steps towards qualitative data analysis. The coding process of the qualitative data analysis followed the procedures as suggested by Saldaña (2013) in terms of NVivo and descriptive coding for thematic analysis, consolidation and interpretation of the participants suggestions. According to Ershadi et al. (2021), "adopting this approach is beneficial in searching across a data set and placing similar ideas together to find repeated patterns of meaning". The six phases actioned thematically analyse the data set are explained in table 1.

Phases	Implications on the analysis
Phase one	Familiarising with data: In this phase, the descriptive responses obtained from participants were reviewed so that we can identify the depth and breadth of the data set before beginning the formal coding process.
Phase two	Generating initial codes: Codes represent short and the most essential segments of raw data, which intitially group relevant ideas.
Phase three	Searching for themes: Themes are broader than codes and are elicited because fo further interpretation of the data set.
Phase four	Reviewing themes: After devising the set of candidate themes, they were reviewed systematically to ensure both their internal homogeneity and external heterogeneity.
Phase five	Definining and naming themes: Reaching a satisfactory combination of themes, a concise label was selected for each theme considering the aspects and information relevant to the respective themes.
Phase six	Producing the report: The themes were interpreted and discussed in the thesis to explain the concepts that were identified during the data analysis process.

Table 1: Thematic qualitative analysis procedures (Adopted from: Ershadi et al., 2021)

The application of the MAXQDA software has enabled the thematic analysis process to be efficient and effective. Saldaña (2013:30) comments that programs like MAXQDA involves a user-assigned colour coding feature, which is a highlighting function that alters the text's background colour to align with its code's colour. Reviewing similarly color-coded data during the second cycle of coding makes it easier

to refine first cycle of coding and create new or revised categories. All the necessary ethical considerations were considered during the study.

The following section will discuss the outcome from the questionnaire on the different sections of understanding that was tested:
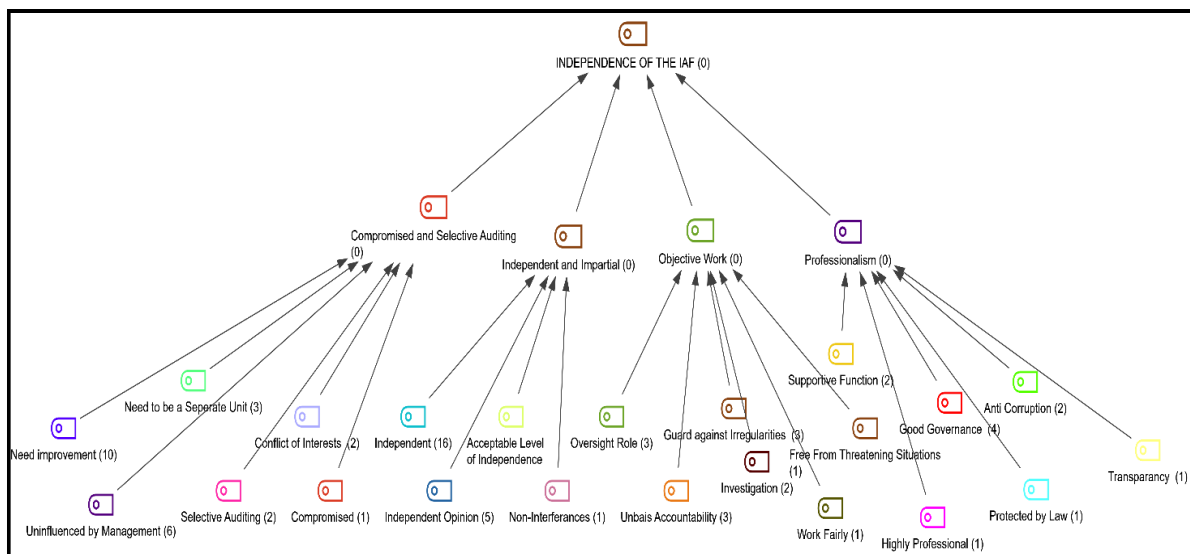
The Independence of the IA function

Figure 1: Independence of the IA function (Source: Own source)

Regarding the question related to understanding the independence of the IA function, several contrasting views and responses were provided by the participants, which suggests a state of being independent as well as a situation of being compromised in different forms. The second level of coding the empirical data revealed that IA operates professionally and objectively and is independent. However, some participants were of the opinion that the functioning of IA is compromised and often seen to be selective when auditing is done in the organization, as shown in the figure above and elaborated on in the next sections.

Independent and Impartial

A common view among the participants was that IA activities must be independent of interferences in terms of ascertaining the scope of IA. Performing auditing work should be independent from the day-to-day running of municipalities.

Most respondents expressed the views that:

The Internal Audit department maintains acceptable levels of independence (Participant 23).

The purpose of Swartland Municipality's IAA is to deliver unbiased, objective assurance and advisory services intended to streamline and enhance Swartland Municipality's operations (Participant 32).

Objective Work

Views expressed include the following:

The IAA remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of audit selection, scope, procedures, frequency, timing, and report content (Participant 51).

[To] identify irregularities/fraudulent activities within the organisation (Participant 68).

The duties and responsibilities of IA were made clear in the literature review. The IIA's definition of IA, which states that it is "an independent, objective, assurance and consulting activity designed to add value and improve an organisation's operations", is crucial to this concept (IIA, 2017a). It is evident that participants have an understanding of the core objective of the IAF.

Compromised and Selective Auditing

Another common concern among the interviewees was that the IA function is somehow being compromised as they are often instructed on what to audit in the activities of the organisation. One interviewee expressed concern that the audit must be conducted in all the departments:

Inspection must be done on a regular basis to the whole of the Municipality and not specific departments. They must work totally independently and must have a very good interest in all the different kind of work done in municipalities – inside and outside (Participant 66).

This finding validates the opinion that the public procurement operations and activities of national government are complex. As a result, a wide range of factors and a substantial amount of data impact the SCM (Ambe, 2016). Hence, internal auditing must be comprehensive. Another participant was concerned that the internal auditors' relationship with management may compromise the issuing of unbiased opinion:

It must be independent so that the auditing cannot be influenced by the relationship between them. Auditors are expected to give an honest opinion of financial statements (Participant 20).

Similarly, a participant indicated that the involvement of IAs in certain processes of the organisation places them in a dilemma, wherein they become a referee and a player at the same time. That is, they are expected to audit what they have also participated in, as illustrated hereunder:

IA needs to stay independent from business process[es], however in some instances the independence of the IA Activity is compromised, by involving them in certain processes (Participant 4).

Professionalism

Some participants expressed the following views:

Internal audits play a big role in the municipalities growth by ensuring that the company is moving in the right direction (Participant 71).

To give assurance and recommendations on improvements of control measures and processes and policies (Participant 15).

As literature concurs, IA activities in municipalities help in enhancing transparency and improving the quality of public services and efficient administration.

Scope and Activities of the IA Function

According to the Statement of Internal Auditing Obligations, internal auditing includes examining and evaluating the sufficiency and efficacy of the organisation's internal control framework, as well as the standard of performance in completing assigned duties. The participants further expressed their understanding of the scope and activities of the Internal auditing functions as shown in Figure 2 below.
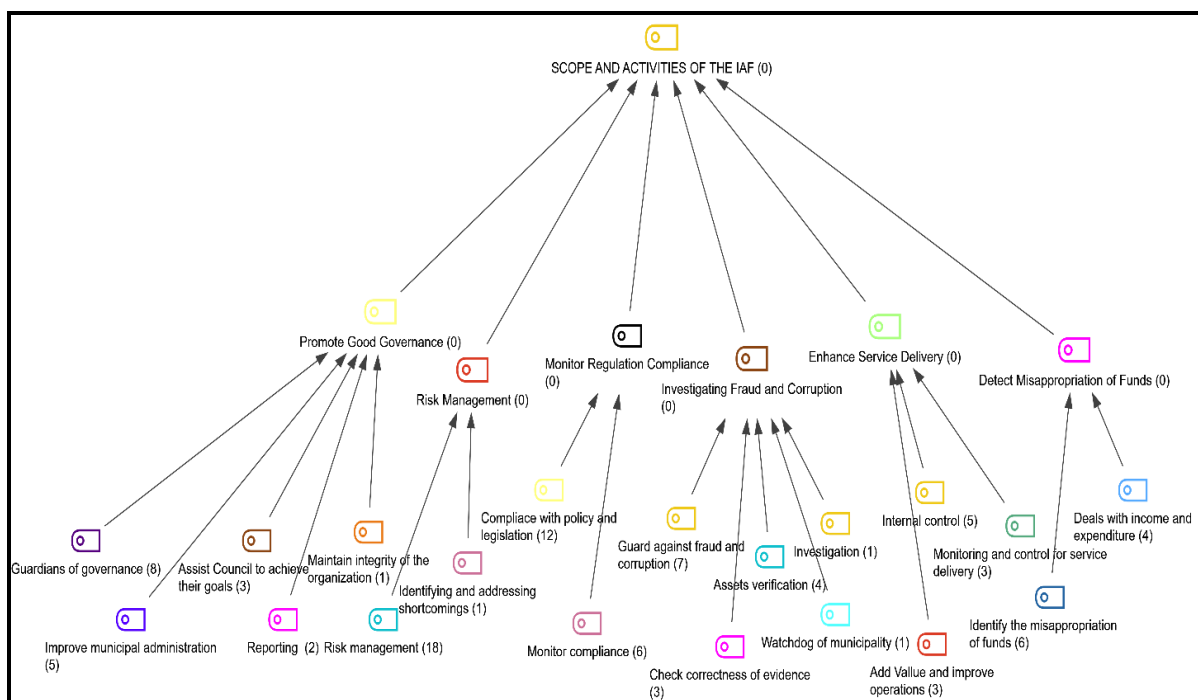

Figure 2: Scope and activities of the IA function (Source: Own source)

Enhanced Service Delivery

As implied by the definition, internal auditing may help management accomplish its goals by carrying out different assurance and advisory engagements. Municipalities' primary goal is to provide their communities with essential services. Most participants emphasised this obligation.

IA's primary areas of attention, as acknowledged by the largest part of the participants, are risk management, governance and internal control assessments and to make sure sufficient control measures are in place. Additionally, IA must confirm the existence of assets, suggest appropriate measures to protect them, assess how well the internal control system is working, and make recommendations for control enhancements.

Promote Good Governance

A common view among the participants was that the mandate and scope of work of the internal auditors is the promote good governance in the municipality. According to Ambe (2016), "the procurement transformation started in 1995 and was directed at two broad focus areas, namely the promotion of the principles of good governance and the introduction of a preferential system to address socio-economic objectives". The findings of this study suggest that the internal audit is a tool to enable good governance in the municipal administration, as stated by Participant 7 and 10, respectively, when stating that the internal auditor "*provide[s] assurance on governance and compliance*" and "*focus on compliance to improve municipal administration standard*".

Risk Management

Since it is simply not feasible and possible to audit every existing cycle, a risk-based approach helps IA identify and manage areas of high risk, as drawn from literature (Coetzee & Lubbe, 2011:45). This will be the case until the Chief Audit Executive (CAE) is able to conduct a high-level assessment of the risks that a municipality has been assessed for in order to establish the direction of the annual audit plan. In addition to the required or prescribed audit activities mentioned in the statutes or statutory rules, priority needs to be assigned to the ten highest threats during annual audit planning (Cascarino, 2015:53).

The study found that participants are of the same view that IA is responsible for ensuring that processes and functions are completed properly with little risk of non- compliance. Controls, checks and balances are put in place to mitigate risks and evaluating risk management in order to support management in strengthening internal controls.

Monitor Regulation Compliance

The involvement of IA in the creation of control documentation and their function in guaranteeing adherence to regulatory and financial reporting mandates facilitate management's comprehension and oversight of high-risk domains (Hass et al., 2006:837). Therefore, IA plays a critical role in ensuring that public sector organisations comply with legal requirements and maintain the efficacy of their internal controls, risk management and governance procedures as well as compliance with policies and legislation. Two participants expressed the view that IA's scope of activity within the municipality is to:

Provide systems and processes that allows adherence to the laws, guidelines and policies that could have an great impact on a municipality.

and

Evaluate whether sound business practices and policies are being followed.

Therefore,

The scope of internal audit activities encompasses, but is not limited to, objective examinations of evidence for the purpose of providing independent assessments to the PRAC, management, and outside parties on the compliance, adequacy, effectiveness and efficiency of governance, risk.

Detect Misappropriation of Funds

Participants further expressed that the duty of IA is to ensure that public funding is spent accordingly and to combat malfunction and corruption.

Furthermore,

Information is dependable, simple to use, and has integrity, as are the methods used to detect, measure, analyse, classify, and report it on time. Assets and resources are obtained affordably, utilised effectively, and sufficiently safeguarded.

Investigating Fraud and Corruption

Risk management, monitoring and governance mechanisms are other critical factors for achieving corporate goals and sustained progress. IA's duty is to assess and develop those mechanisms (Reding et al., 2013). This study found that employees' perception of the scope of investigating fraud and corruption is as follows:

The scope of internal audit activities encompasses, but is not limited to, objective examinations of evidence for the purpose of providing independent assessments to the PRAC, management, and outside parties on the compliance, adequacy, effectiveness and efficiency of governance, risk.

To check if everything is in order and that there no corruption in the municipality. They do regular audits to prevent fraud, theft and corruption.

Duties of Internal Auditors

According to Reding et al. (2013), internal auditors' goal within the company is to accomplish objectives and engagement targets. The purpose of an internal auditor is to assist the company with achieving its goals. Furthermore, it is imperative to clearly and systematically identify the goals of engagement within a given organisation. Efficient risk management, monitoring and governance mechanisms are another critical factor for achieving corporate goals and sustained progress. Internal auditors' duty is to assess and develop those mechanisms. Figure 3 details the employees' perceptions of the duties of internal auditors.
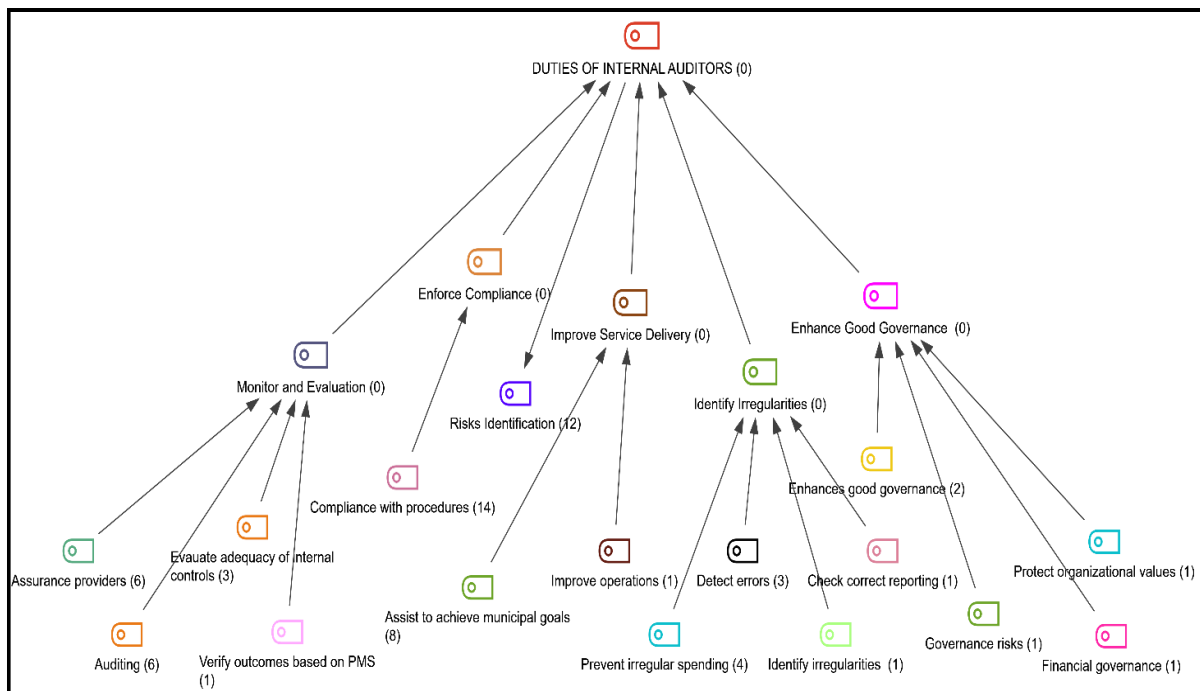

Figure 3: Duties of internal auditors

Improve Service Delivery

The empirical data also revealed that internal auditors' duties are to enhance service delivery for improved operations, which are expressed in the excerpts of the participants.

Enforce Compliance

The IA department or unit of a municipality must undergo an external and internal quality assessment. In compliance with Standards 1310 and 1320, an external impartial reviewer must undertake an external

quality review every five years (IIA, 2016:8-9). This is done to determine if the IA unit of a municipality is compliant with the IIA Standards.

Identify Irregularities

Both the Public Finance Management Act (RSA, 1999:9) and the National Treasury (2014:2) explain irregular expenditure as any expense (excluding unauthorised expenditure), incurred in violation of or non-compliant with a requirement of any appropriate statute, such as:

- "The Public Finance Management Act of 1999.
- The State Tender Board Act, 1968 (No. 86 of 1968), or any regulations made in terms of that Act.
- Any provincial legislation that provides for procurement procedures in that provincial government.
- This [concept of] irregular expenditure applies to all departments of the national government and other branches of government. The internal auditors' role in any municipality should be to assist municipal management to achieve their objectives (which includes delivery of basic services) through the evaluation of risk management, control and governance processes, and the performance of various assurance and advisory services detailed in each municipality's audit plan" (IIA, 2016:23).
- The King III Report (IOD, 2009) describes offering information when needed about cases of fraud, corruption, unethical behaviour, and other discrepancies, as crucial responsibilities of the IA function, and the King II Report (Kneale, 2002) also endorses the IA function as one of the methods for establishing checks and balances in organisations.

Monitoring and Evaluation

Diamond (2002:22-23) reports that there is agreement on the IA function in the public sector, which is to assist an organisation in fulfilling its objectives and evaluate and enhance the efficacy of the organisation's risk management, control and governance procedures as defined by the COSO frameworks. IAs in public service organisations not only support senior management but also offer appropriate advice to the organisations on risk management and internal control systems based on the COSO frameworks. Diamond (2002:22-23) outlines the duties and roles of IAs within public service institutions as evaluating the efficient of internal control systems.

Enhance Good Governance

Audit committees require IA to position themselves in organisations as competent assurance providers and consultants on internal control structures, risks and processes of governance (IIA, 2010). Below is an employee's view on the IA function in promoting good governance:

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

Guarding Against Corruption

Participants are of the strong opinion that IAs should be preventing corruption and any fraudulent activities. Their views correlate with the perspective of Stačiokas and Rupšys (2005:22) and Pickett (2003:115-117), namely, that IAs are usually responsible for: "assessing the safeguarding of assets; facilitating self-assessment; assessing business risks; evaluating governance processes; performing quality reviews; investigating fraud; evaluating internal controls; reviewing and assessing operating processes; reviewing accounting and financial information; ensuring compliance with laws, regulations and contracts; and assessing the efficient use of resources".

Risk Identification

Although there is no limit to the number of dangers that can be detected, not all are relevant to a company. Only risks that jeopardise the achievement of corporate goals are important according to the above definition of risk management. Identification should ideally be done by a group of employees from various divisions inside a company, each with their own distinct viewpoint. The identification procedure involves unpacking each business threat, and occurrences probable to hinder success should be recognised. Internal auditors are able to offer advice on whether the risk register appropriately reflects the risks faced by the company. Protests over service delivery are an ongoing example of risks that have manifested, and management must detect and assess control flaws (Sobel & Reding, 2012:84).

Operational challenges of internal auditors

This section determined possible operational challenges faced by internal auditors when conducting an audit. Below figure presents these challenges, which are elaborated on in the coded segments thereafter.

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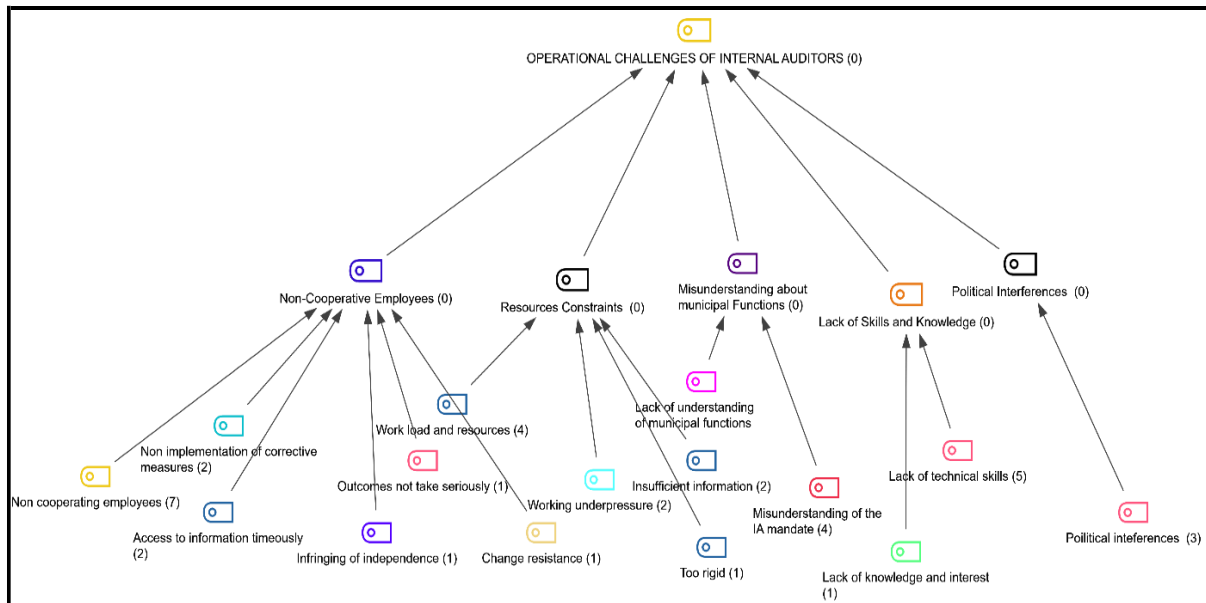

Figure 4: Operational challenges of internal auditors (Source: Own source)

Misunderstanding of Municipal functions

According to the participants, one of the major challenges or difficulties faced by internal auditors in terms of smooth operations is the misunderstanding of the IA mandate within municipalities. Employees are of the view that:

Difficulties experienced in the municipality as internal auditor is when officials view internal auditors as "Policemen" … Officials always think they did something wrong but do not understand the role of IA as a value adding activity (Participant 77).

Two participants were of the opinion that:

Internal auditors do not understand municipal functions (Participant 12).

Management not understanding the IA's mandate and involving IA in management's responsibility (Participant 13).

An examination of the aforementioned quotes revealed that the participants view IA's ignorance of business operations and working environment as a major obstacle.

Political Interferences

In terms of operational challenges of internal auditors in municipalities, the participants view political interference as one of the significant causes undermining IA's ability to achieve its goals. Participants stated the following:

IA are told what to investigate and what not.

IAs are encumbered by insufficient training and inexperience, political interference and if the department is not staffed sufficiently.

Accordingly, when an IAs independence is compromised by political connections, a potential conflict of interest may emerge in the public sector. Furthermore, explained in Standard 1130 (IIA, 2009), the requirement is to notify the relevant parties of any impairment to independence or objectivity.

Non-Cooperative Employees

The study revealed that non-cooperative employees contribute to the operational challenges of internal auditors. Participants expressed that:

The only difficulty that hampers a smooth engagement is when the auditee does not submit audit evidence timeously.

Non-responsiveness from employees and or managers.

Unfortunately, we find that more often than not the components are tested too late in the year for corrective actions to be implemented or even after an external audit has been completed.

Cooperation from staff hinders execution of duties.

Resource Constraints

Another contributing factor mentioned by participants is resource constraints, which hinders IA's smooth operation. Below are their views shared:

Too little staff, ill planning and limited guidance.

Difficulties are not getting enough information for them to compile their reports.

Difficulties are the timing and scope of the audits in that there are certain pressure periods audits can't be performed and when large samples are requested.

The revealed challenges therefore compromise IA's ability to function effectively.

Lack of Skills and Knowledge

The study further found that lack of skills and knowledge is another challenge at hand for IAs. Participants expressed the following:

IAs are encumbered by insufficient training and inexperience, political interference and if the department is not staffed sufficiently.

Attraction of requisite skills, as candidate prefers to working cities or urban areas and not in far municipalities.

No technical skills to properly audit technical matters.

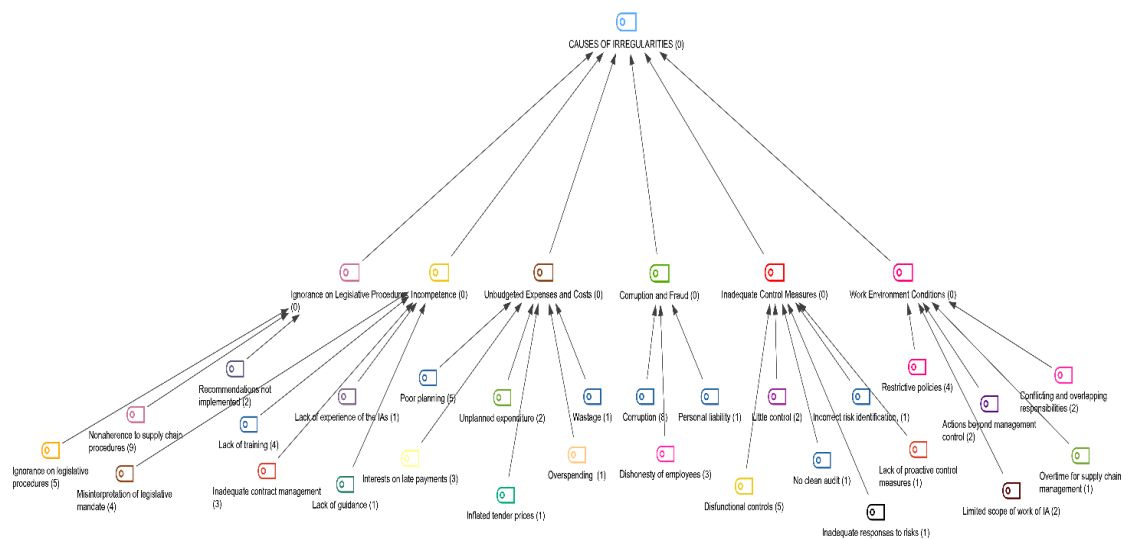## Causes of Irregularities Amidst Audit Functions

Figure 5: Causes of irregularities amidst audit functions (Source: Own source)

Work Environment Conditions

This study revealed the causes of irregular expenditure within municipalities amidst IA. Participants were of the opinion that:

The existence of IAF has no bearing on causes of irregular expenditure. Internal audit scope might not include the evaluating of irregular expenditure.

Below coded segments further indicate overall employee perceptions.

Corruption and Fraud

Further perceptions on causes of irregularities within municipalities are depicted below.

Greed, tender fraud, self-gain … When people are not honest about the work that is done, and the material used.

Inadequate Control Measures

South African municipalities are created by statute to render services to the residents of the municipalities. IA activities are established to enable internal controls, monitoring, evaluation and assurances of the controls embedded in the MFMA. According to the participants, the findings on irregularities is caused by the lack of or little control within the municipalities. Participants further expressed:

Incorrect risk identification. Controls that are not working.

While there may be an internal audit function within the municipality, if it is not functioning effectively, it can contribute to irregular expenditure.

Misunderstandings About Legislative Procedures

The empirical data also suggests that there are some elements of misunderstanding about the legislative procedures and requirements when dealing with the purchasing of goods and services in the organisation.

Lack of Oversight

The empirical data suggests that there are some elements of lack of oversight and poor management controls contributing to the causes of irregularities in the organisation.

Unbudgeted Expenses and Costs

The empirical data also revealed that there are some elements of unbudgeted expenses and costs as well as inflated tender prices contributing to the causes of irregularities in the organisation.

Discussions on Findings

The study specifically focuses on employee perception which may limit the researcher from getting information within the stipulated time, municipalities thinking the researcher want to investigate their processes.

From the findings derived in the data analysis, employees understand the IA function, their independence, and the obligations and responsibilities of IA within municipalities as well as the causes of erratic spending where there is an existing functional IA. Another trend facing IA in terms of significant threats to their efforts in fulfilling their responsibilities at the WCDMs is that management does not always provide IA with all the requested information, they resist co-operation, and there is political interference.

The main themes emerged from analysing the research findings, were The independence of the IAF, Scope and activities of the IAF, Duties of IA's, Operational challenges of IA's, and the Causes of irregularities.

These findings could indicate the IAF's position in the WCDM has not yet reached its optimal level. Improving the IAF's status can only be achieved if the challenges identified are substantially met or addressed, which should then have a positive impact on customers' perceptions of the IAF.

Recommendations on Findings

The study's conclusions prove to be helpful in pinpointing areas where the internal auditing function in municipalities requires improvement. Participants also discussed how they perceived the difficulties faced by IA in their respective municipalities. Based on the empirical results, key employees who took part in the study disclosed that they are reasonably satisfied with the IA function in the WCDMs.

The following recommendations are made to enhance the IA function in the WCDMs:

- IA should keep providing assurance and guidance regarding risk management, control and governance procedures regarding the finding of the lack of internal control systems.
- IA should continue to maintain their independence in the municipalities without bias and affiliations.
- IA must frequently seek advice and guidance from executive and senior managers, and also from operational and programme managers.
- IA may also utilise the threat analysis and profile data kept by the Chief Risk Officer.
- IA is recommended to regularly take part in refresher training and guest auditor programmes to broaden their knowledge.
- The IA department should seek out executive approval to enrol a rotation programmes which is a career development initiative that enables non-auditors to cycle within the IA department to gain experience and understanding of the role.
- Enhance employee education on the IA function to minimise misconceptions of the work done by IA.
- To use technology to automate processes – Audit can free up time to engage in more value-adding activities by using technology to handle repetitive manual tasks.

Conclusion

This study generated an in-depth understanding of employee perceptions of the function of Internal Auditing in municipalities within the West Coast District. The function performed by the IA department

or unit within the West Coast District municipalities in South Africa, is thoroughly understood by the employees, as revealed in this investigation.

The anticipation is that the insights and perceptions shared by the participants will improve IA's strategic role and help this department operate more effectively in the West Coast District municipalities and local municipalities. This will add value to future research studies and the IA's department's operations, enhance risk management effectiveness, and achieve successful control and governance process implementation.

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