Internal audit outsourcing practices in the South African public sector

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ABSTRACT

This article explores internal audit outsourcing practices in the South African public sector. It examines the extent of outsourcing, the rationales for outsourcing, the preferred external service provider(s) for an outsourced internal audit function (IAF), as well as the status of outsourced IAFs. Data were gathered using questionnaires to interview the heads of IAFs, namely chief audit executives (CAEs), and the users of internal audit services, namely the chairpersons of the audit committees (CACs), as well as the accounting officers (AOs) of national government departments in South Africa. The findings indicate that the respondents preferred in-house IAFs to outsourced IAFs, because of the perceived commitment to governance by in-house IAFs. However, due to a lack of technical expertise and a shortage of competent internal auditors, the IAF is often outsourced to external audit service providers. These results provide public sector authorities with insight into the status of internal audit practices in the public sector and will enable internal audit stakeholders to optimise their sourcing practices and meet stakeholder expectations.

INTRODUCTION

In recent years, the role of the internal audit function (IAF) in organisations has increasingly come to the foreground. Since the start of the new millennium, changes in the business environment have resulted in changes in the profile of internal auditors (Ramamoorti 2003:5). The Institute of Internal Auditors (IIA) acknowledged these changes by expanding the definition of internal auditing to include both the assurance and the consulting services rendered to its stakeholders by an IAF, adding value to governance, risk management and control processes in organisations (IIA 2012:4).

The manner in which IAFs are structured is also receiving more attention. Although the IAF has traditionally resided within an organisation, an increasing number of IAFs are being outsourced (Ahlawat and Lowe 2004:148; Papageorgiou, Pradia and Yasseen 2013:593-610) to mitigate costs (Galanis and Woodward 2006:9), and to harness the flexibility and expertise of an outsourced IAF (Speklé, Van Elten and Kruis 2007:2). The rationale for using

an in-house IAF rather than an outsourced or co-sourced IAF, the choice of a preferred external service provider for outsourcing activities (Prawitt, Sharp and Wood 2012:1111) and the standing of such an outsourced IAF (Coram, Ferguson and Moroney 2008:543) have all been addressed in the literature.

However, prior studies on the outsourcing of the IAF with specific reference to the public sector environment are limited. Selim and Yiannakas (2000:213–226) examined outsourcing practices for internal auditing in the United Kingdom's private and public sectors. Similarly, Coram *et al.* (2008:543) examined outsourcing the IAF in Australian and New Zealand private and public sector organisations. More recent studies focus on the impact that sourcing arrangements of the IAF on external auditor reliance have on internal audit services (Desai, Gerard and Triparthy 2011:149–171; Munro and Stewart 2010:371–387).

In the context of the South African environment, Barac and Motubatse (2009:977) studied IAF outsourcing practices in the private sector, where they found that in-house and co-sourced IAFs tended to be preferred to outsourced IAFs. Their study also found that the most important reasons given for outsourcing IAFs were the need for specialised technical skills and a shortage of competent internal auditors (Barac and Motubatse 2009:977). Their findings were in line with those of an earlier study conducted by Mjoli (1997:68) on the role of internal auditing and the value it added, which also identified the scarcity of skills as a key driver for outsourcing IAFs.

More recently, Yasseen (2011) and Papageorgiou *et al.* (2013:593–610) studied internal audit outsourcing practices in the South African private and public sectors. Neither of these studies distinguishes between private and public sector results, and both report on the views of the chief audit executives (CAEs) and accounting officers (AOs) only. These studies found that two main factors in opting to outsource the IAF are the legal liability insurance of external service providers and the flexibility in scheduling of the outsourced service. Furthermore, both studies found that threats to the independence of the external service provider are similar in both the public and private sectors.

This article aims to explore internal audit outsourcing practices in the South African public sector, as perceived by the users of such internal audit services, namely the accounting officers (AOs) and the chairpersons of the audit committees (CACs), as well as the heads of the IAF, the chief audit executives (CAEs).

The article is structured as follows: firstly, a review of the literature on the outsourcing of internal audit services is provided, with specific reference to the extent of outsourcing, the rationale for outsourcing the IAF, the preferred outsourced IAF service provider(s) and the perceived status of an outsourced IAF. Next, the research methodology applied in the study is described. Finally, the findings are discussed, followed by the conclusions and recommendations.

LITERATURE REVIEW

The extent of outsourcing the IAF

The role of the IAF has evolved significantly in recent years, from performing mainly assurance services to management, to providing assurance and consulting services to a variety of

stakeholders in the organisation (O'Regan 2001:224). The IAF is established to add value and contribute to the achievement of organisational objectives, with a specific focus on governance, risk management and control processes (IIA 2012:2). The increased focus on the IAF as a governance pillar within an organisation is emphasised in the literature (Coram *et al.* 2008:543; IoD 2009). In South Africa, it is specifically recommended that all organisations, in both the public and private sectors, should have an IAF (IoD 2009). Indeed, for the South African public sector, the establishment of an effective IAF is required by law: in terms of section 38(1)(a)(i)(ii) of the *Public Finance Management Act (PFMA), 1 of 1999* (RSA 1999) and section 165(1) of the *Local Govermmnet:Municipal Finance Management Act (MFMA), 56 of 2003* (RSA 2003), all national and provincial departments and all municipalities must have IAFs.

Sourcing arrangements for an IAF can take the form of an in-house function (an organisation maintains its own IAF), a fully outsourced function (an external service provider is used to maintain an IAF), or a co-sourced function (a partnership between an in-house IAF and an external service provider is set up) (Desai *et al.* 2011:147; Prawitt *et al.* 2012:1109). The concept of outsourcing, as Papageorgiou *et al.* (2013:594) explain, was originally associated with the outsourcing of organisations' information technology (IT) services to an external service provider. Furthermore, the practice of outsourcing is based on an economic decision related to non-core functions, and has been well researched (Espino-Rodriguez and Padrón-Robaina 2006:51). Prior studies focusing on the outsourcing practices of internal audit functions (Munro and Stewart 2011:371; Selim and Yiannakas 2000:225; Van Peursem and Jiang 2008:220) examine the rationale for outsourcing, the preferred outsourced service provider(s), as well as the status of an outsourced IAF, as discussed below.

The rationale for outsourcing the IAF

The rationale for outsourcing the IAF is mainly to gain access to quality services and technical expertise (Van Peursem and Jiang 2008:220). This argument is in line with the findings of Selim and Yiannakas (2000:225) and Carey, Subramaniam and Ching (2006:11), who identified a shortage of technical skills and the costs to maintain such skills within an organisation as the main factors in choosing to outsource the IAF. Other reasons for outsourcing the IAF noted in the literature include the achievement of cost savings (Prawitt *et al.* 2012:1114; Rittenberg and Covaleski 2001:621), as well as a company strategy to outsource non-core functions (Galanis and Woodward 2006:9; Van Peursem and Jiang 2008:220).

In South Africa, internal auditing was identified as a scarce skill by the Financial Accounting Services Seta for Education and Training (FASSET) in 2009 (Fasset 2009). Not surprisingly, the studies by both Mjoli (1997:7) and Barac and Motubatse (2009:973) stress the need for technical expertise and a lack of competent internal auditors in the organisation as significant reasons for outsourcing IAFs in the South African private sector. Recent studies conducted by Yasseen (2011:73) and Papageorgiou *et al.* (2013:593) indicate that the legal liability insurance of the external service provider and the scheduling flexibility are key reasons for outsourcing the IAF.

Arguments against outsourcing the IAF are also mentioned in the literature. Selim and Yiannakas (2000:218) mention that some organisations are reluctant to outsource the IAF as a result of a perceived lack of business acumen, the limited control over an outsourced IAF and the inferior quality of services rendered by an outsourced IAF (Van Peursem and Jiang

2008). In a study conducted by Coram *et al.* (2008:543), it is argued that an in-house IAF is more likely to detect fraud and report on fraudulent activities than an outsourced IAF. This finding contrasts with those of prior studies which stated that outsourced IAFs are technically more competent and provide greater value and improved efficiency (Carey *et al.* 2006:27).

Preferred outsourced IAF service provider(s)

The use of a range of external service providers (including public accounting firms, internal audit consulting firms and other auditing firms) for rendering internal audit services is discussed in the literature (Prawitt *et al.* 2012:1111; Rittenberg and Covaleski 2001:617; Speklé *et al.* 2007:2). Rittenberg and Covaleski (2001:617) report on the use of public accounting firms as external service providers of internal audit services. Furthermore, a study by Speklé *et al.* (2007:2) indicates that public accounting firms regard the rendering of internal audit services as a lucrative market. Prawitt *et al.* (2012:1111) found that outsourcing the IAF to a Big 4 firm carries a lower risk of misleading or fraudulent financial reporting, compared to outsourcing to any other external service provider. Interestingly, their study also indicated that a high quality IAF, regardless of the outsourcing arrangement, is associated with lower accounting risk.

In the United States, the practice of external audit firms rendering both external and internal audit services to their clients has been regulated to enhance the independence of auditing services, in the form of the *Sarbanes-Oxley Act* (USA 2002). In South Africa, the use of the same audit firm to render both internal and external audit services is prohibited by law. The *South African Companies Act, 71 of 2008* (South Africa 2008) requires that the performance of non-audit services (including internal audit services) by external auditors should not impair their independence and objectivity and should avoid any conflict of interest.

The status of an outsourced IAF

Prior research on the status of an outsourced IAF is limited. Selim and Yiannakas (2000:224) determined the levels of satisfaction with the quality of services performed by an outsourced IAF. Barac and Motubatse (2009:974) identified three indicators of the status of an IAF, namely the attributes of an IAF, the value added by the IAF and the extent to which the IAF's recommendations are implemented. In addition, Coram *et al.* (2008:543) considered the IAF's contribution to governance, and Munro and Stewart (2010:371) looked at the reliance placed on the IAF's work by external auditing in the South African context.

RESEARCH METHODOLOGY

This article aimed to assess preferences on the extent of outsourcing, the rationale for outsourcing, the preferred external service provider(s), as well as the status of the outsourced IAFs. To achieve the research objective of the study reported in this article, a literature study was conducted to contextualise the extent of outsourcing the IAF, the rationale for outsourcing, the preferred external service provider, as well as the status of the outsourced

IAF. Data on the status of and demand for internal auditing in the South African national government departments were gathered by means of a survey conducted at national departments using three questionnaires. These questionnaires were completed by means of personal interviews with the CAEs, CACs and AOs or their representatives, namely the chief financial officers (CFOs) or chief operating officers (COOs). Some questionnaires were completed by the participants and e-mailed to the research team. The final survey included the views of 32 CAEs, 30 CACs and 31 AOs.

In terms of levels of measurement for data on ordinal scales (Likert-type scales were used) and questions were based on the questions used in the first phase of the study, namely the standing of and demand for internal auditing in the South African private sector (Coetzee, Barac, Erasmus, Fourie, Motubatse, Plant and Steyn 2009:20). Additional non-parametric statistics (Kruskal Wallis tests and Mann-Whitney tests) were performed on the results relating to the status of the outsourced IAF to determine whether there were significant differences between the responses of the three groups of respondents. References to an outsourced IAF include instances where some or all internal audit services were delegated to an external party.

The limitations of the study include the fact that the sample was fairly small, although it was representative of the total population of 40 national departments (there are 47 departments, but newly established departments were excluded because they lacked the requisite institutional memory). Furthermore, the study was conducted only in national departments in the South African government. Further studies could be conducted to include the provincial and local spheres of government, as well as various levels of government in other countries.

RESULTS AND DISCUSSION

The extent of outsourcing the IAF

Respondents were required to indicate the structure of their IAFs. The study found that approximately a third (37%) of the national departments included in the survey used an
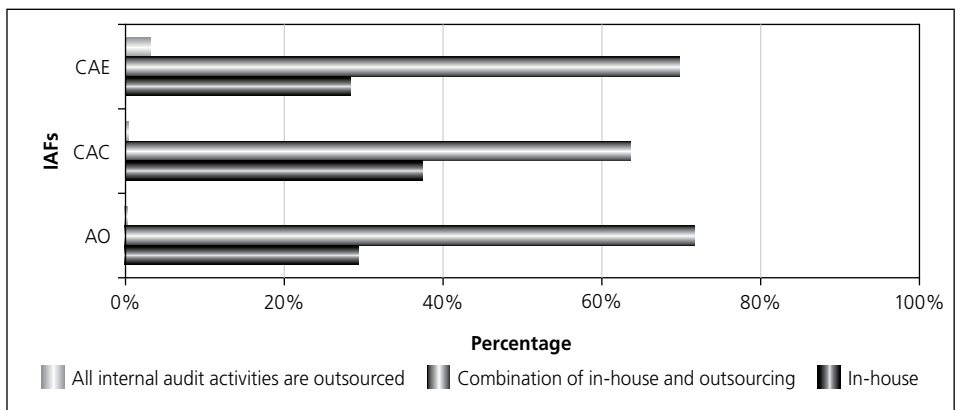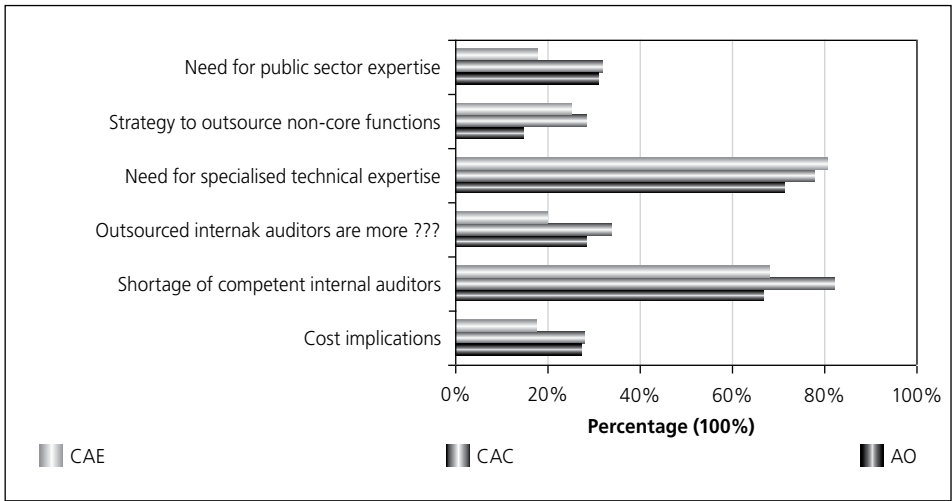
Figure 1: Structure of IAFs

Figure 2: Factors contributing to outsourcing IAFs

in-house IAF, and almost two thirds (63%) of these departments used a combination of in-house and outsourced IAFs. Only 3% of services were fully outsourced according to the CAEs, but this view was not shared by the CACs and AOs, as illustrated in Figure 1.

The rationale for outsourcing the IAF

Five reasons for outsourcing IAFs were identified, namely cost implications, greater objectivity by outsourced internal auditors, a strategy to outsource non-core functions, the need for public sector expertise, a need for specialised technical skills and a shortage of competent internal auditors. A need for specialised technical skills (with ratings of 72.5%, 78.9% and 81.8% from the AOs, CACs and CAEs respectively) and the existence of a shortage of competent internal auditors (with ratings of 67.9%, 83.3% and 69.3% from the AOs, CACs and CAEs respectively) were identified as the most prominent reasons for outsourcing the IAF. These responses are logical in the context of the widely acknowledged shortage of skilled internal auditors in the public sector. The other factors contributing to the outsourcing of IAFs, namely cost implications, increased objectivity by outsourced internal auditors, a strategy to outsource non-core functions, as well as the need for public sector expertise, all received ratings below 35%, as is illustrated in Figure 2.

In addition to the rationale for outsourcing, respondents were also asked to rate the importance of factors that contribute to their use of (and preference for) in-house internal audit services (as opposed to external IAFs). These factors included cost implications, complex business processes, superior knowledge, the training environment, commitment to governance, increased confidentiality and familiarity with public sector activities, as illustrated in Figure 3.

The study found that the two main factors that influence the decision to use in-house IAFs, as perceived by CAEs, were the internal IAF's commitment to governance and its familiarity with public sector activities. Both the CACs and AOs also rated the IAF's commitment to governance as the highest contributing factor. Moreover, in contrast to the findings of

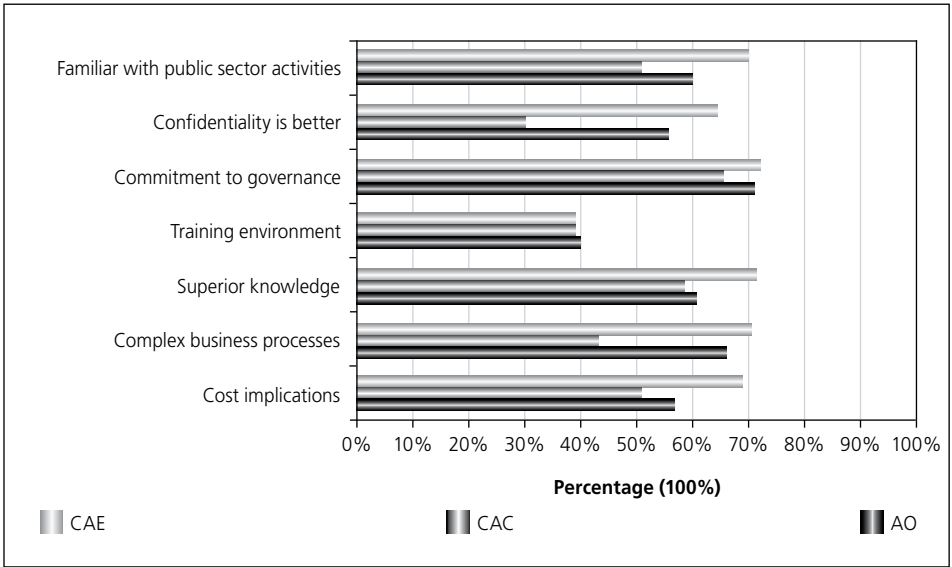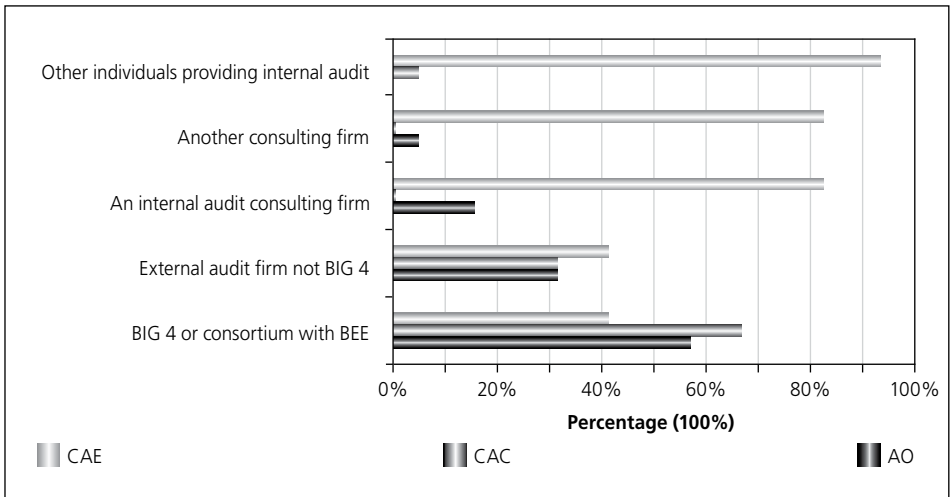**Figure 3:** Factors influencing decisions to use in-house IAFs

Percentage (100%)

CAE   CAC   AO

Figure 4: Awareness of outsourced internal audit service providers

Percentage (100%)

CAE   CAC   AO

prior studies, the superior knowledge of an internal IAF was rated as the second highest contributing factor by both the CACs and AOs.

The preferred outsourced IAF service provider(s)

With reference to the parties to whom the full IAF or selected IAF services are outsourced, the CAEs' views differed from those of the CACs and the AOs. The CAEs indicated that IAF services were not only outsourced to the Big 4 and other external audit firms, but also to internal audit and other consulting firms and individuals providing internal audit services.

However, the CACs and AOs had a much more limited view, indicating mostly audit firms (the Big 4 and others) as external service providers.

The status of outsourcing an IAF

With reference to the status of an outsourced IAF, this article studied the following areas which, based on the literature, are indications of the status or standing of an IAF:
- the attributes of an IAF (including value-added by an IAF);
- the extent to which the IAF's recommendations are implemented;
- the IAF's contribution to governance; and
- the reliance placed on the IAF's work by external auditing.

For each of these areas, additional non-parametric tests were performed to determine whether there were significant differences between the views of the AOs, CACs and CAEs. For the first, third and fourth areas listed above, Kruskal-Wallis tests using ordinal data were performed to test for significant differences between the views of all three groups of respondents, whereas a Mann-Whitney test, which uses ordinal data, was performed for the second area, as only two groups of respondents answered this question.

Attributes of an IAF
All the respondents were asked to rate their level of satisfaction with the outsourced IAF in terms of six attributes, namely competence, commitment, effectiveness of services, flexibility to accommodate management needs, value added and whether the outsourced IAF conforms to the internal audit charter and/or meets contractual obligations. From the results, it appears that the CACs and AOs regarded outsourced providers of internal audit services as providing more effective services than in-house IAFs: the respective ratings were 55.2% and 57.1% (more effective in-house), compared to 68.1% and 71.9% (more effective outsourced). The AOs and CAEs perceived outsourced internal audit service providers to offer higher levels of competence, with respective ratings of 67.6% and 71.9% (outsourced) compared to 62.1% and 61.6% (in-house), and a greater ability to add value than their in-house IAFs: the respective ratings were 65.3% and 67.2% (outsourced) compared to 63.4% and 59.8% (in-house), which could explain this more negative view of their in-house IAFs.

For the remaining three attributes, much less variation was found. The CACs and AOs perceived an outsourced IAF (with respective ratings of 68.1% and 71.9%) as providing a more effective service than an in-house IAF (with respective ratings of 55.2% and 57.1%). Based on further statistical analyses performed (see Table 1), it appears that there was a significant difference between the perceptions of the CACs, AOs and CAEs at a 5% level for the attribute of flexibility. Although no other significant differences were recorded, the mean rankings indicated that the CACs tended to rank their level of satisfaction for each of the six attributes higher than the AOs and CAEs did.

The extent to which the IAF's recommendations are implemented
With regard to the extent to which the IAF's recommendations are implemented, the AOs perceived the IAFs' recommendations as being more important than the CACs did. Furthermore, the AOs perceived recommendations made by outsourced service providers

Table 1: Attributes of outsourced IAFs

	Competence	Commitment	Effectiveness of services	Flexibility	Value added	Meets expectations
AOs						
MR	29.12	29.72	28.25	29.94	29.25	29.42
N	17	18	18	17	18	18
p-value	0.258	0.544	0.82	0.048	0.756	0.550
CACs						
MR	32.06	30.84	30.44	32.2	30.19	31.16
N	16	16	16	15	16	16
p-value	0.258	0.544	0.82	0.048	0.756	0.550
CAEs						
MR	24.18	25.8	27.3	20.90	26.66	25.82
N	22	22	22	21	22	22
P-value	0.258	0.544	0.820	0.048	0.756	0.550
Key: MR = mean rank; N = number of respondents; p-value = level of significance						

Table 2: Implementation of recommendations made by an outsourced IAF

	AOs	CACs	CAEs
MR	22.35	29.57	28.95
N	17	14	22
P-value	0.251		
Key: MR = mean rank; N = number of respondents; p-value = level of significance			

as having a greater importance than those made by in-house IAFs (with respective ratings of 83% and 79%). The CAE respondents saw recommendations made by outsourced service providers as slightly more important than in-house ones (with respective ratings of 76% and 75%), whereas the CAC respondents' views were slightly in favour of an in-house IAF's recommendations (with respective ratings of 72% and 73% respectively). Such varied perceptions could raise questions about the perceived status of an in-house IAF, as well as the coherence of reporting by IAFs in national departments.

Based on further statistical analyses performed (see Table 2), no significant differences were found between the perceptions of the CACs, AOs and CAEs. Although no other

Figure 5: Factors contributing to the non-implementation of
IAF recommendations
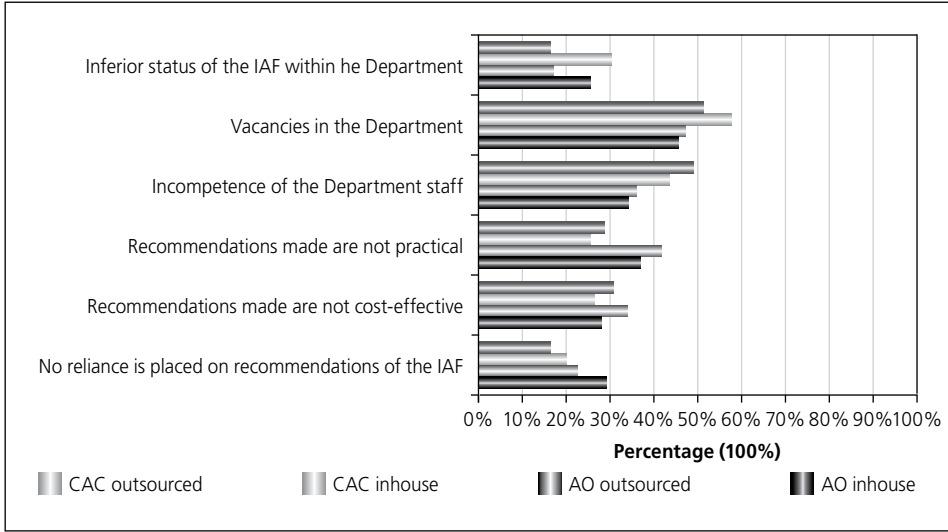
significant differences were found, the mean rankings indicate that the CACs tended to rank the extent of implementing the recommendations made by outsourced IAFs higher than the AOs and CAEs did.

The reasons for not implementing the IAF's recommendations were also investigated by obtaining the views of only the CACs and AOs. The six reasons found, as well as the percentage of support for each reason, are set out in Figure 5.

Based on further statistical analyses performed on these six factors (see Table 3), no significant differences were found between the perceptions of the CACs, AOs and CAEs. Although no other significant differences were found, the mean rankings indicated that the AOs tended to rate the first three reasons as more important factors than the CACs did for both in-house and outsourced IAFs. The mean rankings also indicated that the last three reasons listed in Figure 5 were rated as more important by the CACs than by the AOs. This finding could be due to the fact that these reasons could reflect negatively on the individual department and departmental staff.

IAF's contribution to governance

Various parties contribute to the governance of national departments, so respondents were requested to rate their level of satisfaction with the contributions of these parties (operational staff, the risk management function, senior management of the Department, the Minister/ the MEC/the EXCO, outsourced IAF, in-house IAF, the Auditor-General of South Africa or External auditors, the audit committee) to the governance of their departments. The contributions made by the listed parties as perceived by CAE respondents were much higher than those as perceived by the CACs and AOs. The AOs expressed a relatively low level of satisfaction with the contributions made by internal auditing, especially the in-house IAFs. This result is in line with the AOs' perceptions that their in-house IAFs make a relatively low contribution to combined assurance (refer to the article in this special edition on the IAF's

Table 3: Factors contributing to the non-implementation of
IAF recommendations

In-house IAF	AOs		CACs		
	N	MR	N	MR	P-value
No reliance is placed on the recommendations of the IAF	27	30.13	26	23.75	0.105
Recommendations made are not cost-effective	28	27.59	25	26.34	0.757
Recommendations made are not practical	28	29.80	25	23.86	0.145
Incompetence of departmental staff (other than IAF) prevents implementation	28	25.63	26	29.52	0.351
Vacancies in the Department (other than IAA) prevent implementation	28	24.71	26	30.50	0.165
Inferior status of the IAF within the Department	28	26.61	26	28.46	0.649
Outsourced IAF	**AOs**		**CACs**		
	N	MR	N	MR	P-value
No reliance is placed on the recommendations of the IAF	12	13	12	12	0.755
Recommendations made are not cost-effective	13	13.35	12	12.63	0.810
Recommendations made are not practical	13	14.46	12	11.42	0.320
Incompetence of departmental staff (other than IAF) prevents implementation	13	11.62	12	14.50	0.347
Vacancies in the Department (other than IAA) prevent implementation	13	12.85	12	13.17	0.936
Inferior status of the IAF within the Department	13	12.85	12	13.17	0.936

contribution to governance). The contribution levels as perceived by the CAEs, CACs and AOs are presented in Figure 6.

Based on further statistical analyses performed (see Table 4), it appears that there was a significant difference between the perceptions of the CACs, AOs and CAEs at a 1% level of significance for the in-house IAFs contribution to governance. Although no other significant differences were found, the mean rankings indicated that all the respondents tended to rank the in-house IAF's contribution to governance higher than that of the outsourced IAFs.

Reliance placed by external audit on the work of the IAF
The levels of reliance placed by external audit on the work of the IAF were perceived by CAE and AO respondents to be higher for outsourced IAFs than for in-house IAFs. The CACs rated the level of reliance marginally higher for in-house IAFs. Overall, for reliance placed by

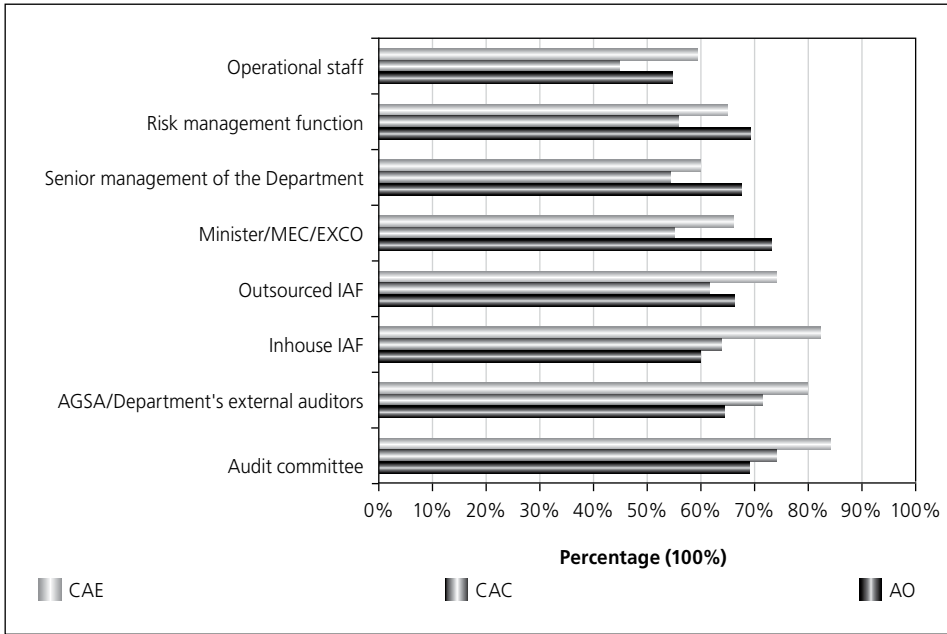**Figure 6:** Satisfaction with contributions of parties to governance

Table 4: IAFs' contribution to governance

	AOs	CACs	CAEs
In-house IAF			
MR	36.52	40.16	58.17
N	30	29	30
P-value	0.001		
Outsourced IAF			
MR	27.61	24.88	32.07
N	19	16	21
P-value	0.358		
Key: MR = mean rank; N = number of respondents; p-value = level of significance			

all three groups on the work of an in-house IAF, perceptions ranged from 51.6% to 61.3% for in-house IAFs and from 55.6% to 66.7% for outsourced IAFs. The relatively low scores for reliance suggest that this is an area for developing staff competencies, in order to improve the contribution of the in-house IAFs to combined assurance.

Based on further statistical analyses performed (see Table 5), no significant differences were found between the perceptions of the CACs, AOs and CAEs. Although no other significant differences were noted, the mean rankings indicated that all the respondents tended to rank reliance placed by an external audit on the work of an in-house IAF higher

Table 5: Reliance placed by external audit on the work of the IAF

	AOs	CACs	CAEs
In-house IAF			
MR	36.52	40.16	58.17
N	31	29	31
P-value	0.492		
Outsourced IAF			
MR	22.60	27.00	24.43
N	19	16	21
P-value	0.698		
Key: MR = mean rank; N = number of respondents; p-value = level of significance			

than that placed on the work of an outsourced IAF. This finding is in contradiction to the findings of prior studies on external auditor reliance which indicated that more reliance is often placed on an outsourced IAF.

CONCLUSIONS AND RECOMMENDATIONS

This article explored internal audit outsourcing practices in the South African public sector with specific reference to the extent of outsourcing, the rationale for outsourcing, preferred outsourced IAF service providers, as well as the status of outsourcing an IAF. With regard to the status of outsourcing an IAF, the article focused on the attributes of an IAF, the extent to which the IAF's recommendations are implemented, the IAF's contribution to governance and the reliance placed on the IAF's work by external auditing.

The study found that the outsourcing of the IAF is a fairly common phenomenon in the South African public sector. In line with previous studies (Carey *et al.* 2006:11; Papageorgiou *et al.* 2013:595; Selim and Yiannakas 2000:225; Van Peursem and Jiang 2008:220), this study found that the rationale for outsourcing the IAF includes the need for specialised technical expertise, as well as a shortage of competent internal auditors. According to the CAEs, some or all IAFs were mostly outsourced to other individuals providing internal audit services, whereas the AOs and CACs indicated the Big 4 firms as the preferred external service providers. These differing views could indicate a need for improved communication between these role players.

With regard to the status of an outsourced IAF, the study found that the effectiveness of services rendered was perceived as an important attribute of an outsourced IAF. This could indicate a need for the professional development of in-house internal audit staff and improved capacity in in-house IAFs. The extent to which the outsourced IAF's recommendations are implemented were rated the highest by CACs. Furthermore, vacancies in the national departments were perceived as the main reason for not implementing the recommendations made by the IAF.

With regard to the IAF's contribution to governance, in-house IAFs are viewed as contributors to governance, and the views of all respondents were significantly different for in-house IAFs as opposed to outsourced IAFs. Finally, the reliance placed on the IAF's work by external audit service providers was rated higher by the CAEs and AOs for outsourced IAFs. This could be an indication that in-house IAFs felt inferior to their outsourced counterparts.

It is recommended that organisations in the public sector take cognisance of the results of this study when conducting sourcing arrangements for their IAFs. The findings of this study will enable all internal audit stakeholders to optimise their sourcing practices and provide public sector authorities with insight into the status of internal audit practices.

Further research could focus on outsourcing practices with specific reference to provincial departments and municipalities in the South African public sector.

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