

# Can the Internal Audit Capability Model be applied globally

## A South African case study?

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### ABSTRACT

*The public sector faces significant challenges that impact on its service delivery abilities. Several bodies exist that can assist the public sector in addressing these challenges. One of these is the internal audit functions (IAFs) of government organisations. For internal auditing to effectively support management, the IAF should be competent to perform the function. The Institute of Internal Auditors Research Foundation published the Internal Audit Capability Model (IA-CM) in 2009 to provide a capability self-assessment tool for public sector IAFs. This model could be used to measure public sector internal audit capability within South Africa, should the key process areas (KPAs) of the model be applicable. This study, therefore, aims to determine whether the IA-CM can be applied within a South African context. A case study design was used by selecting an appropriate South African national department and ranking the case against the KPAs of the IA-CM. The ranking was conducted based on a documentary review and interviews with the relevant officials involved in the case. The study concludes that 82,9% of the KPAs of the IA-CM appear to be applicable and that, in essence, the model can be applied within a South African context. However, eight hindrances that may negatively affect the feasibility of implementing the remaining 17,1% of the KPAs, have been also been identified.*

### INTRODUCTION

South Africa fills a noteworthy space in the African and even the global economic arena (WEF 2014:11:43). However, challenges such as poverty, unemployment, inequalities, inadequate levels of education and the like, are still a reality for a significant part of the South African

population (Bekker 2009; World Bank 2011). Internal public sector difficulties such as corruption and political interference present further hindrances towards public welfare and economic growth (Nengwekhulu 2009:357–358; World Bank 2011:120). These challenges threaten the stability of the country as well as its economy. The public sector is not only expected by the country's citizens to address these problems, but also to do so in an effective and financially efficient manner. This is a major challenge and the South African public sector requires all the assistance it can possibly obtain.

There are several bodies that can assist government in identifying and addressing these challenges. One of these is the internal audit function (IAF) of each government organisation. However, for internal auditing to effectively support the managements of the government organisations they serve, the IAF should be sufficiently capable of performing the function. Capability can be defined as the quality of being able or qualified (Dictionary.com 2013) and can be regarded as a prerequisite for effectiveness. In the context of internal auditing, capability is therefore defined as the necessary qualities that an IAF requires in order to be considered able and qualified to meet its mandate, namely to assist management in meeting the organisation's objectives (IIA 2011). The question remains as to whether the South African public sector internal auditing is in fact sufficiently capable.

The global professional body of the internal audit profession, the Institute of Internal Auditors (IIA), published the Internal Audit Capability Model (IA-CM) in 2009 to provide a capability self-assessment and continuous improvement tool for public sector IAFs. Being developed on best practice principles, the IA-CM is a comprehensive capability model that can assist in answering the aforementioned question. However, as this model is developed by a professional body representing a global profession, the question also remains as to whether the model can be applied within a global context. To answer this question, the model was tested in the South African public sector. Therefore, the main objective of the study reported in this article is to determine whether the IA-CM can be used by the South African public sector IAF to determine its capability level. As the public sector is legislation-driven it is also important, as a secondary objective, to determine whether current legislation and guidelines support the concepts that are outlined in the model.

Two main stakeholders have been identified that could benefit from this study – the South African government, as the public sector internal audit profession can benefit from the results if appropriately addressed in applicable legislation and guidance, in the case of internal auditing: the Institute of Internal Auditors Research Foundation (IIARF), as they are the developers of the model that was used as the basis of this study. The results could be used to improve the model and to highlight potential feasibility hindrances with regard to the implementation of the model, not only within a South African context but also in a broader global context. The selected case also identified as a secondary stakeholder, the national department that was selected as the sample unit of this study. The latter could benefit from the results, as the study reveals several specific recommendations with regard to enhancing the capability of the IAF.

## **BACKGROUND INFORMATION**

In this section internal auditing within the South African public sector and the IA-CM are briefly discussed to provide a foundation for the study.



## Internal auditing in the South African public sector

Public sector organisations exist to provide services, which cannot be provided in an individual capacity, to the people of the country (Dorasamy 2010:2088). The main purpose of these services is to improve the wellbeing of the citizens of the country (Van der Waldt & Du Toit 2005:180). This is also true for the South African public sector. However, South Africa has seen considerable change within the last two decades. In 1994 a new government was elected, which resulted in numerous administrative and structural changes that, along with a multi-cultural population, present many challenges which could affect meeting the public's needs (Fraser-Moleketi 2006:61–124; PSC 2010; PSC 2011; AGSA 2012a; AGSA 2012b; AGSA 2013:22–25). These challenges require unique and integrated interventions. Several functions and/or bodies exist that can assist governments in addressing these challenges. One of these is the IAFs of public organisations.

IAFs that are adequately positioned and capacitated can assist their organisations in addressing their challenges by, for example, evaluating risk exposures and assessing the extent to which public sector objectives are achieved. However, public sector IAFs should be sufficiently capable to enable them to assist their organisations and continuously adapt to a changing environment (Sadler, Marais & Fourie 2008:123; IOD 2009:93). Internal auditing has been fairly well established in the South African public sector, as it is legislated through the *Public Finance Management Act*, 1 of 1999 (PFMA), the *Local Government: Municipal Finance Management Act*, 56 of 2003 (MFMA) and the *Treasury Regulations* (SA 1999:28; SA 2003:74,102 & 152; NT 2005:9–10). Additional internal audit best practice frameworks, such as the third King Report on Governance, the *Protocol on Governance in the Public Sector* and the *National Treasury Internal Audit Framework* are in place as guidance to public sector internal auditors (DPE 2002; IOD 2009; NT 2009). It would thus be expected that all South African public sector organisations have and maintain an effective and efficient IAF.

Although most public sector organisations in South Africa have an IAF, the Auditor-General South Africa (AGSA) identified several instances where organisations do not comply with legislation with regard to internal auditing (AGSA 2013:24–25,34–35,62–63); most probably affecting the capability of the function. The questions can be raised as to when can it be argued that IAFs within government are suitably capable to assist their organisations? The IIARF has developed a capability model specifically for internal auditing in the public sector (IIARF 2009), which could assist in answering this question (Macrae 2010:68).

### Internal Audit Capability Model

The IA-CM was published in 2009 by the IIARF. The main purpose of the model is to provide a capability self-assessment and continuous improvement tool for public sector IAFs. The model was based on the capability maturity model (CMM) and the capability maturity model integration (CMMI) of the Software Engineering Institute (SEI) (IIARF 2009:1; Macrae 2010:68). These models have been used as the foundation of many modern capability models (Becker, Niehaves, Poeppelbuss & Simons 2010:10; Janse van Rensburg & Coetzee 2011:50).

The IA-CM consists of five capability levels, six essential elements of internal auditing as well as 41 key process areas (KPA), linking the various capability levels and elements, indicating how the relevant IAF can move from one capability level to the next. The five

levels commence with *level one* (initial) indicating that the IAF is unstructured; *level two* (infrastructure) indicating that a certain level of repeatability and sustainability is in place with regard to the practices of the IAF; *level three* (integrated) indicating that the management, policies and processes of the IAF are integrated with the organisational policies; *level four* (managed) indicating that the IAF's expectations are aligned with the expectations of key stakeholders; and level five (optimising) suggesting that the IAF is continuously learning and improving (IIARF 2009:7–9). The six elements consist of the *Services and role* referring to the nature and scope of the services that the IAF provides; *People management* focusing on the extent to which internal audit human resources are acquired and developed; *Professional practices* reflecting the processes, frameworks and policies required; *Performance management and accountability* referring to the required information that enables the IAF to operate effectively; *Organisational relationships and culture* referring to the internal and external position of and relationships with the IAF; and *Governance structures* constituting the functional and administrative reporting structures of the chief audit executive (CAE), as well as the organisational position of the IAF within the organisation (IIARF 2009:11–12,14).

The public sectors of different countries are unique and the constraints of IAFs in one country might differ significantly from those in another country, affecting internal auditing. However, the aim of the model is to take these differences into account and to present a universally applicable model for the assessment and improvement of internal audit capabilities within the public sector (IIARF 2009:4–5). If the IA-CM can be applied within a South African context, it will be a useful yardstick to aid in the improvement of public sector internal auditing by determining the capability of IAFs.

## RESEARCH METHOD

As the objective of the study involves the application of an already existing model (IA-CM) in a South African context, a single case study research design was selected (Yin 2009:47–48). A national department was chosen, the reason being that the IAFs in this sphere of government appear to be more effective (AGSA 2011:33, 40) and thus having a better chance of being mature and applicable to the IA-CM. The population consisted of the 40 national departments as on 6 May 2014. Three assessment reports, namely the Presidency's Management Performance Assessment Tool (MPAT) scorecard of national departments self-assessment (The Presidency 2011), the MPAT formal assessment report (The Presidency 2013), as well as the 2011/2012 consolidated general report on national and provincial audit outcomes (part 2) of the AGSA (2012b) were used to determine the maturity of IAFs. All three reports used a four-scale assessment criteria framework, where level 1 constitutes the lowest scoring and level 4 the highest. Nine departments obtained a score between 3.7 and 4. One of these nine departments was selected to be the sample unit of this study based on professional judgement and accessibility to the final target population. For confidentiality purposes, the name of the selected department is not disclosed.

*Firstly*, the six elements of the IA-CM were aligned to the results of a study performed by Janse van Rensburg and Coetzee (2011) identifying the extent to which South African legislation and guidance are supporting each element. *Secondly*, information was gathered



through a documentary review and semi-structured interviews with applicable role players within the selected case. A checklist was prepared to gather the information. The checklist consists of 184 questions that had to be answered based on the IA-CM KPAs. Some of these were answered by means of a documentary review. The remaining questions were answered by means of interviews conducted with the CAE – 136 questions; the audit committee chairperson (ACC) – 109 questions; the chief operating officer (COO) – 84 questions; and a senior internal auditor (SIA) – 68 questions. Answers were captured as *Yes*, *No* or *Partially*. Additional questions were posed to the interviewees, especially when a *No* or *Partially* answer was provided in order to determine the reasons why a specific KPA was not implemented as well as to identify instances where potential feasibility hindrances exist with regard to the applicability of a specific KPA within a South African context.

## RESEARCH FINDINGS

In this section the research findings are presented. The current South African legislation and guidance information as well as the information obtained during the case study are presented for each of the six IA-CM elements. Thereafter, based on the additional answers and reasons provided by the interviewees, the extent to which each KPA can be applied within a South African context and instances where potential feasibility hindrances exist, are discussed and summarised.

### Services and role of internal auditing

The applicability of the five KPAs of the IA-CM on the services provided and the role of IAFs within the South African public sector are summarised in Table 1.

**Table 1 Services and role**

Level	KPA	Number of Questions	SA Legislation & Guidance		Documentary Review		Interviews		
			Yes	No	Yes	No	Yes	No	Partially
2	Compliance auditing	5	✓		5				
3	Performance auditing	5		✓	5				
3	Advisory services	7	✓		2	2		3	
4	Overall assurance on governance, risk management and control	5	✓		1			3	1
5	Key agent of change	9		✓			2	5	2
<b>Total</b>		<b>31</b>			<b>13</b>	<b>2</b>	<b>2</b>	<b>11</b>	<b>3</b>

The above results indicate that 60% of the KPAs for this element are covered by South African legislation and guidance, 41,9% of KPAs was confirmed through the documentary review, whereas a further 6,5% was confirmed through interviews. Aspects that could

not be confirmed (51,6%) included performing advisory services, expressing an overall opinion on governance, risk management and control as well as the IAF being a key agent of change.

All interviewees agreed that the authority and execution of advisory services, and to express an overall opinion on governance, risk management and control should be included in the internal audit charter as well as in the scope of the IAF. Although management and the audit committee do consider the IAF as value adding, they do not describe the function as a key agent of change, mainly due to the lack of objectives focussing on positive change in the organisation, assurance and advisory services for entity-level controls and new strategic initiatives in the IAF strategic documents. One of the aspects covered in the KPA *key agent of change*, is that the IAF provides audit coverage on fraud. This brought about much debate and the ACC was of the opinion that this could be interpreted as the IAF providing assurance on this aspect, which is not acceptable. He further highlighted that the lower post level of the CAE also limited the value that could be added and the extent to which the CAE could be regarded as a key agent of change, as this could have a negative effect on the independence of the IAF.

### People management

The applicability of the ten KPAs of the IA-CM on the people management of IAFs within the South African public sector are summarised in Table 2.

**Table 2 People management**

Level	KPA	Number of Questions	SA Legislation & Guidance		Documentary Review		Interviews		
			Yes	No	Yes	No	Yes	No	Partially
2	Skilled people recruited and retained	7	✓		3		2	1	1
2	Individual professional development	6	✓		6				
3	Workforce coordination	2	✓				2		
3	Professionally qualified staff	6	✓		2		1	2	1
3	Team building and competency	4		✓	1		1	2	
4	Workforce planning	4		✓			4		
4	IAF supports professional bodies	2		✓				2	
4	IAF contributes to management development	2		✓			1	1	
5	Workforce projection	3		✓				2	1
5	Leadership involvement with professional bodies	2		✓				2	
<b>Total</b>		<b>38</b>			<b>12</b>	<b>0</b>	<b>11</b>	<b>12</b>	<b>3</b>

The above results indicate that 40% of the KPAs for this element are covered by South African legislation and guidance, 31,6% of KPAs was confirmed through the documentary review, while 28,9% was confirmed through interviews. Aspects that could not be confirmed (39,5%) included recruiting skilled people, professionally qualified staff, implementing team building activities, the IAF supporting professional bodies, the IAF contributing to management development, workforce projection and the IAF leadership being involved in professional bodies.

*Firstly*, the CAE and the ACC indicated that the audit committee was not involved in the appointment of the CAE; as suggested by legislation (NT 2005:9–10) and guidance (NT 2009). According to the CAE this might be due to an oversight but should be corrected for future purposes. *Secondly*, the SIA indicated that owing to the current over-utilisation of staff members, there was insufficient time available to enable staff members to become professionally qualified. *Thirdly*, it appears that team building and competency activities are not engaged due to inadequate criteria development and budget restraints. *Fourthly*, no recognition or performance measures existed for contribution to and support of professional bodies. *Fifthly*, a formal strategic workforce plan has not been prepared. The relevant interviewees indicated that all five these KPAs should be implemented, as it would enhance the effectiveness of the IAF.

The interviews revealed four concerns that may have a negative effect on the applicability of the corresponding KPAs within a South African context. *Firstly*, with regard to remuneration classification systems, the ACC and CAE indicated that the CAE was not at the correct post level that would ensure the sufficient and optimal standing and independence of the IAF. However, the COO did not agree with this and indicated that the CAE's responsibility level could not be compared to that of the CFO, for example. *Secondly*, no formal retention policies are in place. There appear to be different opinions on this matter. The CAE indicated that staff retention activities should be in place, but that the lack of organisational policies prevented the IAF from implementing it. The COO indicated that he did not agree, as the career development of staff members should not be compromised when they find alternative employment that could improve their career paths; indicating that management is not aware of the skills shortage of internal auditing in South Africa (AGSA 2013:79,83). *Thirdly*, a formal rotation policy between the IAF and the rest of the organisation is not in place to enhance the KPA on the IAF's contribution to management development. The interviewees seemed to disagree on the feasibility of implementing this KPA. The ACC and COO indicated that implementing this practice would contribute positively to management development. The CAE agreed that it would add value, but raised a concern with regard to the protection of sensitive information. *Fourthly*, the CAE indicated that although involvement of the internal audit leaders with professional bodies, such as the IIA, should be implemented, available time might be a limiting factor.

## Professional practices

The applicability of the seven KPAs of the IA-CM on the professional practices of IAFs within the South African public sector are summarised in Table 3.

The results in Table 3 indicate that 85,7% of the KPAs of this element are covered by South African legislation and guidance, 36,7% of KPAs was confirmed through the documentary

**Table 3 Professional practices**

Level	KPA	Number of Questions	SA Legislation & Guidance		Documentary Review		Interviews		
			Yes	No	Yes	No	Yes	No	Partially
2	Audit plan based on management priorities	9	✓		6			3	
2	Professional practices and processes framework	4	✓					4	
3	Risk-based audit plans	2	✓		2				
3	Quality management framework	6	✓		2		3	1	
4	Audit strategy leverages organisation's management of risk	4	✓		1		3		
5	Strategic IA planning	3	✓					3	
5	Continuous improvement of professional practices	2		✓				1	1
<b>Total</b>		<b>30</b>			<b>11</b>	<b>0</b>	<b>6</b>	<b>12</b>	<b>1</b>

review, whereas a further 20% was confirmed through interviews. Aspects that could not be confirmed (43,3%) relate to basing the audit plan on management priorities, implementing a professional practices framework, implementing a quality management framework, strategic internal audit planning and continuously improving in professional practices.

Although the internal audit plan is based on stakeholder input, no audit universe is documented and the internal audit plan does not include engagement objectives and capability requirements. In addition, no internal quality assessments are conducted. The applicable interviewees also appeared to differ in their opinions on the extent to which these assessments are conducted. This may be an indication that all the interviewees do not clearly understand what each assessment entails. A framework to establish the roles, responsibilities and accountabilities for internal audit services have not been developed. Strategic internal audit planning processes to identify emerging trends and risks are not formally in place. The CAE and ACC indicated that the external environment of the organisation was not analysed on a formal basis and that a periodic gap analysis between internal audit practices and organisational emerging risks, is not conducted. *Lastly*, although the CAE and SIA indicated that continuous improvement did take place, the ACC did not agree and indicated that although the internal audit processes were above average, there was still room for improvement with regard to integrating global best practice with the professional practices of the IAF. The relevant interviewees indicated that all these KPAs should be implemented, as it would enhance the professional practices of the IAF.

### **Performance management and accountability**

The applicability of the seven KPAs of the IA-CM on the performance management and accountability of IAFs within the South African public sector are summarised in Table 4.



**Table 4 Performance management and accountability**

Level	KPA	Number of Questions	SA Legislation & Guidance		Documentary Review		Interviews		
			Yes	No	Yes	No	Yes	No	Partially
2	IA business plan	7		✓	5			2	
2	IA operating budget	4		✓	1		3		
3	IA management reports	3		✓			2	1	
3	Cost information	4		✓			3	1	
3	Performance measures	3	✓		3				
4	Integration of qualitative and quantitative measures	9		✓	2		1	5	1
5	Public reporting on IA effectiveness	4		✓	1		1	2	
<b>Total</b>		<b>34</b>			<b>12</b>	<b>0</b>	<b>10</b>	<b>11</b>	<b>1</b>

The above results indicate that only 14,3% of the KPAs for this element are covered by South African legislation and guidance; 35,3% of KPAs was confirmed through the documentary review, whereas a further 29% was confirmed through interviews. Aspects that could not be confirmed (35,3%) related to the internal audit business plan, management reports, cost information, performance measurement integration and the public reporting of internal audit effectiveness.

Although the IAF receives applicable management reports that are required to assist in managing the function, the CAE indicated that these reports were not always received on time. This was due to external factors that resided in other divisions in the organisation. The cost information applicable to the IAF was available, but the COO indicated that this information is not used to review the effectiveness and efficiency of the IAF on a regular basis. The performance management process of the IAF does not appear to be optimal as the strategic objectives and performance measures of the IAF are not complete, and the input of key stakeholders with regard to the effectiveness of the IAF is not always obtained, for example, client satisfaction surveys are not conducted. A difference in perception was noted with regard to the extent to which the results of the performance management system and the quality assurance reviews are incorporated to improve internal audit performance. The CAE and SIA indicated that these results were incorporated and used, while the ACC indicated that he was not aware of any external assessments. The ACC and the COO indicated that the business planning process of the IAF needed significant improvement, such as establishing a mission, vision, more specific objectives and a marketing strategy. Although some form of public reporting does take place, impact measures and organisation-level impacts for the IAF have not been clearly defined and identified. The CAE and ACC indicated that the AGSA and the Office of the Presidency did publicly report on the effectiveness of the IAF on an annual basis, but that this reporting was limited. The relevant interviewees indicated that all these

above KPAs should be implemented, as it would enhance the performance management and accountability of the IAF.

## Organisational relationships and culture

The applicability of the five KPAs of the IA-CM on the organisational relationships and culture of IAFs within the South African public sector are summarised in Table 5.

**Table 5 Organisational relationships and culture**

Level	KPA	Number of Questions	SA Legislation & Guidance		Documentary Review		Interviews		
			Yes	No	Yes	No	Yes	No	Partially
2	Managing within the IAF	3	✓				1		2
3	Integral component of management team	4	✓				4		
3	Coordination with other review groups	3	✓				1		2
4	CAE advises top level management	6		✓	1		3	2	
5	Effective and on-going relationships	6		✓			6		
<b>Total</b>		<b>22</b>			<b>1</b>	<b>0</b>	<b>15</b>	<b>2</b>	<b>4</b>

The above results indicate that 60% of the KPAs for this element are covered by South African legislation and guidance, 4,5% of KPAs was confirmed through the documentary review, whereas a further 68,2% was confirmed through interviews. Aspects that could not be confirmed (27,3%) related to managing the IAF from within, coordinating with other review groups, and the CAE advising management.

With regard to the KPA focussing on managing the IAF, the COO indicated that some additional skills development activities might be required to enhance the IAF’s organisational relationships, while the SIA indicated that the current IAF structure was not entirely sufficient to meet the needs of the organisation. With regard to technology-based tools used in this process, the SIA indicated that additional internal audit software packages could enhance the effectiveness of the IAF. The ACC and SIA indicated that the coordination of other assurance providers did not formally form part of audit committee meetings. Although the CAE is generally considered as a key player in the management team and meets regularly with top-level management, the CAE cannot be described as an advisor and influencer, as prescribed by the model. The ACC and COO indicated that although the CAE did contribute towards strategic issues, this contribution was limited and should be improved. The COO added that the forums where best practices are shared are limited to top-level management only and should be expanded in order to include operational managers and that specific personal development and training activities might be required to enhance the CAE’s contribution.

The relevant interviewees generally agreed that all these KPAs should be implemented, as it would enhance organisational relationships.

However, the results revealed a potential feasibility hindrance in implementing the KPA regarding the coordination with other review groups. The ACC indicated that the external auditors of the selected case did not generally rely on the work of internal auditing, which is supported by a study performed by Erasmus, Barac, Coetzee, Fourie, Motubatse, Plant, Steyn and Van Staden (2014:10) and which might impact negatively on assurance coordination and on the feasibility of implementing this KPA within a South African context.

## Governance structures

The applicability of the seven KPAs of the IA-CM on the governance structures of IAFs within the South African public sector are summarised in Table 6.

**Table 6 Governance structures**

Level	KPA	Number of Questions	SA Legislation & Guidance		Documentary Review		Interviews		
			Yes	No	Yes	No	Yes	No	Partially
2	Reporting relationships established	7	✓		5		1	1	
2	Access to information, assets and people	4	✓		1			3	
3	Funding mechanisms	3		✓			3		
3	Management oversight of the IAF	3	✓				2		1
4	CAE reports to top-level authority	3	✓		2		1		
4	Independent oversight of the IAF	9	✓		5		4		
5	Independence, power and authority of the IAF	4	✓		1		3		
<b>Total</b>		<b>33</b>			<b>14</b>	<b>0</b>	<b>14</b>	<b>4</b>	<b>1</b>

The above results indicate that 85,7% of the KPAs for this element are covered by South African legislation and guidance, 42,4% of KPAs was confirmed through the documentary review, whereas a further 42,4% was confirmed through interviews. Aspects that could not be confirmed (15,2%) related to establishing reporting relationships, access to information, assets and people as well as management oversight of the IAF.

The ACC and SIA indicated that the internal audit charter, which formalises the reporting relationships, has not been communicated throughout the organisation. The SIA further reported that problems had been experienced during audit engagements with lower level personnel who did not understand the authority and role of the IAF. All interviewees responded that no formal policies and procedures exist with regard to how records and properties should be assessed or the procedures that need to be followed when management

chose not to disclose documents. Although a mechanism does exist where management oversees the IAF, no policies and procedures for the IAF to interact with this mechanism are in place. The CAE indicated that such policies existed at departmental level, but not specific to internal auditing's interaction with the management's oversight function. The relevant interviewees agreed that the implementations of these KPAs are both feasible and would enhance governance structures.

The interviewees indicated that the IAF's authority to access information, assets and people were not documented in any other organisational policies besides the internal audit charter. The CAE, COO and ACC indicated that owing to the fact that this authority was also documented in legislation, it was sufficient and that additional organisational policies were unnecessary. This may negatively affect the extent to which this component of the KPA regarding access to information, assets and people, can be implemented within a South African context.

## CONCLUSION AND RECOMMENDATIONS

In this section the results of the case study are interpreted, appropriate conclusions are drawn and recommendations made. In Table 7, the extent to which the KPAs of the IA-CM are applicable within a South African context is summarised in terms of the total number of KPAs for each element.

**Table 7** Extent to which the KPAs of the IA-CM are applicable within a South African context

Elements \ No of KPAs	Services & Role	People Management	Professional Practices	Performance Management	Organisation Relationships	Governance Structures	Total
Total	5	10	7	7	5	7	41
No apparent feasibility hindrances	4	6	7	7	4	6	34
With potential feasibility hindrances	1	4	0	0	1	1	7

The above table indicates that 82,9% of the KPAs of the IA-CM appear to be applicable within a South African context without any apparent feasibility hindrances. Therefore, it can be concluded that in essence the model can be applied within a South African context. However, the case study also identified eight hindrances that may negatively affect the feasibility of implementing the remaining 17,1% of the KPAs. These eight hindrances affect seven KPAs of the IA-CM and are discussed below in respect of the stakeholders that are affected. (Note: Observations affecting the selected case that, if implemented, could enhance the IAFs capability, was discussed with the various parties at the national department.)

*Firstly*, observations addressed to the IIARF – the extent to which the IA-CM can be applied within a global context (or in this specific scenario, a South African context). The component of the services and role level five KPA regarding the provision of full assurance

on fraud should be rephrased to indicate that internal auditors should design their processes to include the indicators of fraud. With regard to people management, the CAEs in the public sector IAFs are not always appointed at the appropriate post level; public sector organisations may not be willing to implement internal audit staff retention policies or a rotation policy between the IAF and the rest of the organisation; and internal audit leaders may not be able to get involved in the projects and leadership structures of professional bodies due to time constraints. Regarding organisational relationships, external auditors may be more reluctant to rely on the work of internal auditors. The component of the governance structure's level two KPAs regarding additional organisational policies and procedures that clearly provide the necessary authority for the IAF to have full access to the information, assets and people of the organisation, could be difficult to implement in other countries. The interviewees indicated that organisational policies providing authority to the IAF, in addition to the internal audit charter, are not feasible and are unnecessary.

Secondly, observations addressed to the South African government – implemented through legislation and guidance to enhance the capability of public sector IAFs as the public sector is mostly legislation driven. The aspects addressed in the findings (refer to tables 1 to 6), where possible, should be included in relevant legislation and/or guidance. For example, performance auditing should be conducted by all government organisations as it goes beyond normal compliance to provide information on how effective and efficient government spends money to address the needs of the people. In addition, a review of the post levels of CAEs within public sector organisations should be conducted to ensure optimal independence of the IAF and optimal skills at CAE level. The relationship between the IAF and the audit committee should be defined in more detail in applicable legislation. *Lastly*, a formal review should be conducted on the extent to which the external auditors of public sector organisations rely on the work of internal auditors and, if not, the reasons determined for not relying on their work.

Although this study only focussed on the applicability of the IA-CM on a South African context, further studies should include the applicability of the model within other countries. For the South African public sector, further research should be conducted to include other spheres of government, the current state of public sector internal audit capability in South Africa, and a comparison of South African public sector with other countries.

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