INTERNAL AUDITORS AND SERVICE DELIVERY IN SOUTH AFRICAN LOCAL GOVERNMENT: A LIMPOPO PROVINCE PERSPECTIVE

by

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DECLARATION

I, Mmabatho Rebecca Sepuru, hereby declare that the dissertation,

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submitted for the degree of Master of Commerce in Auditing at the University of Pretoria, is my own work and has not previously been submitted by me for a degree at another university. Where secondary material is used, this has been carefully acknowledged and referenced in accordance with the university's requirements.

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M.R. Sepuru

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"We don't get to achieve our goals, because we quit at the first sign of pain. Not knowing that the pain is our system adjusting and preparing for the ultimate goal. If we can only persevere beyond the pain, we will realise that we are capable of achieving beyond measure!" Ap Samuel Nkuna.

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ABSTRACT

Of late, when engaging with any form of media in South Africa, one is guaranteed to come across a story relating to service delivery protests in at least one, if not many parts of the country. Citizens throughout the country have resorted to protesting as a way of voicing their dissatisfaction and anger at the lack of service delivery by local government. Local government is the sphere geographically situated nearest to the communities it serves, consisting of municipalities. During the protests communities mainly complain about the lack of basic services such as water, electricity, housing delivery, unemployment and sanitation. Various studies relating to service delivery have focused on the causes of the protests, analysed reams of statistics and have even suggested various "solutions" to these country-wide problems. Some authors see the protests as evidence of deficient or absent internal controls and governance principles, or a lack of will to apply those controls that are in place. These protests are occurring despite the South African Government having brought into effect legislation such as the Municipal Finance Management Act (56/2003), to strengthen the governance landscape of local government. A key component of this legislation is that it prescribes the mandatory employment of internal auditors and performance/audit committees to reinforce the governance system.

Various studies have investigated either the lack of service delivery or the functioning of internal audit in the public sector. However, none of the researchers appears to have comprehensively studied whether internal auditors can assist management in local government to achieve their service delivery targets and thereby minimise the occurrence of service delivery protests.

The objective of this study therefore, is to determine whether the performance of internal auditors' roles and responsibilities can reduce or minimise service delivery protests in municipalities. In order to achieve this, the study will amongst other aspects of the objective, identify the roles internal auditors are expected to fulfil in local government, as recorded in various statutes prescribed and the International Professional Practices Framework (Institute of Internal Auditors, (2016) (the "Standards"). The study will further

determine the extent to which these roles are being performed; as well as to identify obstacles (if any) encountered by internal auditors when carrying out their roles. Most importantly the study will also determine whether internal audit can assist management to address challenges which often leads to inadequate service delivery.

Through a review of the published literature the study determines the statutory and prescribed roles and responsibilities of the internal audit units in local government as presented by the Institute of Internal Auditors' "Standards" and various items of South African legislation and regulations. The literature review also investigates the contribution made by a lack of controls to management's failure to achieve their service delivery objectives. A sample of ten municipalities was selected for the study, and semi-structured interviews were conducted with key personnel at each municipality's internal audit unit. Data collected during these interviews was analysed and findings were noted.

It emerged from the study that internal audit does have a role to play in assisting management to achieve their objective of providing services to their respective communities; and that they are already playing this role.

INDEX

LIST OF TABLES

LIST OF FIGURES

LIST OF ABBREVIATIONS

AGSA Auditor-General South Africa

CAE Chief Audit Executive

CAQDAS Computer Assisted Qualitative Data Analysis

CFO Chief Financial Officer

COSO Committee of Sponsoring Organisations

HR Human Resources

IDP Integrated Development Plan

IIA Institute of Internal Auditors

IPPF International Professional Practices Framework

MFMA Municipal Finance Management Act (56/2003)

RDP Reconstruction and Development Programme

USA United States of America

CHAPTER 1.
INTRODUCTION TO THE STUDY

1.1   INTRODUCTION AND BACKGROUND

Local government is the sphere of government geographically situated nearest to the communities it serves, consisting of municipalities. There is not a piece of land in the country which does not fall within the jurisdiction of a formal municipality (Ntliziywana, 2009:12). National government rolls out its service delivery efforts through the use of local government institutions, since they are closest and most accessible to the local residents (Koelbe & LiPuma, 2010:565). In terms of Section 152(1) of the Constitution (Act 108/1996) (hereafter referred to as the Constitution), the objective of municipalities is to provide services to the communities in a sustainable and accountable manner, to promote a safe and healthy environment, and to involve communities in matters of local government. Municipalities are tasked with delivering basic services such as waste removal, sanitation and potable water, amongst many others (Mashamaite, 2013:89).

For close on a decade now, when engaging with any form of media in South Africa, one is almost guaranteed to come across a story relating to service delivery protests in at least one, if not many parts of the country. Citizens throughout the country have resorted to protesting as a way of voicing their "dissatisfaction" at the lack of service delivery within their respective communities and municipalities. Amongst other actions taken by communities, the protests takes place in a form of "... mass meetings, drafting of memoranda, petitions, 'toyi-toying', processions, stay-aways, election boycotts, blockading of roads, construction of barricades, burning of tyres, looting, destruction of buildings, chasing unpopular individuals out of townships, confrontations with the police, and forced resignations of elected officials" (Alexander, 2010:26).

Communities mainly complain about lack of basic services such as water, electricity, housing delivery, unemployment and sanitation (Nleya, 2011:3). While some of the concerns are outside the scope and mandates of local government to address, municipalities are the national government's agencies nearest to the people and thus they are the preferred initial delivery points for these contentious issues. Communities are also aware of and protest over troubling examples and perceptions of governance issues such

as maladministration, favouritism, nepotism and fraud/corruption (Kgalane & Netswera 2014:268). It has also become a worrying feature that during these protests, communities vandalise private and public property, as this is perceived to be an effective way to speed up the process of getting government's attention, and response to their grievances (Kimemia, 2011).

Various studies relating to service delivery have focused on the causes of the protests, analysed reams of statistics, and have even suggested various "solutions" to this country-wide problem. Amongst other reasons identified as the root causes of these protests are the failure to implement the public participation process properly, the lack of operational and administrative skills in municipalities, the municipalities' slow pace of collection of payments for rates, water, electricity and other services, "all made worse by ineffective communication policies and processes" (Mavhungu, 2011:28; Mubangizi, 2010:158; Rasila & Mudau, 2012:136; Themba 2011:18; Tsheola, 2012:164). While there have been several studies evaluating the status of the public sector internal audit activity in general, the volume of published research specifically exploring the role of internal audit as part of the solution to the service delivery crisis in South Africa is limited (Ali, Gloeck, Ali, Ahmi & Sahdan, 2007:25-27; Dinga, 2012:10-13).

After the 1994 democratic elections, the South African government promulgated an avalanche of legislation and regulations in an attempt to improve municipal administration. Amongst others, key legislation and regulations promulgated and implemented at this time included:

- the Municipal Finance Management Act (56/2003) (hereafter referred to as the MFMA);

- the Municipal Systems Act (32/2000) (hereafter referred to as the Municipal Systems Act);

- the Municipal Structures Act (117/1998) (hereafter referred to as the Municipal Structures Act);

- the Local Government: Municipal Planning and Performance Management Regulations (2001) (hereafter referred to as the Municipal Planning and Performance Management Regulations), and

- the Regulations for Local Government: Municipal Managers and Managers Directly Accountable to the Municipal Manager (2006) (hereafter referred to as the Regulations for Municipal Managers).

The implementation of these acts and regulations compelled the establishment of internal audit activities (also referred to as "internal audit units") and performance/audit committees to reinforce the governance system. The outcome of the implementation of this body of legislation was supposed to bring about a more accountable and performance-based approach to service delivery. Interpreting the ongoing disruptive actions of local residents, the intended outcome has not yet been achieved (Sepuru, 2013:16). Looking at the intensity and distribution of demonstrations still occurring across the country, it is evident that although government has promulgated various pieces of legislation and has implemented new governance structures, something is still amiss (Von Eck, 2013a:3).

Despite the establishment of internal audit activities in all municipalities throughout the country, their performance is not resulting in satisfied/contented communities, or improved audit outcomes.

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). However at face value it appears that the outcomes of these audit services are not improving the control environment of the institutions and they are not reducing the occurrence of the communities service delivery protest.

1.2   PROBLEM STATEMENT

Legislation and regulations promulgated by national government that is applicable to municipalities' delegates to internal auditors a variety of roles, including risk based reviews of internal controls, risk management processes and performance management systems.

As mentioned Section 1.1 above, various academic research studies have investigated the reasons behind the service delivery failures by municipalities. A substantial body of research has also been generated on the functioning of internal audit in both the private and public sectors. However, none of the researchers have comprehensively studied

whether internal auditors can assist management in municipalities to improve their service delivery records, and thereby minimise the reasons and opportunities for service delivery protests.

The question is therefore whether, by the performance of their roles and responsibilities, internal auditors can assist their respective municipalities to minimise or reduce the perceived need for service delivery protests by their local communities.

1.3 RESEARCH OBJECTIVE

The objective of this study is to determine whether the performance of internal auditors' roles and responsibilities can reduce or minimise service delivery protests in municipalities. In order to achieve this, the study will identify the roles internal auditors are expected to fulfil in local government, as recorded in various statutes prescribed and the International Professional Practices Framework (IPPF) (Institute of Internal Auditors, (2016) (henceforth referred to as the IIA Standards).

To answer the objective, aspects such as whether these roles are being carried out, as well as identification of the various problems and obstacles that the internal audit function encounters as they attempt to perform these roles will be covered. The study will also attempt to determine the extent to which internal audit (as one source of solutions) can assist municipal management to address some of the key issues that undermine their ability to deliver services (Refer to detailed aspects of study objectives on P.5 of this study).

The following two schematics comprise Figure 1, and illustrate how the study's purpose was achieved in two phases:

Figure 1:   How the study's purpose was achieved

Phase one: documented in Chapters 2 ,3 and 4

Roles of internal auditors

Causes of protests

Literature review

Phase two: documented in Chapters 5 and 6

Can performance of the roles of internal audit minimise/reduce service delivery protests in municipalities.

Literature review

Research questions (data collection and data analysis)

Conclusion:
- Internal auditors through performance of their roles and responsibilities do have a role to play, in assisting management to minimise service delivery protests.
- Some internal auditors are already playing that role. This was demonstrated by the similarities of their audit findings with "issues raised by the communities during service delivery protests".

1.4   ASPECTS OF THE STUDY'S OBJECTIVE

The purpose statement contains the main objective of this study, which is to determine whether, by the performance of their roles and responsibilities, internal audit can assist their respective municipalities to minimise service delivery protests by their respective

communities. To answer the research question, the objective was divided into the following aspects, which, when answered, collectively address the objective:

- To determine the roles of internal auditors employed by municipalities in South Africa;

- to determine whether internal auditors are aware of their roles in municipalities;

- to determine whether internal auditors are fulfilling their roles;

- to determine whether there are challenges and factors that are preventing internal auditors from fulfilling their roles within respective municipalities;

- to determine whether internal auditors are aware of causes of service delivery protests in their respective municipalities;

- to determine internal auditors' perspective of how service delivery protests could be avoided;

- to determine the internal auditors' perspective of whether they can assist management to address causes of service delivery protests, and

- to determine the extent to which, amongst other solutions, internal audit can also 3assist municipal management to address some of the key issues hindering their ability to deliver services.

In order to achieve the study objective and related aspects thereto, literature and empirical reviews were conducted and documented in Chapters 2, 3 and 5. Chapter 2 reflects on the origin of the practice of internal audit, and highlights the roles expected of a modern professional internal auditor employed by a municipality. Chapter 3 highlights the origin and extent of the service delivery mandate "enjoyed" by municipalities; whether the mandate is being achieved (from the point of view of the local communities, their public protests suggest it is not); and the causes of these service delivery protests. Chapter 4 describes the research method employed by the study. Chapter 5 details the results of the empirical study performed.

1.5   DEFINITIONS OF KEY TERMS

The following terms and concepts are integral to this study, and are therefore explained below.

Auditor-General South Africa (hereafter referred to as the AGSA) – South Africa's public entity audit institution, mandated under Section 188 of the Constitution to audit and report on how the state utilises the taxpayers' money.

Basic municipal services – basic municipal services are as defined in Section 1 of the Municipal Systems Act: "services that are necessary to ensure an acceptable and reasonable quality of life and, if not provided, would endanger public health, safety or the environment".

Institute of Internal Auditors (hereafter referred to as the IIA) – "an international professional association established in 1941, which serves as the profession's global voice, recognized authority, acknowledged leader, chief advocate, and principal educator. Generally, members work in internal auditing, risk management, governance, internal control, information technology audit, education and security" (IIA North America, 2016).

Internal auditing – it is defined by the IPPF as "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 effectiveness of risk management, control and governance process" (IIA, 2016:23).

Internal audit activity – a function, division, unit, within an organisation or team of consultants that provides "…independent, objective assurance and consulting services designed to add value and improve an organization's operations. The internal audit activity helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management and control processes" (IIA, 2016: 23). The terms internal audit "activity" or "unit" are used interchangeably in this study.

Internal auditor – a practitioner, a professional or a consultant who provides services which are offered by the internal audit activity or unit.

International Professional Practices Framework (IPPF) – a conceptual framework that organises the authoritative guidance promulgated by the IIA. The authoritative guidance falls into two categories, namely, mandatory (comprising definitions, the code of ethics, and the International Standards for the Professional Practice of Internal Auditing), and

strongly recommended (comprising practice advisories, position papers and practice guides) (IIA, 2016:24).

International Standards for the Professional Practice of Internal Auditing – These are part of the mandatory guidelines of the IPPF and are frequently simply referred to as the "IIA Standards" in international research literature.

Local government – in terms of Sections 151 and 152 of the Constitution, means a local sphere of government which consists of municipalities, which must be established for whole territory of the Republic of South Africa. For the purposes of this study "local government" and "municipalities" are used interchangeably.

Municipality – in terms of Chapter 1 of the Municipal Structures Act and Chapter 7 of the Constitution, means an organ of state exercising legislative and executive authority within an area determined in terms of the Municipal Demarcation Act (27/1998). It consists of the political structures, the administration and the community of the municipality.

Municipal council – is the collective term for the mayor and all other democratically elected representatives who serve as the executive authority of a municipality. Also referred to as "the council".

Municipal management – For the purposes of this study, municipal management refers to the administrative structure of a municipality. It includes the municipal manager appointed in terms of Section 82 of the Municipal Structures Act, and all managers reporting directly to the municipal manager.

Protest – "An organised public demonstration expressing strong objection to an official policy or course of action" (Oxford Dictionaries. Not dated.)

Service delivery – Provision of basic municipal services as described in Schedules 4b and 5b of the Constitution. The full extent of the collection of services is dependent on the type of municipality.

Service delivery protests – as used in this dissertation, excludes any protests in the community not related to "service delivery by the municipality": thus protests related to crime, xenophobia, educational boycotts and employment issues do not form part of this research.

"Toyi-toyi" – "An organised public demonstration to express a strong objection to an official policy or course of action" (Oxford Dictionaries. Not dated.)

1.6   VALUE AND CONTRIBUTION OF THE STUDY

There is a vast amount of theory and analysis of the efforts to achieve universal delivery of basic services in South Africa. There is an even greater body of research on the functioning of internal audit in public and private sectors. However, there is only limited theory on internal audit's roles as participants in and catalysts of municipal management's efforts to achieve their stated service delivery objectives. This research study is thus a significant development, as it enlarges the landscape of solutions previously noted by other scholars on how this almost perpetual cycle of service delivery protests can be addressed. The major contribution of this study therefore, is its analysis of the various consulting and assurance reviews which internal audit performs for their associated municipalities so as to be able to recognise their value for and impact on efforts to address the plight of under-serviced South African communities.

The study identifies an approach to minimising the service delivery protests, in the form of the internal audit activity, is not an obvious alternative. However, at its simplest, if municipalities merely implement their respective internal audit units' current recommendations, we are likely to see improvements in the control environment. This would mean that statutory controls and management's own controls would come to bear on key areas: thus performance management systems would be implemented and monitored; supply chain management's prescribed practices would be applied; public participation processes would happen at times and places convenient to "the public"; communication would be bi-directional (i.e., council would listen to the community for at least as much time as it presently "tells" the community), and would accurately reflect the situation being reported. There would be performance improvements throughout the municipality as management's controls are better understood and more effectively implemented; residents should then become more co-operative, informed and active; audit outcomes improve, and fewer irregular, fruitless and wasteful expenditure events would occur.

This study's results would not only benefit the internal audit professionals but also has the information to assist municipal management, the council, oversight committees, and the

local communities, to understand their roles and duties; additionally, those national and provincial government departments charged with municipal oversight would better understand their roles, including the sometimes desperate need municipal internal audit units have for "heavy-weight" support from higher authority outside of municipal politics. The study might also assist management to understand the objectivity implicit in the role of internal audit, and to embrace the benefits which internal audit brings to local government.

1.7   DELIMITATIONS AND ASSUMPTIONS

1.7.1   Delimitations

The study made use of a qualitative methodology which utilised semi structured interviews to research the objective and subsidiary question presented in Section 1.4 of this chapter. These interviews were conducted at ten local municipalities of the 25 Limpopo Province. The choice of this province was not random: the 2014/15 report of the AGSA identified this province as experiencing an increase in negative audit results, arising mainly as a result of the municipalities' poor control environments (2016b:99).

The universe of study participants was defined as internal auditors who were affiliated to the South African chapter of the Institute of Internal Auditors (hereafter referred to as the IIA SA), and who are employed by municipalities in the Limpopo Province of South Africa. It was determined that the Institute of Internal Auditors South Africa (IIA SA) plays a major role in the development and organisation of the internal audit profession in South Africa. It was assumed that auditors affiliated to the IIA SA would be familiar with the IIA Standards which was a necessary research pre-condition as these standards globally guide the practice of internal audit. As such, they are analysed in this dissertation as part of the process of understanding the roles of the internal audit activity (unit) in a South African local government context.

Although service delivery protest data for the period 01/01/2010 to 31/12/2015 was collected and analysed during the literature review, the study participants were only questioned about the protests that took place in their municipalities during the period 01/01/2013 – 31/12/2015, assuming that participants would only recall those details easily.

1.7.2 Assumptions

In addition to the assumption regarding internal auditors' familiarity with the IIA Standards, discussed above, the fundamental assumption (also hinted at above) is that the information provided by the study participants and by other researchers, and relied on in the analysis of the causes, trends and frequency of protests in the country, is, in its core content, correct.

The protest statistics information was sourced from the Municipal IQ website http://www.municipaliq.co.za, facilitated by Allan and Heese), accessed at various times between 01/01/2013 and 31/07/2017 for details of protest actions that occurred during the period 01/01/2010 to 31/12/2015), as well as various other media publications. However, enquiries with study participants covered service delivery incidents that took place between 01/01/2013 and 31/12/2015, as it was assumed that the participants' memories would still likely to be able to recall the recent details more easily as opposed to a longer period.

Again, despite the volatility and violence that characterised some of the protest actions, it was nevertheless assumed that these media reports were sufficiently accurate to enable the researcher to use their information for this study, without fear of material distortion of the conclusions.

1.8 RESEARCH DESIGN AND METHODS

This section summarises the techniques employed in conducting the research project, the data collection tool utilised, the process used in selecting participants, the data analysis tools applied, and the interpretation of the extracted data.

1.8.1 Enquiry strategy

The qualitative method works well in an environment where the researcher wants to investigate the topic in great depth, and to unpack the experiences and opinions of the participants; it is equally effective in situations where there is as yet only limited research on the subjects being investigated (Marshall & Rossman, 2011:195). Similarly, this study intends to obtain in-depth understanding of the role of internal auditors in municipalities; as

well whether these roles are currently practiced. There is currently limited research with focus on internal auditors' role in service delivery protests.

1.8.2   Data collection

Data was collected through semi-structured interviews. A self-designed interview schedule was utilised as the standard template guiding the capture of the interview responses of the study participants.

1.8.3   Study participants

The study was performed in local municipalities situated in the Limpopo Province of South Africa. Limpopo is one of the four provinces in South Africa where the AGSA (2016a:4) has identified that a significant number of municipalities that had previously obtained clean audit reports have in the current audit regressed. At the presentation of the AGSA's local government audit report for 2014/15 in June 2016, it was noted that Limpopo's municipalities' audits had declined in quality: the declining performance was predominantly the result of the deterioration of the control environment, compliance and reporting (2016b:99). As a result, the study focus was limited to Limpopo Province. Seven municipalities were selected for the study as they had experienced service delivery protests during the period 01/01/2010 to 31/12/2015, a fact which had been widely documented in the media and other literature sources.

Three municipalities that did not have any documented service delivery protests were also included. This was done in order to collect comparative information that could be used, through contrasting the approaches, as a means of enabling municipalities that had protests to make their remedial approaches more effective.

1.8.4   Data analysis

Data was analysed using an inductive approach, which allows for themes and categories to emerge from the study. A combination of data preparation and analysis techniques were applied to facilitate the understanding and interpretation of the collected data. These techniques are discussed in detail in Chapter 5 of this study. Atlas-Ti software was used to code the collected data, and to facilitate its analysis and interpretation.

The research methodology is discussed in full in Chapter 4 (p. 60) of this study.

1.9 OVERVIEW OF REMAINING CHAPTERS

This research study is organised into the following chapters:

Chapter 2 examines the roles of internal auditors as set out in the IIA Standards and in various items of South African legislation affecting local government.

Chapter 3 analyses the municipalities' service delivery mandate (as derived from legislation), and continues by explaining in detail the major causes underlying the service delivery protests.

Chapter 4 describes the selected research enquiry strategy in depth. It also addresses the research method employed by the study, including the interview schedule design, and the method of selecting the participants.

Chapter 5 details the data analysis and interpretation of primary data collected during the research is documented in.

Chapter 6 presents the conclusions drawn from the analysis of the data and the literature review. It also presents additional research areas that could increase the understanding of the role of internal audit in addressing the unsatisfactory service delivery situation in South Africa's municipalities.

1.10 CONCLUSION

This chapter provides an overview of the plight of many South Africans, particularly in rural municipalities, of having to face on-going service delivery failures, exacerbated by a widening expectation gap, and increasingly spilling over into the streets in a form of violent protest. Thus, key legislation promulgated to improve the administration of municipalities in South Africa is identified. The research problem statement and the objective of this study were described, and a summary of the preferred research methodology documented.

Chapter 2 follows, and gives an in-depth analysis of the roles of internal auditors in municipalities as mandated by legislation, IIA standards and other relevant material.

CHAPTER 2.
THE ROLE OF INTERNAL AUDIT
IN SOUTH AFRICAN LOCAL GOVERNMENT

2.1 INTRODUCTION

The objective of this study, as detailed in the previous chapter, is to determine whether the roles and responsibilities of internal audit can assist management to achieve institutional objectives and thereby minimise or reduce service delivery protests in South African municipalities. Amongst others, the research will attempt to answer the question by first determining the prescribed roles and responsibilities of the internal audit units in municipalities.

This chapter summarises the evolution of internal audit by reviewing the Institute of Internal Auditors' progression of definitions, to allow analysis of the evolving roles and responsibilities of internal auditors. The chapter then examines in detail the roles of internal audit within the South African local sphere of government. The analysis is done within the multidimensional context of the literature review, the current definition of internal audit, applicable legislation and regulations, and the IIA Standards.

2.2 THE HISTORY AND EVOLVING DEFINITION OF INTERNAL AUDITING

The IIA is the organisation known globally for having organised and professionalised the practice of internal audit in the 20th century. This organisation was formed in 1941 by a group of dedicated internal auditors, who later succeeded in providing professional legitimacy to the profession by establishing the organisation as a formal body with obligations to oversee the interests of internal auditors. Amongst its many definitive actions was the issuing of a definition of internal auditing in 1947. Internal audit was defined as "... *an independent appraisal activity within an organisation for the review of accounting, financial, and other operations, as a basis for protective and constructive service to management. It deals primarily with accounting and financial matters but it may also properly deal with matters of an operating nature"* (Pitso, 2008:6). A key attribute of the IIA is its ability to remain current. This is reflected in the publishing of numerous updates to this definition in later years, some of them noted below:

- The IIA issued an updated definition in 1957, the key sections of which state that internal audit is *"... an independent appraisal activity within an organisation for the review of accounting, financial and other operations as a basis for service to management. It is a managerial control which functions by measuring and evaluating the effectiveness of other controls"* (Coetzee, Du Bruyn, Fourie & Plant, 2012:6). Thus, the paradigm has shifted to the system of internal control, which changed focus from re-performance, counting and observing.

- In 1971, the IIA issued a statement within which the internal auditing activity was (re)defined as *"…an independent appraisal activity established within an organization as a service to the organization. It is a control which functions by examining and evaluating the adequacy and effectiveness of other controls"* (Ramamoorti, 2003:7). Ramamoorti further notes (2003:8) that it was this development that led to the internal audit profession being represented at very high organisational levels, to the extent of having seats in management meetings and rendering assurance to boards of directors through audit committees.

- In the early twenty-first century, as the diversity of the roles fulfilled by internal audit increased, the institute again updated the definition of internal audit to record that it had now become *"... 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 effectiveness of risk management, control and governance process"* (IIA, 2016:23; Pitso, 2008:8; Ramamoorti, 2003:7).

The most notable difference between the current definition and all previous definitions of internal audit is the present emphasis on the evaluation and improvement of the effectiveness of the risk management, governance and control aspects of businesses (Asare, 2009:16). These are the grey areas which, for many years, external auditors had been overlooking (Pitso, 2008:2). The new-look internal auditor no longer spends massive amounts of time ticking, checking and working on detailed financial schedules and reporting to a finance manager. The new role of an internal auditor involves presenting the "bigger picture" to the board of directors, to executives and to the audit committee. This "bigger picture" presentation is based on the results of his/her evaluation of the functioning

of internal controls designed to cover the strategic risks faced by the organisation (Spencer-Pickett, 2011:1).

The new and dynamic role of internal audit gives the profession its own standing, where it no longer acts as an extension of the accounting or finance functions (Barac & Coetzee, 2012:34). Internal audit is an organisation's independent advisor which challenges current practices, champions best practice, and is a catalyst for improvement with an aim of assisting management to achieve their objectives (Von Eck, 2013b:143). In order to live up to the definition, the profession requires competent internal auditors who are not required to function as "police" in organisations, but who are rather seen to be in partnership with management (Barac & Coetzee, 2012:36).

2.3   INTRODUCTION OF INTERNAL AUDIT TO SOUTH AFRICAN LOCAL GOVERNMENT

Historically, the internal audit activity was predominantly a private sector phenomenon. It was used to perform simple administrative duties such as checking the accuracy of transactions, verification of pre-payments, and performance of asset counts. They were often considered (in the private sector) as "accounting handymen", and required to perform accounting reconciliations and other accounting clerical work (Pitso, 2008:5). However, the profession has since undergone a dramatic evolution, as noted above and reflected in the various definition changes and updates, and the public sector has since started utilising this profession to strengthen its governance (Enofe, Mgbame, Osa-Erhabor & Ehiorobo, 2013:162).

Following the collapses of various organisations such as Enron and Worldcom in the United States of America (USA), and Parmalat in Europe, auditors' independence and organisational governance has come under intense scrutiny. Legislation such as the Sarbanes-Oxley Act has been promulgated in the USA, affecting all US companies operating both inside and outside the USA. This legislation gave listed companies' audit committees a critical role in managing the threat to their internal auditors' independence (Kirkpatrick, 2009:3).

The public sector in South Africa reached a major governance milestone in 1994 when one of the so-called local authorities in the then Cape Province (now called "municipalities" and

"the Western Cape" respectively) appointed an audit committee, believing that this would enhance its governance (The Herald, 1994). In the period immediately thereafter, the South African national government went through a similar exercise and reviewed its entire governance landscape. The results of the review included promulgation of various statutes and amendments to other legislation, all intended to improve institutional governance. Legislation such as the MFMA, the Municipal Systems Act and the Municipal Structures Act came into effect, and regulations related to these and other spheres of government were published and put into place (Sepuru, 2013:16). As a result, it became mandatory for every municipality to have an internal audit unit; additionally, oversight committees (such as performance/audit committees) also became mandatory. Roles and responsibilities of both internal auditors and the audit committees in municipalities are documented in the MFMA, Sections 165 & 166.

2.4   ROLES OF INTERNAL AUDITORS IN LOCAL GOVERNMENT

2.4.1   Roles of internal auditors: IIA Standards

The International Professional Practices Framework (IPPF) is a set of guidelines that the IIA has published as a universal guide for the practice of internal auditing. It consists of mandatory guidance (which includes the definition of internal audit, a code of ethics, and the International Standards for the Professional Practice of Internal Auditing (referred to as the "IIA Standards" in this dissertation), and periodic updates that are not necessarily mandatory in applicability. The IIA Standards are internationally applicable in both institutions and to individual practitioners and they represent a universally recognised framework that serves as a guideline for the practicing of internal auditing (Spencer-Pickett, 2011:3). While adherence to and incorporation of these Standards into the practice of internal audit is "strongly recommended", compliance with the Standards is in fact crucial to ensure that internal auditors meet their responsibilities (Asare, 2009:16).

The IIA Standards acknowledge that the environments under which various internal audit activities are practiced could differ significantly. Whether the difference is due to industry-specific needs or to country or institutional cultures, the application of the Standards should never be compromised (IIA, 2016:1). Consequently, internal auditors employed by South African municipalities and registered with the IIA SA, are expected to perform their audits in line with these Standards. This is also emphasised in the guideline published by

the South African National Treasury for use by public sector internal audit units (National Treasury, 2009:6).

Amongst others, the IIA Standards provide the following guidelines:

- Internal audit units should on an annual basis prepare a risk based plan which is drafted taking into consideration the strategic and other risks of the organisation (IIA, 2016:10);

- individual internal audit engagements are to be adequately planned such that each engagement's resources, time, objectives and scope is documented, systematically, and well considered (IIA, 2016:16);

- the results of the audit should be communicated at the level that is able to make decisions. The communication of the results should not be complex, but instead comprehensible and to the point (IIA, 2016:18). Internal audit units should periodically follow up on agreed action plans to address findings issued, and to determine whether they have been resolved. The Standards emphasises that the Chief Audit Executive (CAE) should communicate with the board/council on unresolved and recurring matters (IIA, 2016:18, 20); and

- it is imperative for an internal audit unit of a municipality to subject itself to both an internal and an external quality review. The external quality review needs to be performed every five years by an external, objective reviewer in line with Standards 1310 and 1320 (IIA, 2016:8-9). This is done to determine whether the performance of the internal audit unit in a municipality conforms to the IIA Standards.

Internal audit has been defined in the Standards as *"... 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 effectiveness of risk management, control and governance process"* (IIA, 2016:23). Clearly, the key role of internal audit is to assist management with achievement of their organisational goals. In doing so, internal audit performs assurance and consulting activities, which aim to evaluate and improve risk management, controls and governance processes. Responsibilities assumed by internal audit must be consistent with the IIA's definition of internal audit, the IIA Standards and the IIA's code of ethics (IIA, 2016:10). Roles and responsibilities of internal auditors as defined

by and derived from the definition of internal auditing are discussed below, in Sections 2.4.2, 2.4.3, 2.4.4 and 2.4.8.

2.4.2   Roles of internal auditors: Evaluation of internal controls

The COSO framework (Committee of Sponsoring Organisations, 2011:1) defines "internal control" as a process designed to provide reasonable assurance that institutional objectives will be met; it is effected by the institution's board or council, as well as any other designated employee with appropriate mandate from management. Internal controls are variously defined as the actions taken by the board (council in a case of a local government), executives or other parties in an institution to manage risks and to improve the likelihood of achieving established objectives. Internal control is achieved through management's planning, organising and directing of the performance of actions deemed sufficient to provide reasonable assurance that institutional goals will be achieved (IIA, 2016:25). These two definitions (of the IIA, and COSO, above) contain notable similarities: internal controls are implemented to minimise risks so that institutional objectives are achieved; and that controls are management's responsibility, not internal audit's. The question then arises: what is internal audit's responsibility with regard to internal controls in an institution?

Internal audit's key objective is to add value, improve institutional operations and assist management to achieve its strategic goals. This is achieved primarily through evaluation of internal controls related to the high level risks faced by an institution. The evaluation of internal controls by internal auditors should determine the effectiveness and adequacy of the controls within the operation, and extend to its information and governance systems, particularly where they relate to the following operational elements (Asare, 2009:15; IIA, 2016:13):

- effectiveness and efficiency of operations;
- reliability of financial reporting;
- safeguarding of assets, and
- compliance with laws and regulations.

The internal auditor's roles in assessing internal controls include (Spencer-Pickett, 2011:96):

- assessment of high level risks;

- designing programs for review of these high risk areas;

- advising management on whether or not controls are functioning effectively and adequately;

- recommending improvements to controls, and

- following up agreed action plans to check on their degree of implementation.

Internal auditors need to take great care to ensure that they do not compromise their independence by assuming management's responsibilities with regard to internal controls. Management's responsibilities include the following (Spencer-Pickett, 2011:96):

- designing suitable controls;

- implementation and monitoring controls, ensuring that they are always applied, and

- updating controls periodically, or when necessary.

The National Treasury's Framework (2009:22-23) states that internal audit should evaluate both the adequacy and the effectiveness of the controls. During evaluation of adequacy of the controls, internal audit should determine whether the control environment is mature, as well as management's attitude towards the control system. They should also check whether the design of the controls is in line with recognised control frameworks and sufficient to mitigate exposed risk. Effectiveness should be evaluated by determining whether the activity being controlled will consequently (or still) achieve its performance objectives.

Management can ensure compliance with their internal controls through, amongst other processes, the use of structured checklists. Employing checklists, along with management's encouragement of employees to do so, will go a long way to ensure that all controls are understood and adhered to (De Lange, 2014:15). An institution with a strong system of internal controls has greater chances of having good governance, which will pave the way for achievement of its objectives (Ratsela, 2015:15).

2.4.3 Roles of internal auditors: Risk management

The role of internal audit relating to risk management is detailed below. The discussion distinguishes between the role of provider of assurance and that of provider of consulting services, as well as examining internal audit's overarching key consideration throughout their audits – which is the identification of emerging risks. Assurance and consulting roles of internal audit related to risk management are detailed below:

►1 Assurance

Risk management is a process that *"… identifies, assesses, manages, and controls potential threats, events or situations in order to provide reasonable assurance regarding the achievement of the organization's objectives"* (IIA, 2016:24). The key objective of risk management is to deal with risk factors in a systematic manner: once risks are managed, this will create a positive environment in which an institution can achieve its goals, which, in the case of South African municipalities, means basic service delivery.

IIA Standard 2120 (IIA, 2016:13) requires internal auditors to evaluate and to contribute to the improvement of the institutional risk management processes. It remains management's responsibility, however, to ensure that they have a sound system of risk management in the first place.

Evaluation of risk management systems by internal auditors involves providing assurance on whether risks are being identified and assessed correctly; determining whether the risk management process is functioning as intended, and whether its methodology and policy on risk are accurately described in the risk management strategy documents. In addition, internal audit needs to determine whether key risks are being periodically assessed, that the results are being monitored, and then report their findings to the appropriate management levels in their organisations (Coetzee & Lubbe, 2011:34). According to Spencer-Pickett (2011:84), internal auditors, in their determination of the effectiveness of risk management activities, should at least consider the key points noted below:

- Determine whether institutional objectives are aligned with the institution's mission and objectives;
- determine whether the selected responses to identified risks are relevant;

- determine whether risk tolerance and risk appetite levels have been set and authorised, and

- determine whether risk information is captured and communicated in a timely manner.

The National Treasury's Guidelines (2009:7) and the MFMA, Section 165(b)(iv) state that internal auditors employed at municipalities should advise management on matters relating to risks and risk management. Amongst other assessments, internal auditors should ensure that the risk management processes adopted by their respective municipalities are effective, that the activities are recorded in a formal methodology and strategy document, the risks are re-assessed annually, and that action plans and their associated activities are formally implemented and tracked throughout the year.

In addition, internal auditors should verify whether risk management governance systems such as risk oversight committees, are in place. Internal auditors in municipalities should ensure that there is formal accountability; they must verify that agreed risk action plans are in fact being implemented, and that this happens within the agreed timeframe. When something's progress is measured, it usually forces people to strive to achieve it; therefore, in order to ensure implementation of risk action plans, they should find their way into the municipal officials' list of performance indicators. This can also be achieved by adding key risk management components to the Accounting Officer's performance contract (Sobel & Reding, 2012:48).

According to Sobel and Reding (2012:83-99), there are three key considerations for both management and internal audit with regard to the identification of risks. Assessing them effectively enables management to address risk factors before they are realised, and this enables management to achieve its objectives.

Risk identification. There is an unlimited number of risks that can be identified; however not all of them are relevant to an organisation. In line with the definition of risk management above, it becomes clear that only risks that threaten the achievement of organisational objectives are relevant. Ideally, identification should be done by various individuals from all departments within an organisation, each with a slightly different perspective (i.e., not by the municipal manager or Chief Executive Officer). As part of the identification process, each business risk should be unpacked, and events that are likely to

inhibit or undermine success identified. Internal auditors are in a good position to advise whether the risk register is a true reflection of risks facing the organisation. Service delivery protests are ongoing examples of risks that have been realised, and as such, management needs to identify and evaluate the control gaps (Sobel & Reding, 2012:84).

External stakeholders. One of the factors to be considered by management when designing a risk management system is their external stakeholders. Management should analyse the relationship it has with its stakeholders, and to understand their values and perceptions. The purpose of understanding these factors is mainly to avoid designing a risk management process that is in conflict with the realities of why the organisation exists and how it functions. A pertinent example, in a case of a municipality, would be to understand all stakeholders' perceptions, all the way down to those of the individual community members. The objective of the municipality is to deliver services to the communities; thus, it is vital that it considers what could go wrong in the process of trying to achieve this. Through this exercise it might become an imperative that the municipality institutes an effective system which is able to respond to and integrate the perceptions, complaints and suggestions of the community into the service delivery objectives the municipalities are mandated to deliver.

Identification of emerging risks. The risk management system should be flexible enough to allow and to encourage identification and assessment of emerging risks. Internal audit also has a responsibility to advise management on emerging risks (Coetzee, Du Bruyn, Fourie & Plant, 2010:19).

►2   Consulting services

Internal audit can perform consulting services that contribute to the effectiveness of the institutional risk management process. However, care needs to be exercised to ensure that internal audit does not impair their independence by taking ownership of the risks identified or by taking ownership of the entire risk management process. These remain management's responsibility (Sobel & Reding, 2012:29). Internal audit possesses extensive experience in risk management and in view of this they are good candidates to provide advice to management with regard to risk identification, as well as treatment options. While this often happens during risk assessment workshops or interviews, internal

audit must ensure that it happens without their being seen as assuming the role of a risk management unit.

Conclusion on the risk management role of internal audit

Risk management should not be viewed as an isolated system, separate from the functioning of the organisation. It is an integrated system which looks at all aspects of an organisation with the aim of assisting management to deal with risks which, if they were to materialise, could hinder their ability to achieve organisational objectives. In the cases of municipalities, this would mean the collapse of service delivery efforts.

There should be a sufficiently robust and effective method guiding and stimulating the identification of current business risks, as well as emerging risks. Unless risks are identified and assessed, they cannot be managed and controlled. These requirements, that management maintains the organisation's risk register and the risk management process, impacts the effectiveness of internal audit, as their audit universe is then limited by the insights of the risk management process.

Internal audit has a responsibility to add value to the organisation and to assist management to achieve their goals. In trying to assist management to achieve their goals, risks that could hinder this should be identified. In institutions where internal audit and risk management are separate functions, as it is in many municipalities in South Africa, it is the responsibility of the risk management unit to identify these risks. However, internal audit, during their audits, gathers information relating to emerging risks, as well as determining why certain controls are failing. In order to improve the overall governance of an organisation, including internal controls and risk management, management will have to take heed of internal audit's recommendations. If addressing some of the internal control breakdowns warrants consulting engagements, internal audit should be available for these advisory roles, while exercising care to ensure that they do not neglect their audit plan.

When risk is assessed and managed within the context of what management wants to achieve; and within consideration of resources they have in place, the control environment has a better chance of improving and thus creating a better platform from which to achieve organisational goals (Sobel & Reding, 2012:52).

2.4.4   Roles of internal auditors: Corporate and institutional governance

Corporate governance is described in the King IV report on corporate governance (2016:24), as "…*exercise of ethical and effective leadership by the governing body*". Other scholars define governance as the process of carrying on organisational functions to achieve objectives in a manner that is ethically defensible (Fleming & McNamee, 2007:137); and as a framework by which institutions are controlled and directed and the processes it has in place to hold accountable executives for their performance and corporate conduct (Cascarino, 2015:207). This array of definitions can be summarised as an overarching system implemented by the board or council to ensure that organisational objectives (i.e., services to communities) are met in an ethical manner (Sobel & Reding, 2012:21).

All three definitions referred to above emphasise ethics, accountability and compliance with legislation, which is distinctly similar to the objective of internal audit. Governance processes should create an environment where management can achieve their organisational objectives, and internal audit should provide the input that improves effectiveness of governance processes after review. Since municipalities are not private entities, the term "institutional governance" is preferred instead of the term "corporate governance", which is the term used in the private sector (Visser, 2014:8). Institutional governance typically defines how public institutions (such as municipalities), are controlled and managed (Visser, 2014:9).

Internal audit, together with management, audit committees and external audit are considered as the four pillars of institutional governance (Von Eck, 2013b:141). The existence of an internal audit unit enhances the quality of governance in institutions due to their provision of assurance on the adequacy and effectiveness of internal controls, risk management and other governance processes (Soh & Martinov-Bennie, 2011:606). One of the roles of an internal auditor is to assess the state of an organisation's corporate governance with the objective of recommending improvements. Internal audit's assessment and advice on how institutions can improve their governance is valuable, as they are considered to be the eyes and ears of the council (or board in private companies) (Spencer-Pickett, 2011:15).

Researchers agree that, in the public sector, government achieves effective governance and management accountability when risk management efforts, financial reporting, the code of ethics, internal audit and its oversight committees' efforts are aligned (Aikins, 2013:673; Cascarino, 2015:208). Internal audit therefore needs to determine the existence and effectiveness of all these governance efforts. These governance frameworks will serve as alarms and red flags that municipalities' objectives of providing basic services are more likely not to be achieved. Governance efforts identified above are briefly unpacked below.

►1 Accounting and financial reporting

Over and above overseeing internal audit, audit committees are charged in terms of Section165 (1)-(2) of the MFMA with the responsibility of advising the council on issues relating to accounting policies, financial information and internal financial controls. An audit committee with a well-balanced membership (including expertise in finance and financial reporting), would be in a better position to advise on audit issues (King, 2016:56). Without a systematic and guided financial reporting process, management could not be held accountable for the money spent in pursuit of achieving institutional objectives. In terms of the same section of the MFMA, internal audit is also charged with advising management on accounting procedures and practices – as detailed in Section 2.4.5 on p. 27.

►2 Ethics

Central to the evaluation of ethics in an institution is the assessment of its formal codes of ethics/conduct, its policies on communicating the ethics expected of its employees, and the appropriate disciplinary actions that will be taken in the case of contraventions of the organisation's code of conduct (National Treasury, 2009:23). The continuing apparent absence of negative consequences for employees who have contravened policies, codes of conduct and/or legislation such as the MFMA has resulted in a culture of continuous and possibly contagious transgression (AGSA, 2013:104). With an unethical culture, all predetermined objectives (including services to be rendered to communities) are at risk of not being achieved, as the allocated funds are likely to get diverted.

► 3   **Oversight committees**

Oversight committees in municipalities include (but are not limited to) audit committees, councils' Municipal Public Accounts Committees, risk management committees, and performance management committees. When the internal audit unit of a municipality reports to an oversight committee, which in turn reports at a level above management (such as a performance or audit committee) this not only strengthens governance, but assists internal audit's efforts to ensure that management is held accountable for implementing agreed action plans, and for addressing audit findings raised (Ratsela, 2015:18). When internal audit's recommendations are implemented, essentially that means that risk factors are mitigated to a reasonable level, which in turn improves the likelihood that organisational objectives can be achieved and minimises chances of risks being realised. Those charged with governance responsibilities in municipal structures are beginning to realise that internal audit plays a key role through its evaluation of the governance, risks management and controls aspects of an organisation; the results thereof provides them with an accurate perspective on the degree to which their efforts are achieving their intended objectives (Von Eck, 2013b:141).

2.4.5   Roles of internal auditors: Provisions of the MFMA

The discussion of internal audit's roles in municipalities has examined the roles identified in the MFMA, which states in Section165(1)-(2) that the role of internal auditors is to report to the audit committee on the implementation of the internal audit plan, and to provide advisory services to the accounting officer on matters listed below:

- internal controls;

- accounting procedures and practices;

- risk and risk management;

- performance management;

- loss control, and

- compliance with this Act, the annual Division of Revenue Act and any other applicable legislation.

When the items above are incorporated into the annual audit plan, and the feedback thereof is given to management and implemented, municipalities' governance landscape

improves and achievement of organisational goals of service delivery is more likely. Performance management, risk management, compliance with other Acts and the internal control aspects of the internal audit bouquet of duties/services are covered elsewhere in this chapter. This section discusses only those internal audit roles defined in the MFMA, and not covered in other sections of this document, namely accounting procedures and practices as well as loss control.

►1 Accounting procedures and practices

Internal auditors must possess competencies relevant to the performance of their responsibilities. The internal audit unit collectively must have all the necessary skills needed to achieve their mandate as a unit; these include accounting and finance skills (IIA, 2016:6). This will equip them to report to management on matters relating to accounting procedures and practices, and to evaluate the adequacy of internal financial controls, as is required by legislation.

►2 Loss control

Municipal accounting officers are compelled by the MFMA (Sections 62-64) to ensure that there is at least an internal control system in place to prevent losses (such as loss and damage of movable and immovable property, theft of cash, fraud, fruitless and wasteful expenditure, write offs and civil claims/action) and to safeguard the assets of the municipality. One of the key roles of internal audit described in Section 165 of the MFMA relates to loss controls. Internal audit should render assurance on whether controls put in place by management to minimise material loses are functioning as intended and whether they are possibly open to abuse by employees and other stakeholders. Matters identified by internal audit that indicate the potential for loss to the entity, should be addressed urgently by management. Waiting for the AGSA to lament escalated losses does not mitigate the situation in any way, and should therefore be avoided (Ratsela, 2015:16).

2.4.6 Roles of internal auditors: Performance management

One method of holding municipal employees accountable is through well-structured performance management systems. This appears to have been mandated by the Constitution in Section 152(1)(a), where it states that there should be "… *an accountable*

government". This paved the way for legislation that requires each municipality to put in place a performance management system, as well as other governance bodies, such as performance committees. The aim of this raft of legislation was to ensure that statutory systems were complied with, and that service delivery and other policy objectives were achieved.

Responsibilities of internal audit, external audit (AGSA) and management with respect to performance management are detailed in various statutes and regulations pertaining to municipal management, and are summarised below. The objective is to hold municipalities accountable for the achievement of their current institutional objectives, which are in fact the manifestation of national and provincial policies and strategic objectives. Thus, the key objective of all municipalities is the delivery of basic services to all of their communities. This objective is primarily determined by Section 152(1) of the Constitution and if management were successful in delivering on their mandatory basic service delivery programmes (through effective application of accountability provisions in the Constitution and other legislation), this could improve the social and political mood surrounding service delivery issues in the country.

The internal audit activity has been given the task of determining the existence and effectiveness of performance management systems in their respective municipalities. If this role is performed effectively, and management implements the recommendations emerging from these evaluations, there should be an improvement in municipal administration that should be paralleled by increasingly effective service delivery efforts.

Internal auditors' roles and responsibilities relating to performance management, as defined in various items of legislation and regulation, are summarised below:

- **Sections 45(a) and (b) of the Municipal Systems Act** note that the AGSA and the individual municipal internal audit units must audit the performance management systems of municipalities;

- **the Municipal Planning and Performance Management Regulations (Sections 7 to 14)** provide that continuous auditing of the performance management system by internal auditors, and the quarterly submission of the audit outcomes to the accounting officer, is mandatory. As part of the audit, the functionality, reliability and compliance of the system should be determined and evaluated;

- **the Regulations for Municipal Managers (Section 57: Managers Regulation)** define key management elements such as monitoring and improvement of the system, to yield better results. These regulations also require the achievement of uniformity when managers are appraised. Internal audit should verify that their respective municipality's evaluations are performed in line with this regulation; and

- **Section 165 of the Municipal Finance Management Act** requires the internal audit unit at municipalities to advice, and to report periodically to the accounting officer and to the audit committee on matters relating to performance management.

2.4.7   Roles of internal auditors: Compliance with all other applicable legislation

Compliance is not the mere ticking off of items on a checklist; rather, it requires embracing legislation wholeheartedly such that its principles are embedded in the day-to-day activities of an organisation. Internal audit units should work hand-in-hand with management to ensure that the implementation of legislation does not hinder the achievement of an institution's objectives, but rather it should enhance its institution's governance landscape, which will in turn create a breeding ground for the achievement of approved goals. The successful implementation of legislation may be difficult to measure and achieve, just as it is difficult to measure wasteful expenditures that have been avoided as a result of robust implementation of provisions in Supply Chain Management legislation and regulations but, application is necessary and usually leads to success when embraced steadfastly and wholeheartedly (Dinga, Govender & Jalavu, 2015:39).

In line with the MFMA, Section 165(1) and (2), municipalities' internal auditors are obligated to incorporate into their audits the provisions contained in the Division of Revenue Act. They should, during their performance of assurance and consulting services, also be alert to the auditee's compliance with all other legislation related to key aspects of the functioning of the municipality, including municipal properties and rates, labour and employment contracts, health and safety, water, and housing.

2.4.8   Other considerations derived from the definition of internal auditing

In an attempt to unpack the roles and responsibilities of internal auditors employed by municipalities, certain aspects of the definition of internal audit are discussed next. These aspects have a direct impact on the operation of internal audit within an institution, and if

ignored, would impair the standing and effectiveness of the internal audit unit. An internal audit unit that is not independent and objective cannot function effectively, and this compromises its ability to add value to the auditee's operations. The aspects of independence, objectivity and the frequently emphasised need for internal audit to "add value" to its auditees are discussed below.

►1   **Independence and objective activity**

The auditors' states of mind, as well as the audit activity's standing in the organisation, are crucial in determining and maintaining independence and objectivity.

Objectivity is attained when the mind-set of an auditor is impartial, unbiased and free from conflict of interest. Independence, on the other hand, is achieved when internal auditors are free from undue influence that could negatively affect the scope of their work, their judgement or the contents of the audit reports (National Treasury, 2009:14-15). Independence and objectivity are thus critical aspects of internal audit. Both are prerequisite to internal audit's standing in an organisation. Losing either of these aspects would render their work ineffective, and might lead them to fail in their stated mission of assisting management to achieve organisational objectives (Spencer-Pickett, 2011:132).

Independence is improved when internal audit has no direct operational responsibility for or authority over any of the activities that will form part of its review. Independence will be improved when internal audit has no direct operational responsibility for or authority over any of the activities that will form part of its review; when the CAE has direct access to institutions' senior management, the audit committee and the executive authority; and when he/she (CAE) has dual reporting channels (i.e., reports functionally to the Audit Committee, and administratively to the organisation's Accounting Officer) (IIA, 2016:4; National Treasury, 2009:15).

It is necessary for the individual internal auditors themselves to comply with the ethical requirements published by the IIA, and by their employer municipalities. Internal auditing requires objectivity, independence, integrity and due care to be practiced as a daily component of their duties, and especially so in cases where they are engaged in complex consulting assignments. The need for internal auditors to be competent and to strive for continuous development cannot be emphasised enough (IIA, 2016:7; Ratsela, 2015:17).

In order to carry out its daily assurance duties an independent internal audit unit should operate within the following context (Spencer-Pickett, 2011:142-143):

- expression of unbiased views on the functioning of internal controls, risk management and governance processes is accepted;

- internal audit should not be utilised as a spy service for managers who might be suspicious of their own employees' possible non-performance of duties;

- there should not be any "no-go" areas declared by management against internal audit. Internal audit should have access to all records;

- senior management is also to be audited (executives often believe that they should not be subjected to audits), and

- internal audit does not back off just because a manager is assertive and/or difficult. Findings are only withdrawn when there are properly motivated reasons for doing so.

►2   Adding value to institutions

Internal audit in municipalities does not only add value to management but to all other stakeholders, including communities, which are collections of stakeholders (Von Eck, 2013b:142). When internal auditors fail to provide assurance to their respective municipalities, this will also be felt by the respective local communities (Ratsela, 2015:19).

In order to justify their presence in an institution, it is imperative that internal auditors make a meaningful contribution to assist their organisations to achieve their objectives. Internal audit adds value through rendering assurance on controls related to activities which management perceives to pose high risks (IIA, 2016:10). If unaddressed, the high risk areas may hinder the achievement of strategic goals and therefore service delivery. Internal controls relevant to the mitigation of high risks are evaluated by internal audit and the reports thereof give management assurance on whether their identified high risks are covered by effective and adequate controls or not. This method of auditing is referred to as the risk-based audit approach (Coetzee *et al.*, 2012:11).This approach ensures that internal auditors address issues that are perceived to be obstacles to the achievement of organisational objectives (IIA, 2016:10). The primary result of using a risk-based audit approach should be a clearer view of whether controls implemented to mitigate various risks are functioning as intended (King, 2009:94).

It is almost impossible for an auditor to audit the entire audit universe; therefore, the risk-based approach assists internal audit to identify and address high-risk areas, thereby adding value to management (Coetzee & Lubbe, 2011:45). This integrated approach's guideline requires that a high-level review of the assessed risks be performed to determine the direction of the annual audit plan; this process is also required during the planning stages of each audit. Top ten risks should be prioritised, in addition to the mandatory or prescribed audit activities specified in legislation or statutory regulations (Cascarino, 2015:53).

The internal audit reports must be presented to the municipal management team, and to the audit committee. The report must add value: it must be backed up by facts, and supported by formal, dependable and credible evidence (Spencer-Pickett, 2011:1). As a service to the organisation, internal audit has to go all-out to understand the needs of their client. Thus, internal audit has to align its objectives to those of its client institution, in order to provide a defined benefit. They should not therefore, be working towards achieving their own goals but working towards assisting management to achieve their goals (Spencer-Pickett, 2011:133). An internal auditor's job is not final until all identified weaknesses have been addressed by management through the implementation of internal audit's recommendations. It is a necessary prerequisite for internal audit to produce quality reports, as this will enhance the quality and value added by subsequent reports, and management will then find it difficult to avoid the implementation of its recommendations (Ratsela, 2015:18). If internal audit's recommendations are analysed and incorporated into the day-to-day activities of municipalities, this should improve their internal controls (Enofe et al., 2013:163). In instances where internal audit's functions have not been considered important by stakeholders, their recommendations have not usually been implemented, which often leads to the realisation of the anticipated risks, and ongoing abuse of weak internal controls for personal gain (Von Eck, 2013b:154).

Internal auditors can also add value by performing the following (Coetzee et al., 2010:19):

- determining whether the activities of an institution are performed economically, efficiently and effectively;

- identifying existing risks, and foreseeing emerging risks;

- including institutional/ corporate governance in their audit engagements, and

- making sure that the institution is keeping up with technological advances.

2.5   SUMMARY AND CONCLUSION

Various definitions of internal audit have been evaluated in this chapter and it is evident that internal audit has evolved significantly over many decades. The most notable aspect within all the definitions is the current emphasis on assisting management to achieve their organisational goals through evaluation of internal controls, governance and risk management practices.

Legislation has been enacted by the South African Government, intended to hold municipalities accountable for fulfilling their service delivery mandates. In support of this, legislation also requires that there is an internal audit activity in each municipality and that it periodically evaluates the achievement of pre-determined mandated municipal objectives, amongst other things. Roles to be fulfilled by an internal audit activity emanating from these statutes were analysed: some Acts, such as the MFMA, prescribe compliance with the IIA Standards when carrying out internal audit activities at local government level. The purpose of this requirement is to introduce a uniform approach across all municipal internal audit units and to align internal audit practice with the definition of internal audit published by the IIA. However, despite this array of legislation enacted to define and enforce institutional governance, accountability and ethics in the public sector, South African municipalities still faces widespread occurrences of corruption and maladministration, service delivery protests and poor external audit outcomes. Municipalities continue to tolerate poor internal control environments, perpetually failing to improve their financial management practices and supply chain management processes, which usually leads to an explosion of fruitless and wasteful, unauthorised, and irregular expenditure amongst other outcomes. The AGSA (2016b:99) reports that 83% of the Limpopo Province's municipalities still received significant adverse findings on the usefulness and reliability of performance information. Internal audit's coverage is not limited to financial controls; it also evaluates overall performance of a municipality, with special emphasis on high risks which could hinder the achievement of institutional objectives.

Risk management has been identified as a key component of each institution. It enables institutions to identify and mange risks which could hinder achievement of strategic

objectives before they are realised. Internal audit's annual plans are based on these risks, as such, only risks as identified in the plan can be performed. Service delivery protests are a barometer of municipality's performance, if communities' outcries about services are still louder, something is amiss in the performance of the municipality.

The chapter highlighted how risk management can be a key driver in the success of internal audit's assistance to management in minimising service delivery protests – when key risks threatening achievement of the service delivery mandate are not identified-internal audit will invest their focus on areas that are not of key importance.

The key emphasis of this chapter is the improvement of internal control, risk management and governance processes. The chapter also highlights key statutory requirements which are to be incorporated into an audit plan; because when these elements are improved, municipalities are at a better platform to achieve their goals of service delivery. However improvement of the governance landscape needs to couple with an assessment of realities facing municipalities, as detailed in Chapter 3. When the realities, such as factors causing protests and issues raised by communities, are analysed and addressed, municipalities' offering of service delivery will improve. If efforts, similar in vigour and depth to those afforded to AGSA action plans, were to be demonstrated by management with respect to the results of the internal auditors' recommendations, this would go a long way towards ensuring that control environments in municipalities improve. With improved control environments, management is in a better position to improve performance, operational and financial reporting, and to establish systems that ensure the achievement of service delivery commitments to communities.

CHAPTER 3.
SERVICE DELIVERY PROTESTS IN SOUTH AFRICA

3.1   INTRODUCTION

This chapter examines the mandate granted to South African municipalities by the Constitution regarding the provision of basic services to their communities. In this chapter, the three types of municipalities are briefly discussed, and the extent of their respective authorities and the services they are required to deliver are analysed. The purpose is to give an overview of the diversity of local government institutions in South Africa, although the empirical study only focuses on so-called local municipalities. The extent of service delivery protests across the country is then detailed (it is noted that these are ongoing but the analysis provided is of the situation as it was up to 31/12/2015). In addition, the specific issues raised by communities during their protests are analysed in an attempt to identify any trends that might confirm the absence of, or presence of sub-standard internal controls in the municipalities.

The study's empirical research phase focuses specifically on the municipalities in Limpopo Province, as detailed in the methodology chapter of this dissertation. The 2014/15 results of external audits performed by the AGSA (2016b:99-100) at majority of local municipalities in this Province revealed that their performance has regressed since the last audit. In the 2014/15 financial year, only 33% of municipalities received unqualified audits with findings, down from 40% in the 2014/13 financial year. The Province has seen millions of Rands declared as irregular expenditure, and there have been numerous findings on the reliability and usefulness of performance information. According to the AGSA (2016b:99), this is due to a reduction in monitoring (enabled by apparent relaxation of the "tone at the top"), which has effectively neutralised the previous energy and focus that had begun improving the control environments and consequently the audit outcomes of these municipalities. These and other factors will be discussed in this chapter.

The objective of this chapter is to determine whether internal audit's role in municipalities, as detailed in Chapter 2, can assist management to address the challenge of absent or inadequate controls, and thereby create an environment more conducive for the achievement of the municipalities' objectives, particularly the delivery of basic services.

3.2 THE SERVICE DELIVERY MANDATE

Local government is the sphere of government that is closest to the community that it serves. Almost every square metre of South Africa falls under the administrative authority of one or other form of municipality (Ntliziywana; 2009:12). Municipalities are mandated to provide a wide range of services to their communities, the most notable being those that affect their daily living experience (Mashamaite, 2013:89). National government's main mechanism for service delivery is through the efforts of local government institutions and structures, since they are closest to and most accessible by the local residents (Koelbe & LiPuma, 2010:565). In terms of Section 152(1) of the Constitution, the objective of these municipalities is to provide services to the communities in a sustainable and accountable manner, to promote a safe and healthy environment, and to involve communities in matters of local government.

Section 156(1) of the Constitution delegates to municipalities the obligation to fulfil some of the state's responsibilities to its citizens (essentially, to all residents). The Constitution identifies three categories of municipality and prescribes the executive and legislative authority each has, as well as their relationships with each other.

The three categories of municipalities are defined in Section155 (1) of the Constitution as:

Metropolitan municipality (category A) – "a municipality that has exclusive municipal executive and legislative authority in its area".

Local municipality (category B) – "a municipality that shares municipal executive and legislative authority in its area with a category C municipality within whose area it falls".

District municipality (category C) – "a municipality that has municipal executive and legislative authority in an area that includes more than one municipality".

Local government, according to the Constitution (Schedules 4 and 5), is responsible for providing and managing the following services:

- air pollution regulations;
- beaches and amusement facilities;
- billboards and the display of advertisements in public places;
- building regulations;

- cemeteries, funeral parlours and crematoria;

- child care facilities;

- cleansing;

- control of public nuisances;

- control of undertakings that sell liquor to the public;

- electricity and gas reticulation;

- facilities for the accommodation and burial of animals;

- fencing and fences;

- firefighting services;

- harbours, jetties, ferries, pontoons, and piers;

- licensing and control of undertakings that sell food to the public;

- licensing of dogs;

- local amenities;

- local sport facilities;

- local tourisms;

- markets;

- municipal abattoirs;

- municipal airports;

- municipal health services;

- municipal parks and recreation;

- municipal planning;

- municipal public transport;

- municipal public works;

- municipal roads;

- noise pollution;

- pounds;

- public places;

- refuse removal, refuse dumps and solid waste disposal;

- storm water management;

- street lighting;

- street trading;

- trade regulation;

- traffic and parking, and

- water and sanitation services (limited to potable water supply system and domestic waste water sewage disposal system).

Internal auditors have a significant role to play which is to assist management in ensuring that their respective municipalities are high performing institutions. By pushing management to embrace a high performance attitude, the internal audit activity indirectly improves the lives of South Africans who are dependent on receiving the services listed above from their local government institutions. Internal audit can achieve this by being steadfast in encouraging management to implement recommendations provided after performance of audits. The implementation of such recommendations will go a long way towards ensuring that internal controls are strengthened and that performance information reporting is improved; both of these aspects of governance have direct correlations with the achievement of service delivery goals (Ratsela, 2015:16).

3.3   OVERVIEW OF SERVICE DELIVERY PROTESTS

Over the last 15-20 years, many South African communities have taken to the streets to protest about the lack of service delivery from their municipal management (Koelbe & Lipuma, 2010:565). Protests, amongst other types of demonstrations of dissatisfaction, include "... blockading roads, destroying property such as water tanks, digging trenches in the middle of roads, staging protest marches and burning tyres" (Naidoo, 2010:111). Service delivery protests, to some observers, are a manifestation of the failure by local government to deliver basic services such as water, sanitation, refuse removal, and electricity to their communities (Akinboade, Mokwena & Kinfack, 2013:458). To other scholars, these same events and actions are seen as the materialisation of a true and maturing democracy (Koelbe & LiPuma, 2010:565; Salgado, 2013:15). This, more

realistically, simply demonstrates the widening gap between the legislative frameworks and the actual implementation thereof (Von Eck, 2013a:3).

Since 2000, South Africa has become increasingly widely known for the vigour of its service delivery protests (Bogopa, 2013:115) .This has brought the activities of the local government institutions under the spotlight, particularly where protests have ended in violence. Protests are not a new, democratic phenomenon: they did occur during the years of apartheid in South Africa, and were used by black communities to protest to the government as often about the iniquities of its policies. However, protests experienced since 1994 have escalated enormously, in number, frequency and propensity to turn violent (Kgalane & Netswera, 2014:263 -264).

During the period 1994 to 2004, more than 50 protests against South African municipalities were recorded per year and the trend started intensifying during the period 2004 to 2006 (Ntliziywana, 2009:15). By 2007, the country was experiencing an average of 8.73 protests per month, and this trend accelerated: an average of 9.83 protests per month was recorded in 2008, and this almost doubled to 17.75 per month in 2009 (Karamoko, 2011:1-2).

In 2010, the number of protests per month diminished significantly, probably as a direct consequence of national and provincial governments' efforts to protect the FIFA World Cup tournament and its international visitors. Protests picked up again in 2011, with Gauteng being the Province experiencing the most action (Karamoko, 2011:1-2). None of the nine Provinces of South Africa has been exempt from protest actions; 2012 and 2014 recorded the two highest annual counts of protest events (Allan & Heese, 2015:2). In 2015, the country "only" recorded 164 cases of service delivery protests, which is lower than the 2012 and 2014 peaks, as illustrated in the graph below. In 2016 between January and May, service delivery protests escalated, which is alarming as the trend is usually one of decline in election years. Of the reported service delivery protests in 2016, 5% have been in the Limpopo Province (Allan & Heese, 2016:1), with Gauteng being the worst hit province.

The pattern of the number of services delivery events per year between 2004 and 2016 is illustrated in Figure 2 below.

Figure 2:   Number of service delivery protest events per year: 2004 – 2016

Source: Allan & Heese, 2017:1

Many protests have been characterised by an element of militancy, with both the community and law enforcement employing excessively robust tactics on occasions, to achieve their goals (Nleya, 2011:03). This has resulted in bloodshed and sometimes death. The destruction of private and public property has become commonplace, with resultant high costs to all spheres of government when attempting to effect repairs thereafter (Lekubu 2013:122; Themba, 2011:18). The death of an unarmed community leader, Andries Tatane, who was participating in a protest march in Ficksburg (one of the towns in the Setsoto Municipality) in 2012, attracted international media attention. This is an example of the sometimes inappropriate reaction of law enforcement officers to protesters (Times Live, 2012).

None of the districts of the Limpopo Province has been immune to service delivery protests. The Province has experienced massive service delivery protests, starting in 2010 and these have intensified in number and violence between 2014 and 2016, ostensibly due to unresolved issues such as provision of water and roads, but later including socio-economic issues to do with unemployment and non-materialisation of promised mining jobs, and municipal demarcation issues. Limpopo Province's service delivery protests are no different to those occurring elsewhere in the country where violence and vandalism of public property frequently occur (Mahopo, 2016; Rachuene, 2015).

In the municipalities of Tubatse and Lepelle Nkumpi, where the communities complained mainly about access roads, the protests were characterised by widespread destruction of

public property, and led to the death of a Madibo High School learner in Lepelle Nkumpi municipality (Motseo, 2015; Rachuene, 2015). In Lephalale in 2015, public property (including municipal buildings and busses) was set alight during a service delivery protest (Quintal, 2015). In Steelpoort, Malamulele and Phalaborwa, among other communities, protesters took to the streets in vigorous attempts to try to get their petitions and grievances heard: Malamulele residents' issues related to service delivery that seemed to favour mostly the Thohoyandou area within the municipality. The Phalaborwa and Steelpoort protestors were complaining about being excluded from consideration for mining jobs (Mathebula, 2015; Motseo, 2015; Tiva, 2015). Many protests have been triggered by similar grievances: in Mankweng, residents of the Polokwane municipality and municipal management were in a confrontation over municipal water bills, which were perceived by the community to be unrealistically high (News24, 2014). A comprehensive summary of the protests that took place in the Limpopo Province's municipalities between 1 January 2010 and 31 December 2015, as well as the specific issues raised during these protests is presented as Table 1 (p. 55).

Communities claim to have tried a variety of resolution mechanisms, including ward committee engagements and public participation processes; however, in most instances they have not resulted in any positive outcomes – or not in the outcomes that the residents desire. In some instances, municipal management has reportedly responded in an arrogant and high-handed manner, and as often has not responded at all. On many occasions, this exacerbates a tense situation and adds fuel to communities' anger, eventually leading to violent and destructive protests (Kimemia, 2011).

3.4   ANALYSIS OF MAJOR FACTORS CONTRIBUTING TO PROTESTS

3.4.1   Lack of internal controls

Lack of internal controls (and lack of will to apply those controls that are in place), and governance principles (that are poorly understood and applied by municipal management); are key reasons for the municipalities' collective state of despair. As was observed by the late Mr Collins Chabane, the Minister in the Presidency when the 2010/2011 report was released, there seems to be a correlation between a municipality receiving a negative audit result from the AGSA and the occurrence of violent service delivery protests (Times Live, 2012). The AGSA (2016b:100) reiterates in his 2014/2015 report that municipalities

in Limpopo Province are unable to improve their audit outcomes and to achieve clean audits due to limited efforts being made to remedy the key weaknesses in their control environments. Many municipalities use consultants for performance of financial reporting. However, due to deficiencies in the control environment, their efforts seldom improve the audit results; in fact, there has been a rise in the occurrences of poor quality financial statements and inaccurate performance information (AGSA, 2015:5).

Internal controls can be defined as actions taken by the board (council, in a case of a municipality), executives or other responsible parties in an institution to manage risks and improve the likelihood of achieving established objectives. Effective internal control is achieved through management's planning, organising and directing the performance of actions deemed sufficient to provide reasonable assurance that the identified risks will be mitigated, thereby creating an environment where institutional goals can be achieved (IIA, 2016:22). When municipalities continue to operate with weak internal controls, the inefficiencies and fraudulent activities this situation condones impacts negatively on their ability to achieve the major objectives of their institutions, which is to deliver basic infrastructural services to their various communities.

The major drivers of the service delivery protests as identified in the popular media and academic literature are analysed and listed below. The major drivers of successful/effective services delivery begin with well-constructed and effectively implemented controls: their absence or ineffectiveness plays a significant part in enabling the delivery inefficiencies that result in service delivery protests. Thus, the root causes of each item listed below will be interrogated in order to identify the types of intervention internal audit could make to facilitate improvements in the control environment, which in turn should enable management to rely on the assurances that their controls are functioning as intended. With improved control environments, management will be in a better position to improve performance, operational and financial reporting, and to establish systems that ensure the achievement of service delivery commitments to communities.

►1   Lack of communication

Many municipalities in South Africa are operating without having solicited any information or feedback from the wider communities they are mandated to serve, let alone including

such information in their budgets or longer-term planning (Themba, 2011:17). Thus, it should not be surprising that many residents resort to protest action after repeatedly failing to get the attention of municipal management. Elected councillors are less visible after elections and do not often report, even the positive developments, to their constituencies (Carrim, 2010:19). A survey performed in 2013 by Akinboade *et al.* (2013:473) in the municipalities of the Sedibeng district recorded that an overwhelming number of participants responded that ward committee members in the respective municipalities did not respond to communities' communications. On the other hand, many community development workers and municipal managers lay at least partial blame for service delivery protests on their communities' own lack of understanding of their municipalities' mandates, responsibilities and programmes (Rasila & Mudau, 2012:134).

In summary, local government institutions generally do not have effective or coherent complaints management systems in place. In addition, they do not effectively measure their service delivery performance, nor is the quality and effectiveness of the client service interface assessed (Naidoo, 2010:34-35). Christmas (2007:6) drew similar conclusions, observing that this leaves communities with no effective lines of communication with their municipal structures. The current model of communication is essentially linear and mono-directional, with government acting as creator, producer and sender of the message. This rather imposing method discourages community participation (Rasila & Mudau, 2012:136). As observed above, few municipalities appear to have the intent or capacity to cope effectively with non-violent community feedback.

There is thus a need for an improved communication model that can embrace consultation and sustainable participation by members of the community. An audit of communication channels in an organisation would therefore add value. Although audits of finance are usually given a lot of attention, Tourish and Hargie (2009:3) argue that communication audits are just as crucial. They offer management and other stakeholders an opportunity to determine the "communication climate" of any organisation. The communications audit would provide solid evidence of whether communication models are functioning as intended, rather than relying on gut feel or assumptions. Whereas in finance-related issues, gut feel is not an accepted source of data, and only findings backed by solid evidence are acceptable, the exact opposite is the case in evaluating effectiveness of communications with the wider community.

To address the limitations in the municipalities' communications channels with their communities, internal audit units should identify (during their audits or as stand-alone audits) gaps in the communication process, reveal communication hurdles and recommend improvements. This can be done through checking for the existence and effectiveness of key controls, listed and discussed below. Thus, internal audit should:

- Verify the existence of a communication strategy which seeks to support the objectives of the municipality, and directs it in the various ways in which it can communicate with its stakeholders. The audit should also verify the frequency of such communication efforts (Brown, Gaudin & Moran, 2013:54);

- verify the existence of a communications department which is tasked to ensure that there is an effective complaints management system, and an effective quality-of-service measurement system in place (i.e., confirm the systems are functioning as intended, and that complaints are being effectively converted into corrective actions) (Tourish & Hargie, 2009:3, 8);

- verify the existence of a system that prompts the municipality to report to its communities on its achievements, as well as the status of its backlogs, and to address its failures. Failure by municipalities to pay attention to communicating with communities (in particular positive feedback), undermines institutional efforts at all levels (Tourish & Hargie, 2009:8);

- determine whether the communication department, on behalf of the municipality, makes meaningful efforts to get an accurate impression of how the municipality is perceived by the communities they serve, and their other key stakeholders (i.e., determine whether the department performs regular reputational surveys, and community satisfaction surveys) (Brown *et al.*, 2013:45), and

- conduct a performance evaluation of the communications department (Brown *et al.*, 2013:39).

►2 Ineffective Integrated Development Plan and the public participation process

An Integrated Development Plan (commonly known as an IDP and hereafter referred to as such) is recognised as an integral component of every municipality's operational processes. An IDP is a document that sets out a municipality's five-year strategic plan. This is seen as its strategy document; as such the municipality is required to achieve what

is recorded in this document. This can be achieved by constructing the municipality's broad, five-year overview from short-, medium- and longer-term objectives, all of which must support its mission and the overall vision. According to Section 2(1-4) of the Municipal Planning and Performance Management Regulations, the IDP is a municipal strategy document that should contain an organogram depicting the municipality's efforts to deliver services. In addition, it should show the municipality's development and investment initiatives, the status of the integrated development plan itself, the municipality's spatial plan, its financial plan and the projects, plans, and programs yet to be allocated specific funds and implementation dates by the municipality.

In most cases, the conflict arises when communities recognise a disconnect between what they have recommended during the participation programmes and what the municipality actually implements or delivers (Tsheola, 2012:164). Unless the municipality can show and justify (and later perform) the inclusion of these suggestions, albeit at a later date (perhaps to allow for negotiations to secure finance), the disconnect risks escalating into disruption. This failure to communicate effectively negates the Constitutional ideal that community members and officials are participatory equals in managing our communities, and was strikingly evident in the Siyathemba and Balfour protests which took place in 2009 (Fakir, 2013:5).

Section 165 of the MFMA requires that the internal audit units periodically advise and report to the accounting officer and to the audit committee on matters relating to performance management. Section 45(a) and (b) of the Municipal Systems Act further notes that the AGSA and the internal audit units of each municipality must audit the respective performance management systems.

When undertaking performance management audits, it is of key importance that the internal audit activity incorporates an assessment of the effectiveness of the IDP process into its review of the performance information. The exercise would assist them to determine whether institutional planning efforts are achieving their intended objectives (as prescribed in Chapter 2 of the Municipal Planning and Performance Management Regulations, for example), and that it is not merely a well-executed "tick-box compliance" exercise. These regulations detail the design of the IDP and the performance management system.

It is worth noting that the AGSA (2016a:6) has reported that, from their audits of performance information (in compliance with the provisions of the Municipal Systems Act), more than half of the municipalities in South Africa continue to struggle to provide reliable information on service delivery. This essentially means that reporting against set targets is fragmentary, and thus there is at best only partial accountability. As part of performance audits, internal audit should determine whether there is a disconnect between their municipality's programmes (as detailed in the IDP) and the community's perceptions of its needs and wishes, as recorded in minutes of consultation meetings. This correlation exercise would go a long way towards defusing many of the protests that arise because of gaps between the municipality's IDP and the actual needs of the communities.

A survey was conducted in the municipalities of the Eastern Cape and Mpumalanga Provinces of South Africa in 2012, to determine the degree to which residents participate in local government, amongst other things. The most significant findings indicated that although the legislative framework is in place, the practical and effective implementation thereof is significantly different from what was intended (Ngamlana & Mathoho, 2012:30-32). Although public participation meetings are convened, not all community members attend, with reasons for absenteeism ranging from ineffective advertisements of such meeting, to inaccessible venues, and language barriers. The research also revealed that a significant number of community members did not believe that the public participation meetings actually took place in their municipalities. Additionally, a shockingly high majority of residents did not know the official version or the contents of their respective municipalities' IDPs (Ngamlana & Mathoho, 2012:30-32). In Limpopo Province, the community of Maruleng municipality raised in their service delivery protests memorandum to management that they should convene "legally mandated community meetings" (Linmedia, 2013)

There is thus a great need for management to liaise with communities more effectively and more frequently, and particularly to educate them on existing municipal processes through which to register their complaints and suggestions (such as during the IDP processes). This would ensure they are in a position to make use of the opportunities to influence municipal planning already afforded them by statute, and to access the complaint management systems (often buried deep within the municipality's least accessible parts).

►3 Poor governance, corruption, fraud and maladministration

According to Carrim (2010:18), some protests have taken place in better-performing and better-resourced municipalities, as such communities "merely" wanted to drive home to higher authorities their dissatisfaction with their elected councils. This dissatisfaction mainly results from alleged poor administration, nepotism, fraud and corruption. This trend has also been seen in some of the service delivery protests in Limpopo Province, where corruption and fraud were the declared reasons for the protests. In local municipalities such as Lephalale (Cilliers & Tlhako, 2013), Maruleng (Linmedia, 2013), Mokgoophong (Mandebele, 2012) and Thabazimbi (Kwevoel, 2013), residents' concerns related to their perceptions that fraud was taking place in their municipalities, and they demanded that responsible officials be dealt with.

One of the principles of Section 195 (1) of the Constitution provides that the rendering of public administration services should be done with the highest standard of ethics. However, community experiences are frequently the exact opposite: municipal officials are routinely accused by the communities they serve, of corruption, nepotism and involvement in schemes to divert substantial sums of money from their intended and legal purposes. The procurement system is a weak point, where manipulation and avoidance of standard procedures is rife, and where municipal officials are able to demand and receive kickbacks in exchange for tenders (Mpehle, 2012:223). Uneconomical and wasteful supply chain management practices have had a negative impact on the reputation of the public sector. Excessive prices are charged, and in some instances, goods and services are of inferior quality or simply not fit for purpose. Corrupt activities including collusion between suppliers and officials, is on the rise (National Treasury, 2015:1). Supply chain management practices are a major part of many organisations, and they directly affect its expenditure, profitability and effectiveness.

Effective internal audit work on supply chain management systems and situations is critical as this gives stakeholders an assessment of the degree of compliance with policies and prescribed legislation being achieved. In many organisations supply chain activities begin with tender processes, and these are frequently vulnerable to fraudulent techniques such as price fixing, product substitution, tender rigging and overpricing (Cascarino, 2015:134).

It is however important for municipalities to also focus attention on preventative controls such as the creation of a highly ethical environment. According to the IIA's definition of internal auditing, one of the roles of an internal auditor is to assess the state of an organisation's corporate governance, with the objective of recommending actions for improvement, where deficiencies are found (IIA, 2016:23). The National Treasury's internal audit framework (2009:23) guides that internal audit should, as part of the assessments of governance, verify whether the entity has a formal code of conduct, written policies on communicating the ethics expected of its employees, and the corresponding disciplinary actions that will be taken where contraventions of the organisation's code of conduct occur. Internal audit should also determine whether municipalities periodically evaluate the fraud landscape through conducting a fraud risk assessment, which is not limited to supply chain management, but also interrogates all other possible fraud risk areas.

Internal audit's regular assessments of governance activities can assist management by identifying loopholes and omissions, and by advising management on the deployment of relevant and effective internal controls (National Treasury, 2015:24).

Amongst the various provisions contained in Section 32 of the MFMA, is a requirement that municipal officials found guilty of corruption, fraud and/or misconduct should be disciplined and should pay back the misappropriated amount. The challenge in this regard is that municipalities lack leaders who are decisive, committed and able to enforce corrective and punitive measures (Bogopa, 2013:113). This has a demoralising and discouraging effect on the employees who are trying to behave morally and ethically, and encourages those who have already embraced the opportunities this weakness affords. The AGSA (2016a:9) has reported in his 2014/15 report on the financial status of municipalities that there has been minimal improvement in the efforts of municipal councils to address unfair and procedurally incorrect procurement processes, identify state officials with interests in preferred supplier organisations, and poor contract management. Irregular expenditure, as well as wasteful and fruitless expenditure, doubled in the 2014/15 financial year (AGSA, 2016a:7) in five years since 2010/2011 financial year.

▶4   **Lack of human resources capacity in municipalities**

Municipalities lack skills and capacity to implement IDP targets, to control their budgets, manage and monitor projects, and to communicate with and provide services to their

communities. According to Booysen (2007:23), skills and capacity shortages in municipalities are major contributory factors exacerbating their inability to address service delivery backlogs. The country has insufficient engineers and this has left water and sanitation infrastructure in a state of accelerating deterioration. It has also left the country with a slowing pace of electrification (Mubangizi, 2010:158). In addition, the general lack of project management and financial skills amplifies the problems caused by the slow pace and poor quality of municipal projects (Lekubu, 2013:128). It is one thing to have an IDP that is a true reflection of the communities' basic needs; however, without relevant skills to implement such an IDP, municipalities might be unable to deliver on their pre-determined objectives in the service delivery arena.

National Treasury (2015:5) has also recorded its concerns that whilst the supply chain management system has many employees, Treasury's competency assessments reveal that there is still a great shortage of knowledge and skills in that area.

Many municipalities are highly adept at (and infamous for) employing senior officials who are not in possession of valid and appropriate qualifications and experience. Nevertheless, in compliance with the ruling political party's policies of "cadre deployment", these officials readily accept their appointments. This situation is even more problematic when it is discovered that some of these senior officials hold the position of Chief Financial Officer (CFO), despite the fact that matric/grade 12 is their highest academic qualification (Bogopa, 2013:113). These officials inevitably fail to perform their expected duties, including the compilation of basic financial statements. Key management vacancies remain unfilled: 20% of municipalities do not have CFOs, and 17% of the municipal managers' positions are unfilled (AGSA, 2016:9).

Over-reliance on consultants for financial statement preparation is another issue that is not going away. The City Press (Radebe, 2016) reported that South Africa's municipalities collectively spent R892 million in the 2014/15 financial year on private consultants, predominantly to prepare financial statements. This amount is over and above the annual salaries paid to municipalities' finance unit employees. Of grave concern is that, in 42% of the 2014/15 municipal financial statements that were prepared by consultants, the AGSA (2016a:5) had to facilitate corrections through its audit processes; in other words, the quality of the consultants' work was not satisfactory, possibly due to insufficient contract monitoring by municipalities. Clearly, minimal value is derived by municipalities from the

monies spent on salaries of their finance units' employees, and very little more from the so-called expert consultants they hire to assist their finance units. The funds that are being channelled to consultants could have been better utilised to provide basic services to communities, or to fund skills upgrade programmes for municipal employees.

The Human Resources (HR) function should, amongst its many duties, ensure that municipalities attract, retain and develop the type of employees required to achieve their objectives. HR functions should also design reward systems that allow them to offer incentives, within the set legal frameworks, to attract and retain appropriately skilled candidates (Horton, 2006:121).

During the reviews of the activities of the HR function, internal audit should include their opinions on the following processes, and provide their recommendations to management:

- recommend to the HR function how the municipality can ensure that the recruitment process is effective, transparent, and free from interference from management and politicians, as well as from nepotistic influences. Internal auditors should measure the recruitment turnaround time against set key performance indicators (Vito, 2007:2), and advise on how to address any identified bottlenecks (e.g., in the event that recruitment turnaround times are negatively different to the key performance indicators;

- recommend to management methods to "repurpose" the usually exorbitant "consultants" budget allocation in order to finance the upgrade of current employees' skill sets, and to attract and retain appropriately qualified and experienced personnel (Vito, 2007:6);

- recommend to management strategies to include and facilitate compulsory skills transfer plans in all consultants' service level agreements (Vito, 2007:59), and

- recommend to management methods of ongoing assessment that will ensure that the performance management systems accurately reflect the municipality's performance, and the performances of individual employees, against set targets and job descriptions (Vito, 2007:34).

►5 Negative effects of non-collection of municipal services' fees, rates and taxes (leading to poor service delivery)

Debt arising from uncollected municipal taxes and unpaid services have reached shockingly high levels in South Africa, and the trend continues to grow annually (Mavhungu, 2011:28). Efforts to recover costs have sparked civil unrest, especially in poorer communities, and many communities have adopted an attitude of passive resistance. Residents simply want to be beneficiaries, recipients of "free" services, and demonstrate little appreciation for or understanding of the efforts made by government to provide these, nor of the associated costs (Van Donk, 2012:17). Other arguments are that residents, through organised associations, decide to withhold payments of municipal invoices as a protest against poor service delivery (Mazibuko, 2014:166). Lack of effective metering of services delivered leaves residents with hefty bills (as seen in the Polokwane and Thabazimbi municipalities), which is one of other causes of service delivery protests (Kwevoel, 2012; News24, 2014).

Many of the municipalities in Limpopo Province are facing cash flow challenges owing to poor debt collection processes and failure to implement revenue collection strategies (AGSA, 2016b:100). This has even led to some municipalities to use conditional grants and capital budgets specifically meant for service delivery, to address operational needs such as salaries. This will no doubt have repercussions, considering that the money was meant for something else. Unfortunately, in cases of conditional grants, if they are not utilised for the intended objectives/projects, they are forfeited. The Accountant General of South Africa, interviewed by Mkhize (2014:23), explains that their office does a lot of financial forecasting for municipalities classified as being in financial distress. These municipalities are vulnerable to service delivery protests: due to their inability to pay suppliers (because of uncollected revenues), this bad state of financial health perpetuates a vicious cycle of increasingly unaffordable service delivery, accompanied by the deterioration of those services that have been provided, which provokes local residents' often violent and destructive protests.

Municipal funding comes from various sources including the so-called equitable share of state revenues, grants, investments, loans or bonds, charges on services such as water, electricity, sewage collection and treatment, as well as assessed rates on properties (Koelbe & LiPuma, 2010:571). The equitable share consists of funds collected by central

government and shared amongst all spheres of government. The funds are intended to supplement municipalities' main sources of revenue that are supposedly derived from the provision (on-selling for profit) of the above-mentioned services, and the collection of rates and taxes. The equitable share funding does not therefore remove municipalities' responsibility to raise their own funds through other, conventional means, as it is not (nor was it intended to be) sufficient to be considered municipalities' main source of income (Ntenga, 2011:262).

The financial capacity of every municipality is essentially dependent on the wealth of its communities; this is measured and quoted as "income per household". Thus, municipal taxes (income) cannot be extended beyond their communities' income per household (Gildenhuys, 2010:134). In poorer municipalities and particularly those in rural areas, the numbers of residents able to pay rates and taxes are fewer than in the larger category B and A municipalities. Errors in budgeting occur as the estimates of the numbers of residents willing and able to pay rates and taxes are often overestimated, and due to poverty in rural areas, these errors are compounded by these municipalities' dauntingly low success rate in collecting outstanding debts (Koelbe & LiPuma, 2010:573). Some scholars argue that regardless of where they are in the world, local governments are all facing similar challenges, the most pernicious being the absence of a profit motive, difficulty in measuring performance, budgetary constraints and/or limited financial support. The problem is certainly not unique to South Africa (Padovani & Young, 2012:7).

Internal audit units should be able to assist their municipalities by performing evaluations of aspects of their revenue collection efforts, as a first step to preparing recommendations on how to address the low rate of revenue collection. An extensive list of revenue collection/cash flow issues that internal audit should be invited to investigate follows:

- conduct a high level root cause analysis of why municipal customers are not paying their bills;

- determine whether the municipality has in place a system which accurately measures consumptions or utilisation of services (i.e., refuse removal, water, electricity) (Mazibuko, 2014:73), and advise on design and implementation, or improvements;

- in line with Section 95 of the Municipal Systems Act, determine whether the municipality has in place:

    - effective revenue turn-around strategies;

- valid revenue collection by-laws, and

- coherent write-off policies.

- also in line with Section 95 of the Municipal Systems Act, consider whether these strategies and by-laws are adequate, and that the policy is being consistently and accurately applied;

- conduct a review of whether budgeting and forecasting is based on realistic (historic) revenue collection data (Cascarino, 2015:233) and in compliance with Section 56 of the MFMA, and

- determine the frequency at which the municipality communicates with its residents on matters relating to billing (e.g., is it issuing monthly bills for services), and determine how it is responding to notifications that indicate when there are system problems.

3.5   ISSUES RAISED DURING PROTESTS IN THE LIMPOPO PROVINCE OF SOUTH AFRICA

In order to understand the context of the service delivery protests in the municipalities of the Limpopo Province, a literature review was conducted. Issues raised during protests in these municipalities were analysed and are summarised below (Table 1).

As recorded in Table 1, only 21 municipalities had protests in the period 01/01/2010 to 31/12/2015. The information contained in this table, combined with the insights gained from the literature review provided the impetus to achieve the following:

- identify those municipalities where there have been service delivery protest, and

- identify the causes of service delivery protests in the affected municipalities.

This information will then be used to assess where and whether the internal audit unit can assist management in improving control environments and, in so doing, minimise the need for and impact of service delivery protests.

Table 1:   **Protests and issues raised in Limpopo Province – 01/01/2010 to 31/12/2015**

Ref	Summary of issues raised
1	The community identified the following issues (Matlala, 2010): • municipality must reduce their water tariffs and municipal rates, as residents don't believe they are receiving value for their money; • municipality has rented 400 toilets for unserviced households. Community wants the "exorbitant" cost to be channelled to pay for other services; • in the 18 months since the last protests, the municipality has still failed to provide them with water. Some villagers still draw water from the river or buy it from those with boreholes; • some villages are still in the dark due to the slow pace of electrification of homes, and • roads in the villages are in a very bad condition.
2	Inadequate water supply: community members use communal taps; and Incorrect water billing for community members with private taps (News24, 2014).
3	The community demanded (Linmedia, 2013): • that an investigation be conducted to determine whether the appointment of employees and awarding of tenders is in fact being done in line with policies and legislation; • that allocation of houses in various wards should be stopped and the allocation criteria be reviewed; • that priority should be given to local residents for any employment opportunities and internships in the municipality, and • that the legally mandated community meetings must be convened. Currently, some ward councillors do not convene the community meetings required by legislation; this is an issue of significant contention in this community.
4	The community demanded water (clean water in particular). They are buying water from private sellers who charge them a lot for a small quantity (Letaba Herald, 2014).
5	The community demanded safe drinking water (Matlala, 2013).
6	The community complained about inadequate supplies of water and electricity, and poor maintenance of roads (Bulletin, 2012).
7	The community complained about water supply (Matlala, 2012b). Community accused the municipality and the Provincial Department of Roads and Transport of ignoring their numerous pleas for construction of a tar road; as also complained that jobs in local mining companies were not being awarded to local residents (Motseo, 2015).
8	Community demanded that water supply be introduced and some areas improved; they also complained about unfair demarcation of municipal and ward boundaries (Maponya, 2012).
9	Community took to the streets to complain about the inadequate supply of water (Matlala, 2012a).
10	The community complained about the need for a supply of clean water (Maponya, 2010).
11	The community protested because of poor service delivery (unspecified issues) (Zoutnet, 2012a). Residents accused municipality of prioritising services to one side of the municipality only (Tiva, 2015).

Ref	Summary of issues raised
12	Residents demanded the following in their memorandum (Zoutnet, 2012b): • their township to be extended; • erection of a community hall; • installation of "apollo" lights to reduce crime; • refurbishment of the stadium; • creation of jobs; • normalisation of water supply; • establishment of township's own graveyard, and • refurbishment of roads.
13	The community complained about unspecified service delivery issues, and demanded the Municipality's mayor and chief whip be removed from office (IOL News, 2012).
14	The community complained about unemployment, lack of roads and water (SABC News, 2013).
15	• Rezoning of property stands so that basic services can be planned and provided to residents; • clean water and taps in communities' yards required; • uninterrupted electricity supply; • road maintenance required; • reconstruction and Development Programme (RDP) houses to be provided with decent toilet facilities; • free rubbish bins and refuse removal services required; • streetlights and paved internal roads required; • erection of a school required, and • demarcation/allocation of land where communities can build a crèche, a church and businesses for themselves (The Beat, 2012).
16	The community complained about availability of water (Mashilo, 2015).
17	Key issues for this community were (Kwevoel, 2012): • corruption and poor service delivery; • interruptions of water supply, and its poor quality; • questionable accuracy of meter readings, and therefore they demanded prepaid meters be installed; • employment by mines – preference to be given to local residents; • inadequate refuse removal service, and • the awarding of tenders and associated processes were seen as being "irregular".
18	The community demanded the following (Cilliers & Tlhako, 2013): • potable water and decent toilets; • upgrade of the sewerage system (it has "deteriorated into chaos"); • reconnection of water supplies to villages (The community believes it was misled regarding payment deadlines for water and rates, which led to disconnection of water to villages), and • resignation of the mayor, municipal manager and CFO, for alleged promotion of fraudulent and corrupt practices.
19	The protestors complained about unspecified service delivery issues, irregularities in the awarding of tenders to mayor's relatives, and the misuse of state funds (Mandebele, 2012).

Ref	Summary of issues raised
20	Community wanted a tar road (Rachuene, 2015).
21	Communities demanded jobs in local mining companies, and accused municipality of lack of intervention (Mathebula, 2015).

Source: Author's summary of media reports.

Note: Names of municipalities are not included in this table, to protect the identity of the study participants.

3.6   CONCLUSION

Based on the above literature, the plight of service delivery is at the centre of the country's many problems. Whilst South Africa has made tremendous advances in delivery of services, some communities are still waiting. The analysis of the service delivery protests across the country clearly depict that service delivery delays still challenge and frustrate many communities. Less obvious from this brief summary is the extent to which violence and vandalism has become the order of the day for many protests. Indeed, many of the most recent protests have added fatalities to the list of woes.

The issues raised during protests highlight a diversity of problems. However, the water supply is emerging more frequently as the primary concern in municipalities based in the Limpopo Province of the country. Followed by the need for jobs, tar roads, as well as communities pleading to their respective municipal management to remove officials allegedly involved in acts of corruption. Weak controls identified in this chapter included ineffective IDP consultation, corruption, lack of skills to implement infrastructure projects and administration of funds, and lack of revenue.

Lack of revenue collection directly correlates with a cry for jobs by communities at local mines and many other governmental projects being implemented in the communities. Whilst the primary objectives of municipalities are not job creation, it would put things in to perspective if their budgets were realistic and other legal ways of supplementing income are identified. Whilst not yet occurring in all municipalities, there is an increasing trend to tap into conditional grants in order to finance operational issues: service delivery is increasingly compromised, and the relief is only temporary as these borrowings are set off against the next financial year's conditional grants. Sound financial management practices should thus be encouraged to ensure that the rendering of basic services is not compromised any further.

Projects such as tar roads and infrastructure necessary for water supply might be delayed due to lack readily available engineers in-house. Municipalities rely on external consultants to manage and monitor projects on their behalf. The AGSA's 2014/15 report identified that 52% of municipal projects they audited indicated that project targets related to conditional grants had not been evaluated or the target had not been achieved (i.e., performance information municipalities have on hand is incomplete and unreliable). Performance reports depict the municipality's service delivery successes and are thus accountability barometers that communities can use to achieve accountability from their local municipalities. However, information on these reports is incomplete and unreliable (2016a:8).

Corruption is still a big challenge in South Africa. This undermines an avalanche of legislative framework in place to govern the public sector. Instead of ripping rewards from the framework, we are instead seeing the opposite – a country on fire. Excessive prices charged on goods and services, inferior quality and other uneconomical and wasteful supply chain practices negatively affect municipalities. These practices reroute funds that could have been used towards service delivery and leads to substandard quality of services delivered to communities. The AGSA (2016b:100) has also consistently raised the issue of poor supply chain management practices in all the Limpopo Province's municipalities.

The picture therefore, says that when identified weak controls are not addressed, the key issues raised by communities during protests may also not improve. Internal audit interventions were analysed. If management addresses recommendations from these audits/interventions, the control environment of respective municipalities will improve. Consequently issues raised by communities during protests, will follow suit. What is evident from the literature analysis is that internal audit has the theoretical knowledge base to provide assurance and consulting services that should then assist management to better their internal control environments – if recommendations are implemented.

Internal audit's mandate as demonstrated in Chapter 2 includes, amongst other things, auditing the risk management processes of their respective municipalities. As Sobel and Reding (2012:159) emphasise, internal audit should audit the risk management processes of their client/host municipalities to determine whether the method guiding the organisation is appropriate to mitigate its business risks. Unless risks are formally and systematically

identified and assessed, they cannot be managed and controlled effectively. Over and above the risk-based audits offered to management, internal audit should perform quarterly statutory audits of performance information which also afford them an opportunity to determine the existence and dimensions of any gaps between actual performance and the municipality's predetermined objectives; so that they can recommend remedial actions.

From the literature above it is clear that many municipalities in South Africa are not living up to their respective communities' expectations. Analysis indicates that the absence of appropriate controls is one of the key factors contributing to the protests discussed in this chapter. One must therefore draw the conclusion that the solutions to the underlying problems lies in a combination of community-focused and political interventions, as well as improvements to the municipal control environment and institutional governance. This is a monumental challenge that needs all parties to suspend their mutual distrust and to work together for the betterment of the living conditions of all South Africans.

Chapter 4 details the research methodology applied in this study.

CHAPTER 4.
RESEARCH DESIGN AND METHODS

4.1   INTRODUCTION

The objective of this study is to determine whether the performance of internal auditors' roles and responsibilities can reduce or minimise service delivery protests in municipalities. Previous chapters of this study have highlighted the roles of internal auditors as prescribed by various national statues, and the Standards of the Institute of Internal Auditors (IIA Standards) (see Chapter 2, p. 17), and the causes of the service delivery protests (see Chapter 3, p. 42). The conclusion drawn in both chapters is that when control environments are improved, the probability of efficient and effective service delivery is increased. The question therefore is whether internal audit, by fulfilling their legislated roles and associated responsibilities, will lead to an improved control environment and consequently reduced service delivery protests. (The detailed study objective of this dissertation is presented in Chapter 1, p. 4).

The purpose of this chapter is to identify the methodology that is most suitable to find out whether internal auditors understand the probable links between their roles and improvements in service delivery, and ultimately, the reduction in community protests. To achieve this objective a number of research methodologies were analysed to find the most appropriate one. In addition, this chapter outlines how research participants were identified, the data collection instruments that were employed, and the process used to analyse the data collected. In addition the quality criteria and the ethical aspects that were adhered to while conducting this study are discussed.

4.2   RESEARCH METHODOLOGY

4.2.1   Enquiry strategy

Research is a systematic enquiry or investigation into a particular problem that results in new, improved knowledge or a better understanding of that subject matter. There is no prescribed formula on how to choose an inquiry strategy or research methodology: however a researcher needs to employ one, and an understanding of the research

objectives and questions usually guides one to the methods best suited to address them (Hofstee, 2010:107).

There are two main styles of research methodology that are most frequently applied in business and finance research namely, qualitative and quantitative methods. Other researchers often opt to mix the two methods, resulting in the so called mixed method approach (Saunders, Lewis & Thornhill, 2009:151).

Quantitative methods involve analysis of quantities, or finite variables. They use physical instruments such as barometers, or rules or methods such as surveys and experiments to conduct scientific research; and structured interviews for philosophical research. On the other hand, qualitative analyses of attributes, opinions and/or qualities that cannot be easily reduced to quantities. It makes use of case studies, in-depth interviews and observation, to discover people's experiences, opinions or personal knowledge (Leedy & Ormrod, 2010:94). Differences between qualitative and quantitative methodologies go beyond the obvious. The qualitative method is concerned with **generating** theory; whereas quantitative methodologies are preferred when the emphasis is on **testing** theory (Bryman & Bell, 2011:27).

Both qualitative and quantitative methods can be combined and applied together in one research study (Quinn-Patton, 2002:15). Cooper and Schindler (2011:182) describe these as triangulation; which is a situation whereby the researcher combines both the qualitative and quantitative methods of research to better the quality of the research and to best answer research questions.

This study intends to answer questions relating to whether the roles of internal audit in municipalities can assist in reducing service delivery protests which has become an ongoing challenge in South Africa. In order to answer this question, the qualitative research method appeared the most appropriate, as it is described as typically suitable in cases where there is limited research information relating to the research question and no pre-existing standardised research instruments (Bryman & Bell, 2008:35; Quinn-Patton, 2002:33).

One of the purposes of this research is to achieve an understanding of the perspectives and opinions of internal auditors with regard to the causes of service delivery failures and the associated protests, as well as how they could assist management to minimise the

communities' perceived need for these protests. This method allows the researcher to capture these opinions, and the process followed was in line with that recommended by Creswell and Plano Clark (2011:7) when they stated that *"qualitative methods are good to explore a problem, honour the voices of participants, map the complexity of the situation and convey multiple perspectives of participants"*. Because the researcher's objective is to ask questions that are exploratory in nature, and to analyse answers through identification of categories in order to draw conclusions (Greener, 2008:37), the qualitative methodology was identified as appropriate.

The roles and responsibilities of internal auditors were detailed in the literature review in Chapter 2 of this study (p. 17). Understanding of the causes of service delivery protests (as documented by the media and other researchers), has been detailed in Chapter 3 of this study (p. 36). In order to capture and analyse internal auditors' responses to the research question, an interactive research strategy was employed, requiring research data to be collected through face-to-face interviews.

Interviews allowed the researcher to approach the research without the constraint of predetermined measuring scales. Semi structured interviews were utilised due to their ability to afford a researcher the opportunity to explore specific points of view of individual research participants as the interviews progressed (Silverman, 2004:127). The questions that needed to be asked in order to be able to draw conclusions with respect to the research questions were not limited to the rigidity of the structured interviews that are associated with quantitative enquiries (Saunders *et al.*, 2009:318).

4.3   SELECTION OF PARTICIPANTS

According to the website of the Department of Cooperative Governance and Traditional Affairs (2010), the Limpopo Province has 25 local municipalities and five district municipalities. The study commenced by identifying the 21 local municipalities in the Limpopo Province of South Africa that were affected by services delivery protests during the period 01/01/2010 to 31/12/2015, as recorded in local and national media during the same period. These municipalities were introduced through Table 1 (p. 55), including the reasons for their protests. For the purposes of this study, ten local municipalities were selected, seven of which were affected by service delivery protest, and three of which there were no records of protests in the media between 01/01/2010 and 31/12/2015.

Selecting these two groups of municipalities (those affected by service delivery protests and those that were not) allowed the study to establish and extrapolate trends and to analyse possible differences in approaches to internal audit practice as well as service delivery challenges.

The characteristics considered in the process of selecting the ten local municipalities of the Limpopo Province to approach to participate in this study are listed next. The actual respondents were the CAEs (or the equivalent) in these municipalities.

- **Limpopo Province** – According to the website of the Department of Cooperative Governance and Traditional Affairs (2010), there are 283 local government institutions in South Africa, of which 229 are designated "local municipalities", 46 are "district municipalities" and seven are "metropolitan municipalities". The differences between these types of municipalities were discussed in Chapter 3. The Limpopo Province has 25 local municipalities, five district municipalities, and no metropolitan municipalities. The study was limited exclusively to Limpopo Province's local municipalities. Limpopo is one of the provinces in South Africa where the AGSA (2016a:4), in his 2014/15 financial year audit outcomes, identified that a significant number of municipalities which had previously obtained clean audit reports have in the current audit regressed. The AGSA report further stated that the regression in audit outcome quality is as a result of municipalities' control environments having deteriorated; this means that they are still struggling with reporting and compliance basics. Non-compliance was the biggest contributor to the irregular expenditure total for the 2014/15 financial year (2016a:7).

- **Municipalities affected by service delivery protests** – the purpose of the research is to determine whether the roles of internal auditors employed by municipalities in South Africa (which is nominally to assist management in fulfilling their constitutional mandate of delivering services to respective communities), if carried out correctly, can assist in reducing or minimising service delivery protests. The literature review of service delivery protests documented in Chapter 3 of this research identified 21 local municipalities in the Limpopo Province that had experienced protests in the period 01/01/2010 to 31/10/2015. From this universe of 21, ten local municipalities were finally selected (seven of them had been affected by protests and three had not been affected by protests). The Limpopo Province has five districts: in determining the seven participants in this research, one municipality was selected randomly from

each district after taking into consideration the availability of media reports relating to the selected municipalities' experience of protests. Capricorn and Sekhukhune are the two districts which were affected by a high number of service delivery protests. As such two additional municipalities were selected, from the Capricorn and Sekhukhune districts respectively, for the sample size to be seven.

- **Municipalities not affected by service delivery protests** – The study also identified three municipalities for which there were no records of service delivery protests during the period 01/01/2010 – 31/12/2015 (i.e., no record of service delivery protests was found during the literature review process). These municipalities were included as participants in the research, to capture the opinions and responses of their internal auditors and analyse areas of learning which could benefit those municipalities that had experienced service delivery protests.

- **Affiliation with a professional body** – Based on the literature review documented as Chapter 2, it was determined that the Institute of Internal Auditors South Africa (IIA SA) plays a major role in the development and organisation of the internal audit profession in South Africa. Amongst its many efforts, they have the professional Standards, which promote professionalism and uniformity in the practice of internal audit, as well as numerous other initiatives intended to add value to auditees. As such, including affiliation to this professional body as a prerequisite trait amongst respondents ensured that participants could reasonably be expected to be conversant with the definition of internal audit as published in the IIA Standards. According to the membership list of the IIA SA (requested for the purposes of this study), all internal auditors employed by the ten local municipalities of the Limpopo Province selected for this research, are affiliated to the IIA SA.

- **Internal auditor respondent's seniority** – only the CAEs/Heads of internal audit units (or their equivalent) were identified as appropriate respondents for this study, due to their decision making responsibilities in the internal audit units, and their access to information needed for this study (particularly their perceptions of what is most likely to minimise service delivery protests, and their understanding of the challenges which internal auditors face in the performance of their duties of assisting management to meet their institutional objectives).

- **Consent** – the agreement of respondents invited to take part in the research was also required and received.

4.4 DATA COLLECTION

4.4.1 Data collection method

The collection of data was done through qualitative, semi-structured interviews, conducted in person by the researcher, and guided by a list of open-ended questions. Cooper and Schindler (2011:169) describe a semi-structured interview as one which allows respondents to provide more insights which might not have been anticipated by the researcher. By way of contrast, a structured interview is one with preloaded possible answers, as well as a specific and consistent way of asking the questions. The structured nature of the semi-structured interviews allows the researcher to ask all participants similar questions, guided by the same list of questions (Bryman & Bell, 2008:467). If all interviews are conducted in a similar way (i.e., sticking to the same sequence of questions), semi-structured interview responses are usually easier to analyse than are other, less structured qualitative strategies (Zikmund, Babin & Griffin, 2013:150).

The research instrument consisted of open-ended questions which allowed the participants a high degree of flexibility in their responses (Bryman & Bell, 2008:258). Open-ended questions allow respondents to reveal his/her own views, opinions or experiences, without the strong influence that is present when required to select a response from a list of predetermined answers (Quinn-Patton, 2002:21).The key disadvantages of open-ended questions typically include the problem of time management for interviewers: participants take longer than researchers budget for, and particularly in smaller internal audit units, researcher can easily succumb to the "sympathetic ear" syndrome, which have additional consequences and challenges when attempting to code the responses. The positive, however, is that participants responded in their own words, and their answers were not predetermined, and this resulted in additional valuable information becoming available for the research (Bryman & Bell, 2008:259).

4.4.2 Interview conditions and processes followed

Reflexivity is the consideration of different aspect of knowledge creation. The concept, according to Eriksson and Kovalainen (2008:4), means to reflect on or carefully consider how you create knowledge, as well as the relationship between the body of knowledge, the researcher and the population at large. The premise is that there should already be a

relationship between the knowledge and the researcher, as well as between the research population and the knowledge. The roles of internal auditors at municipalities have been detailed in Chapter 2 (p. 17) (i.e., the respondents' relationship with the existing body of knowledge). These roles were determined through an extensive literature review and drawn from, amongst other sources, the IIA Standards and South Africa's public sector legislation and associated regulations.

It was assumed that all internal auditors who are members of or affiliated to the IIA SA are conversant with the roles of an internal auditor in a municipality. In addition, the researcher personally performed the face-to-face interviews with the participants. Thus, the relationship was assured between the researcher and the knowledge, and between the population of participants and the knowledge.

Interviews need to be conducted by someone who is skilled and who understands the concepts underpinning the questions so that, should the respondents present their answers in a different context, the researchers are not confused. The additional risk posed by having numerous interviewers and interview styles was also mitigated in that the researcher performed all the interviews personally.

Below is the process followed, as suggested by Leedy and Ormrod (2010:149):

- Respondents were asked to sign the consent form, which had been explained to them in detail. The consent form addressed their right to anonymity as research participants, as well as the fact that they had the right to pull out of the research at any time, should they wish to do so.

- The CAEs (or equivalents) at the ten selected local municipalities were contacted, and suitable interview locations were arranged. In fact, all interviews were conducted at the CAEs' places of work. The time of the interviews was booked so as to be optimally convenient for the CAE (or equivalent) and to avoid workplace noise/intrusions.

- Key concepts were explained to respondents (i.e., that "service delivery protests" were just that, and that this research excluded any other protests in the community not related to "service delivery by the municipality": thus, protests related to crime, xenophobia and employment issues were not up for discussion).

- The researcher/interviewer then presented the questions appearing on the interview schedule (see Appendix A on p. 156) in that sequence to all participants to avoid bias. The interviewer tried to employ a neutral tone of voice and non-invasive body language, both when asking questions and when noting responses, and the participants' answers were recorded, and were transcribed verbatim from the interview recordings. Utilisation of a tape recorder was pre-agreed with all respondents.

- Interviews generate a lot of data which needs analysis and interpretation; a resource most researchers do not have (Zikmund *et al.,* 2013:150). Each manuscript was typed in at the end of each interview, to avoid information loss and bulk processing.

4.4.3   Pre-testing

The research interview schedule was discussed with the CAE from the Chief Albert Luthuli Local Municipality, in the Mpumalanga Province, to determine whether questions would be correctly understood, and whether they were likely to be received as intended by the researcher. This was also done to identify possible ambiguity or bias in the questions, and/or in the manner in which they were going to be asked (Zikmund *et al.,* 2013:360*)*. This also afforded the researcher an opportunity to determine whether research questions were comprehensive enough (if honestly answered) to address the research objective. Feedback received from this pre-testing phase was utilised to improve the quality of the interview schedule and the manner in which the questions were to be asked.

The interview schedule is included as Appendix A (on p. 156).

4.5   DATA ANALYSIS

All questions on the interview schedule were transcribed verbatim (as answered by respondents) and coded into smaller units (Cooper & Schindler, 2011:169). Atlas-Ti content analysis programme was then used to analyse the coded data. Detailed information on data analysis is presented in Chapter 5.

4.5.1 Data summary and analysis

Analysis of data in a qualitative research project involves making valid inferences from seemingly overwhelmingly large amounts of data (Sekaran & Bougie, 2009:370). After collection, data was summarised and grouped into smaller units that highlighted the key points emerging from the interviews, and this facilitated useful analysis (Saunders *et al.,* 2009:491). Atlas-Ti analysis programme was utilised for content analysis of the data captured and summarised. Refer to Chapter 5, for detailed approach used to analyse data.

4.5.2 Research conclusion

Lastly the research question was put to the test (i.e., the proposition was tested against the analysed data) to determine whether performance of the identified roles of internal auditors can actually play a role which might result in the reduction of service delivery protests in municipalities (Saunders *et al.,* 2009:495).

4.6 RESEARCH ETHICS

Information collected from the respondents was neither manipulated nor misrepresented to suit the needs of the researcher; the analysis and presentation is an accurate representation of the manner in which the interview schedule questions were completed (Murthy & Bhojanna, 2010:376). The research ethics guidelines of the University of Pretoria were complied with. Permission to approach members of the Institute of Internal Auditors South Africa (IIA SA) was obtained from the IIA SA before the commencement of the data collection phase of the research. Ethical clearance to conduct this study was applied for and was granted by the University of Pretoria (refer to Appendix D, p. 165). The informed consent form was discussed with each respondent and signed off by all respondents prior to commencing with the research interviews. The consent form complied with the principles outlined by Burns and Burns (2008:35), which are listed below:

- The consent form outlined the nature of the research;

- the form contained a statement stating that participation in the study was voluntary;

- the rights of the respondents relating to privacy, and their right to withdraw from the research was stated;

- the degree of confidentiality relating to how their responses would be handled was addressed, and

- the contact details of the researcher and/or an institution to which the researcher was affiliated was made available.

The consent form is presented in full as Appendix B on p. 159.

4.7 CONCLUSION

Various methodologies were evaluated in preparation for the data collection phase of this research study, and this led to the selection of an inquiry strategy which is qualitative in nature. Interviews were conducted, using a self-designed, semi-structured interview schedule consisting entirely of open ended questions. Respondents were identified as the CAEs (or equivalent) employed in the internal audit units of municipalities located in the Limpopo Province. Respondents were all members of or affiliated with the IIA SA. The method used to identify and select the participants has been documented. This chapter also addressed quality aspects of the research, as well as unpacking the ethical considerations prerequisite to the performance of this study.

The next chapter details the data analysis of this study.

CHAPTER 5.
DATA ANALYSIS AND INTERPRETATION

5.1   INTRODUCTION

The purpose of this chapter is to present results of the study. Data was collected through qualitative interviews with selected study participants, and undertaken by the researcher. The analysis of data thus collected is detailed in this chapter. The chapter presents a description of the data analysis technique that was selected to analyse the collected data, including how the data was coded, analysed and interpreted. To facilitate the formation of rational conclusions the chapter also determines and examines the relationships between the various categories of data that emerged from this study. In the process, the similarities and differences between these analysed data and the consensus that emerged from the literature review is highlighted. Conclusions drawn from the study results are also documented in this chapter.

The purpose of this study (as originally detailed in Chapter 1, p. 4) is to determine whether, through the performance of their roles, internal auditors can assist management of municipalities to minimise or reduce the occurrence of service delivery protests. Chapters 2 and 3 of this study comprise the literature review. Chapter 2 details the role of internal auditors in municipalities, as prescribed by various elements of South African legislation and regulations, and guided by the IIA Standards. The chapter touches on those aspects of the IIA's definition of internal audit as they apply to South African municipalities, particularly the areas of internal control, risk management and governance. Chapter 3, which is a continuation of the literature review, provides an overview of service delivery protests across South Africa, as well as a more detailed background to the Limpopo Province's service delivery protests for the period under review. It also examines the causes of service delivery protests, and the issues raised by local residents. Chapter 4 contains the methodology applied in this study. A qualitative approach was followed, which utilised interviews to collect data relevant to addressing the study objectives. The study was conducted in the Limpopo Province of South Africa, primarily because of negative outcomes of the AGSA audits in 2014/15 financial year, released in June 2016. Throughout this chapter, references to Chapters 2, 3 and 4 connect the study results to the literature review.

5.2   BACKGROUND TO DATA ANALYSIS

According to Marshall and Rossmann (2011:207), "… qualitative data analysis is a search for general statements about relationships and underlying themes; it explores, describes, and builds grounded theory". Qualitative data analysis is further described as a process involving the "classification" and "interpretation" of material, with an objective of establishing the dimensions of meaning thereof (Flick, 2014:370).

To analyse and interpret the collected data, an inductive approach was applied during the data preparation, coding and interpretation stages. An inductive approach involves allowing research findings to emerge from the study through the identification and interpretation of dominant themes and categories, without being limited by a structured listing of expected themes (Nieuwenhuis, 2012:99). A massive volume of data was collected during the study and, without analysis and interpretation, had minimal meaning. To extract meaning from the data collected, the researcher applied a combination of the various data analysis techniques listed and explained below.

5.2.1   Data preparation

Data preparation starts by describing the intended participants and the criteria that placed them in the study universe. Knowing the background of the participants provides perspective on similarities between patterns of responses that emerge during the analysis phase (Nieuwenhuis, 2012:103-104).

Another key step in preparation involves transcribing, cleaning up and organising data (Flick, 2014:371). When cleaning up the data, an initial review is done to clear typing errors made during collection and to prepare the data in the format required by the preferred data analysis tool for the study, whilst still preserving its distinctive characteristics (Saunders *et al.*, 2009:485). Other authors refer to this process as "data organising" and attest that this is an important part of the process, as it paves a way to an uninterrupted and effective analysis of data (Marshall & Rossman, 2011:213).

5.2.2   Disassembling and coding of data

During the coding, collected data is disassembled. Coding, according to Yin (2011:187), involves methodically assigning a code or a name to a set of essentially similar recorded

notes or words extracted from the collected data. This assists the researcher in grouping certain records, words or fields in terms of similarity. Once this sorting is done, the researcher is able to gain more insight from the data or more effectively interpret the meaning of patterns in the data. Coding is divided in to three main categories: open, arial and selective coding. All three are detailed below.

►1 Open Coding

Open coding can be described as a process during which data is analysed to identify patterns of similarities, contradictions and emerging interrelationships. The researcher uses the patterns identified in this process to "tell the story", to draw conclusions and thus to effectively address the research questions (Marshall & Rossman, 2011:212-213). The process – also referred to as "data summarising" by other research authors – involves two critical stages: data unitising and data categorising (Saunders *et al.*, 2009: 509a).

►2 Arial coding/ axial coding

Arial coding (also referred to as axial coding) is a coding process undertaken during the analysis of research data, where relationships and connections between various categories and sub-categories of data emerge (Yin, 2011:187).

►3 Selective coding

The selective coding step identifies a "principal" or "core" category and its relationship to other categories and sub-categories. Compared to arial coding, the aim of selective coding is to study relationships as they emerge between the "principal" category and all other sub-categories, during the study (Saunders *et al.*, 2009:511).

►4 Data interpretation and conclusion

While coding and categorising comprise one level of analysis, generating an analytic understanding of the coded data through the interpretation of data presents another angle which tells a story (Nieuwenhuis, 2012: 111). Interpretation and conclusion consist of the researcher's findings, arranged in order and telling a story from the collected data. Each piece of interpretation should work towards the greater goal of answering study questions (Yin, 2011:206). A conclusion is an overarching series of statements which elevates or

highlights the findings of a study to a broader set of ideas. Conclusion is part of analysis when connected to or proceeding from an interpretive phase of analysis. A compelling conclusion brings unity to the rest of the study (Yin, 2011:220).

►5 Use of CAQDAS

Use of a Computer Assisted Qualitative Data Analysis (CAQDAS) software/application package offers numerous advantages to a researcher, although no use of technology can ever replace the "mind and creativity" of the researcher (Marshall & Rossman, 2011:218). One of the primary advantages of using technology is that it creates a structured way of connecting data files within a project, provides numerous ways of coding and categorising the data, facilitates the writing of comments, notes and memos as well as storing of data efficiently and effectively (Saunders *et al.*, 2009:514-515). Atlas-Ti was the preferred CAQDAS application for this study. It was chosen for use in this study due to its ease of analysis and interpretation, the fact that it was readily available to the researcher, and its frequent use by other researchers in qualitative studies. The researcher was afforded the necessary technical support whilst using this application to ensure that it was utilised to its maximum potential.

This application was used to categorise and code the data, following the processes of open, arial and selective coding described above. Data was loaded into the system as "units" and patterns of similarities, contradictions, and emerging interrelationships were structured by the application of those processes. Relationships between the data were developed and structured using the Atlas-Ti application, with the researcher's intervention.

5.3 ANALYSIS AND INTERPRETATION OF DATA COLLECTED FOR THIS STUDY

The results derived from the analysis of the collected data are presented and discussed next.

5.3.1 Data preparation

To provide perspective to the analysis and interpretation of data documented in this chapter, a brief description of the study's data collection technique, study participants, and the criteria that placed them in the study universe is outlined below. The process followed to prepare the data for analysis is also detailed in this section.

The study took place in the Limpopo Province of South Africa; the participants in the research comprised of the CAEs, or their equivalent, at ten selected local municipalities out of a population 25 (as described in Chapter 4). Seven municipalities selected for this study had experienced service delivery protests according to data collected through media reports and recorded in Chapter 3. Included in the ten were three other municipalities that did not have any record of service delivery protests during the period 01/01/2013-31/12/2015. These municipalities were included in the study to enable the researcher to compare and contrast their approaches and situations with those of the municipalities that did experience service delivery protests during this period.

The purpose of the study was discussed with each of the participants prior to the start of the interviews. It was also explained that the research was not intended to address any other form of protests, such as those relating to education, xenophobia and labour picketing: the research was exclusively focussed on protests relating to "lack of service delivery by municipalities".

Data was collected through semi-structured interviews guided by a standard interview schedule. An electronic recorder (where participants agreed in advance), was utilised during the interviews. Over and above the recorder, the researcher/interviewer also made real time hand-written notes to safeguard against possibilities of data loss, should the electronic device fail (Yin, 2011:29). After the interviews, the notes and the audio transcriptions were reviewed, cleaned up and sent to the participants for confirmation of their accuracy. The interview schedule responses were then loaded in to the Atlas-Ti application. To protect the identity of participants, "he" has been used throughout the chapter, regardless of the gender of the participant. For brevity, participants have also been numbered and are referred to in the discussion by reference number (see Table 2).

Table 2: **List of participants used for this study**

Participant	Study reference
Participant 1	P1
Participant 2	P2
Participant 3	P3
Participant 4	P4
Participant 5	P5
Participant 6	P6
Participant 7	P7

Participant	Study reference
Participant 8	P8
Participant 9	P9
Participant 10	P10

5.3.2 Disassembling of data

Data was disassembled during the coding process. Coding for this study was divided in to three main categories, namely open, axial, and selective coding. Below is a brief description of the coding process applied to the data collected for this study and the results thereof.

►1 Open coding

Open coding was done through data unitising and categorising, both detailed below (Saunders *et al.*, 2009:509).

Data unitising. Unitising data entails breaking the data into small segments/units. The Atlas-Ti application was used in the process of unitising all the data collected. The process involved loading prepared data into the system, whereafter the researcher manually inspected each portion/unit of data and componentised each response into units. The result of this unitisation process was a series of inter-linked and similar units grouped together, as detailed below in "data categorisation".

Data categorising. The result of this unitisation process was a series of inter-linked and similar units comprising:

- Answers/responses to a specific type or range of questions – the *categories* (e.g., Roles and responsibilities).

- Answers/responses relating to a specific category within a category– thus, the *sub-categories/codes* (e.g., Roles and responsibilities: aspects of the definition of internal auditing).

- Units of data addressing a similar code – thus *sub-codes* (e.g., Management does not make themselves available for audit report discussions).

►2   Arial/axial coding

Data was analysed to identify relationships and connections between the various categories and sub-categories of data, which emerged during the open coding phase. Table 3 demonstrates how categories and subcategories were linked during coding.

Table 3:   Categories and related sub-categories that emerged from the study

Categories	Sub-Categories
Roles and responsibilities of internal auditors in municipalities	1. Awareness of roles and responsibilities of internal auditors: aspects of the IIA Standards 2. Awareness of roles and responsibilities of internal auditors: other guidelines 3. Fulfilment of the roles of internal auditors 4. Risk Management 5. Management's support of internal audit unit 6. Management's reaction to internal audit findings 5. Audit committee effectiveness
Audit committee effectiveness	1. Existence of audit committees 2. Roles of audit committees
Service delivery protests	1. Occurrence of service delivery protests 2. Participants' awareness of issues behind community protests 3. Causes of service delivery protests 4. Management's achievement of their municipal objectives 5. Link between internal audit reports and issues reported during protests 6. How can municipal management avoid service delivery protests? 7. What role can the internal audit unit play in municipalities to assist management to minimise protests?

►3   Selective coding

The objective of the study is to determine whether internal auditors, through performance of their roles and responsibilities in municipalities, can assist management to minimise or reduce service delivery protests in local municipalities. As such, the "principal" or "core" category was identified as the "roles and responsibilities of internal auditors in municipalities". This was identified as the key category, as it appeared linked to all other categories and sub-categories. By understanding the roles of internal auditors in municipalities, it becomes possible to determine answers to the research questions. The research primarily seeks to determine whether the roles of internal auditors in local

government, when performed, can assist management in minimising service delivery protests in their respective municipalities.

5.3.3   Data interpretation and conclusion

Data interpretation brings life to the categories and themes that emerge from reams of collected data. Interpretation thus constructs the narrative (story) of the relationships, patterns and underlying behaviours within the data, which began to emerge during coding. Marshall and Rossmann (2011:219) describe this as "…*a process which attached significance to what was found, making sense of the findings, offering explanations, drawing conclusions, extrapolation of lessons, making inferences and otherwise imposing order*".

Data related to categories detailed above in Section 5.3.2 on p. 75 and tabulated in Table 3 on p. 76 are interpreted and documented in Sections 5.4 to 5.6. During interpretation, and where it was deemed necessary, the researcher linked categories and sub-categories with existing theories emanating from the literature review.

5.3.4   Findings and conclusion

A compelling conclusion is to bring unity to the rest of the study, consisting of a series of overarching statements which elevates or highlights the findings of a study to a broader set of ideas (Yin, 2011:220). At the end of each sub-category, findings and conclusions were deducted and documented.

5.4   ROLES AND RESPONSIBILITIES OF INTERNAL AUDITORS

From the literature review, the roles and responsibilities of internal audit were identified and documented. During the data collection participants were asked to describe what they understood the roles and responsibilities of internal auditors to be, as well as whether they are being fulfilled at their municipalities. This question was critical to the study in determining whether participants in fact know the roles of internal audit, so that a conversation can take place probing their opinion on whether their roles and responsibilities can assist management to minimise service delivery protests. As such, the roles and responsibilities of internal auditors were identified during analysis and coding as

a separate category. Sub-categories related to "roles and responsibilities of internal auditors" were also identified, and are each documented in detail below.

5.4.1 Awareness of roles and responsibilities: Aspects of the internal auditing definition

Study participants' responses in relation to key aspects of the IIA's definition of internal auditing were analysed and are presented in Figure 3 below.

Figure 3: Summary of participants' responses on roles and responsibilities: aspects of internal auditing definition

►1 Details of participants' responses summarised in Figure 3 above:

- **Assist management to achieve their goals**. Three out of the ten study participants specifically highlighted that their role was to assist management to achieve their objectives.

- **Assessment of risk management**. Reviewing and advising on the municipality's "risk management processes" was emphasised by six of the ten study participants.

- **Assessment of governance**. Three of the ten participants mentioned "governance assessment" as one of their roles as an internal auditor.

- **Assessment of internal controls**. According to five of the ten study participants, "assurance on effectiveness and adequacy of internal controls" is part of their key role as internal auditors of municipalities.

▶2   **Summary of findings**

Table 4 summarises the findings noted during data interpretation concerning the internal auditors' awareness of their roles' relationship to aspects of the IIA's internal audit definition.

Table 4:   **Summary of findings on awareness of roles and responsibilities: aspects of internal auditing definition**

Sub-category	Findings
Awareness of roles and responsibilities: aspects of internal auditing definition	Although participants, in their descriptions of their roles and responsibilities, highlighted key components of the "definition of internal auditing": • Only three participants of the ten selected in this study made reference to the key role of assisting management to achieve their organisational objectives, and • None of the participants mentioned adding value to their respective municipalities.

▶3   **Conclusion on awareness of roles and responsibilities: Aspects of the internal auditing definition**

Section 5.4.1 has discussed the findings from Section A of the interview schedule, which was intended to determine whether internal auditors are aware of their roles and responsibilities. The question was critical during the study in determining whether participants know the roles of internal audit. This allowed the researcher to determine their opinions regarding the ability of their roles and responsibilities in their respective municipalities to assist management to minimise service delivery protests.

The definition of internal audit implies that, through performance of various assurance and consulting engagements, internal audit may assist management with the achievement of their objectives. The main objective of municipalities is the delivery of basic services to their communities. Three study participants of the ten only highlighted this responsibility. The majority of participants recognised that governance, risk management and internal control reviews are/were key areas of focus for internal audit.

The aspect of value adding in order to improve operations, which the researcher expected to be an embedded in fundamental of the functioning of internal audit, was not highlighted during the discussions. The participants also did not acknowledge the key stakeholder (the community), when discussing the roles of internal audit. Public sector internal auditors' work also assists communities to receive services due to them, effectively and efficiently. This is achieved through making recommendations to management on how internal controls, risk management and governance processes can be improved (Von Eck, 2013b:142).

5.4.2 Awareness of roles and responsibilities: Other guidelines

Below is a summary of study participants' responses to questions in respect of their roles and responsibilities within their municipalities, emanating from other guidelines.

►1 Compliance with legislation

Only three participants of the ten mentioned that their roles included ensuring "compliance with legislation" by their respective municipalities. The literature review revealed that increasingly the practice of internal audit is moving away from mere compliance auditing in favour of a risk-based approach. However, as highlighted by the three study participants, auditing of compliance is a significant part of their responsibilities because municipalities are highly regulated institutions, which must comply with numerous levels of legislation and statutory regulations, all embedded in their governance process.

►2 Guidelines for internal audit unit

Participants were asked what guidelines were in place to direct their operations. Responses were as follows:

- Six participants of the ten identified the MFMA as a primary source of their guidance.

- One participant of the ten identified the Municipal Systems Act.

- One participant of the ten identified the Treasury Regulations on Internal Audit.

►3   **Internal audit methodology**

All ten of the study participants stated that they are currently using a risk-based methodology as a basis for their audits, which is in line with the IIA Standards and the MFMA.

►4   **Summary of findings**

Only three participants of the ten mentioned that their roles included ensuring "compliance with legislation" by their respective municipalities. Based on the participants' answers, it appears that, over and above the IIA Standards, the majority recognise the MFMA as another major guideline. During the research interviews, the study participants placed little emphasis on the consideration of other legislation during planning of their audit cycle. This is recorded in Table 5 below.

Table 5:   Summary of findings on awareness of roles and responsibilities: Other guidelines

Sub-category	Findings
Awareness of roles and responsibilities: other guidelines	Most of the participants are evidently guided by the MFMA. Little emphasis was placed by the participants on the consideration of other legislation in place during audit planning.

►5   **Conclusion on awareness of roles and responsibilities: Other guidelines**

Although the literature review revealed that increasingly the practice of internal audit is moving away from mere compliance auditing in favour of a risk based approach, auditing of compliance remains a significant part of municipal internal auditors' responsibilities. This is because municipalities are highly regulated institutions, which must comply with numerous legislative directives and statutory regulations, embedded in their governance process. Legislation such as the Preferential Procurement Policy Framework Act (5/2000), which regulates the procurement process, would, if diligently complied with, ensure that fair and transparent processes are followed during procurement of goods and services. There are also other prescripts, which directly require internal audit to perform various periodic assessments, such as the Municipal Planning and Performance Management Regulations, Section 14(1), which prescribes that internal audit reviews performance information and reports the findings to those with oversight responsibilities in the municipality.

5.4.3 Fulfilment of the roles and responsibilities of internal audit

When asked whether they fulfil their roles and responsibilities, the majority of participants responded that they face serious obstacles to the performance of their tasks, and that these will continue to prevent them from fulfilling their roles and responsibilities effectively.

►1 Summary of responses

Below is a summary of the responses related to fulfilment of the roles and responsibilities of internal audit:

- Six of the ten study participants stated that their internal audit units are only partially effective in fulfilling their roles.

- Three of the ten study participants were positive that their internal audit units would achieve their objectives and thus effectively fulfil their roles and responsibilities to the municipality. This belief was mainly attributable to the support that the internal audit unit was getting from management.

- One of the ten study participants mentioned that they were not going to achieve all of their objectives (i.e., their roles and responsibilities).

►2 Summary of findings

Table 6 summarises the findings related to the fulfilment of the roles and responsibilities of internal audit.

Table 6: Summary of findings on fulfilment of the roles and responsibilities of internal audit

Sub-category	Finding
Fulfilment of the roles and responsibilities of internal audit	• One participant mentioned that they were not going to achieve all of their objectives (i.e., their roles and responsibilities). • Six of the ten study participants mentioned that their internal audit units are partially effective in fulfilling their roles.

►3 Conclusion on fulfilment of the roles and responsibilities of internal audit

Effectiveness of internal audit depends largely on the support the unit receives from management. When management does not ensure that their administrative duties towards internal audit units are performed competently and on time, this will negatively affect the

functioning of internal audit. Management's administrative duties include, but are not limited to, allocation of budget, recruitment of staff against the approved operational structure, continuous development of staff skill-sets and provision of necessary working tools. It should be noted that study participants who lack management's full support in their respective internal audit units (see Section 5.4.5 on p. 87) are also those who are uncertain regarding the achievement of their unit's objectives.

5.4.4   Risk management

It was determined from the literature review that it is almost impossible to audit the entire audit universe; as such, the risk-based approach assists internal audit to identify and address high-risk areas (Coetzee & Lubbe, 2011:45). This will be possible when a high-level review of the assessed risks facing a municipality can be performed by the CAE to determine the direction of the annual audit plan. Cascarino (2015:53) recommends that the top ten risks should be prioritised during annual audit planning, in addition to the mandatory or prescribed audit activities specified in legislation or statutory regulations.

Study participants were therefore asked whether they made use of municipal risk registers when drafting their annual internal audit plans. The study intended to gather data that would determine whether risk registers of municipalities, if relied on by internal audit during their planning, would lead to an audit universe related to the achievement of service delivery, which is the core business of the municipality. Lastly, the study interview schedule was also designed to determine from participants whether service delivery protests are perceived as a risk by management. The responses of study participants to these questions are detailed below.

►1   Use of risk register

All ten of the participants in the study stated that they use their respective municipalities' risk registers as the basis for their internal audit plans.

- However, one of the ten participants strongly felt that the risk register he obtained from the risk management unit was not a true reflection of the risks facing the municipality. According to the participant, the risks on the register were not linked to the key and strategic objectives of the organisation; similarly, emerging risks were not identified, not reported, nor effectively "noted" (recognised).

- Another participant highlighted the fact that some risks are significantly over- or under-rated because management lacks an understanding of risk management processes.

- A further participant highlighted that in his municipality the risk manager's position has been vacant "for a while now", and that this was having a negative impact on internal audit's planning efforts.

- The remaining seven participants were comfortable with the accuracy of the risk registers received from their respective municipalities' risk management units.

►2   Top five risks in the registers

During annual planning the study participants consider the top five risks facing their municipalities. Thus, the study requested participants to list the five highest risks identified by their municipalities. The municipalities have each identified a different set of risks of different categories. These various risks were analysed and below is a summary of what was similar across all ten municipalities:

- Five municipalities identified one of the following as one of their top five risks:

    - Human resources –ranging from unfilled vacancies, labour, labour [skills] loss, unskilled labour, to labour relations matters.

    - Land – specifically land invasion events, illegal use of land, and land not used optimally, or not available for a key use/purpose.

- Four municipalities identified service delivery as a major risk (particularly their failure to deliver services,) resultant protests, and poor service delivery.

- Three of the municipalities noted data loss, information technology issues and business continuity as a top-five risk.

- Three municipalities identified aging infrastructure as posing the most significant risk.

►3   Service delivery protests (identified as a risk)

Study participants were asked whether "service delivery protests" was identified as a risk during annual risk assessments. Eight of the ten study participants responded affirmatively that service delivery protests were identified as a risk. The identification was done either

as a "possible consequence", or as a "main risk". Below is a summary of how service delivery was identified in the risk registers:

- as a consequence of "delayed procurement" risk in one of the ten participating municipalities;

- as a consequence of "poor project management" risk in one participating municipality;

- as a consequence of "poor service delivery and/or an inability to deliver services" risk in four participating municipalities;

- as a consequence of "lack of co-ordination of interrelated efforts by municipal departments" risk in one participating municipality, and

- as a consequence of "failures of ageing infrastructure" risk in one participating municipality.

►4 Summary of findings on risk management

The findings are summarised in Table 7 below.

Table 7: Summary of findings on risk management

Sub-category	Finding
Use of risk register	- Concerns relating to availability of risk registers. - Some risks are over- or under-rated due to management's lack of understanding of risk management. - Risk manager's post has been vacant "for a while now", and this will negatively impact internal audit's planning. - The risks on one of the register were not linked to the key and strategic objectives of the organisation.

►5 Conclusion on risk management

The literature review in Chapter 2 (Section 2.4.3 on p. 21) examined the importance of a risk register as a guideline for internal audit. Essentially, if risk assessments are not done in line with a recognised risk management model, the risk register has the potential to mislead the efforts of internal audit and that of management. Management's lack of understanding of risk management principles and objectives can distort the process if not addressed. The result thereof will not only be misleading to internal audit, but also to

management's efforts. Erroneously or deliberately underrated risks could more easily materialise, leading to catastrophic consequences for an organisation.

The responses indicated that all study participants relied on the risk registers prepared by their respective municipalities when drafting their internal audit plans. The top five risks identified by study participants were analysed and a possible relationship was noted between "service delivery protests contributing factors" and the "top five high risks": the links identified during the study are as follows:

- The human resources risk is linked to " lack of capacity";

- risks named "service delivery", "poor delivery of services" and "failure to deliver services" are linked to the study problem at large;

- ageing infrastructure was noted by one of the participants as one of the contributing factors to lack of water in the Limpopo Province. Water was raised as one of the problems that they are faced with by 76% of the protesting communities in Limpopo (Refer to Appendix C on p. 161), and

- Although not identified in the literature review, "invasions due to lack of land/illegal land use" could spark discontent amongst communities and municipalities if the risk is not well addressed.

The research did not study the effectiveness of risk management in participating municipalities. However, the fact that 80% of the municipalities have in one way or another identified service delivery protests as either a risk or a possible consequence of a risk, demonstrates that management is aware of the need to actively manage this possibility.

This also means that the risk universes of the respective municipalities may be facilitating risk based-audits in areas which are linked with or likely to lead to service delivery protests, thus putting internal audit in a good position to interrogate controls intended to mitigate these risks. Thus, internal audit should be in a good position to give management a measure of assurance on whether these controls are functioning as intended or not. What remains a question of key importance is how management reacts to internal audit's recommendations that emerge from these audits.

5.4.5   Management's support of the internal audit unit

Fulfilment of internal audit's role depends largely on management's support of the function. Study participants were asked whether their efforts to fulfil their mandate are supported by management. Below is a summary of responses from discussions with the study participants on this aspect:

►1   Internal audit unit is receiving support from management

Three of the ten study participants responded that they were receiving sufficient support from management to enable them to carry out their mandate.

►2   Internal audit unit undecided on management's support

One participant was ambivalent, and unable to give a definite answer: his management was highly selective in terms of their support towards the internal audit unit.

►3   Lack of support by management

The remaining six participants indicated that they are "not supported" by management, citing the following reasons:

Lack of understanding of internal audit*: six study participants believe their respective management's lack of support is due to their management's limited knowledge of internal audit's role, demonstrated by the incidents listed below:

- Two of the participants (of the six who did not have management's support) mentioned that they were perceived by management to be spies for the council or for politicians. This situation, for one municipality, recently improved after the appointment of new internal audit manager who managed to change the perception of management on the role of the internal audit activity. For the other municipality, the distrust and lack of understanding continue.

- In one municipality, members of the internal audit team believe that they are seen as "fault finders", who never have anything good to report about the municipality's affairs;

- In one municipality, the participant stated that they were perceived to be "always asking for information" and never allowing management and other officials to do their work.

- In one municipality, a participant recalled how he was requested by the Accounting Officer to "remove" some of the audit findings from the municipality's internal audit report.

- In the final instance, the participant stated that their internal audit reports are sometimes used to "deal" with people (i.e., management took a keen interest in internal audit reports that implicated a particular manager whom they wanted to discipline, or with whom "…they had scores to settle").

Limitation of scope when performing audits due to lack/delay of information: one of the six study participants who lacked management support mentioned the fact that management frequently fails to give internal audit the information it requires for audit purposes. This issue persists to the extent that it is invariably referred to the audit committee; only after such an intervention does management react as initially requested.

Internal audit units are not fully capacitated (vacancies and training): two of the six study participants who do not have management's support raised the challenge of not being fully staffed and not afforded opportunities to spend time on on-going technical and professional training. This negatively impacts their ability to fulfil their roles and responsibilities.

Management does not implement internal audit's recommendations and action plans: of the six study participants who mentioned not having management support, five of the study participants have a problem of audit recommendations not being implemented, while one of the participants did not experience this problem. Participants highlighted the fact that while management agreed with the proposed remedial action plans, it does not implement their recommendations.

- Two of the five participants whose audit recommendations were not implemented ascribed this to the fact that the internal audit unit was "… not being taken seriously".

- One of the five participants whose audit recommendations were not implemented mentioned that it was easy for management to ignore or fail to implement their

recommendations because the performance management system was ineffective. In other words, no one was held accountable for poor control environment and failure to implement audit action.

- Another participant was of the view that the major reason for internal audit's recommendations being ignored is that both the internal audit unit and the audit committee lacked "authority". He reported a perception that "… internal audit in local government is merely for compliance". Another participant strongly emphasised that "… until internal audit and audit committees are given real authority in municipalities to enforce implementation, management will not take internal audit recommendations seriously …"

- One of the participants whose audit recommendations were not implemented contrasted the reception of their reports with those of the AGSA, and highlighted that the external audit reports are taken seriously, with all sorts of committees being formed to address their recommendations and action plans. Unfortunately, nothing approaching that degree of seriousness is done with their internal audit reports. He believed that this could be because the AGSA's reports are eventually presented in the Provincial and National legislatures, which lends urgency and the need to be seen to be responding appropriately.

►4 Summary of findings

The findings discussed above are summarised in Table 8 below.

Table 8: Summary of findings on management support of internal audit

Sub-category	Findings
Management's support of internal audit	There are critical issues identified by study participants that have a negative impact on the effective functioning of internal audit, including compromising its independence: • failure to implement IA's action plan; • internal audit under-resourced and not given access to appropriate training; • limitations imposed on audit scope (not provided with required information), and • being requested/instructed to remove findings from internal audit reports.
Management's support of internal audit	In some instances, as demonstrated above from the study analysis, management's lack of support emanates primarily from not understanding the role of internal audit.

Sub-category	Findings
Management's support of internal audit	A perception by internal auditors that they have no authority and are "merely appointed for compliance" was observed.

►5 Conclusion on Management's support of internal audit

Overall, some internal audit units feel supported by their municipalities, and others feel they are not being supported by management. Essentially, what differentiates the two is the quality of the "tone at the top" (i.e., how individual senior managers and members of council advocate for internal audit). Thus, at one of the municipalities, the executive mayor has invited the CAE/internal audit manager to include in his progress reports a list of the challenges, which the internal audit unit faces when attempting to implement their annual plan, plus other audit-obstructing matters they encounter.

It is also difficult not to agree with study participants that management lacks understanding of internal audit roles. Consequently, they do not always implement agreed-upon action plans and, in some instances, they attempt to influence the audit report findings. Instead of using the internal audit report to improve the control environment, in some instances efforts are wasted due to an incorrect perception about the role of internal audit.

Some participants claimed that internal audit units were not being taken seriously because the unit lacked "authority" in municipalities; and that internal audit existed merely for "compliance" purposes. Without the necessary authority, these participants stated, internal audit will not succeed. It is worth noting that internal audit units in municipalities are established in terms of Section 165 of the MFMA, but ultimately it is the "tone at the top" that determines internal audit's "real authority". Thus, by demonstrating and imparting an understanding of the importance of internal audit to the management team by the "tone at the top", internal audit unit can become a function that "adds significant value" to municipalities. The "tone at the top" needs to also address managers that are not co-operative with internal audit as well as to encourage internal audit to report matters that hinder their success to the established oversight committees, the councils, and to the mayors, who are the ultimate leaders of the municipalities.

5.4.6 Management's reaction to internal audit's findings

The objective of this study is to determine whether internal auditors' roles in municipalities can assist management's efforts to minimise or reduce service delivery protests. Part of the internal auditors' key responsibility to report on their findings, as detailed in the literature review. An audit report, detailing findings noted during audits, is a key product of internal audit units in municipalities.

►1 Reaction of Management

Internal audit assists management to achieve their objectives through rendering assurance on controls related to activities which management perceives to pose high risks. However, management's implementation of internal audit's recommendations resulting from audit reports is central to the effectiveness of internal audit.

Participants were therefore asked how management responded or reacted to their audit findings, as documented in the internal audit reports, in order to determine if management creates an environment conducive for internal audit's role to be effective. Below is a summary of respondents' answers:

Management accepts findings: five of the ten study participants reported that they did not have issues with management when presenting findings. Their findings were accepted and action plans agreed on.

Management requests evidence on findings: four of the ten study participants reported that management was generally argumentative when findings are discussed.

- Three of these four participants highlighted that when they present solid evidence, management accepts the situation and owns the findings; in addition, one participant mentioned that management, after accepting the audit findings, actually acknowledges how internal audit has assisted them.

- However, one of the four mentioned that, in some instances, upon failing to reach an agreement, the findings in question are battled out at the audit committee meeting, where it is left for the committee to decide on way forward.

Management does not make themselves available for discussion of the findings: one of the participants mentioned that the internal audit unit struggles to get management

to commit to attend exit meetings where findings are to be discussed, saying that "They don't avail themselves…"

Management does not address audit findings: at seven of the ten participating municipalities, participants reported that management does not finally address the issues raised by internal audit.

- At five of the seven municipalities, no reason for ignoring audit action plans is provided.

- However, in two of the seven municipalities the reasons offered for not implementing the recommendations are mainly related to budget constraints and political interference. Political interference was described as situations where political leaders take decisions affecting the municipality's administration without any regard for its administrative policies and procedures or longer-term consequences. For example, the community approaches the mayor directly to book municipal facilities, at no fee, according to the participants. In another instance, the community was promised that their water bills would be written off. These events negatively affect management's response to adverse internal audit findings which follow, as management says that they do not have the authority to overturn or question decisions taken by political leaders in the municipal council.

Management feels personally attacked when faced with adverse internal audit reports: in one of the ten participating municipalities, management reportedly feels personally attacked when implicated by internal audit findings (e.g., when they are part of a sample selected for not meeting the job's minimum requirements).

Management reacts positively to consulting, but not to assurance: one participant highlighted that management responds far more positively to consulting engagement reports than it does to assurance. They tend to take interest in and implement agreed-upon action plans arising from consulting engagements, but not from assurance engagements.

►2   **Follow up audits**

Internal auditors participating in the study were asked whether they perform follow up audits of previously reported findings as part of their roles. All the participants affirmed that

they do perform follow-up audits, with the majority indicating that these follow-up audits are scheduled on their annual plans. Below are issues of concern picked up from participant's responses.

- In one municipality, it was mentioned that follow-up audits for engagements recurring annually are not always performed as "stand alone" audits, but are instead built into the next formal audit. The determination of whether action plans have been implemented is done first, at the beginning of the audit, and prior to proceeding with the rest of the engagement (e.g., before starting a Supply Chain Management audit for the current year, internal audit would first enquire whether action plans related to the previous year's findings had been implemented).

- Two participants indicated that performance of follow-up audits is a challenge, as they are sitting with lists of long-overdue management audit action plans.

►3 Summary of findings

The overall findings on management's reaction to internal audit's findings are summarised in Table 9 below.

Table 9: **Summary of findings on management's reaction to internal audit's findings and follow up**

Sub-category	Findings
Management's reaction to internal audit findings	Analysing the various reactions from management when confronted with internal audit findings, it is difficult not to relate them to management's "lack of understanding of internal audit" or of internal audit's role.
Management's reaction to internal audit findings	Management does not implement internal audit's recommendations and/or agreed action plans.
Follow up audits	- In some instances, follow-up audits to verify implementation of previous findings are not scheduled, but are performed immediately prior the performance of the next similar audit. This might lead to a culture tolerant of non-compliance with due dates set, due to the knowledge that internal audit will not be following up until long after action plan due date. - If the internal audit unit is scheduling similar audits annually, it could be an indication that the risk universe from which these audits are sourced is not improving (i.e., if risks previously rated high improved to a lower rate in future years, internal audit would not necessarily schedule an audit related to that business process annually – with the exception of mandatory audits).

►4   Conclusion on management's reaction to internal audit findings and follow up audits

In Chapter 2 of this study (Section 2.4.8►2 on p. 32), the importance of management buy-in to internal audit's findings was emphasised. The literature review documented that if internal audit action plans were not implemented, this renders internal audit ineffective, negating their mandate to assist management to achieve their objectives.

Responses from study participants demonstrate that management generally agrees with internal audit findings, when evidence is provided. Some management reactions to internal audit findings demonstrated a lack of understanding of the role of internal auditors in local government. The most concerning reactions, however, are the slow (or non-) implementation of action plans noted, without reasons, in five municipalities. This not only renders the internal audit units ineffective, but also exposes the municipalities to the risks and weaknesses, which the internal audit units' findings highlight.

5.5   AUDIT COMMITTEE EFFECTIVENESS

The roles and responsibilities of internal auditors, and fulfilment thereof, were determined in Section 5.4 above (p. 77). The audit committees were identified in the literature review as the oversight committee most likely and able to ensure the effective functioning of the internal audit unit. The study therefore asked participants whether their municipalities had established independent audit committees, whether they were functioning as intended, and whether the participants experienced these structures as assisting them, particularly on issues relating to management's support of internal audit. Below is a summary of study participants' responses:

5.5.1   Existence of audit committees

All ten participants in this study confirmed that their municipalities had established audit committees, which were active at the time of the interview.

5.5.2 Roles of audit committees

According to all ten participants, their audit committees assist internal audit by encouraging management to implement agreed action plans: in five of the ten municipalities, this approach proved to be successful.

However, in the remaining five municipalities, the audit committee has been left with no option but to report to the municipal council on management's failure to implement (or lack of commitment to implementing) the recommendations and agreed action plans provided by the internal audit unit.

In three of the five municipalities where the audit committee had to escalate the issue to council, the outcome thereof was that management quickly resolved the audit findings. In the remaining two municipalities, neither management nor council, for reasons noted below, did anything:

- council members did not understand the roles of either the audit committee or the internal audit unit, and

- other administration issues took precedence in council agendas and the audit report and related audit issues were not prioritised.

5.5.3 Summary of findings

The findings on audit committee effectiveness are summarised in Table 10 below.

Table 10: Summary of findings on audit committee effectiveness

Sub-category	Finding
Audit Committee effectiveness	• Intervention by the audit committees to ensure that management addresses the recommendations and action plans of the internal audit unit does not always yield the desired results. • Council members are not familiar with the role of internal audit.

5.5.4 Conclusion on audit committee effectiveness

Emerging from the literature review was the fundamental importance of governance structures such as audit committees, municipal public accounts committees, and risk management committees. When the internal audit unit of a municipality reports to an oversight committee, which in turn reports at a level above management, this not only

strengthens governance, but assists internal audit's efforts to ensure that management is held accountable for implementing agreed action plans, and addressing audit findings (Ratsela, 2015:18).

When the audit committee tables their report to council, councillors need to understand what it means. The report usually addresses the functioning of internal controls, external audit matters, risk management, governance and performance management (in instances where audit committees are also required to act as performance management committees). When the recommendations of all the various assurance providers are implemented, that gives an indication that the identified risk factors will be mitigated to a level that falls within the municipality's risk appetite, which in turn improves the likelihood that organisational objectives can be achieved, and reduces the probability that risks will materialise.

It therefore remains an essential requirement that both management and council members fully understand and accept the role of internal audit, in order to derive the benefits of having such a function.

5.6   SERVICE DELIVERY PROTESTS

In recent times, South Africans have taken to the streets to vent their frustrations at the lack of service delivery by the current local government institutions. Service delivery protests discussed in this research study specifically exclude all other protests, such as labour picketing, educational fees disputes and xenophobia-related outbursts. This study is limited to protests regarding the delivery of basic services by municipalities, including (but not limited to), housing, water, roads, electricity, and refuse collection. In the period 2012 to 2015, it became normal to protest the absence or slow receipt of services from municipalities. This escalated to include the burning of tyres, blocking of access routes, and the destruction of community assets, to the extent that this practice became the new "normal situation".

Section 5.4 outlined study participants' responses to questions on their awareness of their roles as well as fulfilment thereof. The objective of this study is to determine whether the performance of the roles of internal auditors can assist management to minimise or reduce the service delivery protests in respective municipalities. If the study is to make such a

determination, study participants' knowledge of the substance of the service delivery protests in their respective municipalities needed to be established. However, of more importance would be a determination of their opinion, relating to the ability of their roles, if effectively performed, to lead to the minimisation of service delivery protests.

In order to determine whether there is a role, internal auditors can play to assist management to minimise or reduce service delivery protests, the items below were discussed with the study participants:

- whether study participants' respective municipalities have indeed, as outlined by various media reports, experienced service delivery protests;

- study participants' knowledge of issues raised by protesting communities;

- study participants' knowledge of the causes of services delivery protests;

- study participants' confidence that their respective municipalities will achieve their objectives, and

- study participants' opinion on their respective municipality's management's ability to achieve their objectives.

Lastly, the study established study participants' opinion as to whether their roles, if effectively performed, would lead to a minimisation of service delivery protests; as well as links, if any, between internal audit reports and issues raised by communities during protests.

5.6.1   The occurrence of service delivery protests

Limpopo Province has 25 local municipalities organised into five district municipalities. From the literature review, media reports and other sources, the study identified 21 local municipalities in Limpopo Province which experienced service delivery protests in the period 01/01/2013 – 31/12/2015. Seven of the 21 local municipalities, which had experienced service delivery protests during that period were selected and included as study participants. The study also included three additional municipalities, which had no record of service delivery protests in the period 01/01/2013- 31/12/2015. These three additional municipalities were included in the research to allow the researcher to compare their service delivery approaches with those of the municipalities that had experienced

protests, so as to better understand, by way of the contrasts, the role played by the internal audit unit and to note the lessons, if any, which could be derived therefrom.

When conducting the research interviews it emerged that, despite media reports, not all of the reportedly protest beset municipalities had in fact experienced protests. Similarly, of the three presumed "protest-free" municipalities, only two turned out to have been truly without service delivery protests. Table 11 summarises the experiences of all ten of the finally selected research participants with regard to protests.

Table 11: Summary of selected research participants and an indication of whether they had experienced protests or not

Participant	Experienced protests	
	According to media reports and other sources	According to participants during interviews
P1	Yes	Yes
P2	No	No
P4	Yes	Yes
P6	Yes	Yes
P7	Yes	Yes
P8	No	Yes
P9	Yes	Yes
P10	No	No
P11	Yes	Yes
P12	Yes	Yes

5.6.2 Participants' awareness of issues behind community protests

Appendix C (p. 161) lists issues raised by communities during service delivery protests, which took place in the Limpopo Province during the period 01/01/2010 – 31/12/2015, collated from various media reports and other sources. Study participants were asked (as part of the research interviews), whether they are aware of the issues which the community had raised during service delivery protests. The participants' responses were compared to those recorded in Appendix C, to determine similarities. Table 12 below summarises the comparison.

Table 12: Participants' awareness of issues behind community protests: Comparison between participants' responses and Appendix C

Participant	Participants' responses	Appendix C
P1	The community does not have water	Agrees with Appendix C
P2	No protests	N/A (No protests were discovered during the literature review process.)
P3	Water billing and housing	Agrees with Appendix C
P4	Water and internal roads	Media search did not identify specific reasons for protests: protest reasons were simply recorded as "service delivery" issues.
P5	We have had protests in the municipality regarding water, which should have been staged at the water authority, which is the District Municipality.	Agrees with Appendix C.
P6	The IDP projects were planned to go to the identified villages, but budget rollover was not approved: as such the municipality sacrificed those projects. Municipality communicated this to the community but they still came and demanded the projects [be undertaken].	N/A (No protests were discovered during the literature review process.)
P7	Internal auditor acknowledged protests over water as recorded in Appendix C. However, the internal auditor has "never heard of" the other issues recorded in Appendix C.	Agrees in part with Appendix C, but only those issues regarding water supply.
P8	No protests in the period 01/01/2013-31/12/2015.	N/A (No protests were discovered during the literature review process.)
P9	Poor service delivery – mostly related to water, electricity and internal roads. In the IDP the municipality notes that they will cover electricity and water, for counted families there. When services come, people who only had stands will then erect shacks.	The internal auditor does not agree with Appendix C. Appendix C only picked up the community's "tar road concern". Tarring of provincial roads is not the responsibility of a local municipality.
P10	Nepotism, favouritism in tender awards, mismanagement of funds and water.	Agrees with Appendix C

Table 12 indicates that the list of problems identified during the literature review is not far from the reality experienced by the communities. According to participant P5, protests in his municipality were related to water, which is a district municipality matter. There was also an issue of a Provincial road, cited by participant P9, the only such issue picked up during the literature review. According to participant P9, this matter was a Provincial case,

to which the Province and the Road Agency Limpopo subsequently attended. Apart from the two exceptions mentioned, Appendix C (p. 161) reflects what the problems of the relevant communities are.

The comparison confirms that internal auditors are generally aware of the issues raised by and affecting communities. Thus, they are well positioned to answer questions related to causes and triggers of service delivery protests, and to offer insightful opinions on whether the performance of their roles and responsibilities can assist the resolution of these issues, before they erupt into protests.

5.6.3   Causes of service delivery protests

In the literature review, the causes of service delivery protests were linked to a lack of internal controls. The inclusion of the question in the study interviews was thus intended to uncover "weaknesses in the internal control systems", which could lead to service delivery protests (specifically within the participants' respective municipalities). The majority of the participants who had experienced service delivery protests offered specific comments or insight regarding the link between the state of their internal control systems and the occurrence of service delivery protests. However, the comments of those participants whose municipalities had not experienced protests tended to be more general. Below are details of key and illustrative responses from participants, regarding what they perceive to be the causes of service delivery protests:

►1   **IDP promises not fulfilled due to funds being reprioritised**

Two of the ten study participants cited the phenomenon of projects promised to the community by the municipality being reprioritised due to insufficient funds having been allocated.

►2   **Lack of communication**

- Three of the ten study participants cited as the major cause of service delivery protests, the lack of communication by the municipality to communities regarding a realistic number of projects to be delivered in one financial year.

- In two municipalities, officials do not communicate the lack of resources to community members. As one of the participants recalled: "It is as if, when a list [of projects] is discussed and collated from communities during the IDP consultation [process], it is [treated as] final." Officials do not emphasise the fact that financial resources have not yet been distributed to the municipality during the IDP consultation process. If acknowledged, this would alert the community to the limits on the number of achievable projects possible in any one year.

- In one municipality, the participant mentioned that the communities had been informed of the need to reprioritise previously scheduled projects and it appeared that they understood. However, subsequently, what the participant described as "malicious political influence" was used to mobilise the community to protest and raise the very same issue.

It is worth noting that, in contrast to the three responses above, in one municipality the mayor clearly communicates what can realistically be delivered, and regularly emphasises the limited availability of resources. Not surprisingly, this municipality has not experienced service delivery protests. The communication model used involves frequently speaking to the community (through local chiefs), to provide briefs on the progress of current and future projects. The study participant in this municipality observed that these meetings prevented the community from feeling "left out" of the infrastructure development and service delivery programmes in their respective villages.

▶3 Political interference

- According to participating internal auditors in three municipalities, political interference is one of the causes of service delivery protests.

- One participant stated that communities are often briefed on the "reprioritisation" of funds. However, the "reprioritisation" is only done after the actual funds allocation has been received by the municipality. This essentially means that what the municipality budgeted for and promised the community has to change, in line with the now-limited funds allocation. According to this participant, these changed situations are communicated to the communities in his municipality. The challenge, however, comes when these same communities still protest about the same issues

that have previously been discussed. The participant concluded, "This is usually due to political influence at community level."

- In one municipality, protests have been provoked by electioneering promises made by councillors regarding housing and other services, which then fail to materialise.

- In a related set of circumstances, a research participant observed that some political leaders do not openly communicate the status of ongoing projects with communities, nor do they provide reasons why certain projects cannot take place, because of their fear that opposition parties will use this information against the majority political party in that municipality.

►4   Poor planning

In one of the ten participating municipalities, the participant claimed that poor IDP planning caused service delivery protests. Decisions to effect changes are taken after the projects have been agreed on with the community and included in the IDP. Disappointment and protests could be avoided if the municipal officials did proper research and planning in the first place.

In this instance, the municipality agreed to the construction of a sports complex, which became one of the projects identified in the IDP and agreed on with the community. However, during the financial year it was decided that, because a nearby village already has a similar facility, this new sports facility would be unnecessary, and the project should thus be changed to something else that would benefit the community. This led to a protest. "This [the presence of an existing and accessible nearby sports complex] was known during [the] IDP consultation [phase] but it took a long time [for the municipality] to realise that maybe they can give them something essential instead of another sport facility", the participant elaborated.

►5   Delays in starting and finishing projects (Poor project planning and project management)

One of the ten study participants mentioned poor project planning and management as a cause of service delivery protests. According to this participant, the municipality frequently experienced delays in procurement, and as a result, projects often start later than

scheduled. In addition, sometimes the municipality appoints non-qualifying contractors; projects are allowed to overrun their delivery dates; and contractors request budget variations worth more than 50% of the initial project budget.

►6 Lack of awareness

Another contributing factor mentioned by a participant was a lack of awareness within the community of the difference between IDP consultation meetings and performance meetings. This often results in confusion, as community members insist on raising matters relating to the municipality's performance (on agreed projects) at IDP consultations (which are intended for the identification of future projects). The community often gets angry when their questions are not satisfactorily answered.

►7 Rapid increase in the number of households in certain parts of the municipality

One of the participants highlighted the fact that the municipality's plans are often "put off" or aborted because of complications caused by the rapid increase in the number of households expecting to receive services. As an example, their municipality had planned to electrify and render other services to a specific number of households. By the time that the project was due to commence, the number of households in that area had doubled. It appeared that more households had migrated to that side of the municipality and erected shacks in the expectation of also receiving services.

►8 Other causes of protests

Six of the ten participating study participants cited water as a priority problem in their municipalities, while three cited internal roads and electricity as their most challenging issues. Corruption was cited by only one of the participants as their major service delivery issue.

Water, electricity and internal roads emerged as key services needed by the communities in the Limpopo Province. Whilst water is a responsibility of the district municipalities, this does not remove the problem from the local municipalities' doorsteps. Communities simply take their concerns to the nearest point of contact with officialdom, which is the local municipality. This is because the district offices are in some instances geographically far removed from the aggrieved and affected communities.

Corruption, when cited, took the form of nepotism, favouritism (manifest as the awarding of tenders without following formal procurement processes), and mismanagement of municipal funds.

5.6.4 Management's achievement of their objectives

Four of the ten study participants observed that their respective municipal management teams would achieve their objectives; three indicated that they would not. The remaining three were somewhere in the middle, stating that not all targets would be met, but that their municipalities would nevertheless make a significant (and positive) difference to the quality of the lives of their communities.

Participants' (six of the ten) reasons for lack of confidence that their respective municipality managers would achieve their objectives are listed below:

►1 Performance management system

One of the participants mentioned that the performance management system in his municipality was not effective, and that there were no formal consequences in place for management's failures to implement approved plans and programmes. Essentially, management gets away with poor performance.

In another municipality, by way of contrast, performance management is so effectively implemented that it is seen as one of the reasons why management achieves their targets. The participant stated *"…management was afraid of failing its performance management evaluation and being exposed as incompetent."*

►2 Audit recommendation are taken seriously

Four of the study participants expressed the view that part of their managements' success stemmed from the implementation of their audit reports' recommendations. They presented examples of various audits they had performed, which were linked to management's successes. Their audits were in areas that included performance management systems, project management and supply chain management. It was, in their opinions that when the recommendations emanating from these audits had not been

implemented that management's service delivery targets might also not be effectively and efficiently achieved.

►3 Expenditure on conditional grants and budget

Management's ability to spend their budget and conditional grants can be regarded as a barometer of management's success in providing basic services. When the conditional grants, such as the Municipal Infrastructure Grant, are correctly spent, it means that projects are being undertaken, and that service delivery backlogs are being reduced. Inability to spent budgets and conditional grants was raised as a concern by three of the six study participants who had experienced service delivery protests.

►4 Unauthorised, irregular, fruitless and wasteful expenditure

In one municipality where grants were fully spent, the majority of that expenditure was deemed irregular. In another municipality, management and council are apparently in the habit of spending on items not in the budget. This leaves planned programmes and projects that have officially been budgeted for unfunded.

►5 Capacity (vacancies and human resources)

In two of the participating municipalities, the study participants blamed management's failure to achieve their objectives on a lack of capacity. Key personnel positions that were still vacant included CFOs and Municipal Managers, as well as key directors and managers reporting directly to the Municipal Manager. As one study participant observed, "…these positions have been empty for a longer period than desired", and this was one of the reasons why, the municipality had failed to spend its conditional grants.

►6 Political interference

Political interference was raised by one of the participants as a significant weakness that undermined the municipality's ability to achieve its targets. Examples provided included municipal facilities being made available to communities without following the required administrative processes, and for free. In one instance, it was mentioned that a politician had promised the community that their outstanding municipal bills would be written-off, a

promise that could have negative effects on revenue collection and cash flows of the municipality.

5.6.5   Link between internal audit reports and issues raised by communities during protests

Section 5.6.2 on p. 98 documented a discussion with participants on the correlation between their reality and the issues raised by communities, as identified in the literature review (facilitated by Appendix C, p. 161). The study participants were thereafter asked to identify any issues in their internal audit reports that might be linked to the issues raised by communities during protests. The intention of this analysis is to determine whether municipal internal auditors have a role to play (or are already playing a role) in addressing the issues raised by communities and the causes of service delivery protests. Table 13 below summarises the results of the analysis.

Table 13:   **Link between internal audit reports findings and issues raised by the communities during service delivery protests**

Participant	Issues raised by the communities (according to participants)	Link between community issues and internal audit reports
P1	Protests are caused by politicians. Politicians will manipulate weaknesses in the municipality. In our municipality, that is what caused the protests.	No link
P2	No protests	No protests
P3	One of the issues related to billing for water; and another related to housing.	No link
P4	Water and internal roads	Yes, we did a project management audit on Roads Services (where we checked municipality's development of internal roads, planning of maintenance (such as re-gravelling). It was reported to management that failure or delays in implementing this project could negatively impact community members' lives.
P5	Protests staged against the municipality were related to water. These protests should have been staged at the water authority, which is the District Municipality.	No link

Participant	Issues raised by the communities (according to participants)	Link between community issues and internal audit reports
P6	Per IDP, projects were planned for identified villages, but budget rollovers were not approved, and as a result, the municipality dropped those projects. Municipality communicated to community but they still came and demanded the [completion of the] project.	No link.
P7	Roads which were reportedly non-functional, and there was lack of water. Certain communities do not have water and electricity.	Yes there is, especially on the performance information. We picked up that performance information communicated to communities is not always a true reflection of the actual performance. Communicated information is overstated or understated (i.e., manipulated to minimise negative impact). Subsequent to this discovery, we requested that management should correct this.
P8	No protests in the period 01/01/2013-31/12/2015. Prior this we had one major protest in 2013. The community wanted the current mayor to resign.	No link
P9	• Political instability and poor service delivery. • Poor service delivery – the community mostly complain about water, electricity, internal roads.	As part of our performance management quarterly audits, we sample and inspect various projects. In our findings we have showed to management: • inferior quality of projects; • payment of contractors occurring before finishing projects; • project delays, and • large variation orders.
P10	Nepotism, favouritism in tender awards, mismanagement of funds and water.	Internal audit raised the issue of ageing water infrastructure – that if it is not maintained – may result in failure by the municipality to supply water to its respective communities.

This comparison was intended to determine if there was any link between what internal audit had already reported to management and the issues raised during service delivery protests. Based on the responses above, 40% of the participants indicated that their reports had already dealt with some (but not all) of the issues that led to protests against the municipalities. Participants at four municipalities had alerted management regarding issues that had subsequently led to service delivery protests. It is therefore difficult not to

conclude that, had management taken heed of the recommendations emanating from those reports, some of the protests could have been avoided.

5.6.6   How can municipal management avoid service delivery protests?

The interview schedule probed internal auditors' opinions on the areas in which management could improve their performances, in order to minimise the likelihood of future protests by communities. Below are the responses of the study participants:

►1   Communication

Five of the ten participating internal auditors identified communication as one of the areas that their respective municipalities could and should improve on. Communities are often left out of the normal communication processes, and are sometimes frustrated by their ignorance of what is happening in the promised projects. Information is apparently only available when individuals go and enquire at the municipal offices. In one of the five municipalities, a participant recounted that a project which the community was protesting about had already been approved (but not started). However, due to the municipality's failure to provide the community with that information, the community decided to protest outside the municipal offices.

The other four participants of the five mentioned that municipalities need to communicate both good and bad news to the communities they serve. Municipalities should also inform the communities of decisions that have been taken by the council subsequent to the approval of budget allocation (i.e., communities need to know which projects will finally take place and which ones are going to be cut due to budget constraints). Of those that have been cut, the communities need to know which ones will be considered in the following financial year. Municipalities should also inform their communities when the approved projects are scheduled to commence, what their roles as a community are going to be in that project, as well as key project timeframes. One of the participants observed that political leaders often fear exploitation of situations by opposition political parties, hence their reluctance to volunteer information to communities, particularly negative information. One of the participants emphasised that "…communication should start with ward councillors, and not only be reserved for the Mayor. Ward councillors should give regular feedback."

►2   Improve supply chain planning and project management

Two of the ten participating internal auditors identified improvements to supply chain planning, as well as project management, as some other ways of minimising service delivery protests. In one municipality, it was observed that projects are taking exceptionally long periods (significantly beyond budgeted predictions) to reach their conclusions, and that the community is not always kept accurately informed on the status and likely progress of projects. Another participant recorded that in his municipality there were frequently delays affecting the start dates of projects and the appointment of contractors; in addition, contractors under-quoted the project, which led to them later abandoning sites and requesting management for variation orders.

►3   Public participation

One of the ten study participants mentioned that public participation by communities should be encouraged. Communities should attend and develop a keen interest in the public participation meetings and subsequent information sharing processes of the municipality, including other IDPs and feedback/service delivery-related meetings. This is where official feedback is provided to the community. The purpose of each meeting should be made known to the community so that they can attend, prepared to raise relevant issues.

►4   Delivery against pre-set objectives

One of the ten study participants recommended that management should strive to deliver on their Service Delivery and Budget Implementation Plan. This is a document detailing the implementation of promises made by municipalities to their communities. All of a municipality's efforts should be focused on ensuring that their pre-set objectives are met.

►5   Overall improvement of internal control system

One of the ten study participants recommended that management should work towards improving their internal controls. Increasing the effectiveness of internal controls will pave the way for achievement of their objectives, and thereby minimise protests.

► 6   **Implementation of internal audit's recommendations**

Another of the ten participating internal auditors, believed that the "….implementation of internal audit's recommendations would assist in reducing the likelihood of service delivery protests." Internal audit reports, according to this participant, identify key weaknesses in the processes of an organisation, many of which hinder the municipalities in achieving their pre-set targets.

5.6.7   How can the internal audit unit assist management to minimise protests?

This was the most important question, because it directly addresses the research's main objective and problem statement. The objective of the study is to determine whether performance of internal auditors' roles and responsibilities can assist management to minimise or reduce service delivery protests. Below is a summary of the answers provided by the study participants.

► 1   **Compliance with legislation and policies**

Two of the respondents mentioned that internal audit could assist management by determining whether the municipality's policies are correctly implemented, and periodically reviewed to maintain their compliance with relevant legislation. One of the participants emphasised the importance of compliance with legislation and policies on supply chain management. The participant pointed out that, when management attempts to deliver services without following correct procedures, this not only leads to irregular expenditure but also results in disputes with service providers over their appointments, which causes further delays in project completion and service delivery.

► 2   **Monitoring communication**

Two of the participants stated that, where projects have been re-prioritised, or are experiencing delays, internal audit could determine whether management has reported these changes to all affected stakeholders, and especially to the directly affected communities. Internal audit can perform audits of municipal communications processes. They can determine whether there is in fact a communications strategy and, if so, determine whether it is effective and adequate.

►3 Complaints register

One of the participants observed that internal audit should consider reviewing whether complaints registers are being effectively used, or used at all, to log complaints by communities. The review would include checking whether the complaints are being followed up, acted on, and feedback is provided thereof. Other checks would include determining whether the entire process is periodically reviewed by management.

►4 Risk Management

Three of the study participants expressed concern regarding the maturity of the risk management units within their municipalities; hence the need to audit this process. One participant mentioned that the current registers maintained by the risk management units are sometimes misleading, leading internal audit to perform more consulting work than assurance. Another participant pointed out that risks are in some instances under- or over-rated, and that this could be deliberate or unintentional, depending on management's understanding of risk management and the presence of other agendas. Exacerbating the problem, in one municipality the risk officer position has been vacant for some time.

►5 Legislated audits of performance system and information

Two of the study participants identified audits of performance system and information as key engagements, the results of which enable internal audit to assist management to achieve their service delivery mandate, thereby minimising the likelihood of service delivery protests. Various items were picked up during these types of audit, such as the fact that that the ward committees meetings were not scheduled as frequently as required. It was also found during these audits that management was over-stating their target achievements during communications with the community. In another municipality, the performance audit revealed how shockingly behind the municipality was on achieving its service delivery targets.

►6 Key performance indicators and targets that are behind schedule

Two of the study participants suggested that targets which municipal management is struggling to achieve should be identified. They added that internal audit should advise management on measures that could be implemented to fast track these service delivery

projects. Such measures could include concentrating all their efforts and resources on the problematic targets for a short period, and on discovering ways in which projects could be completed more efficiently.

►7   Procurement planning

One of the study participants mentioned that the bulk of the work that leads to effective service delivery is dependent on effective supply chain management processes. This participant mentioned that management should do more planning, and more effective forward planning, to avoid the late appointment of contractors. Ineffective or absent forward planning, and the late appointment of contractors, results in the municipality only showing progress on those targets and projects much later in the financial year. This participant had already made this recommendation to management, after a review of the municipality's supply chain management processes. However, the recommendation had not yet been implemented.

►8   Infrastructure and capital projects audits/ project management audits

One of the participants noted that performance of capital project/project management audits would add value to his municipality's management. The participant stated that this kind of assurance audit "… affords internal audit an opportunity to advise management on project management controls which assist in ensuring that projects are delivered to communities effectively, timely and efficiently." Recommendations from this type of audit not only improve operations within a municipality, but also directly affect the lives of the community.

►9   Internal audit recommendations

One of the study participants responded affirmatively that internal audit has a role to play in minimising service delivery protests, arguing that this role can be realised by recommending to management how they can address weaknesses embedded in their operational system. Recommendations to address findings raised during reviews of various business cycles, such as performance information, information technology and financial management systems, can, if implemented by management, actually provide service delivery efficiency. The participant said, "For example, one of our findings was that

management doesn't have procurement plans with dates, and no proper project management plan or a contractor activities management [process]. This has a direct impact on timeous completion of projects (which translate to timeous service delivery)."

► 10 **Workshop management on the purpose of internal audit**

One of the study participants mentioned the importance of management being able to trust the intentions of internal audit, and not to view them as spies, faultfinders or police. When management understands the role of internal audit, they are more positively inclined towards implementing audit's action plans. Internal audit units can facilitate workshops regarding the purpose of internal audit, but due to reported management perceptions, the exercise may yield better results if performed by a National or Provincial Department charged with oversight of municipalities' governance.

5.6.8 Summary of findings on service delivery protests

The findings on service delivery protests are summarised in Table 14 below.

Table 14:   **Summary of findings: Service delivery protests**

Code	Findings
Occurrence of service delivery protests	• The literature review identified seven local municipalities as having experienced service delivery protests; three additional municipalities were also selected because they had apparently not experienced service delivery protests. • It was however noted through discussions with the study participants that one of the three additional municipalities identified as having not experienced service delivery protests, had in fact also experienced such protests.
Participants' awareness of issues behind community protests	Overall, participants are aware of the issues raised during the service delivery protests.
Causes of service delivery protests	Participants appeared to possess knowledge of causes of service delivery issues. This puts them in a good position to advise management on how to avoid or minimise service delivery protests. Study participants highlighted the factors below as causes of service delivery protests: • IDP promises not fulfilled, due to funds being reprioritised; • poor communication; • political interference; • poor planning (IDP Planning); • delays in starting and finishing projects (Poor project planning and project management);

Code	Findings
Causes of service delivery protests (continued ...)	• lack of awareness, and • rapid increase in the number of households in certain parts of the municipality. There are similarities between causes of service delivery protests highlighted by study participants and those noted in the literature review. The literature review also highlighted: • poor supply chain governance, maladministration, corruption and fraud; • ineffective public participation processes; • lack of communication, and • lack of internal controls,
Management's achievement of their municipal objectives	Only a handful of study participants were of the opinion that management would achieve their objectives of delivering services to the communities. The majority of participants were unconvinced.
Link between internal audit reports and issues reported during protests	A link between findings reported by internal audit was found in 4 of the 8 municipalities which had experienced service delivery protests. Internal auditors at 4 municipalities selected for this study had already alerted management on issues which have, subsequently, led to service delivery protests. It is therefore difficult not to conclude that, had management taken heed of recommendations emanating from these reports, some of the protests could have been avoided.
How can municipal management avoid service delivery protests?	Below are, in the opinions of the study participants, solutions which management can consider as measures to mitigate the occurrence of service delivery protests within their respective municipalities: • improve communication; • improve supply chain planning and project management; • encourage public participation meetings attendance; and the community educating themselves on the purpose of such meetings; • deliver against pre-set objectives; • improve internal control system, and • implement internal audit's recommendations.
What role can the internal audit unit play to assist management to minimise protests?	Various solutions were recommended by internal auditors based on their knowledge of factors causing service delivery protests. Two key solutions were noted: • implementation of internal audit action plans by management, and • continued risk based and compliance auditing (e.g., legislated performance audits, risk-based supply chain and project management audits). Additionally, auditing of complaints register and of communication was also suggested. Study participants additionally demonstrated that their audit reports (already issued), contained recommendations which occupied the "space" of "causes of service delivery protests". In other words, internal auditors are already positively contributing towards minimising protests. The major setback, however, is the frequent failure of management to implement the recommendations and action plans contained within audit reports.

5.6.9 Conclusion

The literature review identified seven local municipalities as having experienced service delivery protests; three additional municipalities were also selected because they had apparently not experienced service delivery protests. The study revealed, through the personal interviews, that, in some areas, the literature incorrectly recorded the occurrence or absence of protests.

A majority of participants recognised all of the issues recorded in Appendix C (p. 161). The biggest challenge in the Limpopo Province, as suggested in Appendix C and confirmed through the discussions with study participants, is the provision of potable water. During the period 01/01/2013 to 31/12/2015, 76% of protesters undertaking protests against Limpopo Province's municipalities identified water as a key problem.

When participants were requested to identify the causes of the protests, communication with local communities was one of the common challenges faced by municipalities. Management did not always communicate with the communities and (in instances where there was communication) it was often not a true reflection of the situation on the ground. In addition, negative feedback was sometimes withheld from the communities because of fear that opposition parties might use it against the ruling party.

A majority of the study participants do not have confidence that their respective municipalities' management will achieve their objectives. However, the participants believe that, if management implements the recommendations emerging from their audits, there will be improvements in areas including performance management, supply chain management, and project management. These audits have identified key issues that have an impact on service delivery, including unreasonably extended project timelines, non-achievement of targets, and the problems caused by inaccurate performance management data. If management implements their recommendations in this regard, the subsequent operational improvements and benefits would spill over into their communities too.

A majority of the participants believe that through conducting "performance information audits" they can assist management to achieve their goal of service delivery. Such audits, according to Section 14(1) of the Municipal Planning and Performance Management Regulations, are mandatory and should be performed quarterly by internal audit.

A comparison of the causes of service delivery protests with the reports already issued by municipal internal audit units demonstrates that they are already playing some role in assisting management to achieve their mandate of providing services to communities. If the recommendations and action plans emerging from the audits can be implemented completely and in a timely manner, this would go a long way in assisting management to improve their operations and thereby achieving their objectives timely and efficiently. The consequence thereof would be a reduction in the number and intensity of service delivery protests.

CHAPTER 6.
CONCLUSION AND SUMMARY

6.1   INTRODUCTION

Various academic research studies have investigated the lack of service delivery by municipalities, and how this situation leads to service delivery protests. Other studies have focused on how internal audit operates in both the private and the public sectors. However, very few, if any, have comprehensively studied whether internal auditors can assist management in local government specifically to improve their internal controls and thereby creating an environment conducive to achieving set objectives and thus minimising service delivery protests.

As demonstrated in Chapters 3 and 5 of this study, service delivery protests are not just politically motivated outbursts expressing communities' legitimate grievances, but are also consequences of materialised risks which municipalities have failed to suitably address. If a municipality fails to meet its service delivery targets and fails to communicate with its community clearly and honestly, it is just a matter of time until the consequences begin to manifest. An unfortunate result of this is that the country is in a state of upheaval due to the significantly large number of municipalities not managing to achieve some of their service delivery objectives. These seemingly isolated protests can bring regional commerce to a standstill, due to the use of road blockades by the local communities to get attention for their grievances.

It is therefore imperative to have, within every municipality, effective and efficient internal controls and performance management systems. It is even more important to have an assurance mechanism which will inform management whether their controls and systems are functioning as intended. That is (or should be) the role of internal audit units employed by municipalities. Among other functions, internal audit units provide early warnings that certain objectives might not be achieved without timely remedial intervention.

The research objective was to determine whether the performance of the roles and responsibilities of internal auditors could assist in minimising or reducing the occurrence of the service delivery protests directed at their municipalities by respective communities. In order to answer this question, the study first identified the professional roles internal

auditors are expected to fulfil in municipalities, as mandated by various South African statutes and regulations, and the IIA Standards, amongst other relevant material. The study also attempted to determine the extent to which these roles are being carried out, and identified the various problems encountered by internal audit units in performing these roles. Lastly, the study identified, amongst a variety of interrelated solutions, the extent to which internal audit can assist municipal management to address some of the key issues that currently hinder their ability to deliver prescribed and required services, and thereby minimise the occurrence of service delivery protests.

This chapter provides a concluding overview and summary of the research study, and assesses the degree to which the objectives of the study have been met. This will be achieved by revisiting previous chapters, and recapping findings in relation to the study objective. Contributions this study has made to the body of academic research will be highlighted, as well as its limitations, which provide opportunities for further research. Lastly, the chapter will highlight lessons learned from municipalities with no protests as well as to present an overview summary of the research study.

6.2   REVISITING EARLIER CHAPTERS

Chapter 1 introduced the problem statement, the purpose of the study, and the questions that the study intended to answer. The chapter also presented an initial overview of the methodology to be employed during the study's empirical research phase, as well as providing explanations of key concepts used in the study.

Chapter 2 detailed the general roles and responsibilities of internal audit, using the IIA's definition of internal audit as its starting point. In addition, the chapter provided a thorough analysis of South African legislation and regulations that shape and guide the roles of internal audit units in municipalities.

Previous IIA definitions of internal audit were re-visited and compared with the current definition. The most notable aspect emerging from this progression of definitions is the current emphasis on assisting management to achieve their organisational goals through assurance and consulting audits focused on evaluation of internal controls, governance and risk management practices.

The study also reviewed the history of internal audit in order to understand its evolution and changing focus in an effort to determine the current expectations stakeholders have of modern internal auditors. Thus, the literature review and the study's own empirical research demonstrated that a modern day municipal internal audit unit needs to focus on more than the municipality's compliance with legislation. The modern day municipal internal audit unit must also be in a position to perform audit engagements across a wide spectrum of focuses, such as value-for-money procurement and supply chain management; capital project management, as well as verification of performance information. In addition, collectively, internal auditors in a unit must be in position to review financial controls and perform audits of various aspects of the use of information technology, in line with the assessed risks of the municipality. The auditor is also expected to be the municipality's independent advisor, who is equipped to challenge current practices, champion best practices, and who is generally the catalyst for improvements that will continuously assist management to achieve their objectives.

Chapter 3 examined the mandate of municipalities, which is to deliver various services to their respective communities, as well as evaluating the plight of communities caused by a lack of service delivery, not only in Limpopo Province but also throughout South Africa. The details examined include statistics of the occurrence of protests, the stated causes of these service delivery protests, as well as the issues raised by communities during those protests. The study also notes the presence of a concern, shared by government and many citizens elsewhere in the country, relating to the intensifying of these protests into violent, militant confrontations. This has occurred to the extent that, amongst others, a school pupil in Limpopo and a community leader in the Free State lost their lives during the period of this study, as a direct consequence of the protests violence. Public buildings such as clinics and libraries have also been burned, in attempts to get the attention of decision makers.

Major drivers of service delivery protests were also identified in this chapter. These major drivers are essentially the weakness in or absent internal controls within municipal administrative systems, which is often the enabling cause of maladministration, whether intentional or simply the result of benign incompetence. Looking at the vast array of stringent and mandatory legislation supposedly regulating the actions of municipalities, the more realistic assessment is that the protests are simply a demonstration of the gap

between the ideals of those legislative frameworks and the real world attempts to implement them.

Chapter 4 highlighted the methodology used during the study. This included the parameters used in the selection of research participants, choice of period to be covered in the study and the method used in preparing for and analysing the data. Specifically, the study employed a qualitative approach, which was based on data gathered using an interview schedule, administered by the researcher. The study was conducted amongst CAEs (or equivalents) at ten selected municipalities.

Chapter 5 summarised the preparation, analysis and interpretation of the collected data during the study. The chapter also documented findings emanating from the study.

6.3   RECAPPING RESEARCH FINDINGS IN RELATION TO ASPECTS OF THE RESEARCH OBJECTIVE

The main objective of this study was to determine whether the performance of internal audit's roles and responsibilities could assist municipalities to reduce or minimise service delivery protests. In order to answer this question, the following aspects of the study's objective as identified in Chapter 1, Section 1.4 (p. 5), were considered. The relevance of each aspect to the main research objective, as well as a conclusion on the aspect, are detailed below:

6.3.1   To determine the roles of internal auditors employed by municipalities in South Africa

The literature review provided clarity on the roles and responsibilities of the internal audit activity. Key to this understanding is the IIA's definition, which says that 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 effectiveness of risk management, control and governance process*" (IIA, 2016:23). Within the South African context, there are also many pieces of legislation, with mandatory and regulatory components, all of which shape the functioning of internal audit.

Prescriptive components of South African legislation include the following:

- Section165(1)-(2) of the MFMA states that, over and above the review of internal controls, internal auditors should advise management on accounting procedures and practices, risk and risk management, performance management, loss control, and compliance with provisions of the Division of Revenue Act annually, and all other public sector-specific legislation.

- Periodic performance of management audits are to be performed by internal audit in line with Sections 45(a) and (b) of the Municipal Systems Act, the Municipal Planning and Performance Management Regulations (Sections 7 to 14) and the Regulations for Municipal Managers.

6.3.2 To determine whether internal auditors are aware of their roles in municipalities

The study examined the degree to which participants (who were all internal auditors) were aware of the full extent of their roles and responsibilities in their respective municipalities. Only once the extent to which the roles of the internal audit activity are known to internal auditors has been determined, will a conversation become possible relating to whether the participants think that their roles can assist management to minimise service delivery protests. Hence this question was critical to the research.

Of the ten study participants interviewed, five stated that "assurance on effectiveness and adequacy of internal controls" is a key role they perform as internal auditors of municipalities; whereas, only three study participants mentioned the "governance assessment" role of internal audit. Review of "risk management processes" and associated advisory services was identified by six participants, but only three claimed reviews of "compliance with legislation" as one of their areas of responsibility.

Although the literature review revealed that the practice of internal audit is increasingly moving away from mere compliance auditing in favour of a risk based approach, auditing of compliance remains a significant part of municipal internal auditors' responsibilities. This is because municipalities, as highly regulated institutions, must comply with the numerous legislative directives and statutory regulations embedded in their governance process. Legislation such as the Preferential Procurement Policy Framework Act (5/2000), which

regulates the procurement process, would, if diligently complied with, ensure that fair and transparent processes are followed during procurement of goods and services. There are also other prescripts directly requiring internal audit to perform various periodic assessments, such as the Municipal Planning and Performance Management Regulations, which prescribe in Section 14(1) that internal audit reviews performance information and reports their findings to those with oversight responsibilities in the municipality.

Based on the participants' answers it appears that, over and above the IIA Standards, the majority recognise the MFMA and the Municipal Systems Act as other major guidelines. It emerged during the research interviews that the study participants placed little emphasis on the consideration of other legislation during planning of their audit cycle. In addition, all ten participants employ a risk-based methodology in their audit processes, and rely on the risk registers of their respective municipalities to determine which audits to perform. Challenges experienced by the internal auditors regarding the use of risk registers included:

- some risks are over- or under-rated due to management's lack of understanding of risk management;

- risk manager's post has been vacant "for a while now", and this will negatively impact internal audit's planning, and

- the risks on one of the registers were not linked to the key and strategic objectives of the organisation.

The literature review provided clarity on the formal roles of internal auditors, and the interviews with the study participants were used to discover the extent to which they were fulfilling their roles as internal auditors in their respective municipalities. It can be concluded that the majority of the internal auditors are aware of their roles and responsibilities.

6.3.3   To determine whether internal auditors are fulfilling their roles

From the data collected during interviews, it can be concluded that the majority of the internal auditors are aware of their roles and responsibilities. However, it is of concern that the interviews also revealed that the majority of the participants were not able to meet all the demands of their roles because of operations-related challenges and lack of

management support. In spite of their challenges, the participants indicated that they do issue audit reports to management.

The study noted the reported reactions of management to internal auditors' reports. This was done to determine the level of management acceptance of the work of internal audit received. Half of the ten study participants' audit reports are accepted and action plans are agreed on with management. The other half of participants, however, experienced challenges when attempting to present their reports. Management requested evidence in support of audit findings, management took offense at or felt personally attacked by audit findings, and in some municipalities managers were consistently "not available" to discuss the audit reports.

In some instances, although management agreed with the findings and formulated action plans, those action plans were not implemented. Reasons for the non-implementation of the action plans are not always furnished to internal auditors. However, a notable minority of managers that provided reasons for non-implementation blamed "budget constraints". Lack of implementation of agreed-upon management actions poses a threat to the effectiveness of internal audit. Thus, even though internal auditors are aware of their roles, and are fulfilling them to the best of their abilities, management's failure to play its part by implement the internal audit unit's agreed action plans and recommendations renders the internal audit unit's efforts futile. Follow-up audits are scheduled and performed; however, some participants mentioned that in their respective municipalities these audits are not part of the annual internal audit plan.

Asking the study participants whether they are achieving their role generated mixed reactions. Of the ten study participants, three were positive that their internal audit units would achieve their objective, six cited partial achievement, while one mentioned that they were not going to achieve all of their objectives. Participants backed up their responses by identifying challenges they face in their work environment as key impediments to their effectiveness. This suggests that the municipal management's style and attitudes can affect the effectiveness of the internal audit unit's efforts.

Despite the challenges experienced by the internal audit units, it can be concluded that the participants are fulfilling the essentials of their roles as internal auditors.

6.3.4 To determine whether there are challenges and factors which are preventing internal auditors from fulfilling their roles within respective municipalities

The study found that internal auditors are faced with some significant obstacles to their efforts to fulfil their roles at their respective municipalities. The obstacles/challenges are summarised below:

- **Management does not implement internal audit's recommendations and action plans** – this is a challenge that was identified and experienced by seven of the ten study participants.

- **Lack of understanding of the role of internal audit by management** – management apparently has some perceptions about the role of the internal audit unit which are not consistent with the IIA Standards. In some municipalities internal auditors are labelled as the "spies of the politicians"; they are perceived as "faultfinders" who never have anything good to report, and they are sometimes perceived to be "always asking for information" and never allowing officials and management to do their work. In some instances management feels personally attacked by internal audit's findings, in particular where they are part of an audit sample to which the adverse finding relates. In other instances, some auditors also noted management's lack of availability, or great reluctance to meet auditors to discuss audit findings.

- **Management takes a keener interest in consulting audits than in assurance audits** – this, to a certain extent, demonstrates that management is aware of internal audit's skills, and that in circumstances that favour their interests, they are willing to request internal audit's assistance in performing ad hoc audits, and subsequently to utilise their recommendations to better controls in those specific areas.

- **Limitations imposed on audit scope (internal audit not provided with required information) –** management in some municipalities does not always give internal audit all the requested information, and resists co-operating to the extent that the matter finds its way to audit committee meetings; only after such intervention does management provide the requested materials. In some instances, internal auditors are "requested" to remove adverse findings from their reports, particularly if some senior officials are negatively implicated by the report.

- **Internal audit units are not operating at full capacity (vacancies and training)** – some internal audit units have an inadequate staff complement, which compromises their ability to function effectively. In other municipalities, the internal audit units are not afforded opportunities to attend training. It is not known whether this is a deliberate attempt to impair the effectiveness of the internal audit unit, or simply the result of a lack of resources or planning foresight by the implicated municipalities. Regardless of motivation, the fact is that these situations negatively impact on the effectiveness of the internal audit unit's performance.

- **Political interference/lack of regard for administrative processes or governance by political leaders** – this was illustrated by the reported decisions taken by political officers in some municipalities to "scrap municipal bills", or to offer the use of municipality-owned facilities to communities free of charge. Although the consequences of these actions are demonstrated to management by internal audit, there is often little that management can do, as their controls are overridden by the political promises made by elected officials.

These challenges hinder the achievement of internal audit's goals in various fundamental ways:

- By withholding information for their audits, it becomes difficult to cover a significant portion of the audit universe.

- Lack of training may increase the likelihood of false assurance by internal auditors; as a result of not properly understanding the correct audit processes to follow when auditing business processes that are technical in nature, and failing to address emerging risks.

- When internal audit recommendations are not implemented, internal audit is rendered ineffective. Non-implementation by management leaves controls exposed to manipulation, and systems become increasingly vulnerable. Conversely, by implementing internal audit's value adding recommendations, controls are improved, which in turn puts institutions in a better position to achieve their objectives.

Given the extent and severity of the challenges documented above, it can be concluded that internal auditors are not always able to fulfil their designated roles.

6.3.5   To determine whether internal auditors are aware of the causes of service delivery protests in their respective municipalities

The reported causes of services delivery protests were researched and documented as part of the literature review process in Chapter 3. These causes were then compared to those provided by the study's participants when asked their opinions as to what had caused the service delivery failures in their respective municipalities. Similarities were noted between their answers and the list generated from the literature review. Below is a summary of causes that were identified through both sources:

- **IDP/public participation promises not kept** – the community provides their contribution to the IDP projects list through the public participation processes conducted by each of the municipalities. However, between the public participation events and the finalisation of the IDP the budget is finalised and resources are allocated. Municipalities often realise, once resources have been allocated, that they cannot fund all of the projects agreed upon during the IDP consultations. Reprioritisation of projects then takes place, but the details thereof are often not communicated effectively or timeously to the communities. This often makes it appear as if the municipality has arbitrarily changed its mind and/or failed to implement the agreed-upon projects.

- **Lack of communication** – according to the study participants, some of the municipalities do not necessarily simply fail to provide services, but also fail to provide the reasons for shelving or rescheduling agreed projects. The communities are not always advised of reprioritisation of projects. According to some of the participants, communication about the presumed achievement of targets is also not always accurate. Communication, when provided, is in some instances inflated and negative feedback is not always provided to the communities, because of the fear that negative news will be used against government by the opposition political parties. According to the literature review, "communication" also includes an effective and coherent system for communities to register and monitor processing of complaints. Most municipalities however, do not have such a system, and those that do, do not use it to measure their service quality and delivery. The currently preferred model of communication is linear and mono-directional, with government (in all spheres) preferring to act as creator, producer and sender of the message. This is not only autocratic, but it often discourages community participation.

- **Poor governance, corruption, fraud and maladministration** – the presence of these administrative deficiencies in municipalities has a negative impact on service delivery. Funds intended and allocated to benefit the community are diverted to fraudsters through inflated quotes and tenders, kickbacks and many other forms of corruption. One study participant identified the prevalence of fraud as the cause of service delivery protests in his particular municipality.

- **Lack of human resources capacity** – this response emerged as the researcher explored the question: what contributes to management's failure to achieve their objectives? Some of the study participants stated that in their respective municipalities there are vacancies in senior posts, such as for Municipal Managers, CFOs and Directors. This was confirmed in the 2014/15 report by the AGSA on the audit outcomes of municipalities in the Limpopo Province, in which it was noted that, amongst the key management vacancies, 20% of municipalities did not have CFOs, and 17% of the municipal managers' positions remained unfilled (2016a:9).

- Over and above these widely experienced causes, other causes emerged during the interviews with participants. In most of these cases, the causes are unique to that participant's municipality.

- Poor project management (planning and implementation) resulting in late service delivery, and cancelled projects, led to the exasperation of the communities.

- Communities lack awareness of their rights and obligations to be consulted and to participate in the planning process. This leads to widespread non-participation in community meetings and/or a failure to raise relevant matters during these meetings.

- Rapid increase in the number of households moving into areas earmarked for service delivery, rendering the municipality's previously allocated resources insufficient to deliver adequate services to the area.

Lastly, the participants were requested to review Appendix C (p. 161), which is a summary of "issues raised during service delivery protests" which took place in the Limpopo Province between 01/01/2010 and 31/12/2015, and to reconcile these with their knowledge of protest memoranda received by their municipalities. Except for two cases, participants collectively were already aware of the issues that their communities raised. The two exceptions involved services supposed to have been delivered by a different authority or

sphere of government, but the objections were nevertheless still raised at local municipalities because their offices were closer to the communities.

From data gathered while researching this aspect of the study objective, it can be concluded that internal auditors are aware of the causes of service delivery protests in their respective municipalities. As catalysts of change and key pillars of governance, by being aware of all issues affecting service delivery in their respective municipalities, internal auditors will be equipped to render meaningful advice to management. This demonstrates that the plight of service delivery protests is not a problem which internal auditors ought to remove themselves from; rather, it is one they are fully aware of and take keen interest in. The next section explores internal auditors' opinions on ways in which these protests can be avoided.

6.3.6 To determine the internal auditors' perspective of how service delivery protests could be avoided

Participants were asked what could be done to avoid service delivery protests. This was done in order to capture the informed perspectives from within the participants' respective municipalities. In the two municipalities where service delivery protests had not occurred, the study participants were asked to give a general perspective of the overall situation in the province and country. Below is a summary of the areas identified as most likely to improve the situation, if addressed effectively:

- **Communication** – it should be improved in content, accuracy and frequency.

- **Supply chain planning and project management** – supply chain processes should advance early in the financial year, and project management systems should be improved.

- **Public participation processes** – management should strive to make the relevant meetings more inclusive and easy to attend. To get meaningful contribution from the community, municipalities should educate attendees on the purpose of such meetings.

- **Delivery against pre-set objectives** – must be frequently monitored; areas in which municipalities are falling behind should be prioritised.

- **Overall improvement of internal control system** through internal key controls reviews and implementation of internal audit's recommendations

With reference to the above, the various ways suggested to minimise the service delivery protests identified in the literature review, appear to be very close to the study participants' perspective. The fact that study participants raised "implementation of audit recommendations", strongly suggests that the internal auditors are aware that they are fully "within" the situation. Thus, it is difficult not to conclude that they can be part of the solution to this problem.

6.3.7 To determine the internal auditors' perspective on whether they can assist management to address the causes of service delivery protests

First, the participants were asked what situations and/or issues contribute to management's failure to achieve their objectives. It is the continued failure of management to provide services which leads to communities' frustrations and, subsequently, protests. The study participants' responses are summarised below:

- Ineffective performance management systems;

- Audit recommendations are not taken seriously;

- Conditional grants are not spent, and/or are spent contrary to approved budgets;

- Unauthorised, irregular, fruitless and wasteful expenditure occurs in abundance;

- Key posts remain vacant for extended periods, and

- Political interference.

Addressing these issues would enhance local government's abilities to achieve their objectives – the delivery of basic services to their respective communities.

Participating internal auditors were asked whether they were currently reporting, or had recently reported, to management (through audit reports) on issues raised during service delivery protests. 40% of the participants confirmed that they had so reported; in addition, some noted that management had still not implemented some of their agreed action plans.

The study noted that there are correlations between internal audit's reports (which have been issued to management) and the issues raised by communities during service delivery

protests against municipalities. Study participants stated that they had already dealt with some (but not all) of these issues in their audit reports that they had already given to management. The internal auditors' responses are summarised below:

- **Performance information audit** – Internal audits' reports detailed that management does not always reach its targets, meaning that the community does not always get what they were promised, or believed they had been promised. These reports indicate that this not only negatively affects the lives of the community, but also has the potential to result in protests. Another auditor picked up that the quality of projects was not good: full payment was being made to contractors before they had finished the projects; projects were delayed; and there were numerous requests for variations orders.

- **Project management audits** – audits conducted on the status of the road maintenance programme, and other capital projects being rolled out, revealed a string of failures to meet key deadlines and other delays. Internal audit's report brought this situation to the attention of management, with the warning that this would negatively impact the lives of those in the community. Another audit of this nature performed in another municipality revealed that the ageing water infrastructure was not being maintained, which was increasing the risk that the water supply would fail.

- **Performance management audits** – One such audit discovered that the performance information communicated to communities was not always a true reflection of the actual performance. Communicated information was routinely overstated or understated. In their report internal audit requested that management should correct this.

- **Supply chain management** – the audit revealed that management lacked "forward planning", which often resulted in late procurement and failure to spend on grants.

- **Compliance with legislation, policies and procedures** – when activities such as procurement are done without regard for legislation and policies, this not only leads to irregular expenditure (with all the associated negative consequences), but subsequently also leads to disputes with service providers over their appointments, causing further delays in project completion and service delivery. This was a concern raised in one of the municipalities.

A link between findings reported by internal audit and issues raised by the communities during service delivery protests was found in four of the eight municipalities (which have experienced service delivery protests). Internal auditors selected for this study at four municipalities had already alerted management on issues, which have subsequently led to service delivery protests. It is therefore difficult not to conclude that, had management taken heed of recommendations emanating from these reports, some of the protests could have been avoided.

6.3.8 To determine the extent to which, amongst other solutions, internal audit can also assist municipal management to address key issues that hinder their ability to deliver services.

The literature review identified major factors contributing to service delivery protests. During a review of each factor, the researcher noted internal audit's interventions or audit options to address the weaknesses in the controls. However, it was still believed to be necessary to determine if the study participants could come up with other practical suggestions regarding the roles they believed they could play to assist management in its efforts to address the causes of service delivery protests in their respective municipalities. Study participants identified the following assurance and consulting audits, some of which are currently being performed and their reports given to management:

- Compliance with legislation and policies (in particular issues relating to supply chain management and human resources – recruitment and appointments)

- Monitoring communication to communities and auditing of the complaints registers

- Risk Management

- Legislative audits on performance information and performance management systems

- Project management audits (infrastructure development and maintenance projects)

The research has already shown that there is a role which internal audit can play that will help reduce the likelihood of service delivery protests. Study participants identified assurance and consulting audits, which they believe that, if they can be performed by their internal audit units, will assist management to minimise service delivery outcries by the respective communities and subsequent protests. In many instances, as demonstrated in

Chapter 5 of this study, some of the assurance and consulting audits are already being performed, and their reports given to management. Moreover, correlations between internal audit's reports (which have been issued to management) and the issues raised by communities during service delivery protests against municipalities were noted. It is therefore possible that some of the protests could have been avoided, had management addressed recommendations emanating from these reports.

6.4   LIMITATIONS OF THE STUDY

The study was performed only in the Limpopo Province of South Africa. The study selected ten municipalities from a population of 25 local municipalities in the Limpopo Province. Although the entire study period (including analysis of service delivery trends that formed part of the literature review chapters) spanned the period 01/01/2010 – 31/12/2015, the discussions with the study participants were focused on events during the period 01/01/2013 – 31/12/2015. Despite the correlations between information from the literature review and the views and experiences of the study's participants, the results cannot be fully generalised; however, the study does explore real world solutions, which can be successfully applied in any South African municipality.

The participants were the CAEs, or equivalent, of their respective municipalities. They were also all members of the IIA SA. The study was restricted to personal interviews with these participants only, and did not include the direct participation of the greater community, municipal management team, the council nor any members of municipal oversight committees.

"Service delivery protests" for the purposes of this study, refer to protests by affected community members, and directed at failures by respective municipalities to deliver roads, electricity, water, sewerage and other designated "basic" services (as described in chapter 1). The term does not include labour pickets or marches, educational boycotts, xenophobic attacks, or any other type of protest.

Lastly, the study aimed to capture the opinions of the ten selected participants. They are recognised as being representative of themselves as professionals only and do not represent an opinion held by the whole internal audit unit, internal audit profession, local municipality management or the respective local community. The study questions were

designed so that the participants would assess their own workplace experiences, and their answers were therefore specific. The exception was for the two municipalities which had no instances of protests during the period being studied. These participants' responses to questions posed on service delivery protests were thus more generic in nature.

6.5   CONTRIBUTION OF THE STUDY

Whilst plenty of research has been done on service delivery protests in South Africa, there is limited theory on the role internal audit plays in local government when viewing the causes of service delivery protests. The roles as prescribed by various legislation, the definition of internal auditing, key aspects of the IIA Standards, as well as other guidelines detailed in Chapter 2 (p. 14) were analysed in relation to service delivery protests. The study has thus contributed to the body of academic knowledge by highlighting the wider extent and impact which the roles of internal audit can play in the local government sphere. Through discussions with participants, the study then gathered the critical data needed to establish whether the participants know the official roles they are supposed to be carrying out, to determine the extent to which they are being practised, and to identify the issues and situations that prevent them from effectively fulfilling their roles.

While it might not seem obvious that internal auditors have a role to play in minimising service delivery protests, this study contributes critical information which shows that there are in fact links between internal audit and service delivery protests. This is a significant development as it expands the landscape of solutions previously noted by scholars, on how this issue of service delivery protests can be more effectively addressed.

The major contribution of this study to the body of academic work is therefore that by vigorously and thoroughly completing the various consulting and assurance reviews recorded in the municipal internal audit unit's audit plans emanating from institutional key risks, internal auditors can have a direct and positive impact on South Africa's under-serviced communities.

6.6 LESSONS LEARNED FROM MUNICIPALITIES WITH NO SERVICE DELIVERY PROTESTS

The study included three municipalities which apparently had not had service delivery protests in the period 01/01/2010 – 31/12/2015. These three municipalities were included in the study in order to provide pertinent points of comparison with those municipalities that had faced protests, and thus to identify the differences in service delivery approaches and the positive administrative practices which, if adopted, could assist other municipalities avoid or reduce the incidents of service delivery protests. During discussions with study participants, it emerged that only two municipalities from the sample, did not experience service delivery protests.

Key traits that emerged from discussions with the relevant study participants were captured. These traits highlight the differences in approaches of both political leaders and municipal managers, and how these practices affect the internal audit unit, and manifest as service delivery protests.

6.6.1 Management's support of internal audit

In one of the two municipalities which had not experienced protests, it appears that the likelihood of service delivery protests was reduced by management support of internal audit. In this municipality, the accounting officer is supportive of internal audit initiatives and action plans committed to by management are implemented. The accounting officer's support in this regard is demonstrated by advocating for implementation of internal audit recommendations, and necessary approval to requests made relating to capacitation of internal audit. Whilst this study was not designed to categorically prove or disprove a direct causal link between service delivery protests and management's support of internal audit, what the study does show is that the improvements in management brought about by implementing internal audit's recommendations may, over the longer term, improve the municipality's ability to achieve their service delivery mandate, without residents seeing a need for protest action.

6.6.2 Regular communication and honest feedback

It would appear that direct, honest and prompt communication is a significant factor in preventing or reducing the incidents of protest. In one municipality with no record of service delivery protest, management is nevertheless not supportive of internal audit: until issues are escalated to the audit committee and to council, the internal audit action plans are not implemented. However, the mayor communicates with the community regularly. His reports provide accurate details on how funds have been allocated, and why, and the extent to which the (sometimes new) prioritisation will affect projects discussed during the public participation process. Community attendance at these meetings is significant as the local chiefs assist in organising them.

6.6.3 Usage of Municipal Infrastructure Grant (effective procurement system)

The same municipality referred to in Section 6.6.2 above also successfully spends all of its Municipal Infrastructure Grant allocation, on time. On several occasions, as a result of this efficiency, Treasury has released more funds to the municipality. The ability to spend grants within the prescribed time frames is an attribute of an effective and efficient procurement system. When comparing this situation with the AGSA's 2014/15 consolidated audit report, this is exceptional as in 52% of the projects undertaken in municipalities, the audits results showed that the conditional grants targets, such as those of the Municipal Infrastructure Grant, were not achieved (AGSA, 2016a:8).

6.7 SUMMARY AND CONCLUSION

Various items of legislation have been promulgated with an intention to hold local government accountable for performance on their service delivery mandates. This body of legislation requires that an internal audit activity be established in each municipality, and outlines the roles to be fulfilled by the internal audit units. Analysis of these statutes identified that some, such as the MFMA, prescribe that particular business processes such as financial management activities, risk management, and performance management must be audited by internal auditors. Whereas other prescripts, such as the Municipal Planning and Performance Management Regulations, require internal audit to periodically evaluate the achievement of pre-set municipal objectives, amongst other things.

Various definitions of internal audit have been analysed in this study, and it is evident that the function has evolved significantly over many decades. The most notable of all internal audit's historic and present roles and duties is the current emphasis on assisting management to achieve their organisational goals through evaluation of internal controls, governance and risk management practices (Asare, 2009:16). The results emerging from interviews with the study participants revealed that 60% of the study participants do perform risk management evaluations, and 30% perform corporate governance evaluations, while 50% stated that their responsibilities centred mainly on reviews of internal controls.

Risk management is a key component of governance, as it enables institutions to identify and manage risks which could otherwise impede their achievement of strategic objectives. The internal audit unit's annual plans are prepared to assess the effectiveness and adequacy of municipalities' responses to these risks; thus, only those risks identified can ideally be the focus of audit engagements. It appears that protests "are a worrying factor" for management, to the extent that 80% of the participating municipalities have either identified "protests" in their registers as a "main risk" or a "possible consequence of the main risk".

Corporate governance, as summed up from the literature review, can be defined as a system implemented by the municipal council to ensure that institutional objectives (i.e., provision of basic services to communities) are met in an ethical and timely manner. Ideally, governance processes should create an environment where management can achieve their organisational objectives, and the internal audit unit should provide the input (reports and audit opinions) that, when acted on, improves the effectiveness of the governance processes. Thirty percent of the study participants identified this as one of their roles. However, it cannot therefore be concluded that the other 70% of the participants, who did not specifically identify governance review as their role, are not contributing positively towards the improvement of municipal governance processes. According to an argument by Soh & Martinov-Bennie (2011:606), the mere presence and existence of an internal audit unit enhances the quality of governance in institutions, due to their provision of assurance on the adequacy and effectiveness of internal controls, and frequent *ad hoc* advice they afford management on a day-to-day basis.

In an age where management can obtain the services of any kind of external consultant, the modern internal auditor needs to be prepared to demonstrate to management why their findings have merit. Internal auditors should possess skills necessary to negotiate their way in the boardrooms and demonstrate to management why they should give heed to any of their recommendations. Their reports should be of the highest quality and always backed up with verifiable evidence, which should give the internal audit team members a sense of fulfilment when they manage to influence positively management's perceptions about their value to the municipality. There should ultimately be a corresponding conviction within management about the value derived from internal audit's work. The presence of an internal audit unit in the municipality should not just be about compliance with legislation, it should also contribute to the continuous improvement of the rate and quality of service delivery to communities.

The study collected and analysed data on the causes of and available remedies for protests arising from poor delivery of basic services. The greatest concern arising from this research is that municipal managements give the internal audit unit's findings, action plans and recommendations almost no attention. It takes significant effort and appeals to "higher authority" to get the agreed-upon actions plans put into action.

Nevertheless, the study concludes that internal audit has a role to play in local government's efforts to minimise the service delivery protests. Internal audit can assist management to improve their operations through recommending upgrades of controls which have been assessed as having weaknesses, or that are ineffective. When internal controls are in place, management is in a better position to achieve their objectives effectively and efficiently.

The study also concludes that the *status quo* of the control environment is unlikely to change unless management works on the recommendations provided by internal audit. Von Eck (2013b:154) observes that where internal audit's recommendations are not implemented, the anticipated risks are usually realised. In the context of this research, we see the consequence of risks that has materialised in a form of "an explosion of service delivery protests all over the country". However, the fundamental risks that have materialised, underlying the service delivery protests, include procurement and project management processes without appropriately managed controls; uncompleted or

cancelled projects; and the failure to achieve budgeted and planned targets. In addition, many communities lack access to water, electricity or quality roads.

There is no doubt that South Africa has made tremendous advances in its efforts to deliver services to all its communities; however, some communities are still waiting. As is evidenced by the prevalence of service delivery protests, for some the wait has been too long, and their frustration has manifested as direct action, some of which has descended into violence, and vandalism, and which has even resulted in fatalities in some instances. The issues raised during protests highlight the diversity of the problems communities face. Water supply has emerged as the primary concern in municipalities in the Limpopo Province, followed by maintenance of roads, housing and electricity. Additionally, communities often plead that allegedly corrupt officials be removed from the employ of their municipalities. Another persistent problem raised by protesters, which is not strictly service delivery-related, relates to the need for jobs both within the municipal structures and from businesses and industries in the respective area. Lack of revenue collection by municipalities directly correlates with appeals for jobs by communities. Whilst the primary objective of local government does not include job creation, it would put things into perspective if the budgets were to be more realistic (in terms of forecasted income) and other legal ways of supplementing income identified.

Weaknesses in internal controls have been identified in both the literature review and by the study participants, as enablers and drivers of the situations that finally manifest as service delivery protests. If these were to be addressed by implementing sufficient and effective controls, participants believed this would improve municipalities' relations with their communities. Thus, items identified both by the study participants and the literature review were ineffective IDP consultation processes, corruption, poor communication, and a lack of skills to implement infrastructure projects and to administrate funds.

The roles of internal audit and the causes of service delivery protests were studied and their interconnections examined at length. The conclusion drawn by this study is that municipal internal auditors do have a role to play in the ongoing efforts to minimise the occurrence of service delivery protests. Their skills in assessing the effectiveness of key controls within various processes of the municipalities' operations can assist municipal management to unblock bottlenecks that currently hinder service delivery to their

communities. Emerging from the study, as documented in Chapters 5 and 6, it can be concluded that:

- internal auditors employed by municipalities do have a role to play in minimising service delivery protests, and

- internal auditors employed by municipalities are already playing this role.

In reviewing the previous chapters, it appears that the study objectives have been met, and limitations to the study have been identified. This last chapter has also summarised the key findings of this study, as well as presenting the conclusion of the study.

Given the focus on self-interest in our society, there is no single solution to the underlying problems between communities and their municipalities. Solutions to address service delivery protests require the cultivation of an attitude of "service above self" by both management and the council, in addition to community-focused and political interventions. Municipalities need to effect improvements to various processes guiding and managing service delivery projects, as well to other controls within the municipal administration. Those charged with the responsibility need to exercise stricter oversight of statutory and institutional governance systems. This will bring about the improvements in service delivery the communities so strongly desire. Thus, in order to achieve tangible progress, all parties will need to work together for the betterment of the living conditions of all South Africans.

Service delivery protests could be seen as the barometer of the municipality's performance. Thus, councils, oversight committees, management and the internal audit units need to co-operate, until all lists of internal audit action plans are cleared by management and the AGSA clean audit reports are maintained consistently each year. At this point it is hoped that communities will no longer feel it necessary to engage in volatile protests, but will be able to achieve their goals by engaging in the processes of participatory democracy.

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APPENDIX A

- Study interview schedule -

INTERNAL AUDITORS AND SERVICE DELIVERY IN SOUTH AFRICAN LOCAL GOVERNMENT: A LIMPOPO PROVINCE PERSPECTIVE
INTERVIEW SCHEDULE

For office:

Participant Code: Date:

A. Awareness of roles and responsibilities:

- What do you think the roles and responsibilities of Internal Audit in local municipality are?

- Do you think that the internal audit unit is achieving its role and objectives?

- In your opinion does management support internal audit unit?

- Based on your experience and audits performed from the time you were employed here, do you think that management will achieve their objectives of service delivery?

B. Performance of internal audit roles and responsibilities:

- What informs how you go about achieving your roles and responsibilities as internal audit unit (i.e. what guides your unit's operations)?

- Which methodology do you apply in your audits?

- What is management's reaction to your audit findings?

- Do you perform follow-up audits to determine whether agreed action plans from previous finding, are implemented?

C. Risk Management

- Does internal audit use the municipal strategic risk register to draft annual plan?

- What are the top five risks considered when drafting the current year internal audit plan?

- Is service delivery protest identified as a risk, by the municipality?
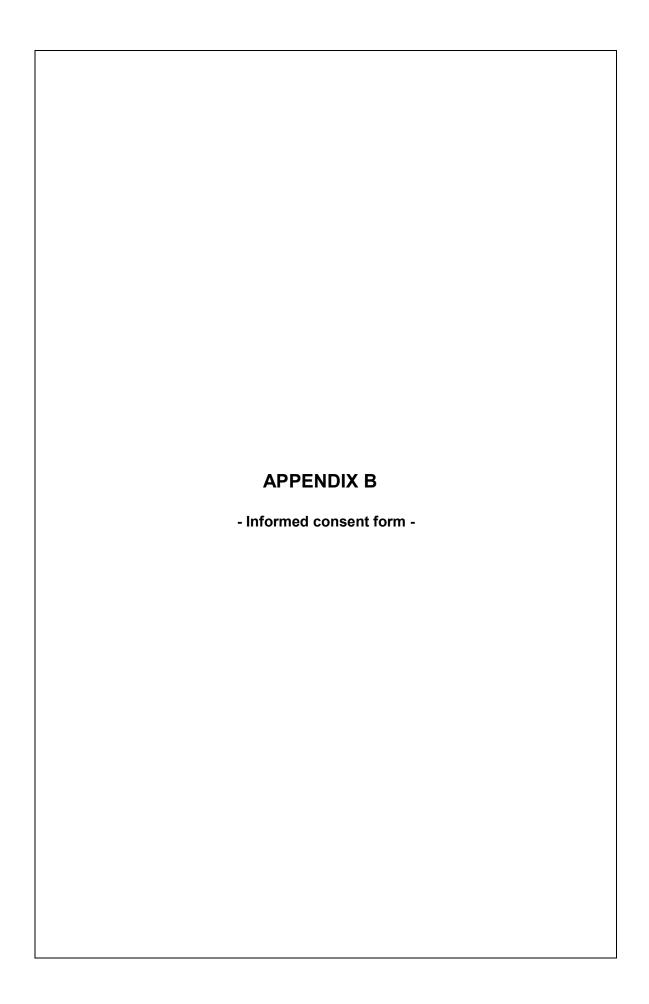
D. Governance

- Is there any role which the audit committee plays to ensure that your recommendations are addressed by management?

E. Factors driving service delivery protests

- Has there been any service delivery protests in your municipality? If yes, in your opinion what do you think is the cause of service delivery protests which took place in your in your municipality between the period 01/01/2010 – 31/12/2015?

- With regards to "***Appendix C**", do you think that the issues highlighted by community members truly represent the plight of service delivery in your municipality?

- In your opinion can the municipality and management minimise/avoid the service delivery protests in the municipality?

- Is there a link between any of the items you have reported (in the current year and other previous years) to management; and issues raised by communities during protests?

- What role do you think internal audit can play to minimise the causes of service delivery protests?

*Appendix C is a list of issues raised by communities during protests, sourced from various media.

Thank you very much for your time and for participating!!!

APPENDIX B

- Informed consent form -

Faculty of Economic and
Management Sciences

APPENDIX B
Informed consent for participation in an academic
research study

Department of Auditing

INTERNAL AUDITORS AND SERVICE DELIVERY IN SOUTH AFRICAN LOCAL
GOVERNMENT: A LIMPOPO PROVINCE PERSPECTIVE

<u>Research conducted by</u>:

Ms. M. R. Sepuru (20030585)
Cell: 0824077967

Dear Respondent

You are invited to participate in an academic research study conducted by Ms Mmabatho Rebecca Sepuru, a Masters student from the Department of auditing at the University of Pretoria.

The purpose of the study is to determine whether internal auditors at local government/municipalities can be a solution to assist municipalities in delivering services to the people, through performance of their roles.

Please note the following:

- This study will be conducted through an interview. Your name will not appear on the interview schedule and the answers you give will be treated as strictly confidential. You will not be identified in person based on the answers you give.

- Your participation in this study is very important to us. You may, however, choose not to participate and you may also stop participating at any time without any negative consequences.

- The study will be in a form of a interview schedule which will take a maximum of 30 minutes to complete, and a follow up interview which will be scheduled in advance. The interview schedule will be emailed to you.

- The results of the study will be used for academic purposes only and may be published in an academic journal. We will provide you with a summary of our findings on request.

- Please contact my supervisor, Professor Herman de Jager, on 012 420 6955 or herman.dejager@up.ac.za, if you have any questions or comments regarding the study.

Please sign the form to indicate that:

- You have read and understand the information provided above.

- You give your consent to participate in the study on a voluntary basis.

_____   _____

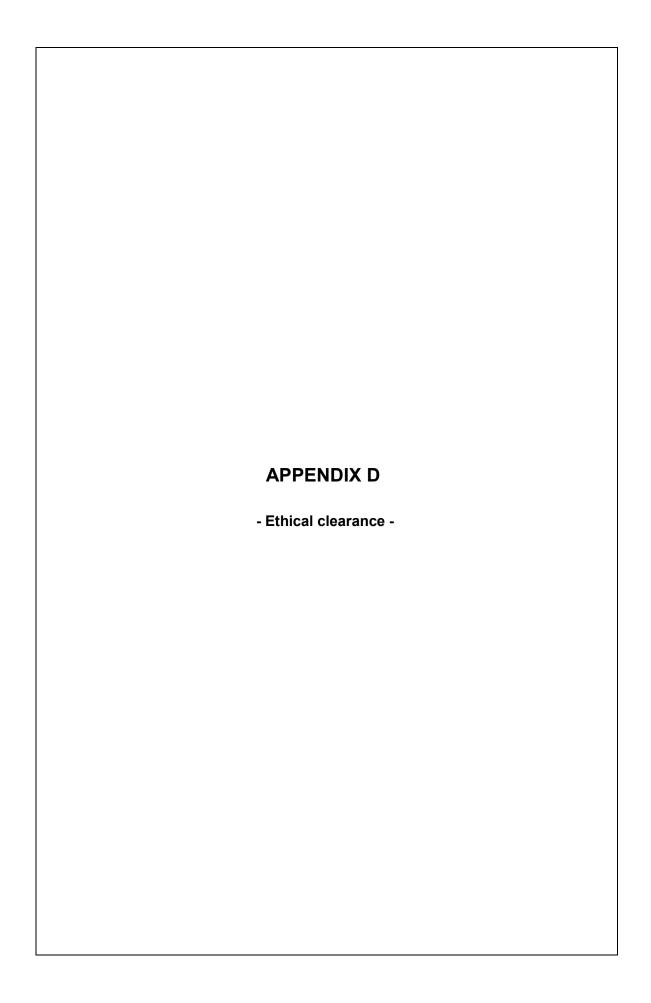**Respondent's signature**   **Date**

APPENDIX C

- Summary of issues raised during protests-

Ref	Summary of issues raised during service delivery protests in Limpopo Province
1	The community identified the following issues (Matlala, 2010):
	• municipality must reduce their water tariffs and municipal rates, as residents don't believe they are receiving value for their money;
	• municipality has rented 400 toilets for unserviced households. Community wants the "exorbitant" cost to be channelled to pay for other services;
	• in the 18 months since the last protests, the municipality has still failed to provide them with water. Some villagers still draw water from the river or buy it from those with boreholes;
	• some villages are still in the dark due to the slow pace of electrification of homes, and
	• roads in the villages are in a very bad condition
2	Inadequate water supply: community members use communal taps.
	Incorrect water billing for community members with private taps (News24, 2014).
3	The community demanded that (Linmedia, 2013):
	• an investigation be conducted to determine whether the appointment of employees and awarding of tenders is in fact being done in line with policies and legislation;
	• allocation of houses in various wards should be stopped and the allocation criteria be reviewed;
	• priority should be given to local residents for any employment opportunities and internships in the municipality, and
	• the legally mandated community meetings must be convened. Currently, some ward councillors do not convene the community meetings required by legislation; this is an issue of significant contention in this community.
4	The community demanded water (clean water in particular). They are buying water from private sellers who charge them a lot for a small quantity (Letaba Herald, 2014).
5	The community demanded safe drinking water (Matlala, 2013).
6	The community complained about inadequate supplies of water and electricity, and poor maintenance of roads (Bulletin, 2012).
7	The community complained about water supply (Matlala, 2012b).
	Community accused the municipality and the Provincial department of Roads and Transport of ignoring their numerous pleas for construction of a tar a road; as well as jobs in local mining companies (Motseo, 2015).
8	Community demanded that water supply be introduced and some areas improved; they also complained about unfair demarcation of municipal and ward boundaries (Maponya, 2012).
9	Community took to the streets to complain about the inadequate supply of water (Matlala, 2012a).
10	The community complained about the need for a supply of clean water (Maponya, 2010).
11	The community protested because of poor service delivery (unspecified issues) (Zoutnet, 2012).
	Residents accused municipality of prioritising services to one side of the municipality (Tiva, 2015).

Ref	Summary of issues raised during service delivery protests in Limpopo Province
12	Residents demanded the following in their memorandum (Zoutnet, 2012): • their township to be extended; • erection of a community hall; • installation of "apollo" lights to reduce crime; • refurbishment of the stadium; • creation of jobs; • normalisation of water supply; • establishment of township's own graveyard, and • refurbishment of roads.
13	The community complained about unspecified service delivery issues, and demanded the Municipality's mayor and chief whip be removed from office (IOL News, 2012).
14	The community complained about unemployment, lack of roads and water (SABC News, 2013).
15	Rezoning of property stands so that basic services can be planned and provided to residents; clean water and taps in communities' yards required; uninterrupted electricity supply; road maintenance required; RDP houses to be provided with decent toilet facilities; free rubbish bins and refuse removal services required; streetlights and paved internal roads required; erection of a school required, and demarcation/allocation of land where communities can build a crèche, a church and businesses for themselves (The Beat, 2012).
16	The community complained about availability of water (Mashilo, 2015).
17	Key issues for this community were (Kwevoel, 2012): • corruption and poor service delivery; • interruptions of water supply, and poor quality; • questionable accuracy of meter reading, and therefore they demanded prepaid meters be installed; • employment by mines – preference to be given to local residents; • inadequate refuse removal service, and • the awarding of tenders and associated processes were seen as being "irregular".
18	The community demanded the following (Cilliers & Tlhako, 2013): • potable water and decent toilets; • upgrade of the sewerage system (it has "deteriorated into chaos"); • reconnection of water supplies to villages (The community believes it was misled regarding payment deadlines for water and rates, which lead to disconnection of water to villages.), and • resignation of the mayor, municipal manager and CFO, for alleged promotion of fraudulent and corrupt practices.
19	The protestors complained about unspecified service delivery issues, irregularities in the awarding of tenders to mayor's relatives, and the misuse of state funds (Mandebele, 2012).
20	Community wanted a tar road (Rachuene, 2015)

Ref	Summary of issues raised during service delivery protests in Limpopo Province
21	Communities demanded jobs in local mining companies, and accused municipality of failing to intervene (Mathebula, 2015)

Source: Various media reports.

APPENDIX D

- Ethical clearance -

FACULTY OF ECONOMIC AND
MANAGEMENT SCIENCES

RESEARCH ETHICS COMMITTEE

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19 September 2013

Strictly confidential

Prof K Barac
Department of Auditing

Dear Professor Barac

Project:	Internal auditors and service delivery in South African local government: a Limpopo Province perspective
Researcher:	MR Sepuru
Student No:	20030585
Promoter:	Prof H de Jager
Department:	Auditing

Thank you for the application you submitted to the Committee for Research Ethics, Faculty of Economic and Management Sciences.

I have pleasure in informing you that the Committee formally approved the above study on 17 September 2013. The approval is subject to the candidate abiding by the principles and parameters set out in the application and research proposal in the actual execution of the research.

The approval does not imply that the researcher, student or lecturer is relieved of any accountability in terms of the Codes of Research Ethics of the University of Pretoria if action is taken beyond the approved proposal.

The Committee requests that you convey this approval to the researcher.

We wish you success with the project.

Sincerely

PROF BA LUBBE
CHAIR: COMMITTEE FOR RESEARCH ETHICS
cc: Prof H de Jager
         Student Administration