INTERNAL AUDIT FUNCTION POSITIONING THE MUNICIPALITIES FOR CLEAN AUDITS

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CIGFAR 95 YEARS

Chartered Institute of Government Finance, Audit & Risk Officers

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PRESENTATION OUTLINE

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1. INTRODUCTION

1.1 Introduction:

Mandate of internal audit and purposes, which is to provide independent assurance that an organization's risk management, governance, and internal control processes are operating effectively (Institute of Internal Auditors, 2024).

2. ROLE OF INTERNAL AUDIT- ADVSING

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Internal Auditing strengthens the organisation's ability to create, protect and sustain value by providing the board and management with independent, risk- based, and objective assurance, advise, insight and foresight (IIA, 2024).

According to Jurayevna (2020), adequately stable and profitable performance of a firm requires continuous control and regulation of particular performance indicators, management of potential risk and uncertainties derived from market conditions and regulatory framework in the economy. Weaknesses and threats in performance and financial profile of a firm are often identified through findings of internal audit which serves as an internal financial security and early warning system.

3. INTERNAL AUDITING AND PUBLIC POLICY

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3.1 Internal Audit and Public Interests

Public interests encompasses social-economic interests and overall well-being of a society and organisation operating within that society, including of employers, employees, investors, the community and the financial community, clients, customers, regulatory and government (Nerantzidis, 2022).

Internal Auditing plays a critical role in enhancing an organisation's ability to serve the interests. While the primary function of internal auditing is to strengthen governance, risk management, and internal controls, its impact extend beyond the organisation. Internal Auditing contributes to organisation's overall stability and sustainability by providing assurance operational efficiency, reliability of reporting, compliance with laws and regulations or / and regulations, safeguarding of assets and ethical culture. This, in turn, fosters public trust and confidence in the organisation and broader the systems of which is the part (GIAS, 2024).

4. INTERNAL AUDIT STRATEGIES-

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POSITIONING MUNICIPALITIES FOR CLEAN AUDIT

4.1 Strengthening Governance and Oversight:

- Support to Audit Committees and Municipal Public Accounts Committees (MPACs)
- Promoting ethical leadership and accountability culture
- Periodic governance audits and maturity assessments

4.2 Risk-Based Audit Planning:

- Conducting comprehensive risk assessments
- Developing annual and three-year risk-based audit plans
- Prioritizing high-risk areas (e.g., SCM, infrastructure projects, revenue collection)

4. INTERNAL AUDIT STRATEGIES (CONT…)-

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4.3 Enhancing Internal Controls:

- Evaluating and improving control activities
- Recommending control enhancements and tracking implementation
- Using control self-assessments to promote ownership by departments

4.4 **Capacity Building and Skills Development**

- Upskilling internal auditors on emerging risks and technologies
- Training municipal staff on internal controls and compliance
- Collaborating with institutions like the IIA, AGSA, SALGA, and National Treasury

4. INTERNAL AUDIT STRATEGIES (CONT…)-

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4.5 Use of Technology and Data Analytics

- Implementing audit management systems
- Applying continuous auditing and monitoring techniques
- Using data analytics for anomaly detection and trend analysis

4.6 Follow-Up and Monitoring of Audit Recommendations

- Establishing a robust audit tracking system
- Periodic follow-ups to assess implementation progress
- Reporting to management and council on resolution of audit findings

4. INTERNAL AUDIT STRATEGIES (CONT…)-

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4.7 Stakeholder Engagement and Communication

- Regular engagement with senior management, council, and external auditors
- Clear communication of audit findings and value-added recommendations
- Building trust through transparency and timely feedback

4.8 **Fostering a Culture of Accountability**

- Promoting consequence management for irregularities
- Encouraging proactive issue resolution by departments
- Embedding performance auditing as a key strategy

4. INTERNAL AUDIT STRATEGIES (CONT…)-

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POSITIONING MUNICIPALITIES FOR CLEAN AUDIT

4.9. High-Level Review of Financial Statements

- Performing analytical reviews and reasonability tests on AFS
- Identifying material misstatements or non-compliance before submission to AGSA
- Supporting financial reporting credibility and accuracy

4.10. Review of the Annual Report

- Assessing alignment between reported performance and source documentation
- Reviewing consistency of financial and non-financial disclosures
- Ensuring compliance with MFMA requirements and Treasury guidance

8. CONCLUSION

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In the context of local government, internal auditing is not just a technical function—it is a transformative tool that underpins good governance, drives service delivery excellence, and, advances the collective well-being of society.

Internal auditing, is not a bureaucratic checkbox—it is a revolutionary enabler of a developmental state, ensuring that public institutions work for the people, by the people, and in the interests of social justice and equality. Therefore, positioning internal audit strategically within municipalities contributes not only to clean audits but to a broader developmental agenda—where the power of the state is harnessed to serve the collective, eliminate exploitation, and build a just, people-centred society.

Thank You!

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