

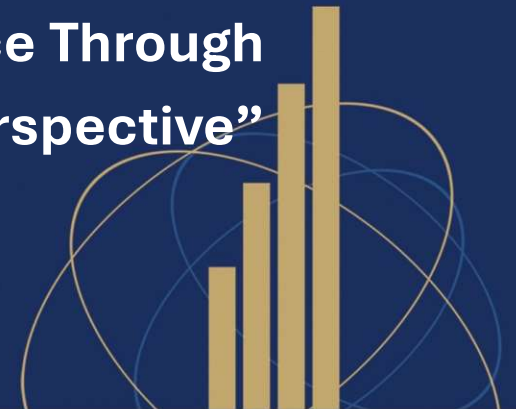


“Driving Public Sector Service Delivery Excellence Through Integrated Assurance: The Audit Perspective”

PANEL DISCUSSION

Audit, Risk & Performance Indaba

22 April 2026



KWAZULU-NATAL PROVINCE

COOPERATIVE GOVERNANCE AND
TRADITIONAL AFFAIRS
REPUBLIC OF SOUTH AFRICA

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Standards for Performance Auditing

- ❑ **The Performance Audit is all about Service Delivery!!!**
- ❑ Professional standards and guidelines are essential for the credibility, quality and professionalism of public-sector auditing.
- ❑ The International Standards of Supreme Audit Institutions (ISSAIs) developed by the International Organisation of Supreme Audit Institutions (INTOSAI) aim to promote independent and effective auditing by supreme audit institutions (SAIs)
- ❑ ISSAI 300 - Performance Audit Principles builds on and further develops the fundamental principles of ISSAI 100 to suit the specific context of performance auditing. These should be read together.

Definition of Performance Auditing

- ❑ Performance auditing is an **independent, objective and reliable examination** of whether government undertakings, systems, operations, programmes, activities or organisations are **operating in accordance with the principles of economy, efficiency and effectiveness and whether there is room for improvement.**
- ❑ Performance auditing seeks to provide **new information, analysis or insights and, where appropriate, recommendations for improvement.**
- ❑ Performance audits **deliver new information, knowledge or value** by:
 - providing new analytical insights (broader or deeper analysis or new perspectives);
 - making existing information more accessible to various stakeholders;
 - providing an independent and authoritative view or conclusion based on audit evidence; and
 - providing recommendations based on an analysis of audit findings.
- Subject matter of a performance audit need not be limited to specific programmes, entities or funds but can include activities (with their outputs, outcomes and impacts) or existing situations (including causes and consequences. The subject matter is determined by the objective and formulated in the audit questions.

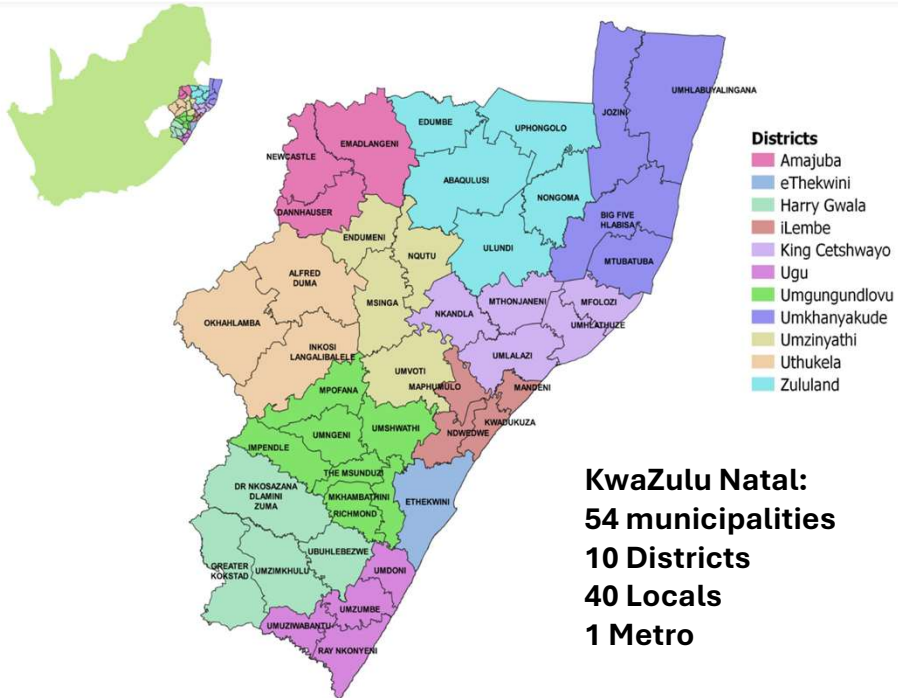
Driving Excellence through the 3 “Es”

- ❑ Academic literature emphasizes that public sector audit quality is measured by the **3 Es**:
 - **Economy:** Acquisition of resources at the lowest cost. The principle minimises the cost but resources should be available in due time, in and of appropriate quantity and quality and at the best price.
 - **Efficiency:** Maximizing output from given inputs. Relates to relationship between resources employed and outputs delivered in terms of **quantity, quality and timing**.
 - **Effectiveness:** Achieving the desired service delivery outcomes and meeting objective s.
- ❑ Performance audits include an analysis of the conditions that are necessary to ensure that these principles are upheld.
- ❑ These conditions may include good management practices and procedures to ensure the correct and timely delivery of services and where appropriate, the impact of the regulatory or institutional framework on the performance entity.

Three Parties in Performance Auditing

- ❑ **Auditors** frequently have considerable discretion in the selection of subject matter and identification of criteria, which in turn influences who the relevant responsible parties and intended users are. While auditors can give recommendations, they need to take care that they do not assume the responsibilities of the responsible parties.
- ❑ **Responsible party** may be shared by a range of individuals or entities, each with responsibility for a different aspect of the subject matter. Some parties may be responsible for actions that have caused problems. Others may be able to initiate changes to address the recommendations resulting from a performance audit. Others still may be responsible for providing the auditor with information or evidence.
- ❑ **Intended users** are the persons for whom the auditor prepares the performance audit report. The legislature, government agencies and the public can all be intended users.

AGSA Performance Findings – KwaZulu-Natal



- ❑ “Unqualified with findings” category, reflecting persistent internal control weaknesses. 42 (77.7%) municipalities reflected material misstatements
- ❑ Repeat findings indicate:
 - Weak implementation of audit action plans;
 - Poor review and monitoring controls;
 - Inadequate record keeping;
 - Limited understanding of GRAP requirements;
 - Insufficient leadership response to prior-year findings.

- ❑ Performance reporting reflected gaps:
 - 27% (15) - Indicators and targets not well defined, verifiable or measurable.
 - 20% (11) – Reported achievements not reliable.
 - 6% (3) – Excluded indicators that measure performance on core mandated functions.
 - 4% (2) – Included indicators/targets that do not relate logically to an aspect of the municipalities mandate, and realisation of strategic goals.

Root Causes for performance audit findings

- ❑ Inadequate reviews and reconciliations between the underlying records and the reported achievements, resulting in the reported performance not being reliable or credible.
- ❑ Poor record-keeping practices resulted in the reported achievements not being supported by adequate evidence.
- ❑ Planning documents were not sufficiently reviewed by senior management to ensure that indicators were clearly defined, targets were measurable, and the indicators were directly aligned to the municipality's mandate.

Where were you?

Infrastructure failures



Sewage holding area at the inlet of the pump station – posing a risk to groundwater sources and nearby households.



Sewer overflows and blocked drainage along the roadway and pavement.



Leachate Pond 1 which had evidence of an overflow of leachate spilling into the environment.



Pavement distress evident: surface rutting, delamination, transverse cracking, and uneven surfacing

**Causing Harm!
Material Irregularities!!!**

Service Delivery (Infrastructure failures)



Poor project management practices

Poor project planning, ineffective contract monitoring/remedial action and inadequate oversight, resulted in significant delays, cost escalations, and compromised service delivery. Insufficient risk management and incomplete documentation undermined efficiency and accountability. Failure to enforce consequence management for non-performance was evident.



Ineffective internal coordination

Minimal cross-functional collaboration present barriers to efficient infrastructure/project management.

Required multi-department interventions delayed, e.g. no basic services for housing units handed over to the beneficiaries, or holistic maintenance not coordinated as road condition further undermined by sewer overflows, water leaks and defective streetlights.



Lack of proactive maintenance

Lack of proactive maintenance diminishes asset lifespan and resilience, and increases lifecycle costs.

Poor planning, underfunding and oversight gaps drives reactive maintenance compounding maintenance backlogs, inflationary costs, and safety/environment hazards.

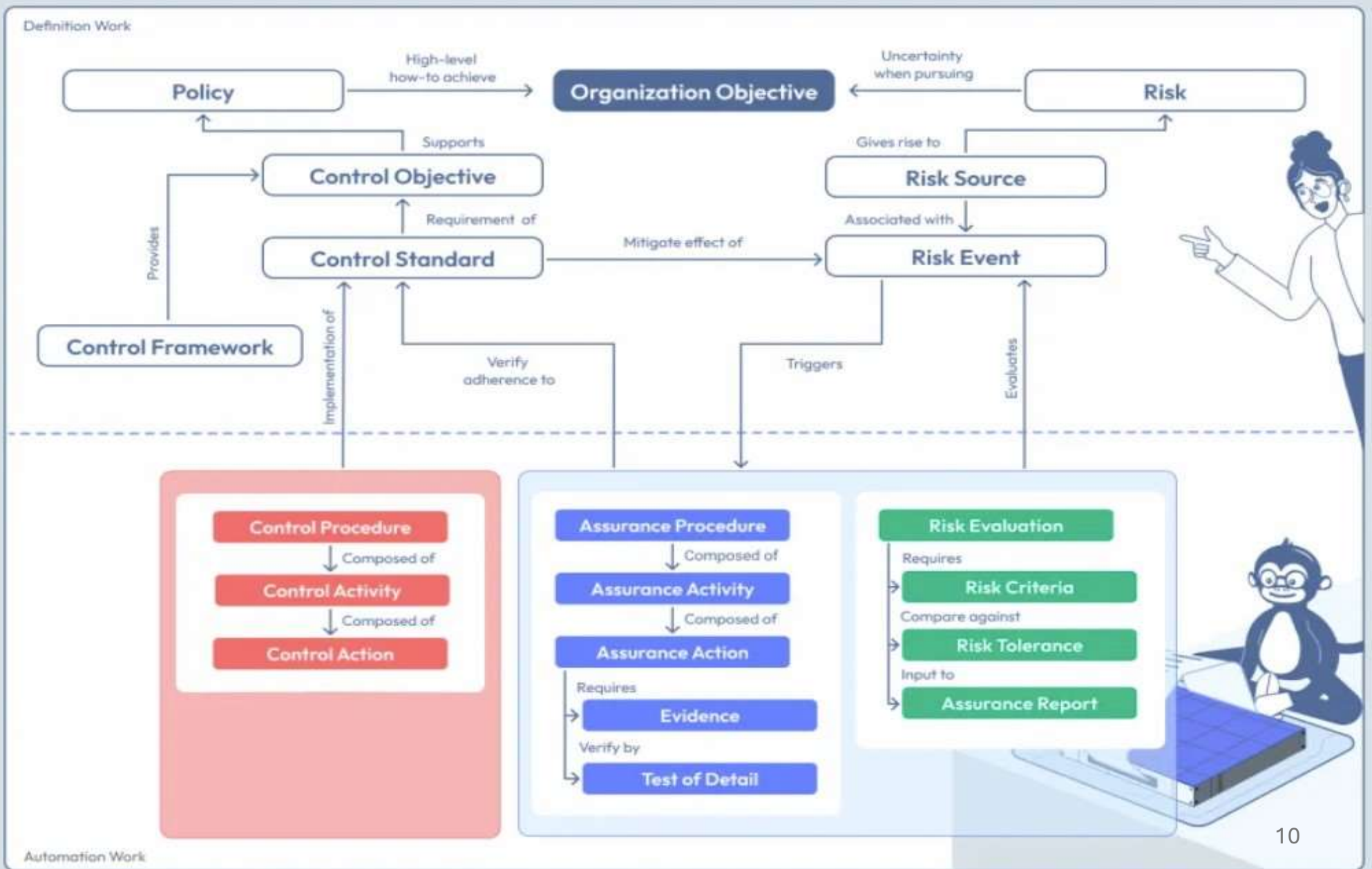
IMPACT

Undermines the municipality's ability to deliver essential services across electricity, housing, roads water and sanitation and cost escalations.

Public outcry for basic services



Implementation Specificity to the 3 Lines of Defence Model – Working towards Objectives



Integrated Assurance is all about Financial Governance!

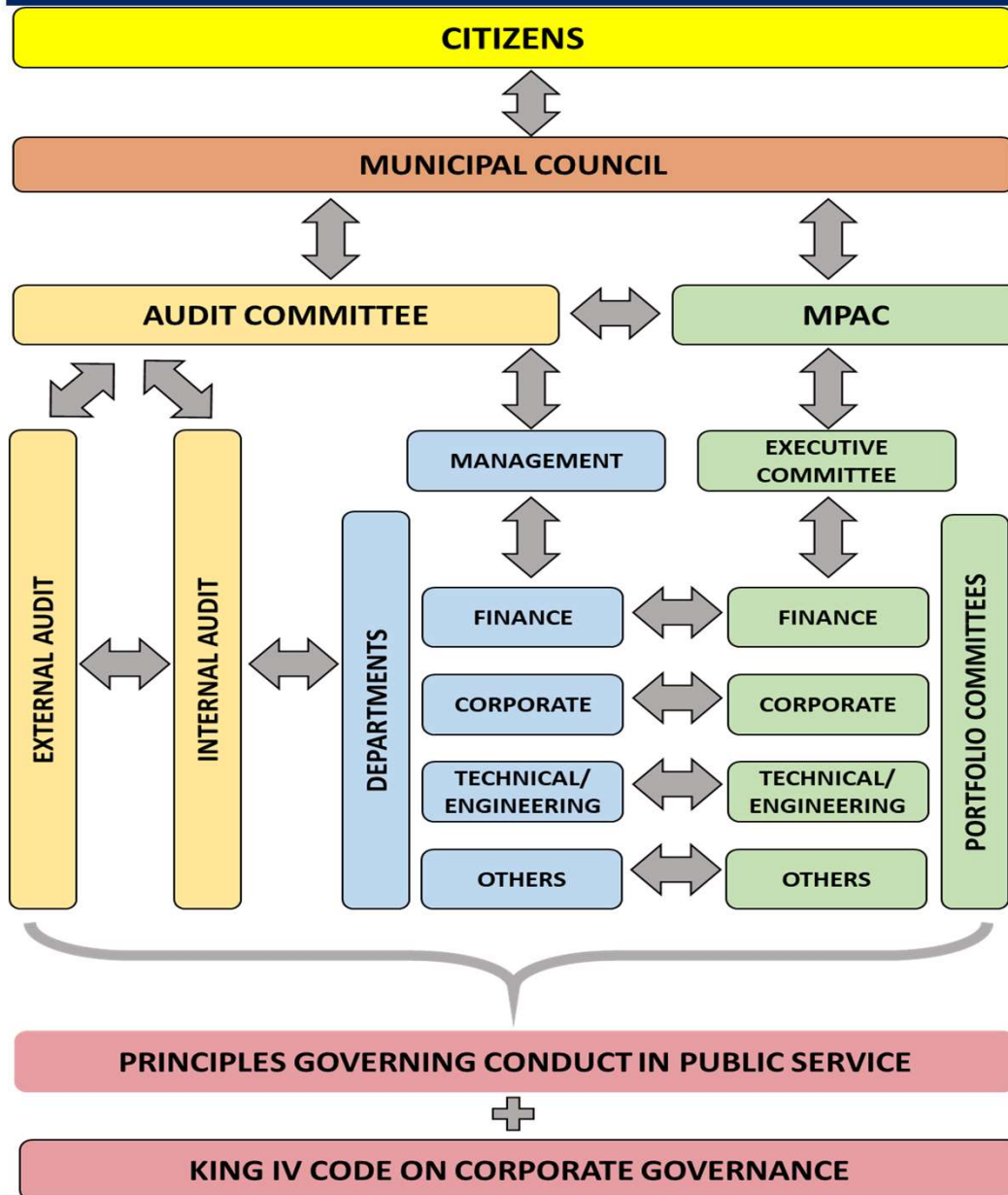
Good governance requires the following features:

- ❑ The fact that governance is a process and not merely a set of rules or activities;
- ❑ Co-ordination rather than control is the basis of the process of good governance; and
- ❑ Good governance is a “continuous interaction of the actors”. (Kamal & Batool: 2020)

A Financial Governance Model (Krishnan: 2023) expands on these, highlighting:

- ❑ Need for greater engagement with, and a better response to, audit outcomes; as well as financial management as a single process of continual improvement through robust engagement, tracking of trends and following-up on issues requiring attention by different stakeholders in local government.
- ❑ The need for co-ordination by the audit committee, as well as council.
- ❑ Confirming that good governance is a “continuous interaction of the actors” by highlighting the interrelationships and inter-dependencies of different “actors”, with the audit committee being the main protagonist in this instance and central to good financial governance. Other “actors” are municipal councils; MPACs; portfolio committees of council; the council’s executive committee; management, internal auditors and external auditors.
- ❑ These come together to form the institutions responsible for local financial governance through their continual interaction on matters of public interest.

Financial Governance Model



- ❑ Indicates a flow of information, reporting and accountability between local financial governance structures and particularly the necessary interactions.
- ❑ Citizens as primary stakeholders and shareholders in municipalities entitled to service delivery through good and effective financial governance.
- ❑ Timing of Council and Committee Meetings – end of the quarter or 1st month of the quarter?

Krishnan (2023)

A New Audit Perspective

- ❑ Move from compliance to impact and value-add
- ❑ Understanding roles and responsibilities and inter-relationships
- ❑ Audit using a 360° feedback model
- ❑ Where in the system are the weaknesses or gaps?
- ❑ Triangulation of results to provide an objective and insightful view of the state of local financial governance.
 - Audit Committee Self-evaluation
 - Assessment of local financial governance across role-players.
- ❑ Ongoing monitoring, reporting and evaluation of services and effectiveness.



A New Audit Perspective

- ❑ Do NOT rely on AGSA, frameworks and guidelines...
- ❑ Global Internal Audit Standards – go to the essence of the standard...
AGSA focusing on audit against the GRAP standards – becoming more technical.
- ❑ Focus on Performance Auditing and organizational objectives.
- ❑ Incorporate in your own Combined Assurance Strategy and Policy –
Need for Review.
 - Not just about the audit plan...
 - Advisory Services vs Assurance Services
 - Independence is a state of mind.
- Use the Principle of “Apply or Explain”
- Have a longer-term view for the strategy.
- Be bold, be brave – train and establish the importance of the IA and Risk Management Functions.



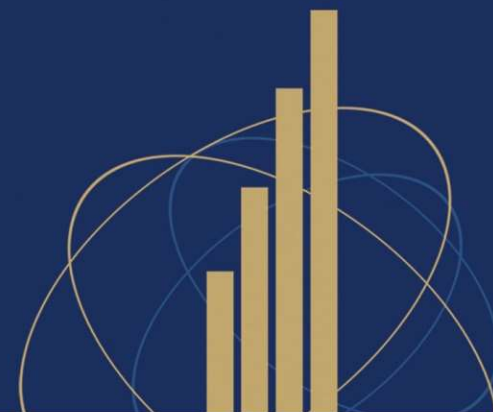
Conclusion: The Value Proposition

- ❑ **Credibility:** Integrated assurance validates the credibility of external reports, enhancing stakeholder confidence.
- ❑ **Sustainability:** It ensures that social, environmental, and financial issues are not viewed in isolation.
- ❑ **Excellence:** Ultimately transforms the audit function from a cost centre into a strategic partner that safeguards the public interest.



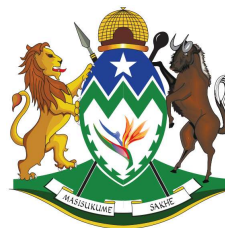


Thank You!



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