

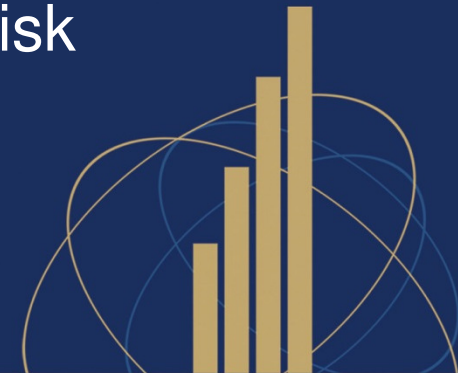


# Objectivity of Internal Audit Assurance on Risk Management

2021 Audit and Risk Indaba

20 April 2021

Makhongela MM – Limpopo Chairperson: CIGFARO

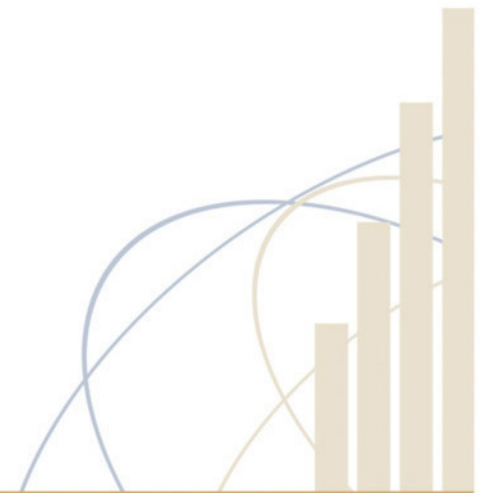


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# Introduction

## Internal Audit

“An independent, objective assurance and consulting activity designed to add value and improve an organization’s operations. It helps an organization to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of **risk management**, control and governance processes.”

Risk management is the identification, evaluation, and prioritization of **risks** (defined in [ISO 31000](#) as *the effect of uncertainty on objectives*) followed by coordinated and economical application of resources to minimize, monitor, and control the probability or impact of unfortunate events<sup>[1]</sup> or to maximize the realization of opportunities.

**This is the responsibility of management**



# Relationship between IA and RM







# Role of IA in Risk Management



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# Role in terms of IIA Standards

## Standard 2100 – Nature of Work

The internal audit activity must **evaluate** and **contribute to the improvement** of governance, **risk management**, and control processes using a systematic and disciplined approach.

Risk management processes are monitored through ongoing management activities, separate evaluations, or both.

**2120.A1 – The internal audit activity must evaluate risk exposures relating to the organization's governance, operations, and information systems regarding the:**

- ❑ Achievement of the organization's strategic objectives;
- ❑ Reliability and integrity of financial and operational information;
- ❑ Effectiveness and efficiency of operations and programs;
- ❑ Safeguarding of assets; and
- ❑ Compliance with laws, regulations, policies, procedures, and contracts.



# Can IA do the responsibilities of Risk Management

**Yes, but not all responsibilities....**

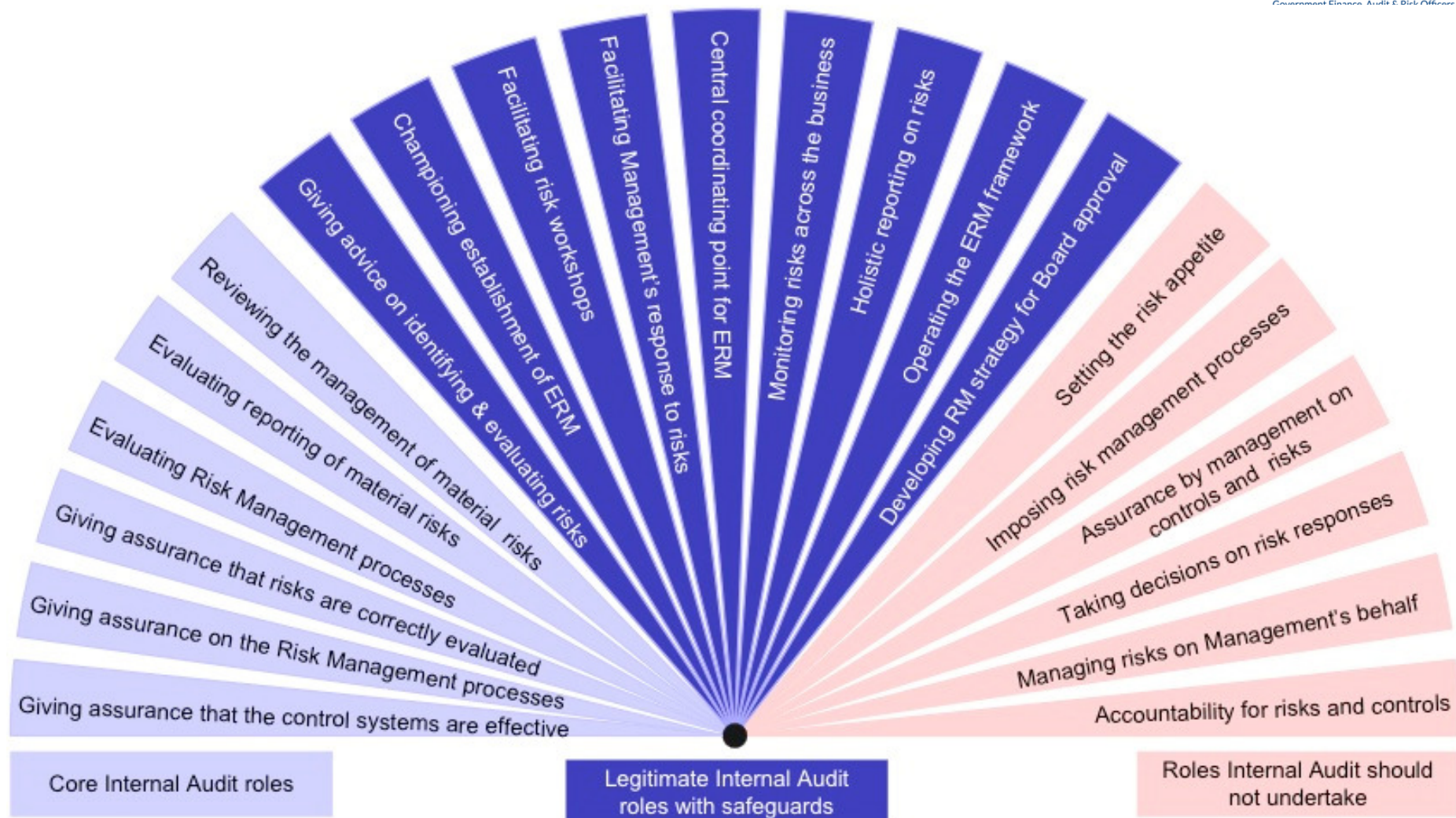
2120.C3 – When assisting management in **establishing** or **improving** risk management processes, internal auditors must refrain from assuming any management responsibility by actually managing risks.

**Consulting Engagement**



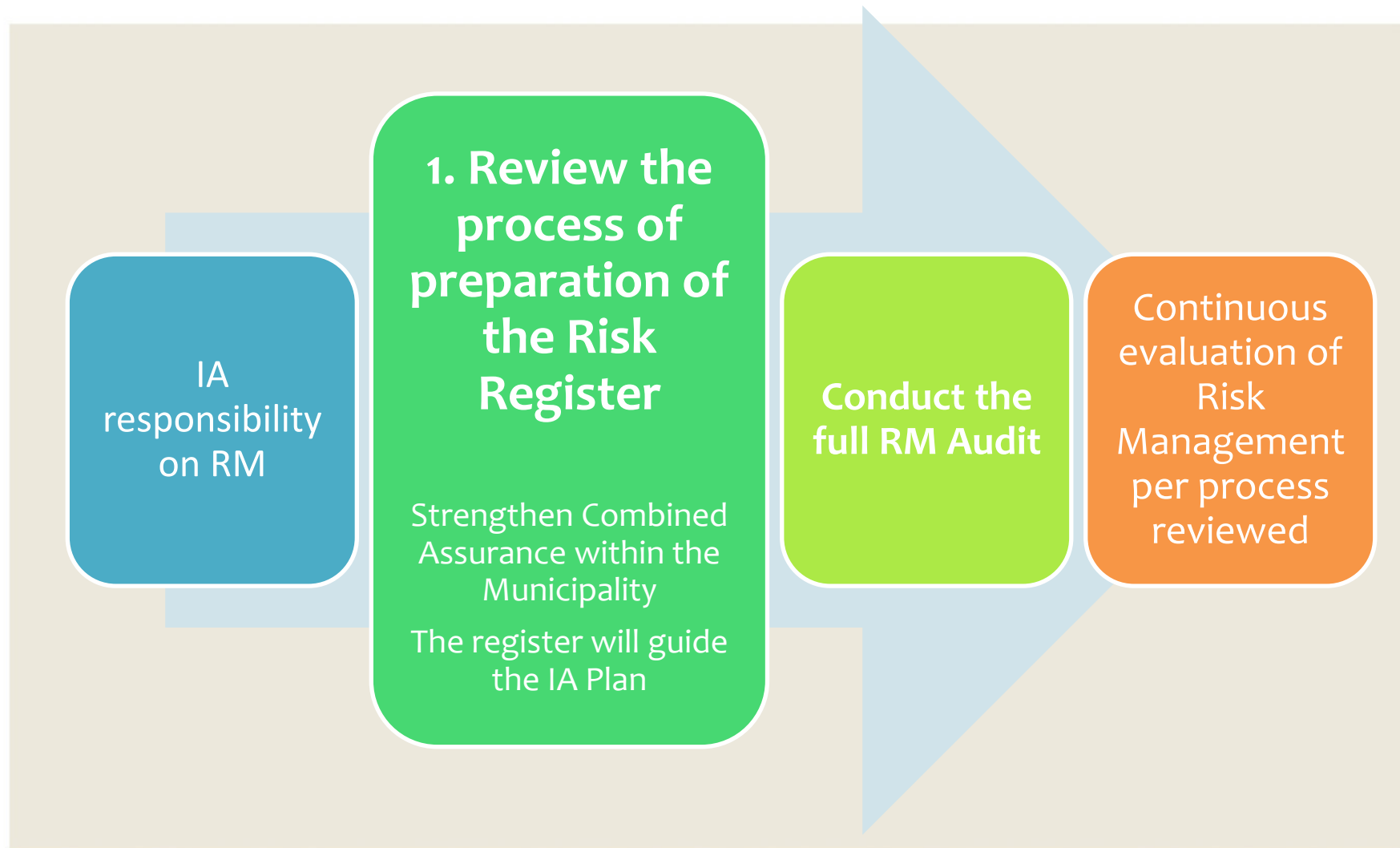


# Role of IA on ERM



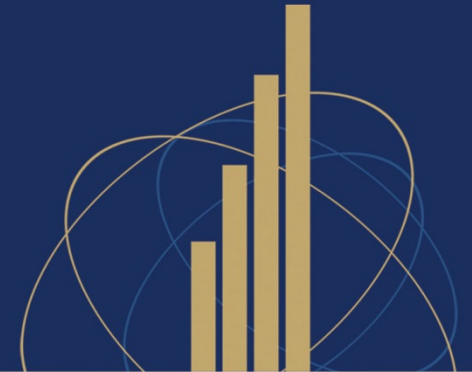


# Practical Application





# Objectivity of IA on RM



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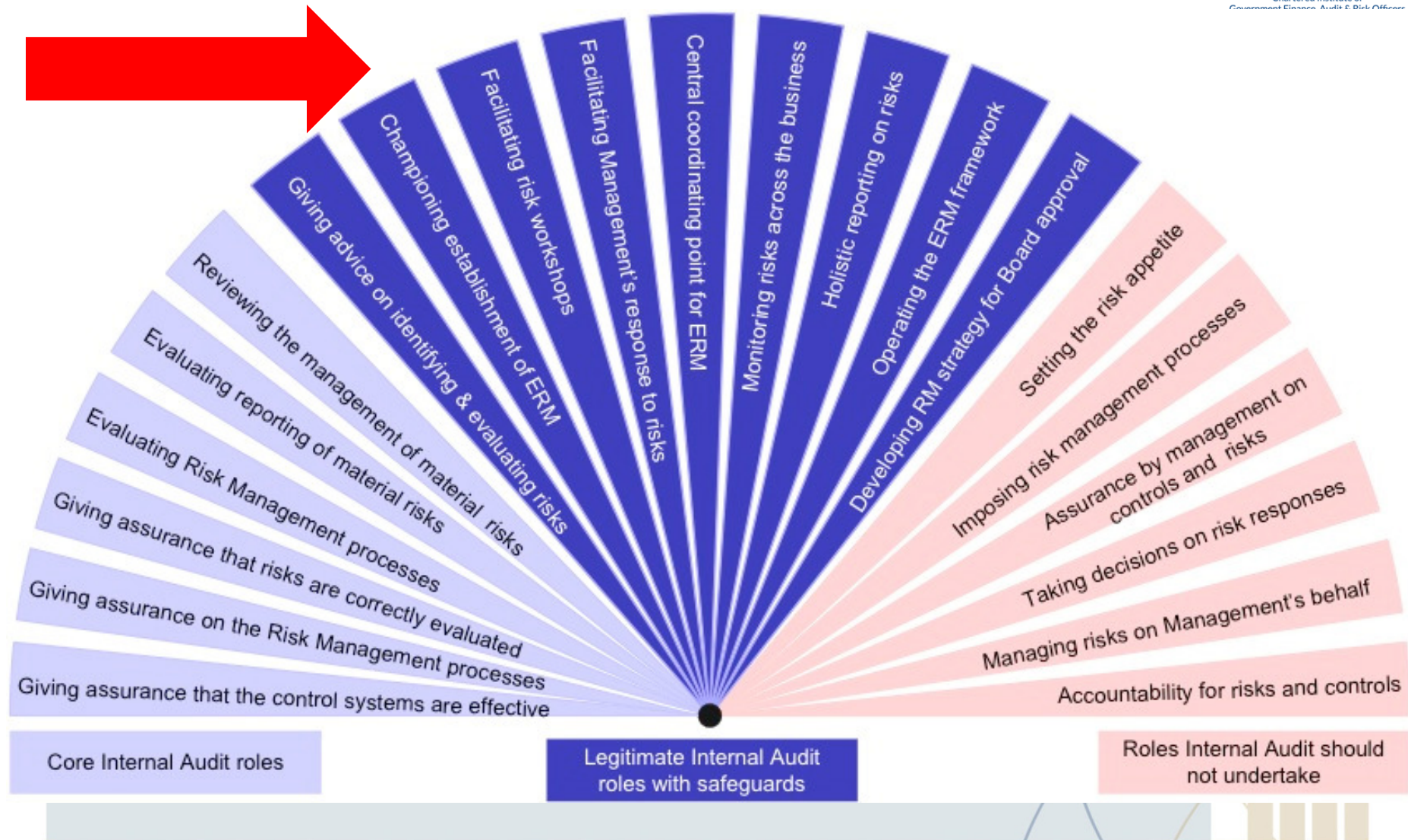
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# Combined Assurance





# If the IA execute RM responsibilities





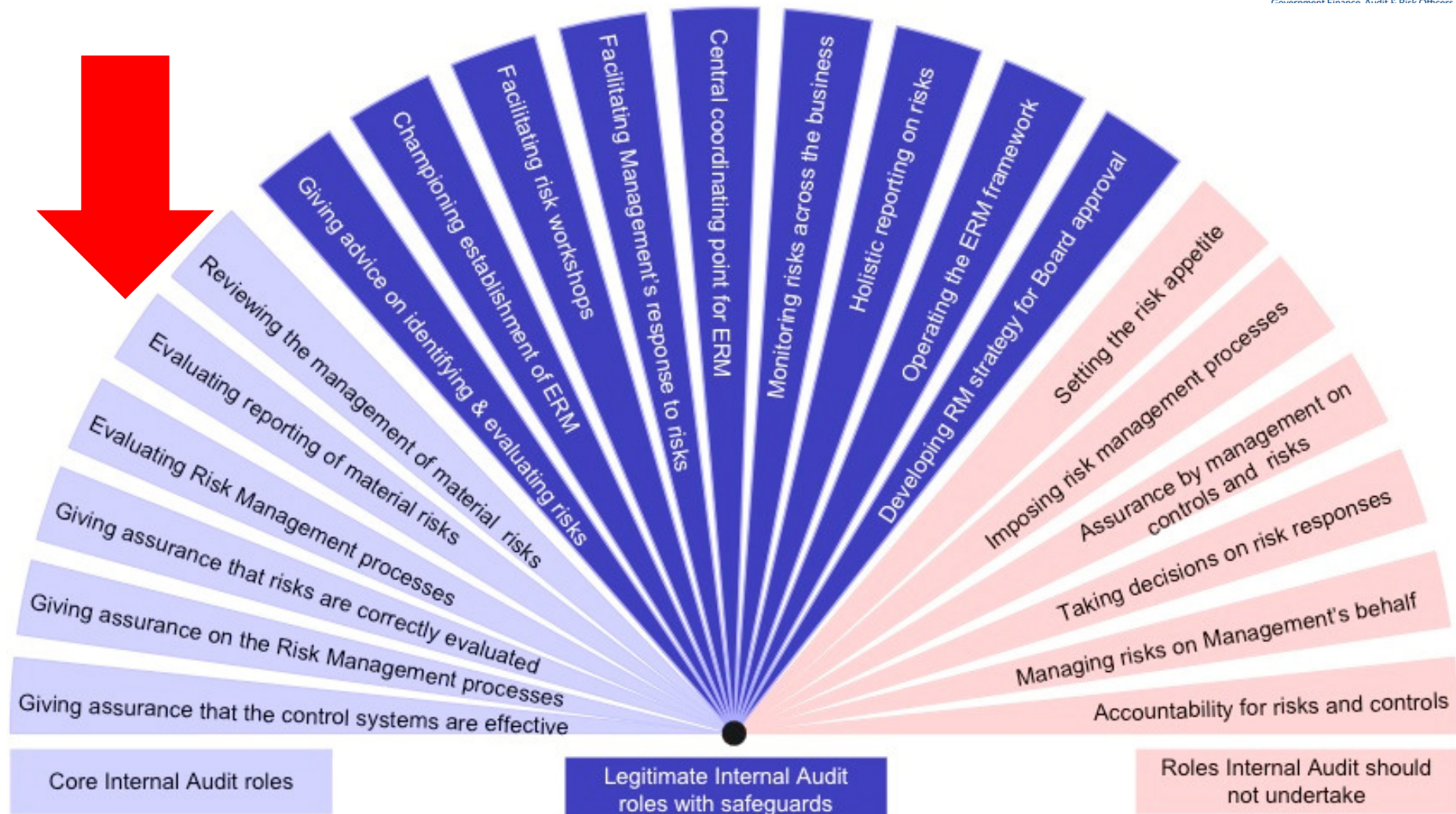
# Legitimate role

Standard 2120.C3 – When assisting management in **establishing** or **improving** risk management processes, internal auditors must refrain from assuming any management responsibility by actually managing risks.

- Internal Audit should not review the RM processes if this legitimate responsibilities are conducted by the Internal Audit Unit **to ensure objectivity**
- The audit of RM should then be outsourced
- Internal Audit must refrain from assuming any management responsibility by actually managing risks.



# Core roles



# Core Role and threat to objectivity

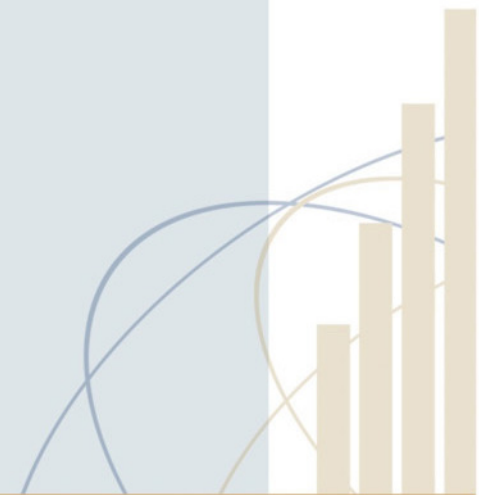
The core role as expected by the IIA Standards allows the Internal Audit Activity to be independent when evaluation the Risk Management processes.



# Conclusion

“As I see it, only God can be all-powerful without danger, because his wisdom and justice are always equal to his power. Thus there is no authority on earth so inherently worthy of respect, or invested with a right so sacred, that I would want to let it act without oversight or rule without impediment (p. 290).”

Alexis de Tocqueville





# Conclusion

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