



Role of Internal Auditor & Risk Officer in advising governance structures as Quality Assurers


Mr. SM Ngema

Contact : 083-709 0557

Email : ngemaia@gmail.com




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Related Legislative Mandate

- Municipal Finance Management Act. (MFMA)
 - Public Finance Management Act. (PFMA)
 - Risk Management Framework
 - Municipal Manager and Manager reporting to MM
 - Municipal Structures Act.
 - Municipal Systems Act
 - King IV
 - Public Audit Act No. 25 of 2004 (PAA)
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The Role of Internal Audit and Risk Mangement


- Internal Auditing is an independent and objective assurance
 - Consulting activity
 - Adding value to improve the operations of the Organisation,
 - With a role of executing a Risk Based Internal Audit Plan and Reporting Administratively to Accounting Officer(Management) and Functionally to Audit Committee
 - Improve the effectiveness of the Organisational risk management, control, and governance processes.
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Challenges, Independence and Objectivity of Internal Audit Unit

- There is an often lack of understanding of the Activities and duties of internal audit and Risk Unit
- The Advisory role or Consulting Activities done by the Internal Audit is often mistaken with person to be delegated the duties (you know it, you doing it)
- Consulting Activities may sometimes lead to impairing IA Independence


Internal Audit Activity should:

- Have no direct operational responsibility or authority over any of the activities reviewed;
 - Neither develop nor install systems or procedures, prepare records, or engage in any other activity that would normally be audited;
 - Not initiate or approve accounting transactions external to the scope; and
 - Avoid conflict of interest.
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Governance Structures

- Accounting Officer (Management Committee)
 - Municipal Council
 - Internal Audit Unit
 - Audit Committee
 - Risk Management Committee
 - Municipal Public Accounts Committee

 - Auditors General
 - Sector Departments (e.g. Treasury and COGTA)
 - Disciplinary Board
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Panel Discussion on Role of Internal Auditor & Risk Officer in advising governance structures



A: Panel Member Presentation

Role of Risk Officer

1. Adding value to the organisation
2. Aligning risk management to strategy and core values of the organisation.
3. Acting as a business partner in improving controls
4. Reporting deviations from approved risk appetite

Challenges faced by Risk Officers

1. Structure (positioning and recognition)
2. Risk Management committee ineffectiveness (lack of guidance)
3. Integrated assurance ineffectiveness
4. Reactive approach by Risk Officials

Ways to Address Challenges

1. Competent RMC chair (external member)
2. Participating in Integrated Assurance structure
3. Develop risk intelligence within the organisation

B : Panel Member Presentation

Role Of Internal Audit

1. Advising and reporting to Accounting Officer (Management) on any control deficiencies identified.
2. Report to audit committee on the implementation of the internal audit plan and matters relating to PMS Reviews
3. Be part of the MPAC meeting and advice on Risk and Audit matters
4. Attend Municipal Council meeting.
5. Quarterly Reports to Sector Departments (COGTA and Treasury)

Challenges encountered

1. Non-implementation of Internal Audit and Risk Officers recommendations
2. Internal Audit Being tasked to conduct fraud or alleged fraud investigations.
3. Audit unit being tasked with day to day Operational duties
4. MPAC duties vs Audit Committee duties (duplication of Duties)
5. Internal Audit blamed for Auditor General unfavourable outcomes
6. Unable to timeously perform Audit task due to COVID-19

Ways to Address Challenges

1. Regular follow up or reporting on Internal Audit Action Plan
2. Making management aware of internal Audit and Risk Management tasks and duties
3. Ensuring that MPAC Chair /delegated member attend Audit Committee meetings
4. Making management aware of the task at hand and holding Virtual meetings

C: Panel Member Presentation

Expectations from the governance structures

1. Effectiveness of control systems (IA) – status of key controls and exposures (IA)
2. Status of risk management in one consolidated report. **(RM)**
3. Credibility and reliability of reported info (AFS, IFS, PMS, SCM etc). **(IA)**
4. Implementation of audit action plans - IA and AG (IA).
5. Status of compliance **(RM & IA)**.
6. Impact of audit outcomes on risk status. **(IA and RM)**
7. Status of investigations (IA)

Challenges encountered

1. Capacity and resource constraints (IA and RM)
2. IA and RM functions often not taken seriously – (e.g. scope limitations and non-responsiveness).
3. Operational **vs** assurance roles – often blurred.
4. Non-alignment of risk processes to daily operations.

Ways to Address Challenges

1. IA and RM to be fully resourced (Treasury to assist)
2. Capacitated risk committees.
3. Shift in organisational culture (RM and IA)
4. Accountability and consequence management.

