

Scientific Review
UDC: 657.63

Paper received: 15/03/2018

Paper accepted: 30/06/2018

TOWARDS A FRAMEWORK FOR ACHIEVING CLEAN AUDIT OUTCOMES IN THE SOUTH AFRICAN PUBLIC SECTOR

Dr KN Motubatse

Department of Auditing, Tshwane University Of Technology South Africa

Email: *MotubatseKN@tut.ac.za*

Collins C Ngwakwe

Faculty of Management & Law, University of Limpopo South Africa

Email: *collins.ngwakwe@ul.ac.za*

Mokoko P Sebola

Faculty of Management & Law, University of Limpopo South Africa

Email: *mokoko.sebola@ul.ac.za*

ABSTRACT

Achievement of clean audit outcomes in every entity of the South African public sector would be something worth celebrating. However, very few public sector institutions have achieved clean audit outcomes, according to the audit evaluations and analyses published at the end of their financial reporting cycles. In addition, many public sector institutions are experiencing challenges in their leadership, financial management and governance functions. In response to this, South Africa's Supreme Audit Institution, the Auditor General, South Africa (AGSA) put plans in place to help these public sector institutions to achieve clean audit outcomes. Since there is limited published research in respect of public sector auditing, this paper addresses the sector's ongoing failure to achieve clean audits by drawing on insights from the broader body of literature on leadership, financial management and governance, and from this to produce a generic framework within which clean audit outcomes can be achieved in the public sector. The method was based on a panel data regression analysis,

which provided results that were used in conjunction with the literature to draw the proposed framework. The proposed framework shows how the combination of positive and effective leadership, financial management and governance could manifest as genuine accountability. This paper also finds that the audit committee aspect of governance has an important role to play in guiding the entity to achieve the desired clean audit outcome. This is achieved through maintaining the function's independence, demonstrating their financial literacy, experience, and commitment, and by their commitment to regular meetings. Based on these findings, the paper recommends a generic framework which could expedite the achievement of clean audit outcomes in the public sector institutions. In addition, the paper concludes that the effectiveness of the audit committee is key to the proposed framework's ability to guide public sector entities to achieve clean audit outcomes.

Key words: *clean audit outcomes; audit committee; framework; governance; leadership; public sector*

1. INTRODUCTION

Every journey begins with a dream, and for the South African public sector the dream was (and remains) the achievement of clean audits. The term 'clean audit' formally entered the auditing lexicon in the Republic of South Africa in 2009, and is the pivotal concept intended to promote accountability in the country's public sector organisations. Key to the achievement of clean audits in the South African public sector is the escalation of awareness of the concept amongst its employees (COGTA, 2009). The term 'clean audit' has generally replaced the more cumbersome term 'unqualified audit opinion', which was the best quality audit outcome achievable and based only on the audit of *financial* statements. (Legislation has now made reporting on certain non-financial aspects of entities' performance mandatory, and these reports are accommodated in the updated 'clean audit' term.) However, the essential change the term 'clean audit' has introduced is this: whereas the previously preferred 'unqualified audit opinion' could still contain an auditor's clause identifying 'some material errors', the new 'clean audit' variation has the expectation that there will be no clauses identifying any material error. Thus, an unqualified audit opinion that contains no clause identifying any material error is now referred to as a 'clean audit opinion' by the Auditor General of South Africa (AGSA); and in 2009 the AGSA began the journey that was supposed to end in 2014 with the universal achievement of clean audits throughout the South African public sector. However, this noble ambition has continued to prove elusive (Powell, et al., 2014). The now necessary next phase of the journey to achieving clean audits requires the pragmatic and systematic enforcement of compliance with the principles guiding the preparation of financial statements, and with the country's laws and regulations. In addition, the process requires the

rigorous scrutiny and audit of the efforts of the public sector entities to achieve nationally predetermined development objectives by the AGSA.

This paper therefore, proposes a generic framework that is intended to expedite the achievement of clean audit outcomes in the country's public sector institutions. Thus, the rest of the paper is structured as follows: the next section discusses relevant literature; this is followed by a discussion of the research methodology, and by the proposed generic guidance framework. The last, concluding section also includes appropriate recommendations.

2. LITERATURE REVIEW

The key feature of the framework for achieving clean audit outcomes is its dependence on the implementation of good internal control. The AGSA has identified three drivers that are essential prerequisites for effective internal control; the audits of the public sector institutions are thus now focused on determining the strengths of these three drivers (AGSA, 2013). The key internal control drivers are leadership, financial management and governance (AGSA, 2013).

2.1. LEADERSHIP, FINANCIAL MANAGEMENT AND GOVERNANCE

Missioura (2015) agrees that leadership has a critical role to play in monitoring the internal controls environment, and to ensure that it contributes to the implementation of effective and efficient management systems.

Similarly, Simons (2013) regards leadership to be the lever of control that drives the organisation's strategic direction and ensures proper processes in policy formulation and implementation. In addition, Ho, et al., (2015), in their study of the relationships between the Chief Executive Officer, and gender, ethical leadership, and accounting conservatism, revealed a positive association, and suggest that ethical leadership should contribute to the greater integrity of financial internal control reporting. Leadership is at the top of management's decision-making pyramid (Ho, et al., 2015), and weak leadership may therefore result in poor decisions that negatively affect the audit outcome (Skaife, et al. 2013). McKinney (2015) views effective financial management in the public sector and non-profit organisations as an important correlative of timely reporting and the quality of audit outcomes. Of course, financial managers also have a primary responsibility to prepare financial statements for audit. Effective governance optimises the use of resources to ensure proper internal control systems (Cao, et al., 2015; Liscic, et al., 2015). In addition, Liscic, et al., (2015) emphasise that the audit committee has the power to ensure that internal controls are effective and support the financial reporting processes. Hence, the whole governance structure has as its prime focus the optimisation of internal controls and the improvement of the quality of audit reports (Cao, et al., 2015; Liscic, et al., 2015).

Previous research such as Motubatse (2016) indicated that governance was the dominant contributor to the achievement of clean audits; it went further to highlight that the effectiveness of governance is propelled by five key factors, which are independence, financial literacy, experience, commitment and meeting regularly (KPMG, 2009; Ahmed, 2016; Iyer, et al., 2013;). Hence in addition to discussing the AGSA's three major variables of clean audit, the subsequent sections of the literature will highlight further on these five key factors of governance as a contribution and expansion on existing variables of clean audit as illustrated in this paper's contributory framework in Figure 1.

2.2. INDEPENDENCE

Their independence allows the audit committee to challenge management decisions freely and objectively (KPMG, 2009). According to Al-Matari et al., (2014), the independence of the audit committee contributes positively to the entity's achievement of good governance, confirming that the audit committee is a potentially key contributor to the achievement of clean audits in the local government environment (IOD, 2009). In addition, various researchers have emphasised that the effectiveness of the audit committee is also linked to its independence (Zaman & Sarens, 2013; De Vlamincq & Sarens, 2015; Al-Matari, et al., 2014; KPMG, 2009).

IFAC and CIPFA (2014) identify the audit committee as another source of assurance with respect to governance, and that its independence is important to enhancing effective governance (Rupley, et al., 2011; Boyle, et al., 2015; DeZoort, 1998; De Vlamincq & Sarens, 2015).

The external auditors, on the other hand, are expected to demonstrate their independence from all operational governance structures in order to enhance audit quality. But, while Jamal and Sunder (2011) associate the auditor's independence with audit quality, Daniels and Bookers (2011) feel that the auditor's independence may not of itself enhance audit quality. Either way, independence requires the auditor to comply with the principle that an auditor should not assume management's responsibilities in any business or operational capacity, nor should it perform an audit engagement in any areas in which he or she has a direct involvement or has had a recent direct involvement, and should also resist being influenced by the client while in the service of the client. Thus, when the auditor's independence is maintained, this is an important contribution to maintaining audit quality (Soltani, 2007).

2.3. FINANCIAL LITERACY

It is demonstrated by specific employment experience, and by certification in finance, accounting and/or other related services (Iyer, et al., 2013; KPMG, 2009).

The financial literacy of the audit committee members is a prerequisite component of competence (IFAC, 2003; Iyer, et al., 2013). In fact, the most important part of the audit committee's competence is in its financial expertise (Abernathy, et al., 2015). Thus, the audit committee's demonstrable financial expertise enhances audit quality (Deis & Giroux, 1996).

Membership of the audit committee (as it is a key part of governance), demands a higher level of competence and financial literacy than is required in most other aspects of the business, in order to understand the problems encountered in financial reporting, and to identify the risks of and associated with misstatements and other accounting errors (Oktorina & Werdari, 2015). The financial literacy of the audit committee members can be measured in terms of their academic studies, their on-the-job training, work experience and professional education.

In his study of the audit committee members' characteristics, Aryan (2015) shows that there is no significant relationship between the fact of being an audit committee member and their individual (or collective) financial literacy. However, Abernathy, et al., (2015) investigated the association between the audit committee members' accounting expertise and timeliness of financial reporting, and the results show there to be a positive relationship with financial literacy. These results further suggest that the audit committee's effectiveness may be improved by appointing members who have formal financial or accounting training and experience (Abernathy, et al., 2015).

2.4. EXPERIENCE

Audit committee effectiveness is measured by their collective experience (Iyer, et al., 2013). Such preferred experience includes knowledge of the industry's operations, accounting knowledge, and management principles (Hoitash, et al., 2013). An understanding of business risk, controls and applicable accounting policies are also deemed important (KPMG, 2009).

Despite the fact that financial literacy has been identified as an essential skill of an effective audit committee member, it does not necessarily mean every member of the committee must have accounting and finance skill. Other skills such as law, risk management, information technology and other technical fields are also pertinent contributors to the creation of an effective audit committee (IOD, 2009; KPMG, 2009). Utilising their collective competence in these various disciplines, the audit committee is expected to facilitate efficient and effective cooperation in governance (Alabede, 2012; Nyman, et al., 2005).

An audit committee with appropriate experience is likely to enjoy enhanced efficiency and thus also be able to resolve any conflicts that may arise between

management and auditors (Abernathy, et al., 2015). Interestingly, Iyer, et al., (2013) used a regression model to examine the characteristics of the financial expertise and qualifications of the audit committee members, and the results show that the audit committee's experience is positively regarded by the rest of the governance providers. Albring, et al., (2013) came to similar conclusions, also suggesting that the experience of the audit committee does impact on their ability to contribute to effective governance.

Various publications reviewed for this research use the term 'competency' in place of 'experience', for various reasons (Siriwardane, et al., 2014; Glover & Prawitt, 2014; Leung, et al., 2009). These terms can also be understood as synonymous with skill (Arens, et al., 2014), knowledge (Leung, et al., 2009) and the ability to perform certain tasks (Siriwardane, et al., 2014; Glover & Prawitt, 2014). In South Africa, competence is the term used almost exclusively with reference to hiring, training, qualifications, skills and any other form of evaluation and assessment. According to IFAC (2006): *"competence refers to the demonstrated ability to perform relevant roles or tasks to the required standards, whereas capability refers to the attributes held by individuals that give them the potential to perform. Competence refers to the actual demonstration of performance. Competence may be assessed by a variety of means, including workplace performance, workplace simulations, written and oral tests of various types and self-assessments."*

Siriwardane, et al., (2014), in their study of skills, knowledge and attributes, reveal that the demonstration of professional competencies is an important component of audit quality, whereas Glover and Prawitt (2014) conclude that competency enhances audit quality through professional identity, communication and practices. In order to maintain audit quality, and extrapolating from the above descriptions of competence, Glover and Prawitt (2014) simply remind auditors to adhere to professional standards. Thus, the auditors should apply their proficiency throughout the audit, and the auditor's competence is then evidenced in the quality of the audit (Favere-Marchesi, 2000). Leung, et al., (2009) also argue that competence is a characteristic of a professional person, and therefore, when the auditor faces pressure from management or a time constraint, the audit quality should nevertheless not be compromised. Despite the term competency having been used in various ways and forms, this study argues that there is an overarching view of competency among the auditors as a descriptor for their technical experiences and ethical behaviour, and the professional qualities they are expected to uphold at all costs.

2.5. COMMITMENT

Commitment is one of the fundamental qualities present in an effective audit committee. According to Ahmed (2016:1), commitment has a significant effect

on the efficiency and the success of individual teams of workers and on the organisation as a whole. Thus, the audit committee's commitment is reflected in its effectiveness (Ika & Ghazali, 2012). Similarly, effectiveness is a significant outcome associated with commitment in an employment position, a profession, and with overall career success (Ahmed, 2016:2). According to Martinov-Bennie, et al., (2015), the effective functioning of the audit committee requires commitment and competent performance evaluations. Usually such evaluations are expected to be done by the senior management, internal auditors and external auditors (Martinov-Bennie, et al. 2015; National Treasury, 2009). Such a performance evaluation should be done timeously and objectively in order to enhance the commitment and effectiveness of the audit committee.

The degree of active involvement of the audit committee in the activities of auditors and other governance aspects show the commitment of the audit committee. Morgan (2010) states that the performance of the duties and functions of the audit committee requires commitment of time and effort in order to execute their responsibilities effectively. The use of an audit committee charter is another formal, mandatory compliance-driven measure of conformance which demonstrates the commitment and effectiveness of the audit committee (National Treasury, 2009; Ika & Ghazali, 2012). Thus, improving the level of commitment of the individual members is an important way to enhance the effective functioning of the audit committee.

2.6. REGULAR MEETING

Regular attendance at meetings (as is usually required in an audit committee charter) indicates a focused and efficient audit committee (KPMG, 2009). Regular meetings of the audit committee is another form of accountability, and is supportive of good governance and of stakeholders' interests. The number and quality of audit committee meetings is associated with effective time management and with audit committee effectiveness (Ika & Ghazali, 2012). Hence, in academic research in particular, the effectiveness of an audit committee is often measured in terms of the number of meetings they attend with management, internal auditors, external auditors and other assurance providers. Another measure of the effectiveness of the audit committee in governance matters relates to the number of pertinent issues discussed, as opposed to the routine-type agenda items that form the backbone of their regular meetings (Jan, 2015). Again, the content and quality of discussions at audit committee meetings are indicators of the effectiveness and accountability of the committee, and from which compliance with the audit committee charter is deducible. It should be noted that both the Public Finance Management Act and the Municipal Finance Management Act clearly stipulate that the effectiveness of audit committees should be measured against their charters (National Treasury, 2009).

Meeting regularly enables the audit committee to stay on top of the issues that are affecting (or are likely to affect,) governance and audit quality, and to address audit-related issues. Aryan (2015) ran a multiple regression analysis on the characteristics of the audit committee and the results show the existence of a positive relationship between the frequency of audit committee meetings and the entity's size and profitability. These results are also confirmed by Li, et al., (2012) who found that the extent of the agendas and the frequency of meetings are positively associated with an effective audit committee.

3. RESEARCH METHODOLOGY

This paper was based on the results of the author's Doctoral thesis in which he aimed to evaluate the factors affecting/inhibiting the achievement of clean audit outcomes in South Africa's municipalities. In the thesis, a quantitative approach was used to examine whether there was a specific or direct relationship between clean audit outcomes and the aspects of leadership, financial management and governance. By analyzing the quantitative data, it was possible to identify the effect (contribution) of each factor in achieving a clean audit outcome. The research design was derived from insights gained during the literature review process, which have already been discussed in the previous sections of the paper.

The proposed framework in this paper was derived from a statistical analysis of factors, which are seen by the Auditor General as key drivers of clean audit. Data for these variables used were as reported by Motubatse (2016), which were data from the nine provinces of South Africa and which were arranged in panel data fashion. The panel data were then subjected to multiple regression analysis with summarised results in Table 1. Analysis was conducted at an alpha level of 0.05, such that if the P value is less than or equal to 0.05, the relationship is seen as significant.

The following regression models were used:

Model 1 (Table 1, test 1) – Factors affecting clean audit:

$$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + e \dots\dots\dots (1)$$

Where:

Y = clean audit attained

β_0 = Y intercept)

β_{1-3} = coefficients of regression

X₁ = leadership

X₂ = financial management

X₃ = Governance

e = error = 0

Model 2 (Table 2, test 2) – Factors affecting governance:

$$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + e \dots\dots\dots(2)$$

Where:

Y = Governance

β_0 = Y intercept)

β_{1-3} = coefficients of regression

X_1 = Risk management

X_2 = Audit committee

X_3 = Internal audit

e = error = 0

4. RESULTS AND DISCUSSION

Table 1 Regression Result of Factors Affecting Clean Audit

	<i>Coefficient</i>	<i>p-value</i>	
const	-0.003	0.47	
Led	-0.087	0.51	
FINMgt	0.183	0.16	
Gov	0.190	0.01	**

Table 2 Regression Result of Factors Affecting Governance

	<i>Coefficient</i>	<i>p-value</i>	
Const	0.129933	<0.001	***
Int_Audit	0.106544	0.413	
AuditCom	0.378701	0.002	**
RiskMgt	0.0755811	0.480	

As can be seen in Table 1, out of the three variables for clean audit, governance proved to have a significant relationship with clean audit at a P-value of 0.01. Albeit the strength of governance on clean audit, it cannot function alone without the other variables (leadership and financial management). Given this strong link between governance and clean audit, the paper proceeded to ascer-

tain what factors are linked to strong governance. Table 2 shows that audit committee effectiveness is significantly related to good governance. However, audit committee cannot function alone in the absence of the other two variables (risk management and internal audit). Based on this unique results in Table 1 and Table 2, the paper suggests that clean audit outcome might be affected by many variables, hence the paper proceeds to propose a framework for achieving clean audit outcome in the public sector (Figure 1).

The framework developed in the present paper provides a clear indication that the quality (and presence of) governance structures plays an important role in the achievement of clean audit outcomes in South Africa's public sector institutions. Thus, the proposed framework is consistent with the AGSA's key drivers of internal control.

Limitations

As in many other research, it is worthwhile to mention the limitations in the method and results of this paper, which includes inter alia, time period and untested variables. The time period within which the variables were considered was limited to five years, this presents a gap for future researchers to fill and thus limits generalisation of this results. Future research should expand the number of years for these variables. Furthermore, the variables such as internal audit, audit committee and risk management were only tested against governance, future researchers might consider combining these variable to jointly test their effect on clean audit as indicated in the framework in Figure 1.

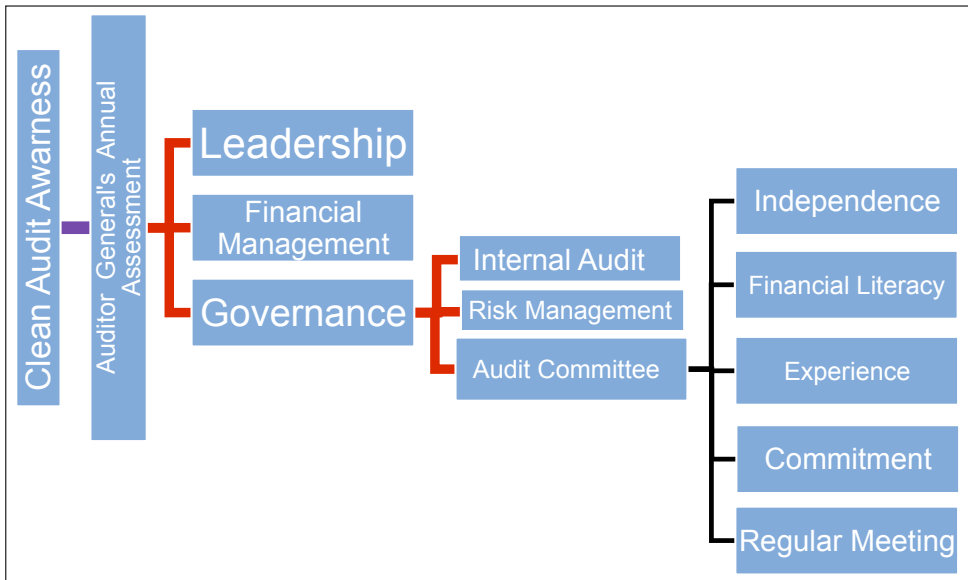
4.1. PROPOSED FRAMEWORK FOR ACHIEVING CLEAN AUDIT OUTCOMES

Since the AGSA has stated that there are three variables that drive the country's clean audit effort (leadership, financial management and governance), these drivers form the third node/cluster of management attributes in the proposed framework (see Figure 1 below.) And because the AGSA places so much reliance on these drivers as the vehicle to get the public service to clean audit status, examining their real-world effectiveness became irresistible, as did the urge to offer recommendations based on the outcome of this research. Recently published literature (Missioura, 2015; McKinney, 2015; Cao, et al., 2015; Lisic, et al., 2015) supports the Auditor General's focus on the effectiveness of leadership, financial management and governance as key to improve audit outcomes. This research was therefore intended to discover the relative strengths of their individual influences.

Figure 1 summarises the proposed framework of attributes needed to achieve clean audit outcomes. This research resulted in the identification of three major

nodes or clusters of attributes needing to be optimised, and because the regression analysis of AGSA reports (Motubatse, 2016) indicated governance was the dominant contributor to the achievement of clean audits, the framework is strongly focused on governance. For example, examining the relative effectiveness of the factors affecting governance (as reflected in the framework below,) showed that internal audit, risk management and the presence of an audit committee jointly have an influence on governance effectiveness. Thus, the framework indicates that it is the audit committee that provides the major driving force within the governance cluster of disciplines that will propel public sector institutions towards clean audit outcomes. The effectiveness of the audit committee can thus be influenced by addressing the five (5) major aspects of the function, as illustrated on the right hand side of the framework below. These five aspects correlate with the factors identified in the literature as having an effect on the efficiency of the audit committee. The factors/aspects that an audit committee is required to demonstrate (see Figure 1) are independence, financial literacy, experience, commitment and meeting regularly. Published researchers including Cohen, et al., (2002), Morgan (2010), and Soliman and Ragab (2014) agree that it is the audit committee's efficiency and effectiveness in demonstrating factors that enhances the overall efficiency of the audit committee. In response to this, it appeared appropriate to extend the Auditor General's three-drivers-of-audit-outcomes framework to include these governance variables and thus to extend the framework to include the five audit committee variables. This extension adds new dimensions to understanding the influence of the governance function and thus introduces opportunities for further research. In audit practice the extended framework now suggests that audit scrutiny be extended to factors that affect audit committee effectiveness. In regard to research, these additional factors provide an agenda for further examination of the relative effects of the audit committee factors on the audit committee's overall effectiveness. This proposed framework has not yet been published in any public sector auditing publication in South Africa, and hence the contribution of this research to auditing practice and ongoing academic research has still to be recognised.

Figure 1: Proposed framework of factors affecting progression to clean audit



(Source: Motubatse, 2016)

The literature review provided a broad overview of what is required to achieve clean audit outcomes; this has been combined with specific indicators that emerged from regression analysis of AGSA audit reports (Motubatse, 2016), to give a clearer explanation of how effective governance is affected. The result is a generic framework for achieving clean audit outcomes (see Figure 1 above.) The elements of the figure have been largely dealt with in the preceding discussion. However, the underlying rationale for the inclusion of internal audit and risk management in the framework has not been discussed separately as they are also effectively fundamental principles of governance, and thus the responsibility of audit committees in the public sector.

5. CONCLUSION

This paper aimed to provide a framework for achieving clean audit outcomes in the South African public sector. Thus, while the aim of achieving clean audit outcomes in the public sector is unquestioned, the governance aspects of public sector institutions are not sufficiently understood to be able to address their effectiveness issues. There has been limited progress made on this front as the processes are devoid of the conceptual background essential to construct the incremental efforts needed to achieve clean audit outcomes. Thus, with insights

from the literature, this paper has attempted to address this problem by providing an initial step to construct a generic framework for achieving clean audit outcomes. This proposed framework has distinguished leadership, financial management and governance. It should be noted that neither leadership nor financial management have a demonstrable effect on the achievement of clean audit outcomes, and in this sense, remedial efforts are unlikely to give the returns they would when applied to governance issues. On the other hand, the achievement of a clean audit outcome is linked to events and processes over which the audit committee has influence; therefore, the role of the audit committee is inextricably intertwined with the achievement of clean audit outcomes. Again, it is for this reason it has been suggested in the generic framework that the audit committee's independence, financial literacy, experience, commitment, and regular meeting are found to be representative of the specific contribution of the audit committee to the achievement of clean audit outcomes.

It is therefore logical for further research to extend this paper by applying the suggested framework as a basis for examining and analysing actual processes that have resulted in clean audit opinions in South Africa's public sector institutions (2015/16 AGSA data suggests there were 49 out of 263 municipalities received clean audit outcomes, which will be examined in the next phase of this research). This will enable the generic framework to be tested and provide further insight into public sector auditing outcomes. The methodology used for the research that resulted in this generic framework was described in the author's Doctoral thesis entitled "An evaluation of factors affecting the progression to clean audit outcomes in South African municipalities" (Motubatse, 2016).

In order to plan and execute effective public administration (at both the administrative and project-selection levels), effective monitoring and auditing policies are essential, as it is through these functions that the legislature is made aware of the manner in which these key functions are driving public service accountability. This research has revealed that of the three key public administrative service functions identified by the AGSA, governance is significantly more efficient and effective at achieving the desired improvements than are the other two. Within the governance function it is internal audit, the audit committee and the risk management functions that have greatest potential to overcome the challenges facing the orderly operation of public sector entities.

6. REFERENCES

1. Abernathy, J.L., Beyer, B., Masli, A. & Stefaniak, C.M. 2015. How the source of audit committee accounting expertise influences financial reporting timeliness. *Current Issues in Auditing*, 9(1):1-9.
2. Ahmed, N.O.A. 2016. Organizational factors and organizational commitment. *Journal for Studies in Management and Planning*, 2(01):1-14.
3. Al Matari, E.M., Al Swidi, A.K. & Fadzil, F.H.B. 2014. The moderating effect of board diversity on the relationship between executive committee characteristics and firm performance in Oman: Empirical Study. *Asian Social Science*, 10(12):6-20.
4. Alabede, J. 2012. The role, compromise and problems of the external auditor in corporate governance. *Research Journal of Finance and Accounting*, 3(9):114-126.
5. Albring, S., Robinson, D. & Robinson, M. 2014. Audit committee financial expertise, corporate governance, and the voluntary switch from auditor-provided to nonauditor- provided tax services. *Advances in Accounting*, 30(1):81-94.
6. Arens, A., Elder, R.J. & Beasley, M.S. 2014. *Auditing and assurance services: an integrated approach*. 15th edition. UK: Pearson Education Limited.
7. Aryan, L.A. 2015. The relationship between audit committee characteristics, audit firm quality and companies' profitability. *Asian Journal of Finance & Accounting*, 7(2):215-226.
8. Auditor General of South Africa (AGSA). 2013. *Auditing to build public confidence, media release*. [Online] Available from: http://www.agsa.co.za/portals/0/mfma_2011-12extracts/mfma_media_releases/mfma_2011_12_media_release.pdf. [Accessed: 22/03/2016].
9. Boyle, J.F., Gramling, A.A., Hermanson, D.R. & Hermanson, H.M. 2015. Audit committee material weaknesses in smaller reporting companies: still struggling. *Journal of Forensic & Investigative Accounting*, 7(1):110-121.
10. Cao, L., Li, W. & Zhang, L. 2015. Audit mode change, corporate governance and audit effort. *China Journal of Accounting Research*, 8(4):315-335.
11. Cohen, J., Krishnamoorthy, G. & Wright, A.M. 2002. Corporate governance and the audit process. *Contemporary accounting research*, 19(4):573-594.
12. Cooperative Governance and Traditional Affairs (COGTA). 2009. *Local Government Turn-around Strategy*. Pretoria.
13. Daniels, B.W. & Booker, Q. 2011. The effects of audit firm rotation on perceived auditor independence and audit quality. *Research in Accounting Regulation*, 23(1):78-82.
14. De Vlaminck, N. & Sarens, G. 2015. The relationship between audit committee characteristics and financial statement quality: evidence from Belgium. *Journal of Management & Governance*, 19(1):145-166.
15. Deis, D.R. & Giroux, G. 1996. The effect of auditor changes on audit fees, audit hours, and audit quality. *Journal of Accounting and Public Policy*, 15(1):55-76.
16. DeZoort, F.T. 1998. An analysis of experience effects on audit committee members' oversight judgments. *Accounting, Organizations and Society*, 23(1):1-21.
17. Favere-Marchesi, M. 2000. Audit quality in ASEAN. *The International Journal of Accounting*, 35(1):121-149.
18. Glover, S. M. & Prawitt, D. F. 2014. Enhancing auditor professional skepticism: The professional skepticism continuum. *Current Issues in Auditing*, 8(2):1-10.
19. Ho, S.S., Li, A.Y., Tam, K. & Zhang, F. 2015. CEO gender, ethical leadership, and accounting conservatism. *Journal of Business Ethics*, 127(2):351-370.
20. Ika, R.S. & Ghazali, N.A.M. 2012. Audit committee effectiveness and timeliness of reporting: Indonesian evidence. *Managerial Auditing Journal*, 27(4):403-424.
21. Institute of Directors (IoD). 2009. *King report on corporate governance for South Africa*. Johannesburg: Institute of Directors.

22. International Federation of Accountants (IFAC) and Chartered Institute of Public Finance and Accountancy (CIPFA). 2014. *International framework: good governance in the public sector*.
23. International Federation of Accountants (IFAC). 2006. *Competence requirements for audit professionals. International Education Standards 8*. [Online]. Available from: <https://www.ifac.org/publications-resources/ies-8-professional-competence-engagement-partners-responsible-audits-financ-0>. [Accessed: 21/12/2013].
24. Iyer, V.M., Bamber, E.M. & Griffin, J. 2012. Characteristics of audit committee financial experts: an empirical study. *Managerial Auditing Journal*, 28(1):65-78.
25. Jamal, K. & Sunder, S. 2011. Is mandated independence necessary for audit quality?. *Accounting, Organizations and Society*, 36(4):284-292.
26. Jan, S. 2015. Achieving good corporate governance through effective audit committees in commercial banks: Evidence from India. *Asian Journal of Research in Business Economics and Management*, 5(6):23-35.
27. KPMG. 2009. *The role of the audit committee*. [Online]. Available from: https://www.kpmg.com/RU/en/topics/Audit-Committee-Institute/Publications/Documents/toolkit/1_The%20role%20of%20the%20audit%20committee_eng.pdf. [Accessed: 17/11/2014].
28. Leung, P., Coram, P., Cooper, B.J. & Richardson, P. 2009. *Modern auditing and assurance services*. 4th edition. Australia: John Wiley & Sons.
29. Li, J., Mangena, M. & Pike, R. 2012. The effect of audit committee characteristics on intellectual capital disclosure. *The British Accounting Review*, 44(2):98-110.
30. Lisic, L.L., Neal, T.L., Zhang, I.X. & Zhang, Y. 2015. CEO power, internal control quality, and audit committee effectiveness in substance versus in form. *Contemporary Accounting Research*, X:1-39.
31. Martinov-Bennie, N., Soh, D.S. & Tweedie, D. 2015. An investigation into the roles, characteristics, expectations and evaluation practices of audit committees. *Managerial Auditing Journal*, 30(8/9):727-755.
32. McKinney, J.B. 2015. *Effective financial management in public and non-profit agencies*. ABC-CLIO.
33. Missioura, O.V. 2015. Leadership & internal control in the SME sector. *World Journal Management*, 6(1):99-116.
34. Morgan, I. 2010. A formalised performance assessment process to improve audit committee performance in South Africa: a conceptual exploration. *Southern African Business Review*, 14(2):89-117.
35. Motubatse, K. N. 2016. *An evaluation of factors affecting the progression to clean audit outcomes in South African Municipalities*. Unpublished Thesis (Doctoral dissertation): University of Limpopo.
36. National Treasury. 2009. *Internal Audit Framework*. 2nd edition. Pretoria: National Treasury.
37. Nyman, C., Nilsson, F. & Rapp, B. 2005. Accountability in local government: a principal-agent perspective. *Journal of Human Resource Costing & Accounting*, 9(2):123-137.
38. Oktorina, M. & Wedari, L.K. 2015. An empirical investigation on ownership characteristics, activities of the audit Committee and audit fees in Companies Listed on Indonesia Stock Exchange. *Applied Finance and Accounting*, 1(1):20-29.
39. Powell, D.M., O'Donovan, M., Ayele, Z. & Chigwata, T. 2014. *Operation clean audit 2014: why it failed and what can be learned*. Ford Foundation: Cape Town.
40. Republic of South Africa (RSA). 2003. *Local Government: Municipal Finance Management Act, 56 of 2003*. Government Gazette, 26019:152, Feb. 13. Pretoria: Government Printer.
41. Rupley, K., Almer, E. & Philbrick, D. 2011. Audit committee effectiveness: Perceptions of public company audit committee members post-SOX. *Research in Accounting Regulation*, 23(2):138-144.

42. Simons, R. 2013. *Levers of control: how managers use innovative control systems to drive strategic renewal*. Harvard Business Press.
43. Siriwardane, H.P., Kin Hoi Hu, B. & Low, K.Y. 2014. Skills, knowledge, and attitudes important for present-day auditors. *International Journal of Auditing*, 18(3):193-205.
44. Skaife, H.A., Veenman, D. & Wangerin, D. 2013. Internal control over financial reporting and managerial rent extraction: Evidence from the profitability of insider trading. *Journal of Accounting and Economics*, 55(1):91-110.
45. Soliman, M.M. & Ragab, A.A. 2014. Audit committee effectiveness, audit quality and earnings management: an empirical study of the listed companies in Egypt. *Research Journal of Finance and Accounting*, 5(2):155-166.
46. Soltani, B. 2007. *Auditing: an international approach*. 1st edition. England: Pearson Education Limited.
47. Zaman, M. & Sarens, G. 2013. Informal interactions between audit committees and internal audit functions: Exploratory evidence and directions for future research. *Managerial Auditing Journal*, 28(6):495-515.

ODREĐIVANJE OKVIRA ZA DOBIVANJE JASNIH REZULTATA REVIZIJE U JAVNOM SEKTORU JUŽNE AFRIKE

SAŽETAK RADA

Dobivanje jasnih rezultata revizije u svakom tijelu javnog sektora Južne Afrike bilo bi idealno. Međutim, mali broj institucija u javnom sektoru uspjele su dobiti jasne rezultate revizije prema ocjenama i analizama koje su objavljene na kraju izvještajnog razdoblja. Osim toga, mnoge institucije u javnom sektoru suočene su sa izazovima u području vodstva, financijskog menadžmenta i upravljačkih funkcija. Kao odgovor na takvu situaciju, Vrhovna revizorska institucija Južne Afrike i Glavni državni revizor napravili su plan kako pomoći institucijama u javnom sektoru da dobiju jasne revizorske rezultate.

Budući da postoji malen broj istraživanja u području revizije u javnom sektoru, ovaj rad se bavi pogreškama prilikom dobivanja jasnih revizorskih rezultata i upućuje na literaturu o vodstvu, financijskom menadžmentu i upravljanju, te iz toga stvara generički okvir unutar kojeg bi se mogli dobiti jasni rezultati revizije u javnom sektoru. Predloženi okvir pokazuje kako kombinacija pozitivnog i učinkovitog vodstva, financijskog menadžmenta i upravljanja može rezultirati pouzdanim rezultatima.

Ovaj rad također naglašava važnu ulogu revizorske komisije koja bi trebala voditi tijelo do željenih jasnih rezultata revizije. To se postiže održavanjem nezavisnosti funkcija, prikazom njihove financijske pismenosti, iskustvom, predanošću i održavanjem redovitih sastanaka. Obzirom na dobivene rezultate članak preporučuje generički okvir koji bi ubrzao dobivanje jasnih revizorskih rezultata u institucijama javnog sektora. Na kraju se zaključuje da je učinkovitost revizorske komisije ključni čimbenik vođenja institucija javnog sektora kako bi se dobili jasni rezultati revizije.

Ključne riječi: jasni rezultati revizije; revizorska komisija; okvir; upravljanje; vodstvo; javni sektor

