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*Beyond Findings*

# Internal Audit as a Permanent Positive Agent

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*Reclaiming Accountability and Restoring Public Confidence through Tech-Enabled, Risk-Intelligent Assurance*

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*National Public Sector  
Non-Compliance Audit Symposium*

# Setting the Scene

Honourable Chairperson, fellow Accounting Officers and Chief Financial Officers, members of Audit Committees, and distinguished colleagues — thank you for the privilege of addressing this symposium.

We gather under a theme that captures the central challenge of our era of governance: moving Beyond Findings — from diagnosing dysfunction to delivering durable accountability.

*My contribution focuses on Internal Audit — not as a backward-looking compliance function, but as a permanent positive agent at the heart of public institutions.*

S P E A K E R

**Sanele Mkhize**

Interim CFO

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V E N U E

Southern Sun Elangeni

Maharani Towers

Durban

D A T E

11–12 June 2026

# What We Will Cover

## 01 The Accountability Crisis

*Why "beyond findings" matters now*

## 02 Reframing Internal Audit

*From watchdog to permanent positive agent*

## 03 Audit Intelligence & AI

*Influencing executive decision-making*

## 04 Integrating Audit Outcomes

*Strategy, risk, and performance*

## 05 Continuous Monitoring

*Anticipating emerging risks*

## 06 The Roadmap

*Implementation, governance & next 12 months*

# The State of Public Sector Audit Outcomes

*AGSA 2024-25 PFMA Consolidated General Report — a stagnation, not a turning point.*

**151 / 417**

**auditees achieved clean audits**

*Only 36% of the public entity universe*

**266**

**auditees failed to obtain clean audits**

*Managing 88% of the expenditure budget*

**45**

**auditees regressed in outcomes**

*Including several high-impact institutions*

**R2.41bn**

**prevented or recovered via MI process**

*Material Irregularity gains are real but partial*

*Source: Auditor-General of South Africa, 2024-25 Consolidated PFMA General Report.*

# The Auditor-General's Diagnosis

“

*High levels of non-compliance with legislation continue with little consequence. A culture of disrespecting the rule of law not only undermines public trust but also demonstrates that such behaviour is tolerated.*

— Tsakani Maluleke, Auditor-General of South Africa

## FOUR ROOT CAUSES IDENTIFIED

### **Slow institutional capability**

*Weak controls and skills gaps persist*

### **Lack of accountability culture**

*At 40% of auditees — no consequences*

### **Inadequate consequence management**

*32% non-compliance with CM legislation*

### **Poor quality of spending**

*Wastage tolerated despite fiscal pressure*

PART ONE

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# Reframing Internal Audit

*From assurance provider to permanent agent of accountability, foresight, and institutional renewal.*

# What "Permanent Positive Agent" Means

## From: Traditional Internal Audit

- Retrospective compliance testing
- Findings issued, then archived
- Annual cyclical audit plans
- Manual sampling of transactions
- Reports to the Audit Committee only
- Viewed as a cost centre

## To: Permanent Positive Agent

- Forward-looking, risk-anticipating
- Findings embedded in decisions and policy
- Continuous, dynamic risk-based coverage
- AI-driven analytics over full populations
- Trusted partner to executive leadership
- Recognised as value-generating function

# Internal Audit's Position in the Governance Architecture

## 1st Line

### Management & Operational Controls

Owns risk and executes day-to-day controls in finance, SCM, HR, and service delivery.

## 2nd Line

### Risk, Compliance & Oversight Functions

Sets policies, monitors compliance, and provides specialist risk expertise.

## 3rd Line

### Internal Audit

Provides independent, objective assurance and acts as a permanent strategic advisor to the Accounting Authority.

*Aligned with the IIA Global Internal Audit Standards (effective January 2025) and South Africa's PFMA / MFMA governance frameworks.*



P A R T   T W O

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# Audit Intelligence & AI-Driven Analytics

*Using audit intelligence to influence executive decision-making and policy.*

# Why the Traditional Audit Model Is No Longer Enough

1

## Retrospective by design

Conventional audits review past transactions — by the time findings are issued, the funds are gone/learning curve delayed.

2

## Sample-based assurance

Manual sampling may miss irregularities buried in complex agreements.

3

## Fragmented data systems

Financial, SCM, HR, and performance data live in silos with no single source of truth.

4

## Repeat findings, low impact

Same root causes recur each year because audit insights don't shape strategy or policy.

# AI-Driven Audit Capabilities

## Anomaly Detection

*Machine Learning (Isolation Forest, Autoencoders)*

Flags duplicate payments, suspicious vendor patterns, payment spikes

## NLP Contract Review

*BERT, spaCy*

Scans tenders & contracts for non-compliance language and red flags

## Predictive Risk Scoring

*XGBoost, Logistic Regression*

Forecasts which transactions, units, or projects are likely to fail compliance

## Real-Time Dashboards

*Power BI, Tableau, Quasar*

Live visibility of financial KPIs, irregular expenditure, audit issue status

## Process Mining

*Celonis, Disco*

Reconstructs actual SCM and payment processes to expose control bypasses

## Robotic Process Automation

*UiPath, Power Automate*

Continuous testing of journals, payroll, and reconciliations at full population

*Disclaimer: I have not used any of these tools in my organization, open for critique and discussion from members in attendance*

# From Data to Executive Decision

**01**

## Capture

Integrate finance, SCM, HR, payroll, performance data into a single audit warehouse

**02**

## Analyse

Apply AI models to detect anomalies, score risks, and reconstruct processes

**03**

## Interpret

Translate signals into business issues with root causes and financial impact

**04**

## Influence

Brief the Accounting Officer, EXCO, and the Board — shape policy, budgets, and consequences

***Outcome: audit becomes an input to strategy, not a verdict after the fact.***

PART THREE

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# Integrating Audit Outcomes Into Strategy

*Embedding assurance into strategic planning, risk mitigation, and performance improvement.*

# Embedding Audit Outcomes Across the Institutional Cycle

## Strategic Planning

Audit risk universe and assurance findings feed annual performance plans (APPs), strategic objectives, and MTEF priorities.

## Risk Management

Audit signals refresh the enterprise risk register; emerging risks become standing agenda items at EXCO.

## Performance Improvement

Recurring findings trigger redesign of policies, SOPs, and KPIs — not just remediation memos.

## Budget & Resource Allocation

Areas of repeat irregular expenditure receive targeted resource and capacity interventions.

## Consequence Management

Audit referrals link directly to disciplinary processes, MI investigations, and recovery actions.

## Reporting to Citizens

Audit outcomes translate into transparent public disclosures that rebuild confidence in the institution.

# Closing the Consequence Management Gap

## THE PROBLEM

32% of auditees fail to comply with consequence management legislation (AGSA 2023-24).

Lack of accountability is a root cause at 40% of poor-outcome auditees.

Findings are documented but rarely converted into disciplinary or recovery action.

*Officials transgress without fear of consequence — eroding both deterrence and public trust.*

## INTERNAL AUDIT'S ROLE

Maintain a live register of findings linked to specific transactions and officials.

Brief the Audit Committee on the status of each consequence step (investigation → recovery).

Independently verify that Material Irregularity actions are being implemented timeously.

Report stalled cases directly to the Accounting Authority and escalate to oversight bodies.

ALWAYS ON, ALWAYS LEARNING

# Continuous Monitoring & Emerging Risk Anticipation

*A shift from periodic samples to permanent surveillance over the full population of transactions and controls.*

## Payments & Disbursements

Daily checks for split transactions, duplicate invoices, ghost vendors, after-hours payments.

## Supply Chain Management

Tender awards screened against directorships, BBBEE status, prior performance, and price benchmarks.

## Payroll & HR

Ghost employees, dual employment, unauthorised overtime, and qualification mismatches detected continuously.

## Performance Information

Real-time tracking of APP indicators against actuals — early warning on under-delivery.

## Financial Health Indicators

Liquidity, debt-collection, and cash-flow ratios monitored monthly for early distress signals.

## ICT & Cyber Risk

Privileged-access reviews, vulnerability scans, and segregation-of-duty checks aligned with IIA Topical Requirements.



# A Public Entity Lens: Applying These Principles

*Lessons drawn from leading a finance function in a Schedule 3A public entity — and the universal lessons that apply across the sector.*

- 1 Single source of truth first** — Audit intelligence is only as good as the data lineage beneath it. Consolidate finance, SCM, and performance data before deploying AI.
- 2 Earn the executive seat** — Internal audit must communicate in the language of strategy and budget — not control narratives — to influence at EXCO.
- 3 Strengthen the Audit Committee** — An empowered, independent Audit Committee is the institutional sponsor of permanent, positive audit influence.
- 4 Build internal analytics capacity** — Outsourced analytics deliver reports; in-house capability delivers culture change and continuous learning.
- 5 Engage with AGSA proactively** — Treat Material Irregularity notifications as opportunities for institutional improvement, not as adversarial events.

# A 12-Month Roadmap for Public Sector Institutions

## Months 1–3

### Foundations

- Refresh internal audit charter against IIA Global Standards
- Map data sources & access rights
- Reconstitute analytics-capable audit team

## Months 4–6

### Pilot

- Deploy analytics on SCM & payments
- Launch a live findings & MI tracker
- First quarterly EXCO insight briefing

## Months 7–9

### Scale

- Extend continuous monitoring to payroll & performance
- Integrate findings into ERM and APP cycle
- Embed consequence management workflow

## Months 10–12

### Institutionalise

- Independent quality assessment
- Board-approved 3-year audit strategy
- Publish audit value scorecard

# What Could Stop Us — and What Must Enable Us

## RISKS TO MANAGE

- Resistance from officials threatened by transparency
- Data quality and integration gaps
- Skills shortages in data analytics and AI
- AI model bias and ethics concerns
- Political interference and instability at executive level
- Inadequate budget for technology investment

## ENABLERS TO BUILD

- Visible sponsorship from the Accounting Authority
- Empowered, independent Audit Committee
- Investment in data infrastructure and tooling
- Multi-disciplinary teams (audit, data, legal, IT)
- Ethical AI governance framework
- Continuous professional development & rotation

# Measuring the Value of a Permanent Positive Agent



## Repeat findings year-on-year

Reduction in recurring AGSA findings on the same root causes



## Time-to-detection

From months post-event to days or hours via continuous monitoring



## Material Irregularities resolved

Higher proportion closed with recovery or disciplinary action



## Audit recommendations adopted at EXCO

Recommendations integrated into strategic plans and budgets



## Irregular & wasteful expenditure

Sustained downward trend, validated by the AG



## Citizen trust indicators

Improved public perception scores and stakeholder feedback

I N C L O S I N G

# From Findings to Confidence

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*Internal audit will become a permanent positive agent only when we:*

- 1 Equip our audit functions with the data, tools, and people to think and act in real time.
- 2 Insist that audit insights flow into strategy, budgets, and consequence management — not just reports.
- 3 Hold ourselves, as Accounting Officers and CFOs, accountable for acting on what audit tells us.
- 4 Treat every finding as an opportunity to restore public confidence in the institutions we serve.

***Beyond Findings. Toward Accountability. Restoring Public Confidence.***

# *Ngiyabonga*

## Thank you

*Questions & Discussion*

## Sanele Mkhize CA(SA)

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### SELECTED REFERENCES

- AGSA, 2024-25 Consolidated PFMA General Report (March 2026)
- AGSA, 2023-24 Consolidated Reports on PFMA & MFMA Audit Outcomes
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