

**AN ANALYSIS OF THE EFFECTIVENESS OF INTERNAL AUDITS IN
GOVERNMENT: A CASE STUDY OF FIVE (05) SELECTED GOVERNMENT
MINISTRIES IN LUSAKA DISTRICT**

BY

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**A dissertation submitted to the University of Zambia in partial fulfillment of the
requirements for the award of Master of Business Administration in Finance**

UNIVERSITY OF ZAMBIA

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DECLARATION

I, **Gregory Tembo**, do hereby declare that this dissertation represents my original work, and that to the best of my knowledge, it has not been presented for a degree to the University of Zambia or any other University and that all other sources of information cited herein have been duly acknowledged.



Signature..... Date.....

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CERTIFICATE OF APPROVAL

This dissertation by **Gregory Tembo** approved as a fulfilment of the requirements for the award of the degree of Master of Business Administration in Finance.

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ABSTRACT

Internal audit is an important part of public sector performance and enforcement of control systems. It includes among other things financial management to ensure that public funds are Used for the intended purpose whilst following the standard procedures. This research examines the sufficiency and competencies of internal auditors, evaluates the management support accorded to internal auditors and accesses the extent of the independence of internal auditors in order to analyse their effectiveness.

The research employed both qualitative and quantitative review of literature. It employed the interpretivist paradigm to discuss the objectives of the research. Scrutiny of journals, reports, books, newspapers and the internet were used to collect secondary data. It also employed the inductive approach to gather data, analyse it and formulate theories to arrive at a conclusion. The research was conducted in five (5) selected ministries namely, Ministry of Finance, Health, Higher education, Community Development and Social Security and Agriculture with a sample size of twenty-five (25) respondents. The research further employed the case study approach to examine and appreciate the gaps in the effectiveness of the internal audit functions in the five (5) selected ministries. The research was longitudinal in nature. The ministries were selected using non-probalistic purposive sampling. The research used semi-structured questionnaires as primary tool for data collection. Statistical package was employed to produce descriptive statistics.

The findings of the research include that internal auditors have the requisite qualifications and competencies to discharge their functions. However, they lack adequate management support. Internal auditors form part of management as such evaluates their own work and suffer undue influence from management. Internal auditors require independence in order to discharge their functions without compromise. However, they lack the necessary adequate independence. The internal auditors are not sufficient in numbers in the selected ministries thereby affecting the audit coverage. The research recommends that internal auditors should be increased in numbers to expand the human resource and audit coverage, they must be separated from management to curtail the undue influence on the internal auditors and in future the research should be extended to all government ministries in order to establish whether the challenges in the selected five ministries are common to all other government ministries.

Key words: *Internal audit, analysis, effectiveness, government ministries, independence, management support, competencies*

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DEDICATION

This dissertation is dedicated to my beloved children Natasha, Alinafe and Mayamiko. I have set the minimum bar for you.

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ACRONYMS AND ABBREVIATIONS

3Es	Effective, Efficient and Economical
ACCA	Association of Certified and Chartered Accountants
ACIAS	Adequate and Competent Internal Audit Staff
AD	Anno Domini (i.e. after Christ)
AIAC	Approved Internal Audit Charter
AICPA	The American Institute of Certified Public Accountants
BC	Before Christ
BCCI	Bank of Credit and Commerce International
CA	Chartered Accountants
CAE	Chief Audit Executives
CCMA	Cape Coast Metropolitan Assembly
CEOs	Chief Executive Officers
CFIA	Competency Framework for Internal Auditing
CIA	Certified Internal Auditors
CIMA	Chartered Institute of Management Accountants
COSO	Committee of Sponsoring Organizations of the Treadway Commission
IA	Internal Auditors
IAE	Internal Audit Effectiveness

IAF	Internal Audit Function
ICS	Internal Control System
IIA	Institute of internal auditors
IOD	Institute of Directors
ISPPIA	International Standards for Professional Practice of Internal Auditors
MoFED	Ministry of finance and Economic Development
MP	Management perception
MPSAs	Ministries, Provinces and spending agencies
MS	Management Support
OAG	Office of the Audit General
OIN	Organizational Independence
PAC	Parliamentary Audit Committee
PWC	Price Water House Coopers
SAP	Statement on Auditing Practice
SMEs	Small and Medium Enterprises
SPSS	Statistical Package for Social Science
UK	United Kingdom
USA	United States of America
ZICA	Zambia Institute of Chartered Accountants

GLOSSARY OF TERMS

- Case study -** This is a research method involving an in-depth and detailed examination of an individual, organisation, event, or action, existing in specific time and place as well as its related contextual conditions (Milfs *et al.*, 2010).
- Internal controls –** The process for assuring of an organisation’s objectives in operational effectiveness and efficiency, reliable financial reporting and compliance with laws (American Institute of Certified Public Accountants, 2005)
- Inductive approach –** The approach to the study of social life that attempts to generate theory from the constant comparing of unfolding observations and interactions (Glaser and Strauss, 1967)
- Value for money audit –** An independent evidence-based investigation which examines and reports on whether economy, effectiveness and efficiency has been achieved in the use of public funds (National Audit Office, 2019)
- Management support –** Management techniques that help an organisation to accomplish its objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of the risk management processes (Wood, 2012)
- Independence –** The freedom from conditions that threaten the ability of the internal audit activity to carry out internal audit

responsibilities in an unbiased manner (Institute of Internal Auditors, 2019)

Phenomenology/interpretivist - An approach to social science and qualitative research, also called anti-positivism that proposes that the social realm cannot be studied with scientific method of investigation applied to the natural world but draw meaning from the subjective experiences of individuals engaging in social interaction using such instruments as interviews, questionnaires and observations and developing of theory from data (Miller, 2004).

Internal Auditing- Internal auditing is defined as a managerial control which functions by measuring and evaluating the effectiveness and adequacy of internal control systems including the safeguarding of assets and processing of transactions and/or payments in an organization (Larry *et al.*, 1978).

Internal Audit Charter- Guideline document for internal auditors providing the purpose and scope of internal audit, rights and obligations, reporting line, authority and code of ethics which is approved by the audit committee and the board of directors

CHAPTER ONE

INTRODUCTION

1.0 Introduction

Internal Auditing is defined as an independent, objective assurance and checking activity designed to add value and advance an organization's operations involving an independent examination of records and systems to evaluate the effectiveness and adequacy of internal control systems in an organization (Sawyer, 2003). This means that the key factors of internal auditing includes its effectiveness whose importance is to make an organization achieve its objectives such as proper accountability of funds. To achieve effectiveness demands independence of the internal auditors, good relationship between management and the internal auditors, as well as management support. (Beelde and Sarens, 2007) This means that in order for the internal auditors to effectively add value to the organisation's operations, they should have the necessary freedom to discharge their duties without interference or influence. They should also be able to interact and communicate well with management on matters to do with internal audits. Management should be able to make it possible for the internal auditors to discharge their duties with ease.

The assessment of the effectiveness of internal auditing is based on internal auditors' achievement of the audit objectives via identification of risks, risk assessment and mitigation of the risks identified through internal control systems recommendations. According to Savage and Cohen, some authors have associated the quality of internal auditing department to sufficient training and competence of the officers that man the internal audit department (Sayag and Cohen, 2010) This means how well trained and experienced the internal auditors are affect how effectiveness of the internal audits.

According to (Mupeta,2017), historically internal auditing was perceived as being confined to merely ensuring that the accounting and underlying records to an organisation's transactions were properly maintained and asset management system was in place in order to safeguard the assets and also to see whether policies and procedures were in place and duly complied with. The major concern of internal audits was mainly with moneys and assets. Until the mid-20th century internal auditors were primarily concerned with checking accounting records and detection of financial errors and irregularities. Internal auditing was developed in the years between 1900 to1950, however it was not until the late thirties and early forties that it became

widely utilized. The phenomenon of internal auditing has been researched extensively (Sarens, 2009) however there remains paucity of information as regards the effectiveness of internal auditing departments in Zambia's public sector entities (Mupeta, 2017). This means that over time, the perception of the parameters of internal audits has expanded beyond money and assets and there is a wealth of literature to that effect. However, there is not so much literature on the effectiveness of internal audits in government ministries in Zambia.

1.1 Background of study

According to an international journal on government financial management volume 1 of 2009, "the audit function has become an integral part of government financial management and an instrument for improving performance in the public sector. The need for good governance and accountability has compelled governments to demonstrate a stronger sense of responsibility in the case of public funds and efficiency in the delivery of public services. Consequently, internal auditing is regarded as an important aspect of control systems and is viewed as a means of independent verification to reduce record-keeping errors, asset misappropriation and fraud within business and non-business organizations.

According to Mihaiu and others, a country held accountable by its citizenry considers internal audit cardinal for accountability of public funds for effective, efficient and economical service delivery (Mihaiu, Opreana and Cristescu, 2010) This means internal audits is a tool for which the people can rely on for government to spend public resources only on the intended activities.

In Zambia, the Office of the Auditor General, publishes annual reports on the accountability and irregularities associated with utilization of public funds. (Auditor General Report, 2020) The report annually suggests misuse, misappropriation and misapplication of public funds as well as abuse of authority of office and willful failure to follow procedure. This suggests that resources are more often than not used for unintended purposes. This is notwithstanding that internal auditors are available in government ministries to help government enhance performance management and enforce control systems This supports the propositions by Mihret and Yismaw who argued that internal audit recommendations are not given enough management attention and support which negatively affect its effectiveness which arguably in a way backtracks the efforts made by the organizational department charged with the responsibility of ensuring the adequacy and sufficiency of internal controls. (Mihret and Yismaw, 2007). This means that management support to internal auditors is necessary for

effective internal audits. Internal audit function faces a number of challenges including the lack of mechanisms to follow up the implementation of internal audit recommendations, absence of strategic plan and consistent documentation styles for audit work, lack of resources, poor leadership, absence of appropriate framework to measure internal audit performance and lack of competent personnel. It is such challenges in Zambia that lead to failure on the part of internal audits to ensure accountability and avoid irregularities associated with utilisation of public funds as seen in the Auditor General's reports annually.

However this is not new considering that as far back as 4000 B.C., historians believed, formal record-keeping systems were first instituted by organized businesses and governments in the Near East to allay their concerns about correctly accounting for receipts and disbursements and collecting taxes. Similar developments occurred with respect to the Zhao dynasty in China in 1122-256 B.C. which implies the need for an effective internal audit department.

1.2 Statement of the problem

There is a plethora of literature on the misapplication and misappropriation of public funds in government ministries. The Auditor General's report every year refers to financial scandals where huge public funds are lost and misused. This is notwithstanding the existence of internal auditors in the government ministries whose mandate includes enforcement of control systems that ensures among other things curtailing of misapplication and misappropriation of public funds. There has not been specific research to establish why the continued loss and misuse of public funds even when internal auditors are available in government ministries. This has consequently created a knowledge gap to understand and possibly come up with a solution to the continued loss and misuse of public funds. In the absence of an analysis, there is lack of information on how effective internal audit is to the protection of public funds in government ministries in Zambia. This gap in information means the continued loss and misuse of public funds. This research aims to analyse the effectiveness of internal audits in five (5) selected government ministries in Lusaka district.

1.3 Research Objectives

The objectives of this research are to:

1. To analyse the sufficiency and the competence of internal auditors in the Ministries of Finance, Health, Higher education, Community and Social Security and Agriculture.
2. To evaluate the support by management to internal auditors in the discharge of their functions.
3. To examine the independence of internal auditors in the discharge of the functions.

1.4 Research Questions

1. Are internal auditors adequate in number and do they possess qualifications and experience necessary and relevant for the discharge of their functions?
2. Does management provide the internal auditors with the adequate support for the discharge of their functions?
3. Do internal auditors discharge their functions independently?

1.5 Significance and justification of the study

This research is important as it aims at generating information on the effectiveness of internal audits in five (5) selected government ministries in Lusaka district. The internal auditors assist to ensure performance management and enforcement of control systems. This research will be of benefit to various decision makers in the protection of public resources. The data derived from this research will assist various agencies when framing laws, policies, procedures and strategies that enhance sound public finance management and delivery of public services. The data will also close up the lack of information as to why the continued misuse, misappropriation and misapplication of public funds despite the presence of internal auditors in government ministries. This research is anticipated to provide a basis upon which further research can be conducted in all government ministries in order to establish whether the challenges in the selected five (5) ministries are common to all other government ministries. It is hoped that the research findings will render profound contributions to the existing body of knowledge in light of the paucity of published studies specifically relating to the effectiveness of internal audits in the government ministries in Zambia.

1.6 Scope of the Study and delimitation

In terms of scope or latitude in evaluating the effectiveness of internal audit function, the research was restricted to studying roles and responsibilities of internal auditors, their independence, management support, organisational competence and sufficiency and their effectiveness as an internal control capital in Zambia's government ministries based in Lusaka district with a sample size of 25 respondents drawn from the five (5) ministries. The study was delimited methodologically as it only used semi-structured questionnaires to collect primary data and selected the five ministries using the non-probabilistic purposive sampling based on their experience on the effectiveness of the internal audit department.

1.7 Limitations of study

This research was constrained by time and financial resources which did not make it possible to cover all government ministries. As such, this study was limited to the five (05) selected ministries as highlighted above.

1.8 Organization of the Study

The research is organized into five chapters; chapter one is the introduction and provides background of the study, the research objectives and questions, the significance or importance of the study. Chapter two critically reviewed prior work conducted on the subject in line with the study objectives via a process of triangulation of data sources for validity and credibility as well as transferability of research findings and methodologies. Chapter three discussed the methodological techniques employed for the study in gathering data for analysis and ethical considerations regarding the research. Chapter four analysed, interpreted and discussed the findings of the research with a linkage to the relevant literature sources as the basis for the conclusions and recommendations chapter. Chapter five covered the summary findings, answers to the research objectives, recommendations, conclusions, challenges encountered during the whole research process as well as propositions for future research.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter reviews relevant literature on the effectiveness of internal auditing covering among other issues, management support to internal auditors, independence of internal auditors, sufficiency and competence of internal auditors and how the roles and responsibility of internal auditors enhance the effectiveness of internal control systems, performance management and proper accountability of public resources through a triangulation of data sources (Denzim and Lincoln, 2005). The aim is not to replicate the previous research coverage but to look at what has been done before in the field in terms of classics and landmarks and to review the most recent but relevant works on the subject and draws on two theories namely; the Marxist and the institutional theories as opposed to the traditional theories such as the agency and the contingent theories which are neoclassical or flawed in nature.

2.01 Internal Audit Function

Internal audit has become an integral function in helping organisations achieve their objectives and protect their assets. There is an increasing awareness of the worth and function of internal audit and the value-added role it can play in modern organisations (Al-Twajiry, Brierley and Gwilliam 2003) Grove points out that there are two benefits in having an internal audit department within organizations. First, it improves organizational operations and manages risk. Second, it helps an organization in the prevention and detection of mistakes or fraud and the safeguarding of assets. (Crowe UAE 2019) Nonetheless, the role and effectiveness of internal audit have not been extensively documented. In other words, there has been relatively little research conducted concerning the effectiveness of internal audit, especially when compared to the amount of research conducted on external audit (Cohen and Sayag, 2010); and (Financial Reporting Council, 2011)

2.1.1 Concept of Internal Auditing

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations (Kahn, 2005). According to the Marxist theory, internal auditing is viewed as an independent assurance activity designed to protect the integrity

of and contribute to the expansion of the circuit of industrial capital so that the surplus-value in products might be fully realized through their sale and that capital might not go to waste which helps an organisation accomplish its objectives by bringing a systematic approach to evaluating and improving the effectiveness of its risk management, control, and governance processes (Marx, 1981). The objective in assessing the internal audit function is to evaluate its effectiveness by considering the organisational independence and objectivity that allows the internal audit activity to fulfil the nature and scope of its work program and the procedures for communicating results unencumbered from external interference. Arguments by Kahn (2007) indicate that internal audit mechanism evaluates the effectiveness and independence by considering: (i) the nature and scope of work programs and past audits; and (ii) the existence of audit oversight, preferably in the form of an independent audit committee or similar board committee.

2.1.2 Historical Background of Internal Auditing

Historically, the origin of auditing goes back to times scarcely less remote than that of accounting. According to Brown (1905) whenever the advance of civilization brought about the necessity of one man being entrusted to some extent with the property of another, the advisability of some kind of check upon the fidelity of the former would become apparent. As far back as 4000 B.C., historians believe, formal record-keeping systems were first instituted by organised businesses and governments in the Near East to allay their concerns about correctly accounting for receipts, disbursements and collecting taxes. Similar developments occurred with respect to the Zhao dynasty in China (1122-256 B.C.).

The need for and indications of audits can also be traced back to public finance systems in Babylonia, Greece, the Roman Empire and the City States of Italy, all of which developed a detailed system of checks and counterchecks. Specifically, these governments were worried about incompetent officials prone to making bookkeeping errors and inaccuracies as well as corrupt officials who were motivated to perpetrate fraud whenever the opportunity arose. In Canon 1284, the Bible in John chapter 12: 7- 8 also contains examples of internal controls such as the dangers of lack of honest employees and dual custody of assets. The need for competent and honest employees, restricted access, and segregation of duties (O'Reilly *et al.*, 1998). Then, the emergence of double-entry bookkeeping in circa 1494 A.D. can be directly traced to the critical need for exercising stewardship and control.

Around the turn of the 20th century, the establishment of a formal internal audit function to which these responsibilities could be delegated was seen as the logical answer. In due course, the internal audit function became responsible for “*careful collection and interpretive reporting of selected business facts*” to enable management to keep track of significant business developments, activities, and results from diverse and voluminous transactions (Mautz, 1964). Companies in the railroad, defence, and retail industries had long recognised the value of internal audit services, going far beyond financial statement auditing and devoted to furnishing reliable operating reports containing nonfinancial data such as “quantities of parts in short supply, adherence to schedules, and quality of the product” (Whittington and Pany, 1998 organisations).

2.1.3 Modernisation of Internal Auditing

In trying to come up with more controls, there came in internal auditing as a measure of controls. Expert practice of internal auditing was born around 1941. Two important benchmarks that transpired during that year were the publication of the first internal auditing book, Victor Z. Brink’s *Modern Internal Auditing* (Brink, 1988), and the formation of the Institute of Internal Auditors (IIA) (Gay and Simnett, 2007, p.687). Since 1941 the IIA, for its part, had done much to enhance the professional stature of internal auditors, by undertaking actions and programmes such as approving and issuing a statement of responsibilities, researching and developing a common body of knowledge, setting up continuing education and professional certification programmes, making and adopting standards for the professional practice of internal audit and establishing a code of ethics (Brink, 1988). In sum, the collective effect of growing transaction complexity and volume, the owner’s, manager’s or principal’s remoteness from the source of transactions and potential bias of research opportunities in internal auditing (Stewart and Subramanian, 2008).

The Institute of Internal Auditors Research Foundation reporting parties, technical expertise required to review and summarise business activities in a meaningful way, need for organisational status to ensure independence and objectivity, as well as the procedural discipline necessary for being the “eyes and ears” of management all contributed to the creation of an internal audit department within business (Mutchler, 2003). It can therefore be argued from the above that many activities are being undertaken to enhance professionalism among internal auditors which does not preclude those in government ministries or even provinces and spending agencies in Zambia.

2.2 Internal Auditing in Zambia

In Zambia the internal auditing departments in Ministries, Provinces and Spending Agencies is superintended by the department of the Controller of Internal Audit based at Ministry of Finance. This Department is responsible for the management and control of Government resource usage and ensures that adequate, effective prudential measures and controls are in place in the process of utilizing the resources. The main goal of the Department is to promote accountability in all Government Ministries, Spending Agencies and statutory bodies. In appreciating the role that internal audit plays in Zambia a number of reforms and changes have notably been experienced including the formulation of the Public Finance Management Act of 2018 and the upgrading of the position of Controller of Internal Audit to that of the Permanent Secretary giving the position more authority, powers and a senior status. Elevating the position also meant ensuring that financial control measures were strengthened so that irregularities were nipped in the bud before they bloom into the worrisome figures in the audit reports. This stemmed from observable mismanagement of public funds in some Ministries parastatal bodies and other statutory institutions by respective controlling officers which are exposed and condemned by well-meaning citizens' every year.

Over the past years, the Auditor General's reports also reveals grave financial irregularities and sometimes embezzlement by individuals entrusted with the responsibility to ensure taxpayers' money is used for intended purposes and lifts the poor out of poverty. For example, the Auditor General's report, released over the years indicated an increase in misapplication of funds. Admittedly, misapplication does not mean embezzlement but rather spending on something that may not have been budgeted for. Indeed, some controlling officers find themselves in difficult situations because of inadequate funding of their ministries or institutions, but it ought to be known that one cannot redirect resources without approval from the Ministry of Finance. Among many demands from the public and other concerned stakeholders has been the need to ensure that controlling officers spend according to well-stated financial regulations. Government has also been awake to the fact that, in order to achieve this, as well as to seal all existing loopholes, measures ought to be put in place to proactively deal with the problem in terms of preventive rather than reactive strategies against misapplication and embezzlement of public funds.

However, as regards oversight role of internal auditors, there is no independent audit oversight arrangements in Zambia. Auditors in Zambia are regulated by the Zambia Institute of Chartered

Accountants (ZICA). ZICA was established under the Accountants Act of 1982 that was subsequently repealed and replaced by the Accountants Act of 2008. According to the Act, ZICA is responsible for setting corporate auditing standards, establishing initial and continuing professional development requirements and accrediting tertiary education providers, setting ethical requirements, carrying out quality assurance reviews for its practicing members, maintaining a registry of its registered and practicing members and establishing an investigative and disciplinary system for its members as part of public interest considerations.

In order to provide auditing services to the general public, individuals must hold the Chartered Accountant (CA) designation, apply for ZICA membership, and then be issued a registration certificate. Once registered as CA, individuals must apply for an audit practicing certificate. Practitioners must renew their certificates on an annual basis.

In addition, financial sector regulators set additional requirements for auditors that provide services for entities under their supervision. For example, the Insurance Act stipulates that annual audits must be conducted by an independent auditor that is registered and holding a ZICA practicing certificate and approved by the Pensions and Insurance Authority. The Bank of Zambia also approves appointments of auditors for banks and will only approve auditors who are registered, possess practicing licenses, and have the capacity to audit the particular bank. The Bank also requires the rotation of engagement partners for every three years and limits the engagement period to ten years. Lastly, the Securities Act of 2016 and Lusaka Stock Exchange Listing Rules require auditors of listed companies to be practicing members of ZICA. This does not suggest that internal auditors have to undergo this process but applies to those who would want to set up their own audit firm. However, it is also important to mention that due to the dynamic nature of the auditing environment qualification such as that above including ACCA, CIMA and other related qualifications is important (ZICA, 2016)

In addition to ZICA regulations, the Institute of Internal Auditors Zambia (IIA Zambia) was registered in Zambia under the Societies Act of 1998 and currently chaired by the Controller of Internal Audit. IIA Zambia is an affiliate of The Institute of Internal Auditors. The Institute has over 300 members in both the public and private sectors, with potential to grow exponentially over the next five years. Established in 1941, The IIA is the global voice, recognised authority, acknowledged leader, chief advocate, principal educator, and standard-setter for the internal auditing profession worldwide with more than 180,000 members in more

than 170 countries and territories whose mission is to provide dynamic leadership for the country's profession of internal auditing (IIA, 2014).

Objectives in support of this mission include providing exceptional service to IIA members and not limited to being recognised as the global voice for the internal audit profession. It also includes developing and sustaining the internal audit profession at the local, regional and international levels, advocating and promoting the value that internal audit professionals add to their organisations. Further, it includes providing comprehensive professional education and development opportunities, standards and other professional practice guidance and certification programs, researching, disseminating, promoting practitioners and stakeholders knowledge concerning internal auditing and its appropriate role in control, risk management, governance and educating practitioners and other relevant audiences on best practices in internal auditing. Furthermore, it includes bringing together internal auditors from all countries to share information and experiences.

2.3 Roles and Responsibility of Internal Auditors

Historically, the primary responsibility of an internal auditor was viewed to be that of detecting and preventing fraud and errors consistent with the arguments by Sakalunda (1999) who postulated that the role and responsibility of internal auditors is that of reviewing, appraising and reporting upon the soundness, adequacy and applications of internal controls as well as the extent to which the organisation's assets and interests were accounted for and safeguarded from wastes of all kinds arising from fraud, wastes, extravagance, inefficient administration, poor value for money or other cause.

However, the modern age principal responsibilities include independent appraisal or review of operations to assist management achieve efficiency and effectiveness in all its operations, evaluation and provision of advice to management whether the existing controls are both adequate and effective in practice and assisting of members of the organisation in the effective discharge of their responsibilities, in the best interest of the organisation and the stakeholders (Kapambwe, 1998). According to corporate governance guidance (COSO, 2004, p.83; AS/NZS 2004, p.27; Spencer Pickett, 2005, pp.8-9; Atkinson 2008, pp.42-45; IOD, 2009, pp.73-74), the responsibility for risk management lies with the board and senior management. Many organisations implement a board risk committee to assist with this task (PWC, 2006, pp.34-35; PRMIA, 2008; IIARF, 2009b, p.50). A further tendency is to set up a separate risk department

and/or a chief risk officer to assist with this task (Beasley, Clune and Hermanson 2005, pp.529; De la Rosa, 2007; PRMIA, 2008, p.13; Hettinger 2009, p.49). This leaves the internal audit function independent to provide the board with assurance on the risk management framework and process.

According to Standard 2120 (IIA 2009:28-29) the internal audit function must evaluate the effectiveness of the risk management process. Similarly, according to Practice Advisory 2120-1 (IIA 2009, pp.107-110) and a position paper (IIA, 2004), the ideal role for internal auditing is to verify the adequacy and effectiveness of the risk management process(es); that is to verify whether management has planned and designed the process in such a manner that it provides reasonable assurance that the organisation's objectives and goals will be achieved. The activities can be divided into core activities such as providing assurance on the risk management process, providing assurance that risks are evaluated correctly, evaluating the risk management process, evaluating the reporting of key risks, and reviewing the management of key risks.

The extent of the involvement of internal auditing will be determined by the expectations that the board and senior management have of the internal audit function as well as the risk maturity of the organisation. Internal auditing's involvement may vary from one role to another, for instance, from auditing the risk management process to actively and on a continuous basis being involved to manage and coordinate the process. No mention is made of the overall risk management framework (COSO, 2004, p.83; AS/NZS 2004, p.27; Spencer Pickett 2005, pp. 8-9; Atkinson, 2008, pp. 42-45; IOD, 2009, pp. 73-74).

Studies exploring the role and responsibilities of internal auditing with regard to risk management (McNamee and Selim, 1998:13; Spira and Page, 2003:656-657; Allegrini and D'Onza, 2003, pp. 198-199; Baker, 2004, p.17; Beasley *et al.*, 2005; Sarens and De Beelde, 2006b, pp.73-75; Gramling and Myers, 2006, pp.52-58; Roffia, 2007:9; Fraser and Henry 2007, p.403; Deloitte and IIA (UK and Ireland), 2008, p.8; PWC, 2008a:9; Ernst and Young 2008, pp.5-6; IIARF, 2009a, p.9) all indicate the growth of the implementation of risk management by organisations. The studies also indicate that there is an increasing demand for internal auditing to be involved in risk management. This involvement varies from taking responsibility for the risk management process) to auditing the risk management process as part of the internal audit plan and to actively and continuously supporting and being involved in the risk management process in a consulting role. The latter involves participation in risk committees,

monitoring activities, status reporting, and managing and coordinating the risk management process. However, most studies do not refer to internal auditing providing assurance on the overall risk management framework, except for the recent study published by The IIA Research Foundation (2009a) on the trends for the profession in 2009 and beyond. In this study, the audit universe (IIARF, 2009a, pp.9-10) includes the overall effectiveness of risk management within the organisation's risk environment, referring to both the risk management framework and the risk management process. With regards to internal auditing role for corporate governance, research on the relationship between the internal audit function and the board of directors is limited (Gramling, Maletta, Schneider and Church 2004, p.233). Sarens (2007) studies views the internal audit function as the partner of top management in monitoring the organisation. Fadzil, Haron and Jantan (2005, p. 846) expand on the latter notion by stating that senior management represented by executive directors on the board of directors normally expects that the IAF performs sufficient audit work and gathers sufficient evidence to form a judgement on the adequacy and effectiveness of the control processes. In their study on the relationship between senior management and the IAF, Sarens and De Beelde (2006b, p.238) found that senior management expects an IAF to compensate for the loss of control they experience as a result of increased organisational complexity and to fulfil a supporting role in the monitoring and improvement of risk management and internal control. The IAF should report functionally to the audit committee. Allegrini, D'Onza, Paape, Melville and Sarens (2006, p. 849) found that IAFs perceive their relationship with audit committees in a positive light.

As regards fraud detection and prevention, the role of internal auditors is emphasised in the Institute of Internal Auditors Standards. According to Standard 1220 (IIA 2009:20) – Due Professional Care, internal auditors should be alert to the possibility of significant errors and fraud. It indicates that internal auditors can be viewed as a first line of defense against fraud, as a result of their knowledge and understanding of the organisation's control structure and business environment. Moyes and Hasan (1996:41-46) emphasise that the experienced auditor is more likely to detect fraud than inexperienced auditors. According to an empirical analysis by Moyes and Hasan (1996, p.46) internal auditors who are CIAs are more likely to detect fraud. Similarly, Rezaee (2002, p.208) states that internal auditors are well positioned to prevent and detect all types of frauds including employee fraud, embezzlement and financial statement fraud. Grazioli, Jamal and Johnson (2006, p.65) state that internal auditors detect fraud by looking at red flags. Ziegenfuss (2001, p.319) lists the most frequent type of red flags that may be detected by internal audit review, employee notification and specific investigation

by management, including issues such as internal controls being ignored; changes in employees' lifestyle or behaviour; reports ignorance; internal audit ignorance; and ignoring employee comments. In the same vein, Alleyne and Howard (2005, pp.297-298) in their study of audit responsibility for fraud detection, emphasise that an organisation with strong internal controls, internal auditors and audit committees is better equipped to prevent and detect fraud of any form. Consequently, fraud prevention remains the responsibility of management, since management has a responsibility to implement appropriate internal control systems to prevent fraud in their organisations.

2.4 Effectiveness of Internal Audit function

Mihret, James and Mula (2010) state that the value-adding role of internal audit presumes that internal audit is effective, therefore, internal audit effectiveness should be studied to assess the value-adding potential of internal audit. There are two basic reasons why it is important to examine internal audit effectiveness. One is that it is an indication of the quality of performance and can describe whether or not the internal audit function is performing in a satisfactory manner. The second is that the examination can serve as a motivator for an individual or an organization to improve their performance. Mizrahi and Ness-Weisma (2007) maintain that, in general, there are two important tools for achieving managerial accountability in the policy-making process, namely, evaluation and auditing. Nonetheless, as explained earlier, to date very few academic studies have been conducted on internal audit effectiveness, and despite the general undercurrent in relation to an internal audit paradigm shift, research has provided mixed findings on internal audit effectiveness (Mihret, James and Mula 2010), and has assessed internal audit effectiveness differently.

For instance, Al-Twajry, Brierley and Gwilliam (2003) studied the development of internal audit in the Saudi Arabian corporate sector by using an institutional theory perspective, and taking a sample of 135 companies listed on the Saudi Stock Exchange. They highlighted that it is important for internal auditing to comply with International Standards for Professional Practice of Internal Auditors (ISPPA) to be considered a value added activity. Therefore, they used questionnaires and interviews to assess the extent of compliance of internal audit practices with ISPPA in terms of quality of internal audit staff; quality of internal audit work; an appropriate corporate environment; and support of top management to examine internal audit effectiveness. The results of this study show that internal audit in the Saudi Arabian corporate sector is ineffective and it is not a value adding service to organizations. Internal

audit work in the Saudi Arabian corporate sector was mainly focused on checking reliability of financial records, compliance with rules and regulations, as well as evaluation and examination of internal controls. The study results also highlighted that managers sometimes do not implement the recommendation of internal audit departments. Further, the results indicate that internal audit may sometimes be decoupled, that is, the function may not operate in compliance with ISPPIA despite stakeholders' expectations of compliance. However, Al-Twaijry, Brierley and Gwilliam (2003) focused solely on the Saudi Arabian corporate sector. Furthermore, data was collected only from internal audit directors within organizations. The authors suggest that future research is necessary to evaluate internal audit effectiveness accurately, because factors used in this study may have acted to reduce the value of internal audit.

Goodwin (2004) makes a comparison between the role of internal audit in the public and private sectors in Australia and New Zealand. The author highlights that while there is no requirement for private sectors in Australia and New Zealand to establish an internal audit department, the Australian Stock Exchange (ASX) encourages large companies to do so. However, the requirement to establish an IA function in the Australian public sector is not straightforward because of differing State legislation. On the other hand, within the public sector in New Zealand there is no requirement for internal audit function. The results suggest that internal auditors in the public sector are less likely to report to the chief of financial affairs than those in the private sector. Although the two sectors often outsource internal audit work, public sector organizations are more likely to use an external auditor for these services. Furthermore, there does not appear to be any significant difference between internal auditors in the two sectors in terms of their interaction with external auditors.

Mihret and Yismaw (2007) studied internal audit effectiveness in public sector higher educational institutions in Ethiopia. The study attempted to introduce a new perspective for evaluation of internal audit effectiveness by using a model which consisted of four potential factors which may impact on internal audit effectiveness, namely, internal audit quality, management support, organization setting and auditee attributes. The results indicate that internal audit is ineffective in terms of proficiency, planning, recommendations and limitations to the scope of work. Furthermore, the study revealed that audit quality and management support are the two most important factors influencing internal audit effectiveness respectively. These researchers also suggest a need for future research to fully understand internal audit effectiveness in the public sector by identifying other variables affecting internal audit

effectiveness. Their study also focused solely on one public sector higher educational institutions in Ethiopia.

Yee *et al.*, (2008) studied the role and effectiveness of internal audit in Singapore. They studied the perception of Singaporean managers on internal audit practice. Specifically, they considered whether internal audit is viewed as a partner with management or as a watchdog for routine compliance mechanisms. In contrast to prior research, this study applied Marxist economic theory to the internal audit function. Furthermore, in contrast to Saudi Arabia (Al-Twajry, Brierley and Gwilliam 2003) and Ethiopia (Mihret and Woldeyohannis 2008; Mihret and Yismaw 2007), Yee *et al.*, (2008) overall findings were that the internal audit function in Singapore is improving and has become an integral part of organisations 'structures as a value adding service. In general, managers are satisfied with internal audit; and that the internal audit function can play a value adding role in modern organisations by expanding its scope of services to embrace operational areas. As Yee *et al.*, (2008) explain, internal audit may allow a company to improve its efficiency so that during times of economic downturn it is their competitors who suffer the greatest share of loss of surplus-value and capital. According to Marx (1981), in equilibrium, profit-making companies all earn a general rate of profit on invested capital but in times of downturn firms try to force losses on to their competitors. They also recommend the need to explore the role and effectiveness of internal audit in the Middle-East, because in a developing country the internal audit function might be important in ensuring that capital is not wasted through inefficiency, fraud or corruption.

Cohen and Sayag's (2010) study explored the determinants of internal audit effectiveness by developing a model of its determinants. The model consists of six potential factors which may impact on internal audit effectiveness, namely, the sector of the organisation; professional proficiency of internal auditors, quality of audit work, organisational independence, career and advancement, and top management support. They state that internal audit effectiveness is an important concept rarely examined in the academic literature. In the few studies dealing with internal audit effectiveness, mostly there was a concentration on the external auditor and whether the external auditor utilizes the work of the internal auditor. The results of Cohen and Sayag's (2010) study suggest that there are very high correlations between perceptions of top management support and internal audit effectiveness. In other words, their study emphasizes the importance of perceived top management support for the effectiveness of internal audit and the results indicate positive relationships between greater quality of the auditing work, greater

organisational independence and internal audit effectiveness. However, no significant correlations were found between the variables of professional proficiency, career advancement and auditing effectiveness. The authors indicate that future research should consider organisational independence and the quality of the auditing work as determinants to dimensions of internal audit effectiveness.

Mupeta (2017) study explored the factors that determine internal audit effectiveness in the selected public sector and parastatal organisations in Zambia reveals that for internal audit to be effective there should be management support, organisational independence, a good management perception towards internal audit and the presence of an approved internal audit charter. The findings showed that more auditors felt that they do not have enough management support in the conduct of their duties. The study also revealed that internal auditors are not adequately covered in management budgets to improve their competence through certification and the use of new technology. This has resulted in internal audit being unable to review an audit activity on time and within the scope of the audit plan. A number of audit staff expressed the feeling of not being able to freely decide the scope and timing of the audits due to lack of organisational independence. The results also show that internal audit face challenges to access data during the conduct of the audits. Some of the highlighted results include the challenges faced by internal audit such as not having enough resources to cover for training and technology advancement. Most of the internal audit staff felt that management does not put much reliance on making the unit as a consultancy and advisory on controls associated to management performance and operations. The results show that a number of internal audit staff had no idea on whether recommendations are taken seriously and implemented to promote value added activities. Further the result shows that internal audit is not content with the audit charter as the respondents disagreed with most of the questions. This shows a reflection that the audit charter is not approved hence it cannot be effectively used in an organization.

Mihret, James and Mula (2010) apply institutional theory and Marx's (1978) theory of the circuit of industrial capital' to relevant theoretical and empirical literature to develop propositions and suggest a research agenda on the antecedents and organisational performance implications of internal audit effectiveness. Similar to that of Al-Twajjry, Brierley and Gwilliam (2003), their study employed compliance with ISPPA as an indicator of internal audit effectiveness. It relates to the normative standards (IIA standards) that internal auditors are expected to follow. The authors suggest that the dynamics prevailing in an internal audit

setting impact on internal audit effectiveness. The extent of internal audit's level of compliance with ISPPA could serve as an additional approach to assess internal audit effectiveness. They also indicate that empirical testing should not require the adoption of a hard-core positivist mindset or an exclusive focus on agency theory.

2.5 Management's Support to Internal Audit Function

Management support is another critical factor that enhances internal audit effectiveness. In order for the internal audit department to be effective, the support of top management is absolutely critical. Boyle (1993) and Ndirangu (2012) finds that the support of internal audit by top management was identified in their interviews as a critical validation of the fact that internal auditors should perform their work effectively. Mihret and Yismaw (2007) and Mihret and Woldeyohannis's (2008) studies in Ethiopia state that management lack of support to internal audit is considered as a determinant to its effectiveness. According to Mihret (2009), management support to internal audit is identified as one of the factors that bode well for a good internal audit department profile. In addition, Zain, Subramanian and Stewart (2006) indicate that with the appropriate level and type of resources directed to the internal audit function, firms should subsequently reap the benefits in terms of the internal audit function aiding and supporting the external audit. Albercht *et al.*, (1988) state that there are four factors that internal audit directors could develop to enhance their effectiveness, namely, top management support, appropriate corporate environment, high quality internal audit staff and appropriate corporate environment. The authors also highlight that the visible support of top management to the internal audit department may be the single most important factor that enhances internal audit effectiveness. Furthermore, Sarens and De Beelde (2006a) find that the overall acceptance and appreciation of internal audit within the company or organisation is strongly dependent upon the support it receives from senior management. They also find indications that this support is related to the maturity of the internal audit function. Therefore, internal audit actively seeks this support by promoting and communicating its potential to add value.

In a study conducted by Mupeta (2017) on the factors that determine internal audit effectiveness in the selected public sector and parastatal organisations in Zambia, targeting five (05) public sector officers both for profit and not for profit sectors, two types of questionnaires were administered; one on testing compliance assessment from senior management staff and another administered to internal auditors to test effectiveness in relation to management's perception

of internal audit function, the management support, the organisation independence, the adequate and competent staff and the approved internal audit charter. This revealed a number of gaps including the lack of management support, inadequate independence of the internal auditors, and the lack of certification by audit staff in a number of public sector offices, lack of knowledge on the audit charter for internal auditors thereby not being fully enforced. The study further revealed that for internal auditing to be effective, there ought to be management support, independence, competence and adequacy and an approved internal audit charter must be in place clearly stating the authority and purpose which should be in line with the standards of professional practice formulated by the Institute of Internal Auditors (IAAs).

The IIA's Standards for Professional Practice of Internal Auditing (1110–Organizational Independence) recognizes that internal auditors should have the support of senior management and of the board so that they can gain the cooperation of auditees and perform their work free from interference (Institute of Internal Auditors, 2011d). According to this statement and based on above literature there is no doubt that top management support plays an important role in enhancing internal audit independence. Therefore, for effective work performance, internal auditors should have the support of top management and the board of directors.

Management support is also important for an internal audit department to monitor management risk. Walker, Shenkir and Barton (2002) state that enterprise risk management may not succeed without strong support in the organization from senior management because internal auditors have primary responsibilities related to risk identification and assessment and they are likely to be interacting with senior management on risk management implementation issues. Further, top management support is crucial to the success of a variety of initiatives. Top management support is shown by the motivation provided by top management to internal auditors. This may take the form of establishing education and training education programmes for their internal auditors, adequate budget for the internal audit department, bonuses and recompense for internal auditors and acceptance and implementation of internal audit recommendations. These forms of management support are discussed further.

One form of management support lies with top management establishing education and training education programmes for their internal auditors. The internal auditor should continue education and training programmes within the organization in order to carry out an effective audit. Continuing education programmes should supplement those areas where formal training and education are weak, as well as introducing internal auditors to specialism which might

prove useful in specific organisations. Technical competence and continuous training are considered essential for effective internal audit. Engle (1999) explains that maximizing internal auditor competence should be the top priority of any organisation. Therefore, organisations should direct their efforts towards periodically updating the knowledge and skills of internal auditors.

Furthermore, the financial support in terms of adequate budget for internal audit department is another form of management support. Mizrahi and Ness-Weisman (2007) indicate that without adequate budget despite adequate independence internal auditors are unable to perform their work properly. The increase in budget is more significant than the increase in size of staff (Paape 2007). Mihret and Yismaw (2007) state that autonomy on budgets is another sub factor relating to the organisational setting, as it entails resource implications. They find that the internal audit office of the university is not a budget centre, and evidence from interviews and questionnaire responses indicate this lack of authority for budget administration adversely influences performance of the internal audit office. Another form of management support lies in financial support in terms of bonuses and recompense. It could be argued that management support in terms of these financial incentives for the internal auditor staff motivates staff to work in this area and be more effective. In this connection, for example, Muller-Peters, Kern and Geibler (2001), cited in Göritz (2004), recruited members for a commercial market research panel through personal interviews and the authors established that 52% of interviewees who were offered the incentive had expressed an interest in becoming panelists and subsequently signed up.

The extent of top management acceptance and implementation of internal audit recommendations is also vital in achieving internal audit effectiveness. After issuance of the internal audit report, the senior management and board of directors should ensure that appropriate arrangements are made to determine whether action has been taken on internal audit recommendations or that management has understood and assume the risk of inaction. Burns, Greenspan and Hartwell (1994) find that management is more likely to comply with internal auditor recommendations and that an organisation's internal auditors may enjoy a certain crucially if senior management is externally motivated to follow the recommendations of the internal audit department. Without such motivation, the internal auditor may not be in a position to influence management when management's actions are inappropriate. It appears

that management's acceptance of the internal auditors' recommendations may enhance internal audit effectiveness.

Therefore, the internal audit department may not be able to adequately and effectively achieve their work without the appropriate support of the body it is responsible to, whether this support is moral through the sufficient authorities vested in it or physical through the availability of all its needs. It appears that strong top management support, communicated throughout the company, is an absolute necessity in order to achieve internal audit effectiveness. Consistently, Mihret and Yismaw (2007) in their case study of internal audit effectiveness on public sector shows that the component of management support consists of the response to audit finding and the commitment to strengthen internal audit which has significance influence on internal audit effectiveness. Consistent with Mihret and Yismaw (2007) assertions Sarens and Beelde (2006) argue that the overall acceptance and appreciation of internal audit within an organisation is strongly dependent upon the support they receive from senior management. The interest of management is to maintain a strong internal audit department (Adams, 1994; Mihret and Yismaw, 2007).

2.6 Organizational Independence

Independence simply means being free from any bias or influence. Independence involves internal auditors being free from the influence of management while in the line of duty. Internal auditors should perform their duties and issue reports freely (Ahmad and Taylor, 2009; Belay, 2007; Frimpong, 2018). Auditors should not only be independent but should also be seen to be independent. Fred Sakalunda (1999) argued that for an internal auditor to discharge these roles and responsibilities, it is a must that they should operate with independence obtained through adequate scope, objectivity and authority. The independence of internal auditors must be sufficient enough so that they performs their duties, make professional judgments and recommendations in an effective and impartial manner. The services provided by auditors derive their value and credibility from the fundamental assumptions of independence of mind and independence in appearance (Wines, 2012; Stewart and Subramanian, 2010). Evidence is available that the more independent an audit committee is from executive management, the more active its approach to internal auditing is (Turley and Zaman, 2004, p. 317). Raghunandan, Read and Rama (2001, pp. 116, 117) found a positive association between independence among audit committee members, the review of internal audit results and the frequency of meetings with the senior management. Goodwin (2003, p. 274) reached a similar

conclusion, and reported that the independence of the audit committee and the level of accounting experience among its members have a complementary impact on the audit committee's relation with the IAF. Myers and Ziegenfuss (2006, pp. 51 and 61) examined communication between the IAF and audit committees and found that effective audit committees communicate more with Chief Audit Executive (CAEs). Sarens, De Beelde and Everaert (2009, p. 91) investigated the reason why audit committees look for support from the IAF, and found that audit committees seek comfort with respect to the control environment and internal controls, and that the IAF can provide such comfort. Furthermore, Alhassan (2018) in his study to investigate the influence of internal audit on the effectiveness of financial management at the Cape Coast Metropolitan Assembly (CCMA), Central Region of Ghana using a correlational research design with a study population of 123 and a sample size of 100 employing the lottery method of simple random sampling procedure to select the respondents and Questionnaires to collect data analysing the data using inferential statistics revealed that determinants of internal audit (independence of internal audit, internal controls, professional competence and internal audit standards) have statistically significant influence on effective financial management at the CCMA which arguably suggests that these factors are key to having an effective and efficient internal audit function including in government ministries and other institutions.

The role of internal auditors in organisations is complex. The complexity comes in because of the thin line between being independent in the line of duty and the influence of management. Van Peurseem (2004) identifies strong potential for confusion in the relationship between internal auditors and management. Internal auditors are expected to aid managers in doing their jobs and at the same time to independently evaluate management's effectiveness. Similarly, Bou-Raad (2000) argued that the strength of an internal audit department must be assessed with respect to the level of independence it enjoys from management and from operational responsibilities. The American Institute of Certified Public Accountants (AICPA) and others like minded institutions have identified organisational independence as an important element of the Internal Audit Function. It is therefore arguable that independence is more crucial to the effectiveness of internal auditors as it protects the auditor from management's influence and increases the objectivity of the auditing work. As such organisational independence is a very important key that is bound to increase the internal auditor's effectiveness. This independence reduces the influence between the auditors, employer and specific managers, and gives auditors

a supportive work environment in which they can conduct their tasks objectively and without pressure.

2.7 Sufficiency and Competence of Internal Auditors

Attempts to meet the demand for competent internal auditors are compounded by the need to consider both the knowledge and the skills required in internal auditing as well as the ability to apply internal audit knowledge and skills in various industries; thus internal auditors need to possess a greater range of skills, attributes and competencies (Ramamoorti, 2003). For Internal audit to be effective, internal auditors need appropriate competence to perform their work satisfactorily (Burnaby *et al.*, 2009). This view is supported by Al-Twaijry, Brierley and Gwilliam (2003) who suggest that the staffing of internal audit departments and the management of its staff is vital to the effective operation of Internal audit and that unless they possess the necessary competencies, the power of internal auditors may be diminished. Mihret, James and Mula (2010, p. 240) also supports this view by stating that technical competence and continuous training are considered essential for effective internal audit. Libby and Frederick (1990) indicate that experience is an important tool in enhancing auditors' knowledge. In addition, Bonner and Lewis (1990) state that years of experience is considered as an indicator of auditors' knowledge and expertise. Internal auditors require a wide range of competencies to achieve satisfactory performance in the various hierarchical positions within internal audit departments (Burnaby *et al.*, 2009). Competence requires knowledge and professionalism that the auditor should acquire from education, on-the-job training, and experience. Thus, legislators set requirements that must be met before people are qualified and entitled to perform audits (Paape, 2007). Engle (1999) categorises the most important benefits that will be realized from competent internal audit staff to include that staff will be able to conduct useful audits that effectively contribute to the achievement of organisational goals, internal auditor's competence will increase the probability that external auditors use the work of internal auditors leading to a potential reduction in the cost of external audits and internal auditors who are familiar with the organisation under audit are in an ideal position to provide information about financial statements. Internal auditors need to acquire a broad range of skills, for example, communication, interpersonal skills, knowledge of general business, information technology and technical knowledge of auditing (Hass, Abdolmohammadi and Burnaby, 2006; Mihret and Woldeyohannis, 2008). According to ISPPA (1210-Proficiency), internal auditors

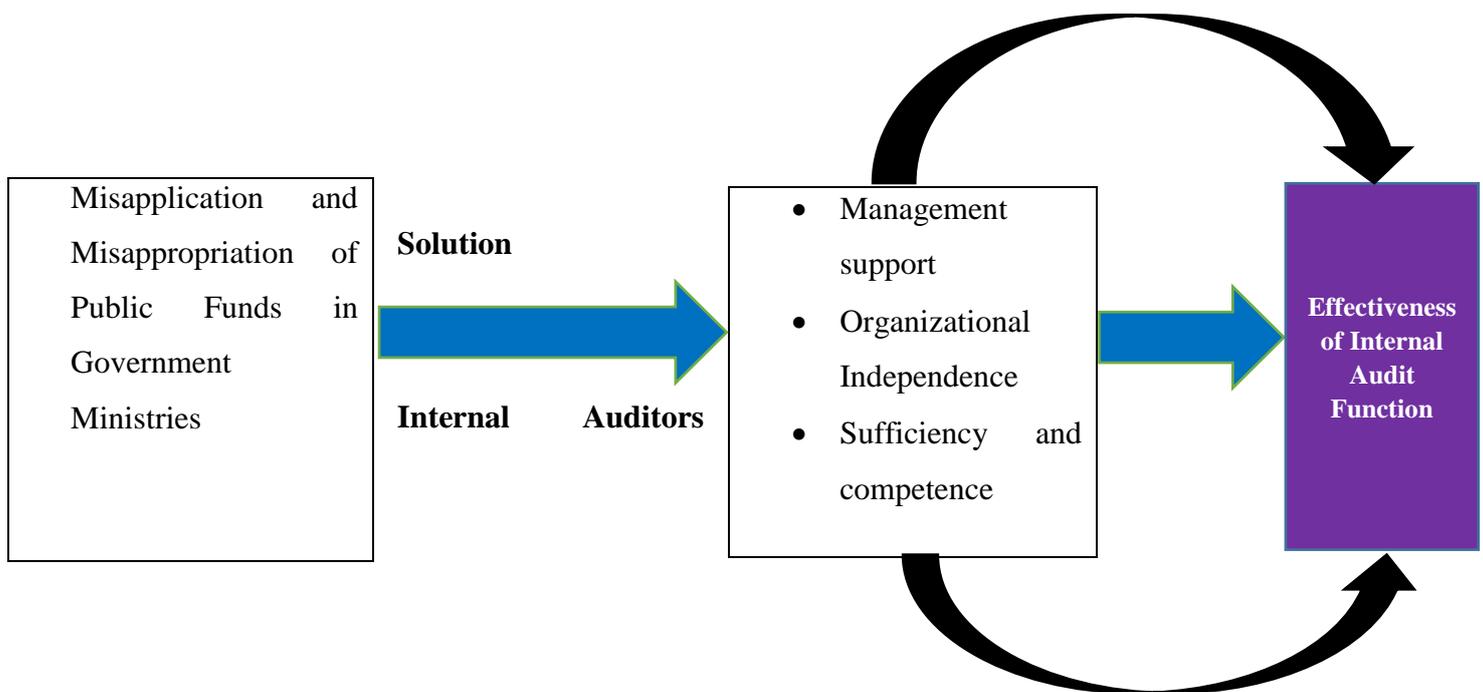
must possess or obtain the knowledge, skills and other competencies needed to perform their responsibilities (Institute of Internal Auditors 2011d).

This view is supported by Flesher and Zanzig (2000) who indicate that internal audit departments should have internal auditors who possess a variety of skills to enable them to undertake audits of areas beyond financial activities. Gramling and Myers (1997) find that certification of internal auditors is perceived as an indicator of competence. For example, internal auditors should have reasonable computer skill levels to carry out the audit tasks. Burnaby and Klein (2000) indicate that auditing has become increasingly complex as businesses globalize and information is stored in computers. Therefore, in this new environment of information technology, the ability of internal auditors to operate within this environment is essential. When internal auditors have professional proficiency such as adequate knowledge, professional membership, certification and training in electronic data processing systems, it would imply that they are competent to monitor the quality of the internal control system (Fadzil, Haron and Jantan, 2005). Over the years, numerous programs were designed in many countries (USA, UK, Canada, etc.) to improve the quality of internal audit professionals. For example, the IIA has provided relevant professional courses for internal auditors with a mandate that an individual must obtain a BSc degree, pass the professional examinations, obtain experience in the auditing profession, be committed to IIA's Code of Ethics and complete the required continuing professional development programs. Further, other professional organisations such as the AICPA offer professional development courses in internal auditing. In some cases, college and university faculties have developed courses in internal auditing to be offered on a limited basis. In addition, some companies have provided in-house courses for their internal auditors. Internal auditors also need certain skills to maintain a good relationship with auditees. One explanation for internal auditor effectiveness may stem from how they communicate with others (Van Peurse 2005). The literature emphasises the importance of the relationship between the internal audit department and the rest of the organisation in determining the success or otherwise of internal audit departments (Al-Twajry, Brierley and Gwilliam, 2003). Hawkes and Adams (1995) find that internal auditing is enhanced when auditors and auditees establish a close rapport based on a cooperative relationship. Therefore, internal auditors requires an understanding of the relationship it has with auditees (Keuning and Eppink, 2004, cited in Paape, 2007).

Hassall, Dunlop and Lewis (1996) find that communication skills are the most important skills for auditors to learn. The way that these internal auditors communicate with others in their own working environment emerges as an important source of their influence. Listening and speaking clearly are examples of characteristics that are seen to be of singular importance (Van Peurseem, 2005). The auditors' own behaviours towards the auditee may be a cause of conflict. Therefore, the internal auditors should attempt to avoid any direct and unnecessary interference in the affairs of the auditee. According to Harrington (2004, p.66), contemporary internal auditors should have a comprehensive set of skills and competencies that enable them to cope with the extensive changes and complexities that characterise both private and public sector operations. Oxner and Oxner (2006, pp.6-10) agree with this assessment by stating that internal auditors should demonstrate expertise in many areas, including control evaluations, operational reviews and system analyses. A study by Ernst and Young (2008, p.10) found that the continuously expanding role of the internal auditor still lead to a skills gap and highlighted that there still is a need for more skilled internal auditors. Studies performed world-wide identify two main problem areas linked to the scarcity of internal auditors (Goodwin, 2004:644; Ernst and Young 2007:6-7; Singer, 2008:7). Firstly, organisations struggle to attract the right mix of talent to be able to meet the needs of all the stakeholders and to add value to the organisation. Secondly, they do not succeed in retaining internal auditors in the internal audit function long enough for them to be able to make a significant contribution to the organisation as a whole. The fact that many organisations use internal auditing as a stepping stone to prepare individuals for managerial positions (Oxner and Oxner 2006:56; Christopher *et al.*, 2009, p.209), place a further burden on the remaining staff. A well trained staff is key to an efficient operation of internal audit department. Weakness in staffing can lead to mismanagement, error and abuse. In the same vein, apart from other professional skills and qualifications, the review of literature on literature on the communication skills revealed that the development of effective communication skills such as listening, interpersonal written and oral communication skills is an important part of internal auditor's advancement potential (Smith, 2005). Internal auditors must possess highly developed communication level skills to become a successful professional. The development of these skills does not only enhance the auditor's potential, but will also improve the quality of audits produced. The size of internal audit staff and the competency of internal auditors are key to internal audit quality and wider staff talent than a smaller unit being trained within an organisation.

A well trained and sufficient team of internal auditors is key to the efficient operation of an organisation regardless of whether the staff is trained within or outsourced. Sakalunda (1999) argues that professional proficiency is another responsibility of an internal auditor. This implies that only those people who collectively possess the necessary knowledge, discipline and skills to conduct the audit properly must be assigned to each audit. Based on this understanding, For internal audit to be effective, internal auditors need appropriate competence to achieve their work effectively (Burnaby and Hass, 2009), and aspects such as education, training, experience and professional qualifications of the internal auditors influence internal audit effectiveness (Al-Twaijry, Brierley and Gwilliam 2003).

FIGURE 1: CONCEPTUAL FRAMEWORK



Source: Author, 2019

2.8 Theoretical framework

In achieving data triangulation, this research was also cognisant of the many theoretical backings that underpin studies of this nature. In particular, it focused on the Marxist and the Institutional Theories on the basis that neoclassical economic theories such as agency theory (Adams 1994) and transaction cost theory (Spraakman, 1997) may not sufficiently inform internal audit research (Mihret, James and Mula 2010). For instance, the theories presume a developed market economic setting and a large volume of transactions. However, often sophistication of the market system and the volume of transactions depend on the level of economic development across countries (Reed, 2002). This situation limits the ability of the theories to inform internal audit research in a diverse range of settings. Agency theory is not directly transferable to state-owned firms. It is not clear who the principal is, the public may not have only one definable interest as such. It would be hard to measure any divergence of interests between managers and the public. More generally, Mandel (1976) has effectively criticized Alchian and Demsetz (1972) earlier version of agency theory from the perspective of Marxist economics. Further, neoclassical economics assumes that an organisational phenomenon is driven by individuals' pursuit of maximizing self-interest (Watts and Zimmerman 1978, 1986, 1990). Therefore, neoclassical economic theories may not sufficiently explain internal audit development and operation in varied settings (Mihret, James and Mula, 2010). Marxism and institutional theory criticize this assumption and maintain that individual behaviour, whether as a consumer or producer of goods, cannot be abstracted from the social context in which the behaviour takes place' (Hula, 1984, p. 199).

Institutional theory (Barley and Tolbert, 1997) and Marx's theory (Avineri, 1970) recognise the importance of cultural and social determinations as a major influence on decision-making (Mihret, James and Mula, 2010). With this understanding, this research employs a combination of institutional theory (DiMaggio and Powell, 1983) and Marx's (1978) circuit of industrial capital. Mihret, James and Mula (2010) employ a combination of the two theories in a theoretical framework that is beginning to emerge in empirical research. These theories descended from political economics and, therefore, share similar foundations. As such, they provide the basis for studying organisational phenomena embedded in broad social, political and economic settings (Deegan 2006; Mihret, James and Mula 2010). Therefore, institutional theory and Marx's theory enable an understanding of internal audit practices as a part of organisational systems and illuminate the link between internal audit and the achievement of

organisational goals (Mihret, James and Mula 2010). According to Mihret, James and Mula (2010, p. 232).

2.8.1 Institutional Theory

Institutional theory proposes that the survival of an organisation depends not only on achieving production efficiency but also on its conformity to societal norms of acceptable practice (DiMaggio and Powell 1983; Meyer and Rowan 1977). Institutional theory is considered suitable for IA research for various reasons. Firstly, the theory encompasses IA practices which are a part of organizational phenomena. Secondly, it helps to explain organizational phenomena without assuming a limited set of organizational goals unlike agency and transaction cost theories, which are both predicated on the assumption of shareholder wealth maximization. Thirdly, it could support audit research in developing countries where the equity market is underdeveloped (Mihret, James and Mula, 2010). Prior research suggests that institutional theory has validity in IA research, both in developing countries (Al-Twaijry, Brierley and Gwilliam 2003) and developed countries (Arena, Arnaboldi and Azzone 2006). Furthermore, according to Mihret, James and Mula (2010, p. 228) Institutional theory has several implications relating to the possible context-dependence of IA effectiveness. For example, in organizations that are exposed to high risk, one might expect mimetic pressures to contribute to the development of IA. This is because organizations, as part of their efforts to manage risk, may establish internal audit departments by emulating practices of other organizations. Based on the above discussion, institutional theory is deemed to be the most relevant for this study and, more specifically, it is considered to be appropriate for IA research.

2.8.2 Marxist Theory

Karl Marx (1976; 1978; 1981) explains that capital is increased by continuous generation of surplus-value (profit). However, capitalism in Marx's view requires control of the valorisation process: control of the process of production and the labour process' to maximize the rate of profit (Bryer 1994; Bryer 1995; Bryer, 1999; Bryer 2006). The capitalist creates value by using capital to buy commodities and then transforming them to other commodities for sale at higher prices (Mihret, James and Mula 2010). This value is created in the production process. Most important to Marx's (1976) perspective is the labour theory of value the theory illuminates the concept of value which arguably is consistent with the new definition of internal auditing stated by the IIA that internal auditing is an independent, objective assurance and consulting activity

designed to add value and improve an organization's operations (Institute of Internal Auditors 2011c) According to Marx's perspective, the main force of production is the human being including the different competencies in terms of knowledge and skills available to transform nature into commodities—the social organisation of production. Internal audit is identified as a value adding service to organisations emerging out of labour process control. Therefore, from the perspective of Marx's theory, internal audit can be viewed as an important element of labour process control (Mihret, James and Mula 2010).

For labour process theorists, internal audit is an integral part of the labour process control by which modern managers discharge their accountability to social capital for several reasons. Firstly, internal audit helps ensure the integrity of financial reports. It helps ensure the accuracy of the reported rate of return on capital. Clearly, the work of internal audit is still not completely separate from accounting and external audit (Mihret, James and Mula 2010; Yee *et al.*, 2008). As mentioned earlier, internal audit is of benefit to organisations in two ways: the first arises from the conventional audit of financial systems and controls which focus on the prevention and detection of irregularities either from mistakes or fraud; and the second is performance audit, which concerns the ongoing economy, efficiency and effectiveness of various aspects of the organisation (Al-Twaijry, Brierley and Gwilliam, 2003). In addition, the key role of internal control systems lies in providing accountability of senior management to the capitalist; and management accounting serves to ensure accountability of workers to management via the chain of command (Bryer 2006). Further, internal audit is an important tool in mitigation of wastage of capital by deterring fraud (Raghunandan and Mchugh 1994). This, in turn, leads to maximizing return on capital because owners of businesses invest in machinery and systems of control to increase productivity to achieve their overriding aim of maximizing return on capital or, in Karl Marx's words, "*the rate of profit*" (Bryer 2006). Therefore, the auditor's role is the prevention of adverse consequences of failing to meet these requirements and objectives. Furthermore, from the perspective of Marxist theory, capital is described as wasted or devalued when it is unable to support existing production facilities and employment levels. As Marx's theory purports, modern auditing aims to both safeguard and increase the rate of return on capital. Accordingly, the internal audit function from the perspective of Marx's theory is important to correct situations where the capital is wasted or devalued because of inefficiencies, fraud, corruption or the protection of favoured relationships. In such situations, some or all of the surplus-value contained in products may not be realized through their sale and some of the capital may even be lost. This shrinks the firm size with adverse implications for wage rates

and employment levels (Yee *et al.*, 2008). As an example, the accounting rule of writing goodwill off against reserves was used in the UK in the 1980s so that the Thatcher Government could hide the payment of dividends out of capital and run down the nation's manufacturing capital stock (Bryer, 1995). Yee *et al.*, (2008) concur with this notion as they used a predominantly Marxist economic theory perspective in their empirical study of the role and effectiveness of internal audit in Singapore. As Yee *et al.* (2008) explain, the focus on agency theory by Western researchers has resulted in the unfortunate effect of focusing only on internal audit benefits for the organisations' short term bottom-line. By contrast, a Marxist classical economics' perspective allows the research to consider the broader social benefits of IA. Yee *et al.*, (2008) state that frequently a Marxist classical economics 'perspective allows us to consider the broader social benefits of internal audit , including raised living standards, a reduction in fraud and corruption, increased employment and alleviation of poverty.

Therefore, as institutional theory, the Marxist perspective is more important for developing countries where competent internal audit services have the capacity to improve the rate of return on capital of business enterprises. This could in turn contribute to a reduction in corruption and the alleviation of poverty. It could also maximize employment levels and increase wage rates and production levels (Yee *et al.*, 2008). Katz and Kahn (1966) define effectiveness as maximizing return to the organization. In addition, Marx's (1978; 1981) approach is based on the understanding that capitalism is beset with periodic overproduction and crises. Therefore, internal audit can play an important role in assisting organisations to improve their efficiencies and devote their operations to areas of high consumer demand both before and during an industry crisis (Yee *et al.*, 2008). This minimizes wastage and devaluation as much as possible under the circumstances. According to (Yee *et al.*, 2008, p. 155) internal audit is consistent with the traditional Marxist emphasis on improvement through criticism and self-criticism and the unhindered development of the productive forces (Mihret, James and Mula 2010; Yee *et al.*, 2008). Lenin's famous formula that socialism equals electrification forces of production plus the soviet workers' cells relations of production seems especially prescient here. Internal audit effectiveness adds value to service to organisations and maximizes return to the organisation. In other words, in order for internal audit to be considered a value adding service to organisations it must be effective (Al-Twaijry, Brierley and Gwilliam, 2003; Institute of Internal Auditors 2011a; Mihret, James and Mula, 2010), and from the Marxist perspective this is defined as ensuring that capital earns the minimum acceptable rate of return on each part invested and that capital wastage does not occur (Mihret, James and Mula

2010; Yee *et al.*, 2008). Yee *et al.*, (2008) concur with this notion as they used a predominantly Marxist economic theory perspective in their empirical study of the role and effectiveness of internal audit in Singapore. Mihret, James and Mula (2010) also employ Marx's theory of the 'circuit of industrial capital' to develop propositions on antecedents and organisational performance implications of internal audit effectiveness. Prior research also suggests the theory has validity in internal audit research in relation to both developing countries (Mihret, James and Mula, 2010) and developed countries (Yee *et al.*, 2008).

2.9 Chapter summary

This chapter reviewed internal audit function effectiveness literature for both global and local sources in the context of roles and responsibilities, organisational independence, management support sufficiency and competence and the theoretical background underpinning this research. The next chapter discusses the methodological tools and techniques used to gather data, the analysis techniques including the validity, reliability and ethical considerations in dealing with human subjects.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This chapter outlines the tools and techniques employed in gathering both primary and secondary data in examining the effectiveness of internal auditors in government with specific reference to a case study of five (05) selected government ministries. This covers the design and research paradigm, study site, strategy, time horizon, research approach, sampling, research instruments and data collection procedure, analysis techniques, validity, reliability and ethical considerations.

3.1 Research Paradigm

The research is qualitative in design. It employs the interpretivist paradigm which argues that there is no single reality but multiple realities as regards epistemology or knowledge (Bryman and Bell, 2011; Myers, 2008; Saunders *et al.*, 2009 and Lee *et al.*, 2008). This is the complete opposite of the positivist paradigm which assumes the existence of one reality or world view. The research design discusses the whole strategy that is chosen by the researcher to deal with the problem in a coherent and logical way (Cooper and Schinder, 2007; Chandran, 2004). This ensures that the problem is solved in an efficient manner by preparing a blue print for the collection, measurement, analysis of data, interpretation and reporting of conclusions. Research paradigm on the other hand refers to the researcher's 'worldview' (Mackenzie and Knipe, 2006). It is a reflection of the researcher's beliefs about the world they operate in composed of abstract beliefs and principles that shape how the researcher sees the world (Lather (1986).

3.2 Research Approach

There are basically three research approaches according to Saunders *et al.*, (2009) namely Inductive also known as the top down approach which works from the more general to the more specific based on the verb "to deduce" meaning to conclude a fact based on the information by providing some form of reasoning or rationale behind a particular experience or phenomena often employed in qualitative research designs, Deductive also known as the

bottom up approach which involves making conclusions based on a single assumption or reality and then moving on further to expand the view point or generalize often used in quantitative research and adductive research approach which is a half-way house between the two reality views often used in multi-method study design that is, qualitative and quantitative research designs. This study being qualitative in design employed the inductive research approach via gathering data, analysing it and formulating theories from the data to make conclusions about the reality as regards the phenomenon of internal auditing effectiveness with reference to government institutions (Thomas,D.R 2006).

3.3 Study Site

The research was conducted in Zambia's Lusaka District, focusing on five (05) selected Ministries namely; Ministry of Finance, Higher Education, Health and Community and Social Development and Agriculture. The selection of these ministries is primarily based on the fact that they have internal audit functions and their effectiveness was questioned and were selected during the pilot-testing of research instruments (Research questionnaires and interviews).

3.4 Research Strategy

The research used the case study approach (Yin, 2013). The use of a case study method allowed the examination and appreciation of the gaps in the effectiveness of the internal audit function in the selected government ministries. According to Saunders *et al.*, (2009), the research strategy helps the researcher by shaping the flow and structure of the study and could be one organisation or a multiple case study involving more than one case organisation as was the case in this research. A case study approach has successfully been used before in studies of this nature, including that by Mupeta (2017) who looked at the factors that determine internal audit effectiveness in the selected public sector and parastatal organizations in Zambia, Alhassan (2018) who looked at the influence of internal audit on effective financial management at the Cape Coast Metropolitan Assembly, Frimpong (2018) who looked at The Evaluation of Internal Audit Functions for Effective Public Sector Administration using a Survey of Accra Metropolitan Assembly, Ghana and Ndirangu (2012) who looked at factors that contribute to the effectiveness of the internal audit function as a corporate governance mechanism in public Universities in Kenya using a case study of the university of Nairobi, meriting the use of this strategy in this study.

3.5 Time Horizon

As the name suggests the time horizon is the time framework or periods that is years being covered by the research cognisant of the fact that the recent years and information are the most relevant (Saunders *et al.*, 2007). These periods can be categorised into the cross sectional which is the “snapshot” time from which data is collected, involving the collection of data at a point in time or specific time (Flick, 2011) and longitudinal time bound which involves a longer period of time or over time that is research mapping providing the benefit of being used to study change and development (Bryman, 2012; Goddard and Melville, 2004.) Further, it allows the establishment of some control over the variables being studied. The time horizon selected is not dependent on a specific research approach or methodology (Saunders *et al.*, 2007). This research was longitudinal in nature covering a period from the conception of internal audit to date in order to understand the changes over time. The time horizon runs across the span of ten years.

3.6 Population and Sampling

The research used the non-probabilistic purposive sampling (Paul, 2006), whose sample selection was based on a total population of 30 internal auditors centrally drawn from Ministry of Finance as per the government mandate.

3.7 Research Instruments and Data Collection Procedure

The research used semi-structured questionnaires as primary tools for data collection and distributed twenty five (25) questionnaires who were purposively selected. The instruments were distributed in person after preliminary communication with the respondents to seek permission via letters of request from University of Zambia and the acceptance thereof, preceded by pilot testing of these instruments and ethical clearance. The choice to use the highlighted instruments was to enable the participants to confidently and openly articulate issues relating to the research.

Data gathering started with the researcher deciding from where and from whom data was to be collected in which case the author was the main research tool or primary instrument (Speziale and Carpenter 2003). In this research the author gathered data from primary and secondary sources playing a pivotal role in self-administration of questionnaires and did not use research assistants. As the initiator of the process the researcher played a more active role to monitor

the progress of the processes. Questionnaire responses were recorded on papers which were transcribed using Microsoft word to make meaningful themes and/or categories (De Vos, 2002). The researcher approached each participant with empathetic understanding by considering their uniqueness and sensitivity throughout the whole process as unknowingly, the process of probing could re-open fresh wounds or memories of the respondent's experiences (Holloway and Wheeler, 1996). Self-administration of questionnaires and interviewing enhanced response rate via having good listening skills, open-mindedness, and sociable, flexible and being truthful (Holloway and Wheeler, 1996)

3.8 Data Analysis

Burns and Grove (2003), defines data analysis as a tool for reducing and shaping facts to produce findings that require interpretation by the researcher based on techniques developed by other scholars such as the grounded theory involving the generation of a theory from systematic data collection. For this research data analysis employed the statistical package for social sciences to produce charts and tables as descriptive statistics, whose inferences and/or interpretations and discussions provided the basis for the conclusion and recommendations chapter. The actual data analysis for this research occurred when the researcher read and understood the entire data set which involved linking back to the relevant literature review sources in the discussion and/or interpretation.

3.9 Data Reliability, Validity and Ethical Considerations

Joppe (2000), defines reliability as the degree to which outcomes are consistent over time. It often implies an accurate representation of the total population under study, if the results of a study can be replicated under a similar methodology. Validity on the other hand refers to how well a test measures what it is purported to measure (Winter, 2000). A research falls within the bracket of validity if the study only covers what one wants to study and no deviation whatsoever. Reliability and validity for this research were achieved through pilot testing questionnaires and interview schedule and making appropriate adjustments including triangulation of data sources and acknowledging other authors via in-text referencing and bibliographical information.

This research also fulfilled the ethical consideration of respect for respondents and confidentiality, collecting data exclusively for research purposes (Burns and Grove, 2003), Beneficence that is to say benefits the study only and giving respondents the right to willingly

decide whether to participate in the study or not and the distribution of results thereof. Additionally, clearance from the University of Zambia Ethics Committee was sought in dealing with human subjects as research respondents.

CHAPTER FOUR

RESEARCH FINDINGS, ANALYSIS AND INTERPRETATION

4.0 Introduction

Having explained the methodological approaches adopted in this research, this chapter discusses the findings of the research using descriptive charts and tables to put meaning on them in relation to the relevant literature review in a quest to establish the effectiveness of internal audit function in Government Ministries with specific reference to the five (05) selected ministries in Zambia.

4.1 General Information

This section discusses the general information relating to the target population's level of reply to questionnaires in relative terms that is percentages, signifying the strength and validity of findings and willingness by respondents to participate in the research attributed to the importance they attached to the subject.

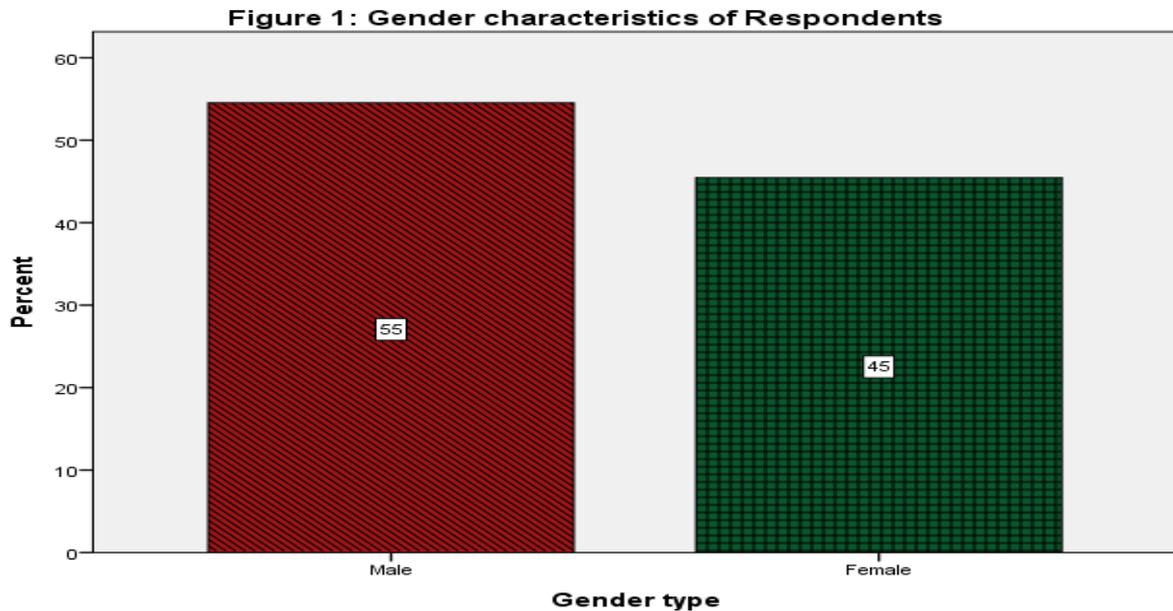
4.2 Response Rate

All the twenty five (25) semi-structured questionnaires distributed were successfully completed representing 100% ($25/25 \times 100\%$) response rate, which was more than satisfactory for the research conclusions to be made and generalizability to all Zambian Government Ministries. Additionally, it is considered a high response rate according to Saunders *et al.*, (2003) as a backing (i.e. 30-50% of response rate). A combination of both narrative and dichotomous answers in the semi-structured questionnaire that is Yes, No, I don't know, very good, good, moderate and poor type of answers allowed persuasion and explanations of responses in a bit more detail. This rate was also partly attributed to the data collection procedure employed by the researcher via self-administration of questionnaires with similar questions being asked to all respondents but also due the eagerness by respondents to disclose information relating to the subject, willingly.

4.3 Demographic Characteristics of Respondents

This section discusses the demographic characteristics of respondents in relation to the topic under consideration as detailed hereunder.

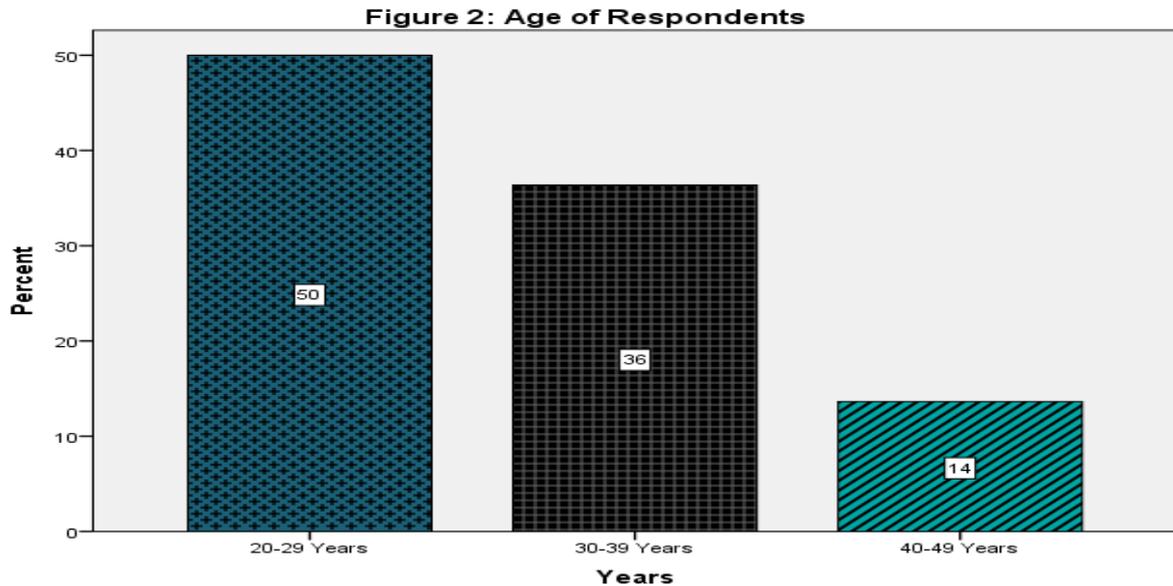
4.3.1 Gender characteristics of respondents



Source: Fieldwork Questionnaire Responses, 2019

On gender characteristics of respondents, research results revealed that the majority of those to whom the twenty five (25) questionnaires were administered to were male in gender representing fifty five (55%) percent statistic while the female respondents represented forty five (45) percent statistic. This results indicates the minimal indifference in bias to opinions regarding the effectiveness of the internal audit function in the selected government ministries. This therefore demonstrates a balance in views from respondents as regards the efficiency with which the internal auditors carry out their internal control activities to curb mismanagement of government resources.

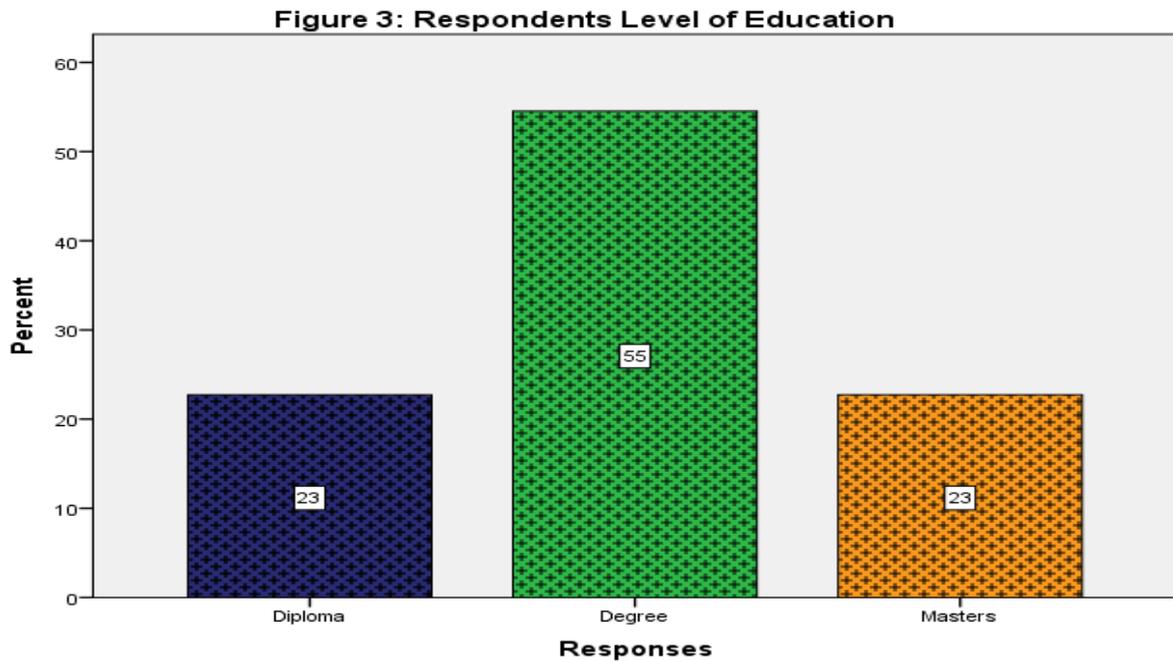
4.3.2 Age of respondents



Source: Fieldwork Questionnaire Responses, 2019

Research results regarding age of respondents revealed that 50% of the respondents were aged between 20-29 years, 36% were aged between 30-39 years while the remainder 14% were aged between 40-49 years of age. This results entails that the majority of the internal auditors were those from the population of the youthful generation that are up to date in terms of education due the continuous evolution of the curriculum, subjects areas of most accounting and auditing syllabuses and continuous professional education who are expected to be abreast with latest systems and methodologies to stiffen existing internal control systems to curb any unforeseen mismanagement by unscrupulous individuals within the ministry systems. This therefore suggests some element of adequacy in ministries having sufficient human capital in terms of those with up to date knowledge base to help the government systems to run smoothly.

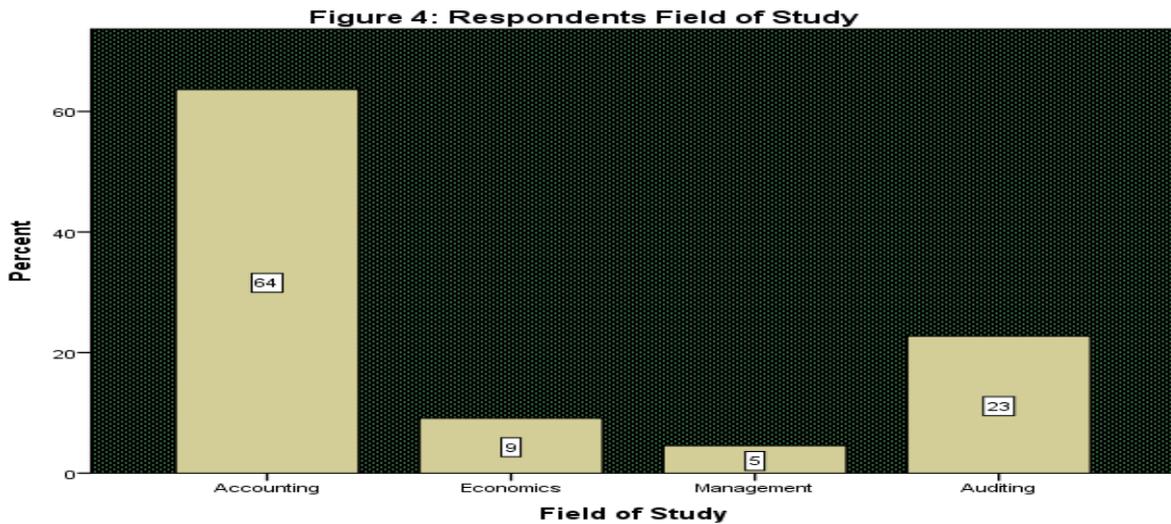
4.3.3 Level of Education



Source: Fieldwork Questionnaire Responses, 2019

As regards the level of education of respondents and as highlighted in the preceding section on age of respondents above, the research results revealed that 55% of the respondents were degree holders while the rest of them were either Diploma or Master's degree holders as can be seen by the 23% apiece result in figure 3 above. This result is an indication and as discussed in figure 18 in the succeeding sections, that the ministries personnel possess the requisite and up to date educational knowledge that meets the demands of the contemporary system of controls to effectively implement stringent controls in minimising and curbing mismanagement of Government resources meant for profitable projects, activities and programmes.

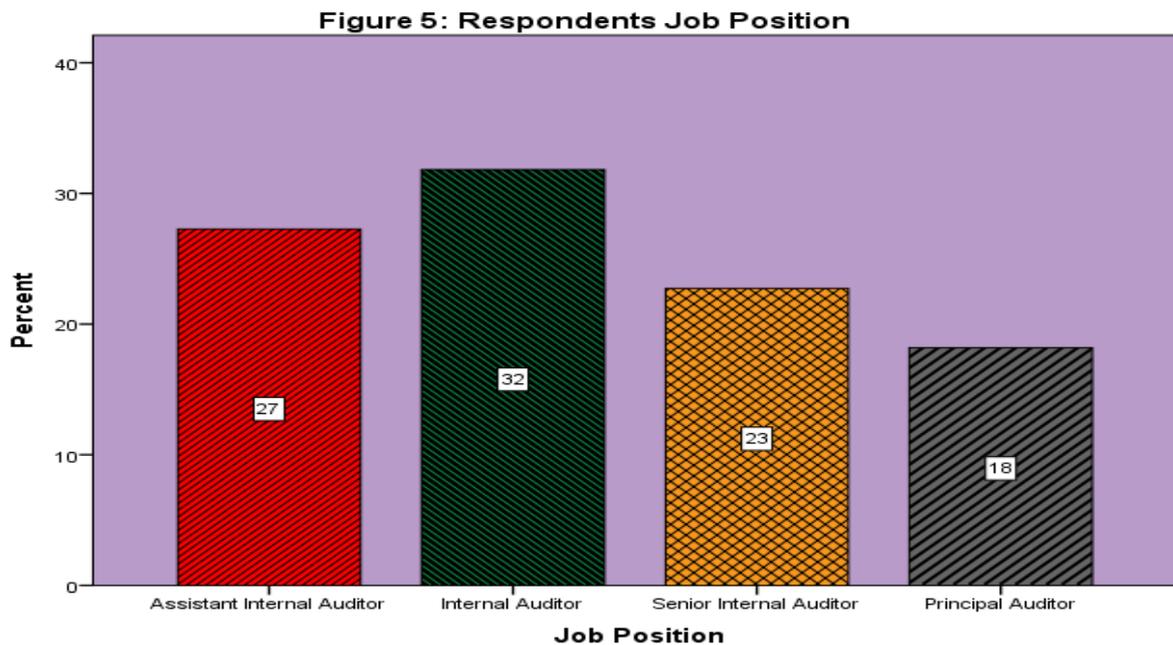
4.3.4 Field of study



Source: Fieldwork Questionnaire Responses, 2019

As highlighted in figure three (03) above, research findings regarding the respondent's field of study revealed that the majority that is, 64% were qualified accountants in the context of such high profile qualifications as Association of Chartered Certified Accountants (ACCA), Chartered Institute of Management Accountants (CIMA), ZICA or indeed Bachelor's Degree in Accounting from well recognised learning institutions and were actually practicing accountants while 23% majored in auditing besides having the accounting knowledge. 9% and 5% on the other hand had majored in Economics and Management respectively. This results interpretively suggests that the majority of the study participants were practicing accountants with a bias towards auditing which mainly focuses on ensuring the adequacy of internal controls systems to curb any mismanagement of government resources in the selected ministries. This also suggests that the internal auditors despite being inadequate in numbers as discussed in figures 5 and 19 approach internal control adequacy with a lot of professional scepticism or questioning mind.

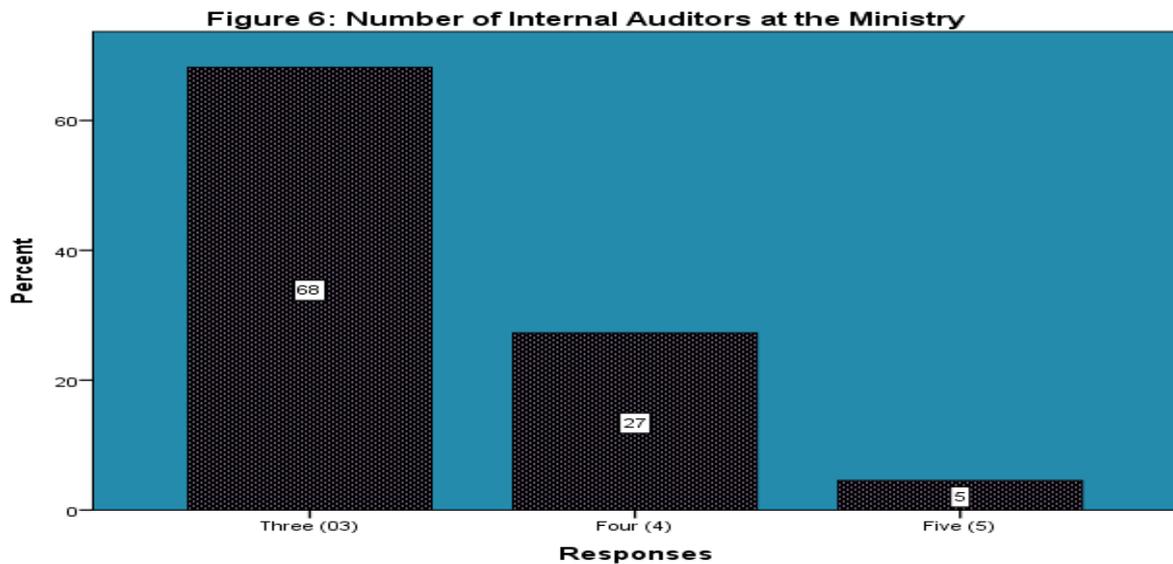
4.3.5 Designation of respondents



Source: Fieldwork Questionnaire Responses, 2019

As regards job position of the respondents in the five selected ministries, the results from the research revealed that 32% were internal auditors, 27% were assistant auditors, and 23% were senior internal auditors while the remainder of 18% were principal auditors. This results ensured a balanced coverage of the opinions regarding the effectiveness of the internal audit function in the case study ministries as can be demonstrated by the hierarchical distribution of the personnel entrusted to ensure prudent utilisation of government resources through adequate internal controls regarding such issues as safeguarding of assets and other resources within the ministries. However, some setbacks potentially include the lack of experience especially in the case assistant and internal auditor positions and the lack of collaboration with such offices as the auditors from supreme audit institutions such as the Office of the Auditor General in terms of their findings and recommendations consistent with the arguments by Mihret (2009) and Subramanian and Steward (2006).

4.3.6 Number of internal auditors



Source: Fieldwork Questionnaire Responses, 2019

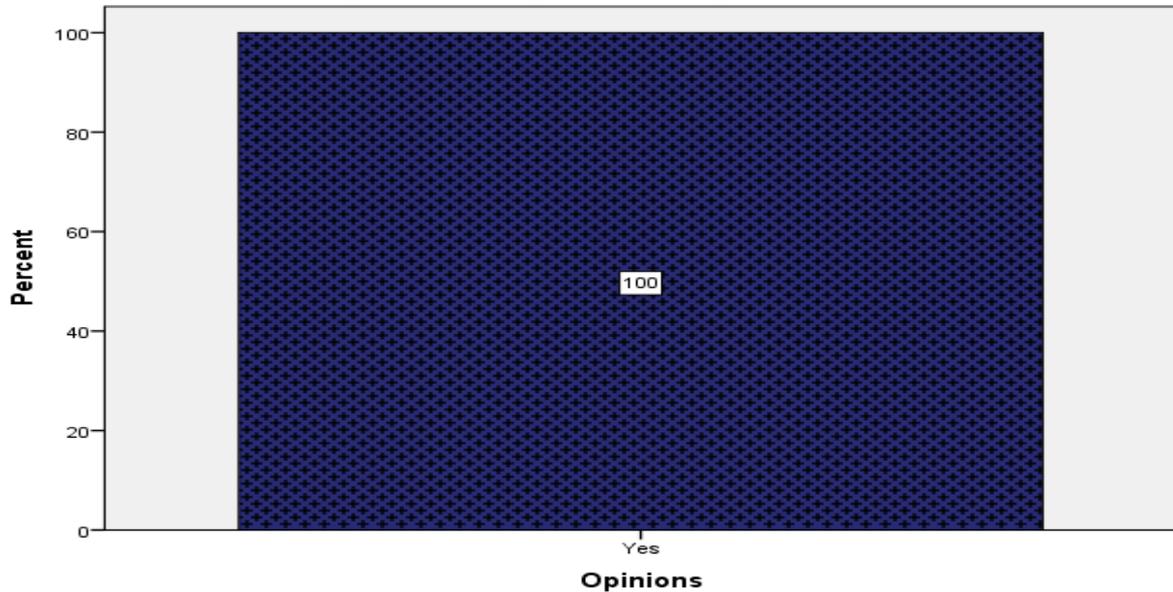
Regarding the number of internal auditors in the specific ministries or audit department from the selected ministries, research findings revealed that the majority of the audit departments had a total number of three (03) internal auditors representing 68% response while in other cases some departments had either four (04) or five (05) internal auditors representing 27% and 5% respectively. This result as discussed in figure 19 in the follow up section to this suggests that the numbers in some offices are adequate while in other cases are insufficient to carry out audits sufficient to check each and every component susceptible to risk of manipulation or indeed posing a risk towards mismanagement of government resources in the selected ministries.

4.4 Internal Auditors Effectiveness

This section discusses the effectiveness of internal auditors in the five (05) selected Government Ministries.

4.4.1 Opinions on whether the internal auditors identify and report any non-compliance activities

Figure 7: Opinions on Internal Auditor's ability to Identify and Report non-compliance with policies and procedures

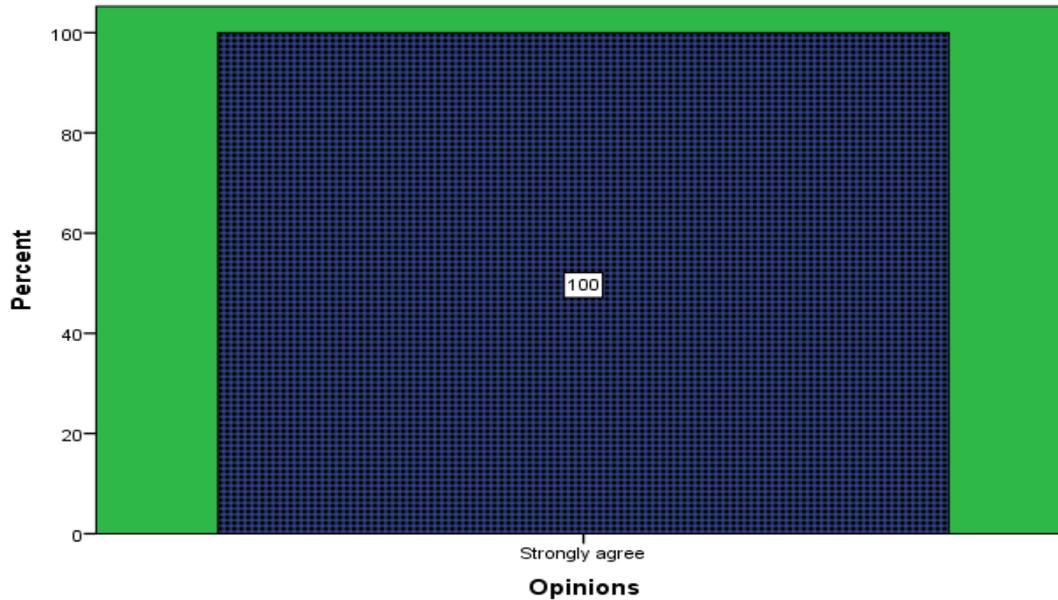


Source: Fieldwork Questionnaire Responses, 2019

Research results in figure 7 regarding opinions as to whether internal auditors have the ability to report any non-compliance and procedures, revealed that the internal audit function in the selected ministries is operational or is indeed being implemented fully that is representing 100% affirmation in chart 7 above as enshrined in the audit charter and due to nature of the reports that they produce regarding non-compliance to regulations as encapsulated in the Public Finance Management Act of 2018. This results suggests that compliance is at the helm of internal auditors in terms of the priority it is given in curbing mismanagement of government resources at the expense of other profitable projects or programmes and activities consistent with the arguments by Sakalunda (1999).

4.4.2 Opinions on whether internal auditors provide useful recommendations

Figure 8: Opinions on whether internal auditors provide useful recommendations and constructive criticisms on non-compliance activities or control systems of the ministry

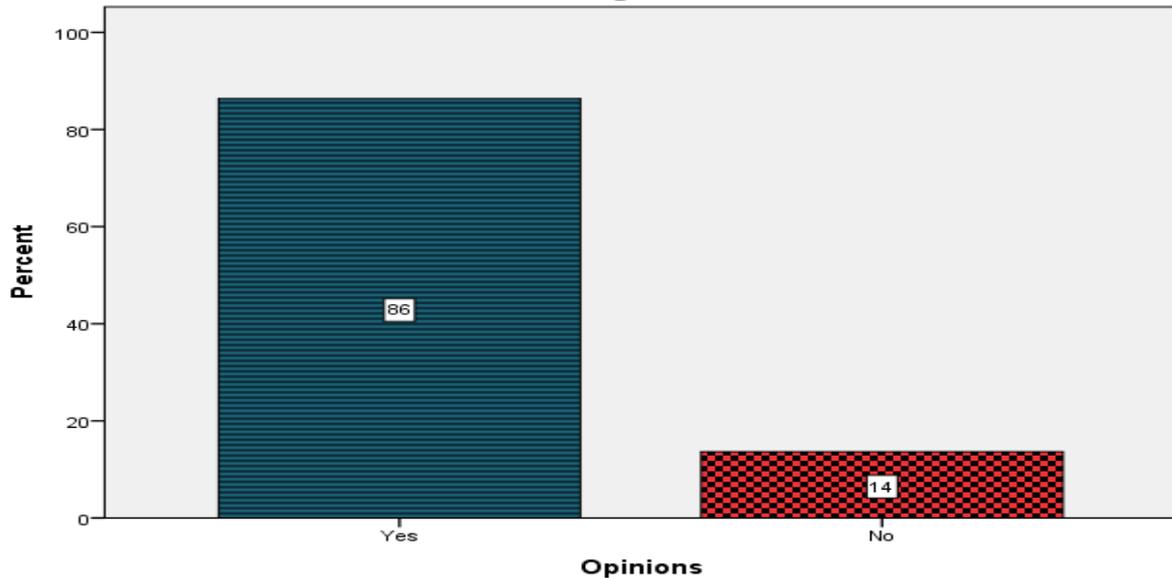


Source: Fieldwork Questionnaire Responses, 2019

Findings from the research regarding opinions on whether internal auditors provide useful recommendations revealed that the internal auditors in the five selected ministries provide recommendations that are beneficial to management in ensuring prudent utilisation of resources as can be seen by the 100% affirmation or agreement by respondents. This result suggest that internal auditors help management in providing recommendations from their findings on the risks that certain transactions and implementation of activities including record keeping pauses and the best ways to correct the bad vices in ensuring prudent utilisation of resources and implementation of government programmes in collaboration with the external auditors from the supreme audit institution consistent with the arguments by Walker, Shenkire and Barton (2002)

4.4.3 Opinions on internal audit function’s ability to ensure effective utilization of government resources

Figure 9: Opinions on Internal Auditors Ability to Effectively Implement Office Policies To Curb Missmanagement of Public Funds



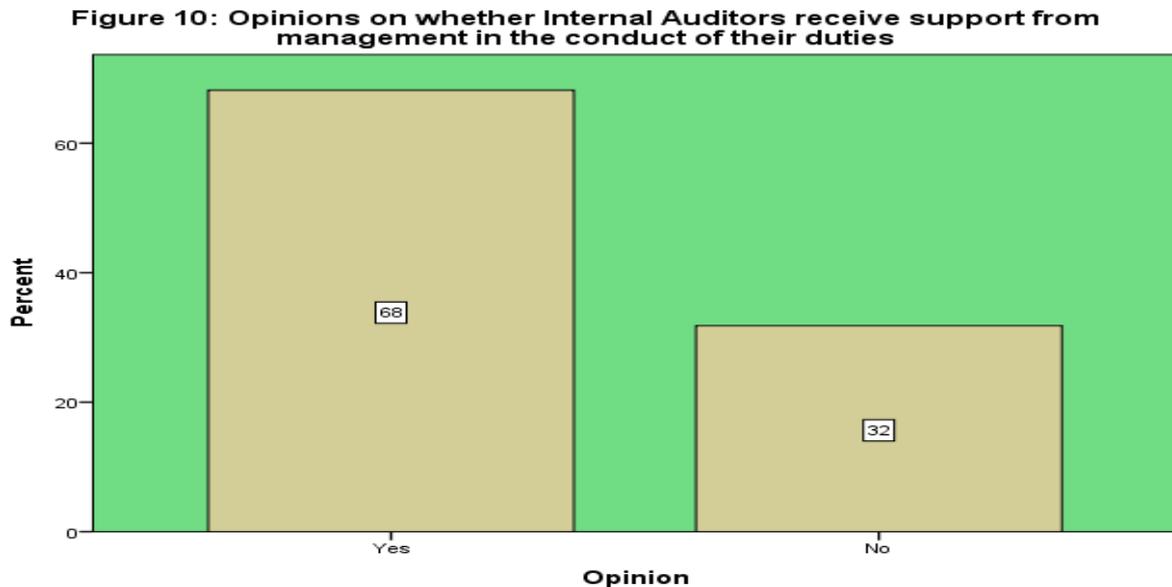
Sources: Fieldworks Questions Responses, 2019

Research findings in figure 9 regarding opinions on internal audit function’s ability to ensure effective utilisation of government resources revealed that the internal audit function or department do indeed provide high level ability to effectively implement office policies and procedures to curb mismanagement of government resources thereby ensuring prudent utilisation of government resources as can be seen by the 86% statistics. However, 14% of the respondents felt that not all internal audit functions in the five selected ministries do not have the ability to effectively implement office policies and procedures attributed to the number of irregularities raised by such offices as the Office of the Auditor General in the Auditor General’s Report for instance, Auditor General’s Report, of 2018 implying that some internal audit functions are not working to the expectation which could be attributed to the alluded to lack of adequate human capital , lack of understanding of the internal audit charter and failure to keep abreast with new developments in the filed consistent with the arguments by Mupeta (2017) on the factors that determine internal audit effectiveness. This therefore suggests the need for more capacity building to ensure that the internal controls put in place in ministries are actually working and if not devise appropriate strategic controls to ensure minimised mismanagement of Government resources.

4.5 Management Support of Internal Auditors

This section discusses whether there is management support for internal auditors in the five (05) selected Ministries.

4.5.1 Opinion on whether internal audit function in your Ministry receive support and co-corporation from top management



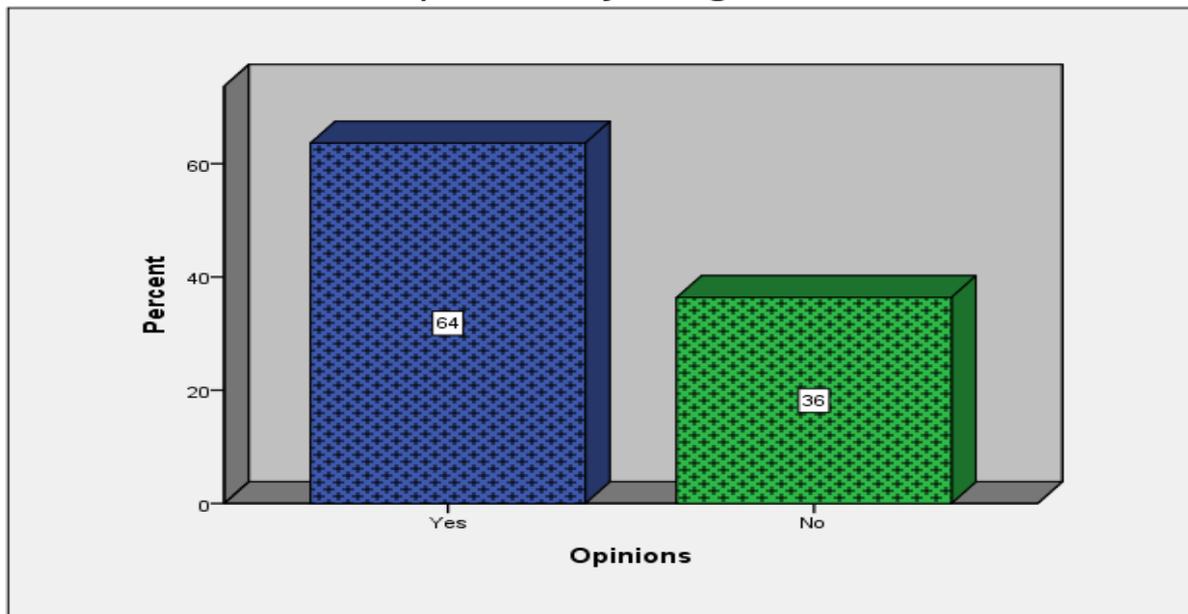
Source: Fieldwork Questionnaire Responses, 2019

Research findings on whether internal auditors receive support from management in the conduct of their duties, revealed that the majority do receive management support as be seen by the 68% agreement in figure 10 above while others representing 32% were of the opinion that the function does not receive adequate management support in their conduct of duty. This result suggest that some internal auditors receive some support from top management to implement internal controls that are adequate in curbing mismanagement of resources in government which potentially include accessibility to information and assets, some level of independence and education and training consistent with the arguments by (Engle, 1999). However, the 32% disagreement suggests that despite this level of management support there are still a lot of grey areas that among other things include the lack of implementation of recommendations made by internal auditors to management and lack of adequate budget allocation to ensure adequate audit coverage consistent with the arguments by Hartwell (1994) and Paape and Yismaw (2007). This suggests the need for more budget allocation though in

the light of the current austerity measures that has cut and is further expected to cut expenditure budget significantly and emphasis on implementation of the recommendations made by internal auditors through the controller of internal audits and through such corrective measures for non-compliance by the Public Finance Management Act.

4.5.2 Opinion on whether management implement all the recommendations made by the internal audit function

Figure 11: Opinions On whether Interanla Auditors Recomendations are Implemented by management



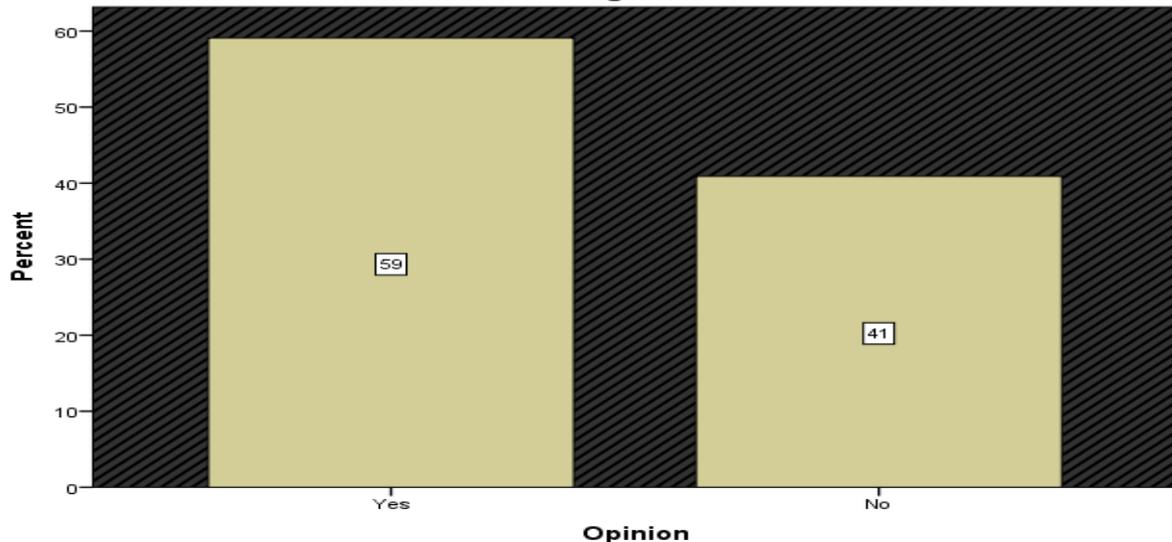
Source: Fieldwork Questionnaire Responses, 2019

As highlighted in figure 11 above, research findings regarding opinions on whether management in the selected ministries implement recommendations made by the internal auditors, revealed that most of the recommendations are implemented as can be seen from the 64% agreement while some are not implemented as represented by the 36% disagreement. This result tends to suggest that even if some of the recommendations are implemented there is still some levels of resistance from some management personnel to do so thereby compromising the efficacy of the internal auditors in ensuring working, adequate and effective internal control system. This is also attributed to the unprofessional conduct by some internal auditors who have been seen to be conniving with some management personnel as was the case at Ministry of Education where some internal auditors got suspended while others were dismissed for having misconducted themselves with regards to the utilisation of government resources. This

therefore suggests the need for more effort in emphasising the need for professionalism, independence and a demonstration of ethical conduct regardless of the pressure or cohesion from management.

4.5.3 Opinion on whether internal audit function in your Ministry face any challenges in working with management

Figure 12: Opinions on whether Internal Auditors face any challenges in working with Management

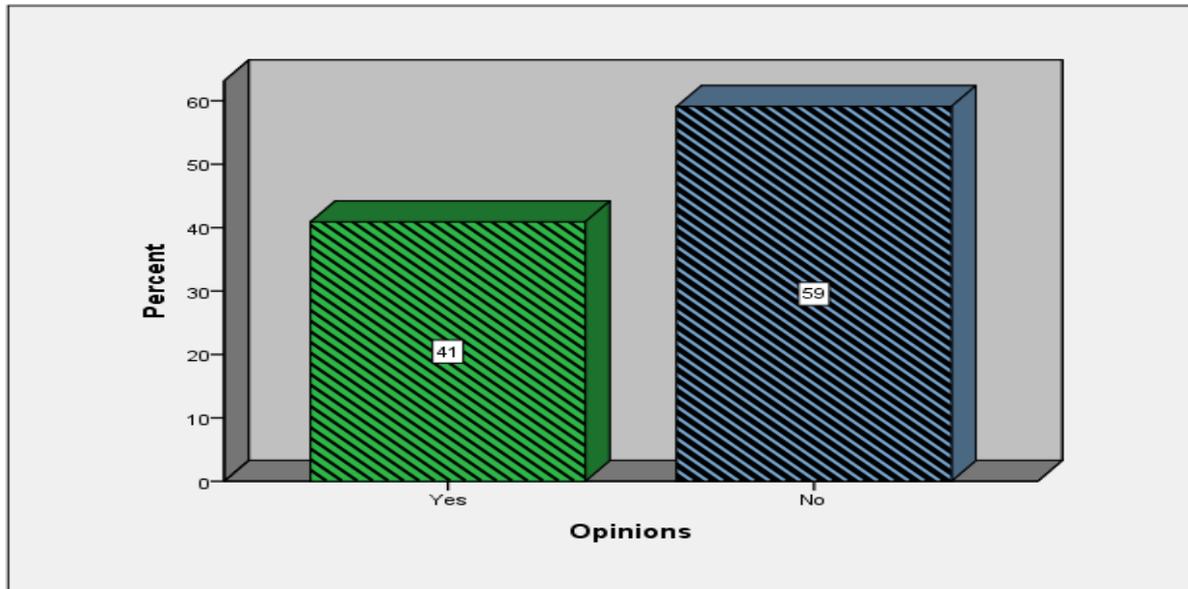


Source: Fieldwork Questionnaire Responses, 2019

Research findings on whether internal auditors faced any challenges in working with management revealed that the majority in the five selected ministries face a number of challenges including not having enough resources to cover for training and technology advancement, management not putting much reliance on making the unit as a consultancy and advisory on controls associated to performance and operations, a number of internal audit staff having no idea on whether recommendations are taken seriously and implemented to promote value added activities, internal audit function not being content with the audit charter as represented by the 59% agreement while some revealed no challenges encountered in working with management as indicated by the 41% statistic. This result suggest that a number of challenges are encountered by internal auditors in their course of duty especially with management staff who seem not to give enough support in terms of accessibility, budget allocation, independence and implementation of recommendations which may be a historical issue attributed to the enactment of the public finance Act of 2018 and the elevation of the controller of internal auditors to permanent secretary level.

4.5.4 Opinions on whether Audit Committee in your Ministry embrace the reports and recommendations made by the internal audit function

Figure 13: Opinions on Whether Audit Committee embrace Reports and Recommendations from Internal Auditors



Source: Fieldwork Questionnaire Responses, 2019

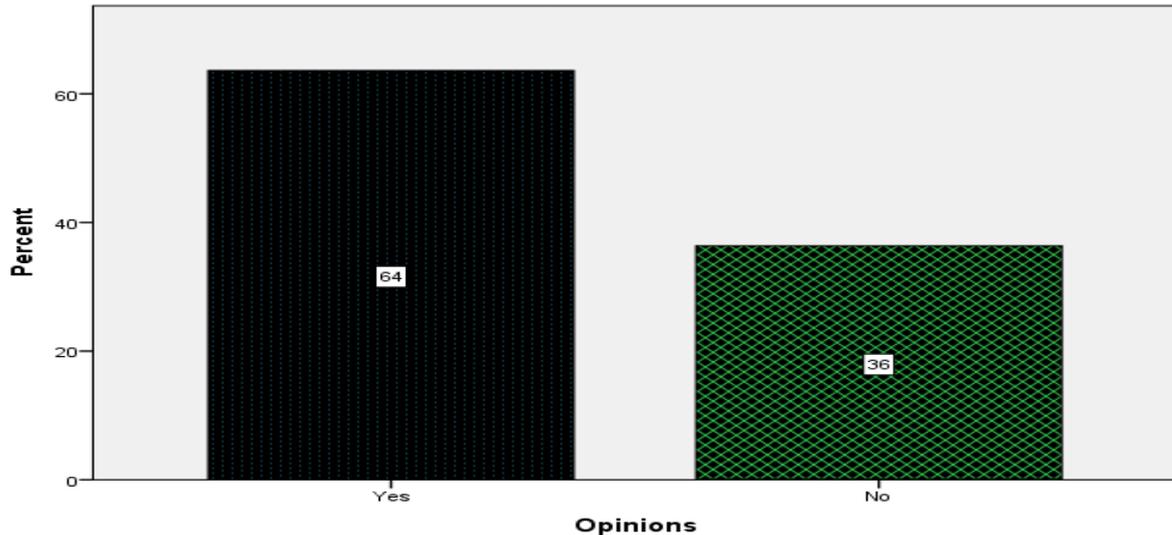
Research results regarding recommendations of internal auditors being embraced or welcomed by the ministry audit committees revealed that most reports are not welcomed probably because of the quality and depth of the audit coverage as seen by the statistic of 59% and the non-representation or membership of internal auditors on the committee in some ministries. However, 41% of the respondents reported that their reports were embraced by the audit committees in their ministries and were eager to help in ensuring corrective measures were not only documented but also implemented in affected ministries as regards the management of government resources and strengthening of internal control systems. This suggests that the audit committee in collaboration with internal auditors provide aid in ensuring the adequacy, effectiveness and implementation of internal controls within some ministries.

4.6 Organizational Independence

This section discussed the opinions on whether there is organizational independence for internal auditors in the five (05) selected ministries based in Lusaka District

4.6.1 Opinions on whether the internal audit function in your Ministry operate with adequate independence

Figure 14: Opinions on Whether Internal Auditors Operate with adequate independence



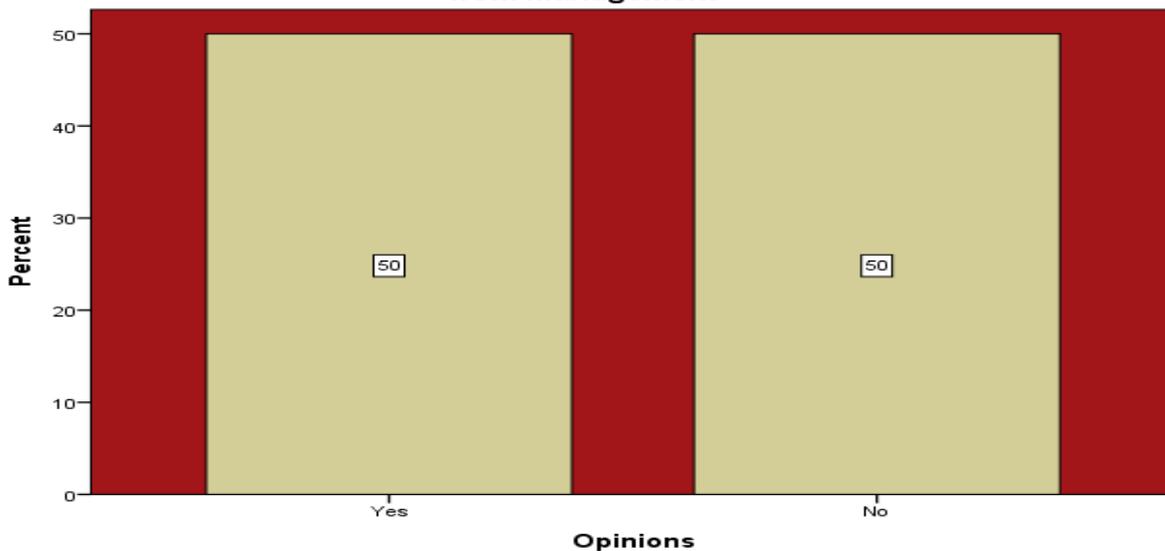
Source: Fieldwork Questionnaire Responses, 2019

Research findings on the independence of internal auditors in the five selected ministries revealed that there were some observed demonstration of independence in their work as seen by the 64% agreement. However, some respondents representing 36% felt the independence of internal auditors was questionable in some ministries. This result entails that the independence seen in some ministries is attributed to the fact that these individuals are drawn centrally from Ministry of Finance Headquarters through the controller of internal audits who was in 2018 elevated to permanent secretary position due to the perceived resistance to adhere to internal control recommendations made by his office as extracted from the various ministries. Additionally, these individuals besides reporting to management of the entity they have been deployed to, they are under direct control of the controller of internal audit whose department is independent of any organisation activities to provide oversight and ensuring that internal controls are strong enough to curb mismanagement of government resource through value for money. This is consistent with the findings by Ahmad and Taylor (2009), Belay (2007), Frimpong, 2018 and Sakalunda (1999). However, the 36% compromise in independence suggest that by virtue of internal auditors reporting to management after evaluating their work and despite being directly under the control of the controller of internal audits, their independence is somehow compromised and as alluded to earlier, some of the internal auditors

within these ministries have no membership to the audit committee thereby questioning whether their recommendations are even looked at. This is contrary to the arguments by Myers and Ziegenfuss, Sarens, De Beelde and Everaert (2009) and consistent with Van Peurseem (2004) and Bou-Raad (2000) arguments.

4.6.2 Opinion on whether there is undue influence from management on the internal audit function in your Ministry

Figure 15: Opinions on whether there is undue influence on internal auditors from management

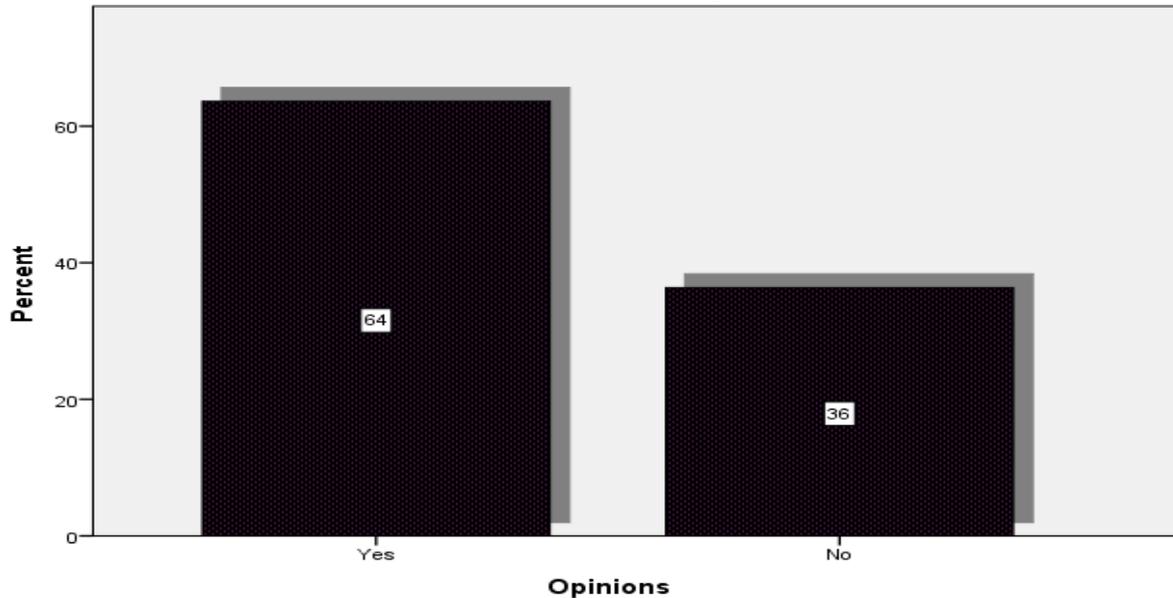


Source: Fieldwork Questionnaire Responses, 2019

Research results regarding opinions on whether there is undue influence from management on internal auditors revealed that there are both sides of the coin in that some that is 50% feel that there is excessive pressure from management on internal auditor’s activities such as not to cover certain sensitive aspects of the entities systems both financial and non-financial and to avoid issuing adverse reports while other were of the view that management does not influence the operations of the internal audit function in any way as they were independent and were therefore able to ensure adequacy in terms of internal control systems and prudent utilisation of government resources. This arguably suggests the existence or non-existence of management influence on internal auditors is inconclusive as management are in some cases seen to demonstrate some level of negative influence while in other cases are seen to support or embrace the works of the internal auditors consistent with the arguments by Albercht *et al.*, (1988).

4.6.3 Opinion on whether internal audit function is free to include any audit findings in their audit reports such as fault, fraud, wrongdoing, and mistake without influence from any one

Figure 16: Opinions on whether Internal Auditors have no restrictions on what to include in the audit report

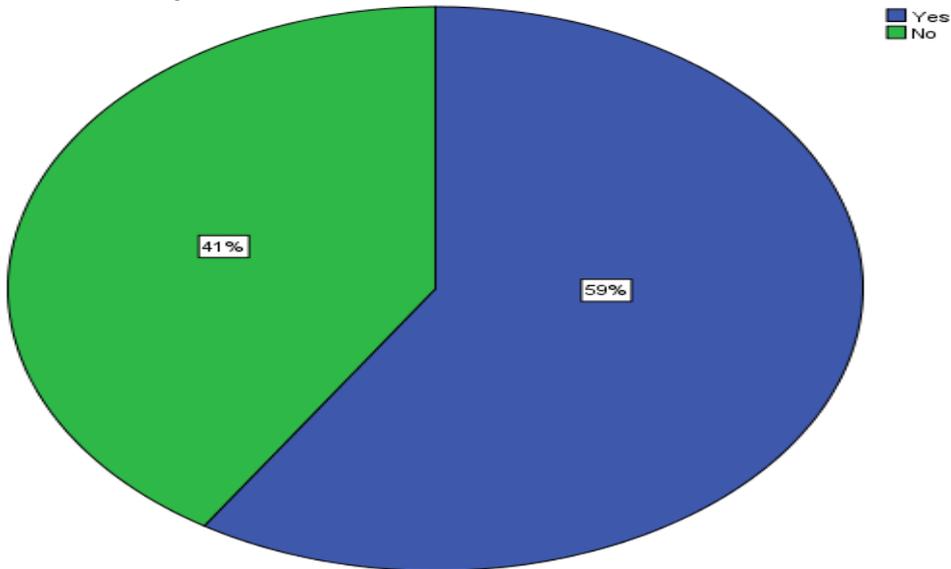


Source: Fieldwork Questionnaire Responses, 2019

As regards the extent of management influence on internal auditors on what to include in the report or not, research results revealed that internal auditors are not restricted on the matters to include in the internal audit report as seen by the 64% confirmation. However some of the respondents pointed out that there were observed influence and some form of restriction on what to include in their report representing 36% in figure 16 above. This debatably suggests that in as much as the internal auditors have some independence in the conduct of their duties, management tends to influence them to some extent to limit the number of issues or irregularities to be included in their audit report which is hoped to change significantly due to the enactment of the public finance Act of 2018 and elevation of the controller of internal audits to permanent secretary level.

4.6.4 Opinion on whether internal auditors have unrestricted access to personnel and all management information needed to carry out their work

Figure 17: Opinions on whether internal auditors have unrestricted access to personnel and information in the conduct of their duties



Source: Fieldwork Questionnaire Responses, 2019

Research results regarding opinions on whether internal auditors have unrestricted access to personnel and information in the conduct of their duties revealed that they do have autonomy and authority to have unlimited access to personnel and information and documents as they conduct their audit activities as can be seen by the 59% statistic in figure 17 above. However, there were also observed instances of resistance by management to permit accessibility to personnel or information regarding their audit activities which have somehow been the result of many adverse reports by external auditors who take such matters with a lot of seriousness who equally demand unrestricted access to such information and personnel in understanding the entity being audited and whether internal controls put in place by management to which internal auditors are a part do really work. This is demonstrated by the 41% statistic in figure 17 above. This arguably suggests the need for more unrestricted accessibility to personnel and information for them to bring out weaknesses in the systems and to help them devise workable interventions in terms of internal controls for prudent utilisation of resources or reduction in mismanagement of government resources.

4.7 Competence Adequacy of Internal Auditors

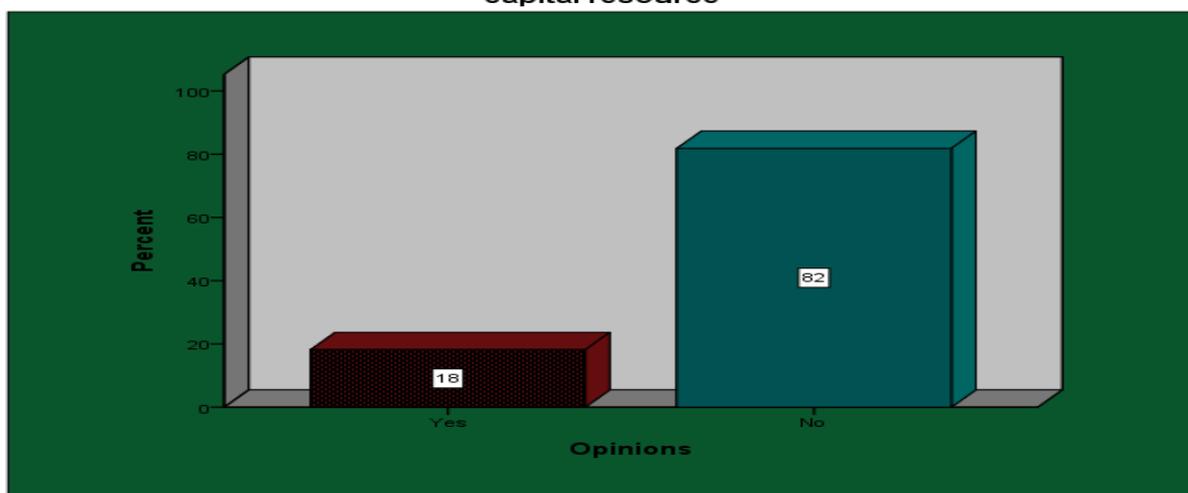
This section discusses the competence and sufficiency of the internal auditors in the five (05) selected ministries.

4.7.1 Opinions on whether internal audit function in your Ministry possess the requisite qualification and experience to efficiently carry out internal audit tasks

Research findings on whether internal auditors in the five selected ministries do possess the requisite knowledge and qualification, revealed that the internal auditors do possess the requisite qualification and knowledge to implement workable internal control systems to curb mismanagement of government resources as shown by the 100% agreement. This result suggests that it is a prerequisite for internal auditors to go possess the requisite qualifications and experience coupled with relevant certification and accreditation to such bodies as the institute of internal auditors and this plays a pivotal role in ensuring that whatever knowledge is acquired as regards auditing and internal control system formulation and implementation is fully operationalised to curb mismanagement of government resources in all MPSAs consistent with the propositions by Ramamoorti (2003) who argued that internal auditors need to possess a greater range of skills, attributes and competencies to operationalise the need for robust internal control systems in all ministries.

4.7.2 Opinions on whether the audit function is sufficient in terms of human resource for wide coverage of audit entities in your Ministry

Figure 19: Opinions on whether Internal Audit function is sufficient in human capital resource



Source: Fieldwork Questionnaire Responses, 2019

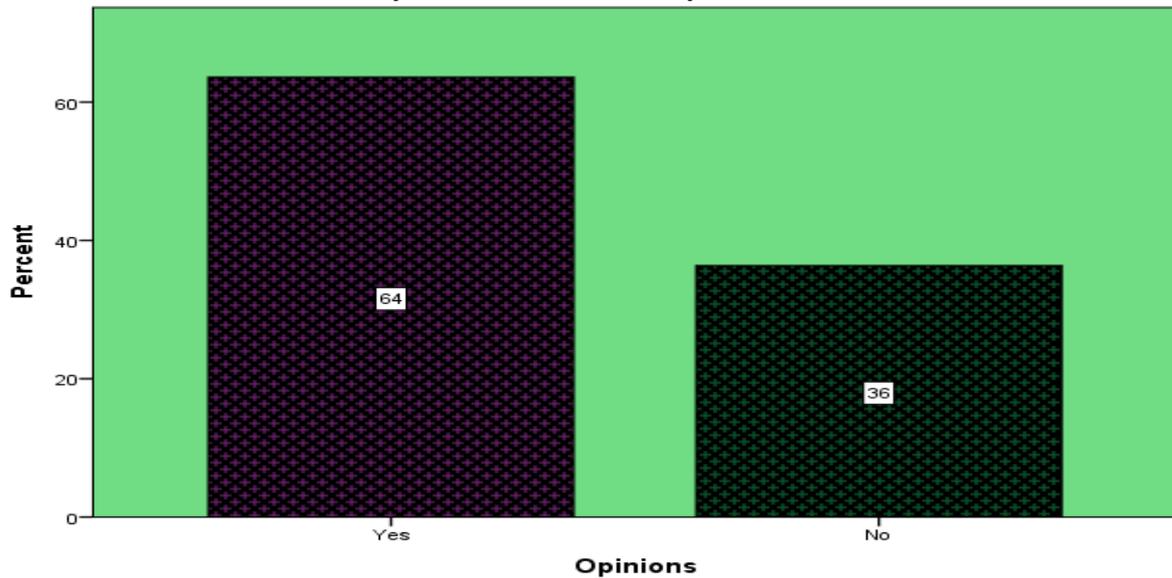
As discussed under demographic characteristics of respondents on the number of internal auditors in the five selected ministries above, research results regarding having sufficient human capital resource revealed that internal auditors do not have sufficient human capital resource to enable them meet all deadlines for each audit and for wide coverage in terms of areas as can be seen by the 82% disagreement in figure 19. However, there appears to be inconsistencies on this aspect as some of the respondents that 18% felt that the numbers of internal auditors were enough to meet expectations in terms of strengthening the internal control systems in the five selected ministries. This suggests that there is a significant need for more internal auditors to increase the coverage of audited entities that is auditees and if the government entities are to adhere to laid down policies and procedures in minimising imprudent utilisation of government resources consisted with the arguments by Paape (2007).

4.7.3 Opinions on whether the internal audit function prepare an audit report

As regards opinions on the preparation of audit reports by internal auditors, research findings revealed that indeed the internal auditors prepare internal audit reports as seen by the 100% agreement which are distributed to management, audit committee, the controller of internal audits and office of the Auditors General (i.e. it helps the auditor general's office to identify the weaknesses in the entity system prior to undertaking any audits. This result suggest that even if the internal auditors prepare internal audit reports, they may not be adequate to curb mismanagement of government resources and strengthening of internal controls in the light of lack of management support, independence and self-review threat that is evaluating the work of management irregularities to whom internal auditors belong to. This is arguably hoped to be managed through the public finance management Act of 2018 and the audit charter as the constitution of the internal auditors.

4.7.4 Opinions on whether there are forums or opportunities for internal auditors to undertake training including continuous professional education/development in your ministry

Figure 21: Opinions on availability of training opportunities and continuous professional Development

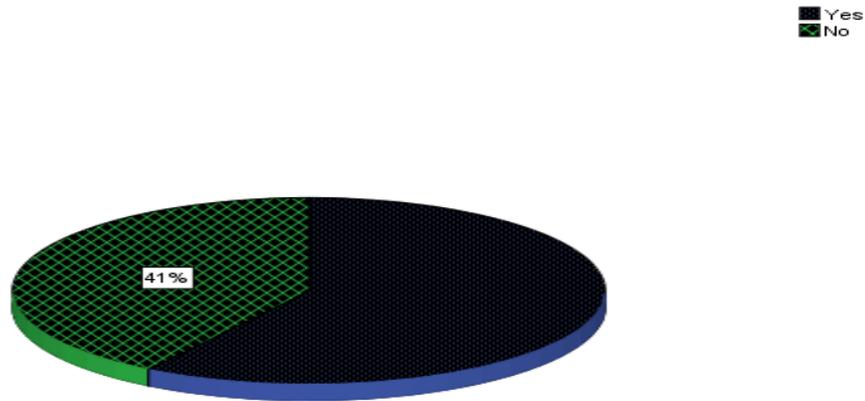


Source: Fieldwork Questionnaire Responses, 2019

Research results regarding availability of training opportunities and continuous professional development revealed the availability of such opportunities reflected by the 64% agreement which arguably takes the form sponsorships for further education programmes, institute of internal auditor’s workshops, ZICA annual general meetings and workshops among others. However, some that is the 36% pointed out that opportunities for training and professional development do not exist partly attributed to management jealousy, government’s erratic funding resulting from austerity measures progressing from 2018 to 2019 among other reasons. This suggests for more trainings and continuous professional education to enable the internal auditors to keep abreast with new changes in the field and the direction of the field in ensuring minimised imprudent utilisation of resources.

4.7.5 Overall opinions whether the internal audit function carries out there duties effectively to ensure prudent utilization of resources (value for money) in line with the appropriate regulations

Figure 22: Overall opinion on whether internal auditors implement office policies and procedures effectively



Sources: Fieldwork Questionnaire Responses, 2019

Overall opinion regarding the effectiveness of internal auditors revealed that internal auditors are effective in ensuring prudent utilisation of government resources significantly that is representing 59% affirmation while the other 41% felt that the internal audit function was not effective in closing internal control loopholes that results in imprudent utilisation of resources. However, even if there is a perceived effectiveness of controls put in place by management and internal auditors, their significance remains questionable due to the alluded to challenges such as lack of management support, independence, and training and development opportunities. This arguably suggests the need to ensure that the internal auditors have the independence, support from management among others in order for them to work towards ensuring that the government resources appropriated through the budgeting system are safeguarded from misapplication or misappropriation due to weaknesses in the internal control systems.

4.8 Chapter summary

The chapter covered the analysis and presentation of the findings using the statistical package for social sciences in form of tables and bar charts. It also interpreted the findings, linking them to the relevant literature sources as a basis for the chapter that follows in making appropriate conclusions and recommendations.

CHAPTER FIVE

CONCLUSION AND RECOMMENDATIONS

5.0 Introduction

This research set out to analyse the effectiveness of internal audit in Zambia in the five (05) selected Government Ministries of the Lusaka District. This chapter covers the summary findings, addresses the research objectives and made appropriate conclusion and policy recommendations including propositions for future research.

5.1 Synopsis of Findings

5.1.1 Sufficiency and competence of internal auditors

The research found that the internal auditors have the requisite qualification to enable them carry out their functions with ease but due to the lack of management support, some observed restriction in what to include in the report, restricted access to information and personnel in other instances among others, jeopardizes their ability to strengthen internal controls in government ministries. The research also found that the fact that internal auditors are part of management poses a self-review threat in that they normally evaluate their own work however with the enactment of the Public Finance Act of 2018 and the elevation of the position of controller of internal audits to permanent secretary level, there is hope of positive strides in ensuring the function is fully independent and sufficient in human capital resource. The audit coverage can be achieved through having sufficient numbers considering the complexity with which management override has been affecting the detection of misconducts such as fraudulent activities in handling government resources.

5.1.2 Management support for internal auditors

The research revealed that management support is essential in terms of training, budgetary allocation and implementation of internal control recommendations to curb mismanagement of government resources. From the Zambian perspective, Management support was questionable in that little support is given to internal audit as regards training, budgetary allocation and implementation of internal control recommendations. Although, the research revealed that the internal auditors do not have restrictions in what to include in their internal audit report, there

are observed influences and pressure from management to deter them from including every aspect of internal control weaknesses

5.1.3 Independence of internal auditors

The research also found that for internal auditing to work effectively they must uphold independence in their actions and in dealing with auditees and management in order not to compromise the findings from their audit work.

5.2 Research Questions

This section provides answers to the research questions highlighted in chapter of the research as discussed below:

5.2.1 Are internal auditors adequate in number and do they possess qualifications and experience necessary and relevant for the discharge of their functions.

Research findings revealed that internal auditors are not sufficient in numbers in the selected five (5) ministries. This possesses a challenge to the audit coverage as it limits the amount of work that they can do over a given period. Despite the inadequate numbers, internal auditors do possess the necessary and relevant qualifications, knowledge and experience to enable them enforce and strengthen the internal control systems. They possess the necessary competence in terms of education and continuous professional training although management support is not in this respect is not fully available. Management sometimes neglects to adequately fund the training needs of internal auditors. It also neglects to attend to the number of internal auditors making it difficult for them to carry out sophisticated audit work and limiting the audit coverage. Management needs to attend to the numbers of internal auditors and their training needs to achieve robust internal controls within the ministries to curb mismanagement of public resources.

5.2.2. Does management provide the internal auditors with the adequate support for the discharge of their functions?

The research revealed that management support is to some extent compromised thereby failing to ensure that the internal audit function operates well and that internal control systems are robust enough to stamp out any or possible mismanagement of government resources. This ranges from reduced funding for the department or unit and reduced platform for training and

continuous professional development among others. Specifically as discussed in the analysis and discussion section Chapter 4, the research revealed that the majority of internal auditors in the selected ministries do receive management support which include accessibility to information and assets, some level of independence and education and training consistent with the arguments by (Engle, 1999). However, despite this level of management support there are still a lot of grey areas that among other things include the lack of implementation of recommendations made by internal auditors to management and lack of adequate budget allocation to ensure adequate audit coverage consistent with the arguments by Hartwell (1994) and Paape and Yismaw (2007) who supports for the need for more budget allocation.

5.2.3 Do internal auditors discharge their functions independently?

Research findings on the independence of internal auditors in the five selected ministries revealed that there were some observed demonstrations of independence in their work. However, some respondents felt the independence of internal auditors was questionable in some ministries. The independence observed in some ministries is attributed to the fact that these individuals are drawn centrally from Ministry of Finance through the controller of internal audits. This is because besides reporting to management of the entity they have been deployed to, such internal auditors are under direct control of the controller of internal audit whose department is independent of any organisation activities to provide oversight and ensure that internal controls are strong enough to curb mismanagement of government resource, consistent with the findings by Ahmad and Taylor (2009), Belay (2007), Frinmpong, 2018 and Sakalunda (1999). However, by virtue of internal auditors reporting to management after evaluating their work their independence is somehow compromised and as alluded to earlier, some of the internal auditors within these ministries have no membership to the audit committee thereby questioning whether their recommendations are even looked at, contrary to the arguments by Myers and Ziegen fuss Sarens, De Beelde and Everaert (2009) and consistent with Van Peurseem (2004) and Bou-Raad (2000) arguments.

5.3 Conclusions

The research concludes that the internal audit function in the five selected ministries suffers challenges that include insufficient human resource that is occasioned inadequate numbers of auditors despite possessing the necessary and relevant qualifications and experience. Internal audit function to some extent suffers from lack of support on the part of management.

Management sometimes neglects to adequately budget for internal audit and training needs of the internal auditors. Management sometimes neglects to implement the recommendations of the internal auditors. The independence of internal auditors is compromised. There are instances of undue influence on the internal audit function on the part of management. The inadequate numbers limit the audit coverage and the lack of management support and independence reduce the effectiveness of internal audit.

5.4 Recommendations

The research recommends that through the office of the controller of internal audits, a line be drawn between management and the internal audit function by reducing Management's undue influence on the internal audit function including unrestricted access to information and personnel and what to include in the audit report which may potentially help the external auditors. There is need for ensuring that internal audit recommendations are implemented as a means of strengthening the internal control systems and thereby curbing any mismanagement without fail. The research also recommends increased number of internal auditors in the ministries to achieve wide audit coverage. The research further recommends the inclusion of internal auditors to the audit committee for purposes of significant representation from internal auditors on the committee and also as one way in which their recommendations would impact the stakeholders concerned in the ministries. Ethical conduct in the discharge of the internal audit function also needs reiteration arising from observed collusion of internal auditors in manipulating the systems of internal controls.

Furthermore, the research recommends for continuous professional education for internal auditors to keep abreast with new developments in management of internal controls in order for them to adequately attend to the increasing level of sophistication in the mismanagement of government resources.

5.5 Proposition for Future Research

The research also recommends that in the future the research should be extended to all government ministries in order to increase the sample size and establish whether the challenges in the selected five ministries are common to all other government ministries focusing on independence of internal auditors in the discharge of their functions, sufficiency of the auditors in terms of numbers and competence as it relates to qualifications, knowledge and experience of internal auditors. The research should also focus on management support to internal audit

function, implementation of recommendations by the internal auditors and enhanced relationship between internal and external auditors in fostering internal control robustness.

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APPENDICES

Appendix I: Research Questionnaire

Dear Sir/Madam

The purpose of this dissertation is to evaluate the effectiveness of internal audit in government as experienced by internal auditors in the five (5) selected ministries in order to attempt a more objective point of view, to draw some conclusions and to raise possible improvements and proposals on internal audit. This questionnaire is confidential and the analysis of the results will hold collectively and exclusively for the purposes of this dissertation. Your experience as an internal auditor will greatly contribute to the conduct of this thesis and in drawing substantial conclusions.

Please indicate your response by ticking [] the response category or by writing in the space(s)

Section A: Demographic characteristics

1. Are you male or female []

2. What is your age range?

a. 20-29 [] b. 30-39 [] c. 40-49 [] d. 50-59 [] e. above 59 years []

3. What is your level of education?

a. Certificate [] b. Diploma [] c. Bachelor's degree [] d. Master's Degree []

e. Others specify.....

4. What is your field of study?

a. Accounting [] b. Economics [] c. Management [] d. Auditing []

d. Others please specify

.....

5. What is your current position?

a. Assistant Internal Auditor [] b. Internal Auditor [] c. Senior Internal Auditor []

- d. Principal Internal Auditor [] e. Controller of internal Auditor []

6. What is the number of internal auditors in your work place?

- a. 3 [] b. 4 [] c. 5 [] d. Above 5 []

Section B: Internal Auditor Effectiveness

7. Can internal auditors effectively identify and report any non-compliance activities in line with office policies and procedures

a. Yes []

b. No []

Please justify your answer

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.....
.....

8. How do you agree or disagree with the following statement, “Internal auditors provide useful recommendations and constructive criticisms on non-compliance activities or control systems of the ministry”

- a. Strongly agree [] b. strongly disagree [] c. I have no idea []

9. Is the internal audit function in your Ministry able to effectively carry out their duties in the interest of ensuring prudent utilization of government resources?

- a. Yes [] b. No []

Section C: Management Support of Internal Auditors

10. Does the internal audit function in your Ministry receive support and co-corporation from top management in the conduct of their duties including funding, logistics and unlimited access to documents and systems?

- a. Yes [] b. No []

11. Does management implement all the recommendations made by the internal audit function in strengthening internal controls systems in your ministry?

a. Yes [] b. No []

12. Does the internal audit function in your Ministry face any challenges in working with management either during the audit or in implementing the recommendations as regards internal control system strengthening?

a. Yes [] b. No []

13. Does the Audit Committee in your Ministry embrace the reports and recommendations made by the internal audit function?

a. Yes [] b. No []

Section D: Organizational Independence

14. In your Ministry, does your internal audit function operate with adequate independence?

a. Yes [] No. []

15. Is there undue influence from management on the internal audit function in your Ministry?

a. Yes [] b. No []

Explain,.....
.....
.....
.....

16. Do you think internal audit is free to include any audit findings in their audit reports such as fault, fraud, wrongdoing, and mistake without influence from any one?

a. Yes [] b. No []

Explain your answer above
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17. Do the internal auditors have unrestricted access to personnel and all management information needed to carry out their work? Why? Please explain.

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Section E: Competence adequacy of Internal Auditors

18. Does your internal audit function in your Ministry possess the requisite qualification and experience to efficiently carry out internal audit tasks?

a. Yes [] b. No []

19. Is the audit function sufficient in terms of human resource for wide coverage of audit entities in your Ministry?

a. Yes [] No. []

20. Does the internal audit prepare an audit report?

a. Yes [] b. No []

21. Are there forums or opportunities for internal auditors to undertake training including continuous professional education/development in your ministry considering the dynamic nature of the environment and the sophistication these changes may bring in terms of fraudulent activities?

a. Yes [] b. No []

22. Overall, do you feel the internal audit function carries out there duties effectively to ensure prudent utilization of resources (value for money) in line with the appropriate regulations?

a. Yes [] b. No. []

Thank you for your opinions