ASSESSING THE EFFECTIVENESS OF INTERNAL AUDIT IN THE PUBLIC SECTOR: A CASE STUDY OF THE MINISTRY OF LOCAL GOVERNMENT, PUBLIC WORKS AND NATIONAL HOUSING IN HARARE.

BY

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FACULTY OF COMMERCE

APRIL 2019
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DATE April 2019
DEDICATION

I dedicate this project to Joseph Nyisome my beloved brother who has been by my side and encouraging me to keep hoping for my success.
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It has not been easy to come up with this research, however, my supervisor made it possible through her generosity of time insight to help and guidance to produce this research. I am very grateful.

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# Contents

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>APPROVAL FORM</td>
<td>2</td>
</tr>
<tr>
<td>RELEASE FORM</td>
<td>3</td>
</tr>
<tr>
<td>DEDICATION</td>
<td>4</td>
</tr>
<tr>
<td>ACKNOWLEDGEMENT</td>
<td>5</td>
</tr>
<tr>
<td>List of tables</td>
<td>9</td>
</tr>
<tr>
<td>List of Figures</td>
<td>10</td>
</tr>
<tr>
<td>List of abbreviations</td>
<td>11</td>
</tr>
<tr>
<td>Abstract</td>
<td>12</td>
</tr>
<tr>
<td>CHAPTER I</td>
<td>13</td>
</tr>
<tr>
<td>INTRODUCTION</td>
<td>13</td>
</tr>
<tr>
<td>1.0 INTRODUCTION</td>
<td>13</td>
</tr>
<tr>
<td>1.1 Background to the study</td>
<td>13</td>
</tr>
<tr>
<td>1.2 Statement of the problem</td>
<td>15</td>
</tr>
<tr>
<td>1.3 Objectives of the study</td>
<td>15</td>
</tr>
<tr>
<td>1.4 Research Questions</td>
<td>16</td>
</tr>
<tr>
<td>1.5 Significance of the study</td>
<td>16</td>
</tr>
<tr>
<td>1.5.1 To the researcher</td>
<td>16</td>
</tr>
<tr>
<td>1.5.2 To Bindura University of Science Education</td>
<td>16</td>
</tr>
<tr>
<td>1.5.3 To The Ministry of Local Government, Public Works and National Housing</td>
<td>16</td>
</tr>
<tr>
<td>1.6 Assumptions</td>
<td>16</td>
</tr>
<tr>
<td>1.7 Delimitations of the study</td>
<td>16</td>
</tr>
<tr>
<td>1.8 Limitations</td>
<td>17</td>
</tr>
<tr>
<td>1.9 Definition of terms</td>
<td>17</td>
</tr>
<tr>
<td>1.10 Summary</td>
<td>17</td>
</tr>
<tr>
<td>CHAPTER II</td>
<td>18</td>
</tr>
<tr>
<td>LITERATURE REVIEW</td>
<td>18</td>
</tr>
<tr>
<td>2.0 INTRODUCTION</td>
<td>18</td>
</tr>
<tr>
<td>2.1 Purpose of Literature Review</td>
<td>18</td>
</tr>
<tr>
<td>2.2 CONCEPTUAL FRAMEWORK</td>
<td>18</td>
</tr>
<tr>
<td>2.2.1 Internal audit</td>
<td>18</td>
</tr>
<tr>
<td>2.2.2 What is an effective internal audit function?</td>
<td>19</td>
</tr>
<tr>
<td>2.3 Factors that influence internal audit effectiveness</td>
<td>20</td>
</tr>
<tr>
<td>2.3.1 Internal Audit Quality</td>
<td>21</td>
</tr>
<tr>
<td>2.3.2 Proficiency of the internal audit</td>
<td>21</td>
</tr>
<tr>
<td>2.3.3 Independence of Internal Audit Department</td>
<td>22</td>
</tr>
<tr>
<td>2.3.4 Management support</td>
<td>22</td>
</tr>
<tr>
<td>2.4 THEORETICAL LITERATURE</td>
<td>23</td>
</tr>
</tbody>
</table>
2.4.1 Institutional Theory .......................................................................................................................... 24
Coercive Isomorphism ............................................................................................................................... 24
Mimetic isomorphism ................................................................................................................................. 25
Normative isomorphism ............................................................................................................................ 25
Agency theory ............................................................................................................................................ 25
2.4 EMPIRICAL REVIEW ............................................................................................................................ 26
2.5 Knowledge Gap ..................................................................................................................................... 27
CHAPTER III .............................................................................................................................................. 29
RESEARCH METHODOLOGY ................................................................................................................... 29
3.1 Introduction .......................................................................................................................................... 29
3.2 Research Design .................................................................................................................................... 29
3.2.1 Descriptive Case Study .................................................................................................................... 29
3.3 Target Population .................................................................................................................................. 30
3.4.0 Sampling Techniques and Sample size .............................................................................................. 30
3.4.1 Sampling Techniques ......................................................................................................................... 30
3.4.2 Judgemental sampling ....................................................................................................................... 31
3.4.2 Sample size ....................................................................................................................................... 31
3.5.0 Research Instruments/ Data Collection Approaches ......................................................................... 32
3.5.1 Primary Data Collection ................................................................................................................... 32
a) Questionnaires ...................................................................................................................................... 32
Merits and Demerits of using questionnaires ............................................................................................. 32
b) Interviews .............................................................................................................................................. 33
Merits and Demerits of interviews ............................................................................................................. 33
3.5.2 Data Collection Procedures ............................................................................................................. 34
3.6.0 Validity and reliability of data or instruments .................................................................................... 34
3.6.1 Validity ............................................................................................................................................. 34
3.6.2 Reliability ......................................................................................................................................... 35
3.7.0 Data Presentation and Analysis ....................................................................................................... 35
3.8 Ethical considerations ............................................................................................................................ 36
3.9 Summary .............................................................................................................................................. 36
CHAPTER IV .............................................................................................................................................. 37
DATA PRESENTATION, ANALYSIS AND DISCUSSION ............................................................................ 37
4.0 INTRODUCTION ..................................................................................................................................... 37
4.1 Response Analysis ............................................................................................................................... 37
4.2 Benefits of effective internal audits outweigh its cost ............................................................................ 40
4.3 Factors which influence effective internal audits ..................................................................................... 41
4.4 The reporting structure a threat to effective internal audits ..................................................................... 42
4.5 Meeting of objectives by the internal audit function at MLG,PW&NH ..................................................... 43
4.6 Effective internal audits at MLG, PW&NH ............................................................. 44
4.7 Management’s commitment towards effective internal audits at MLG, PW&NH ...... 45
4.8 Intervention by management in the audit work..................................................... 46
4.9 Staff, qualifications, skills and resources of the internal audit at MLG, PW&NH .... 47
4.10 Responses to audit reports and recommendation by management.......................... 48
4.11 Best ways that organizations can use to enhance and maintain effective internal audit 49

CHAPTER V .................................................................................................................... 50
SUMMARY, CONCLUSION AND RECOMMENDATIONS ............................................. 50
5.0 Introduction ............................................................................................................ 50
5.1 Summary of the study .......................................................................................... 50
5.2 Major findings ....................................................................................................... 50
5.3 Conclusions .......................................................................................................... 51
5.4 Recommendations ............................................................................................... 51
5.5 Chapter summary ................................................................................................. 52
REFERENCE: ................................................................................................................ 52
APPENDIX 1: ................................................................................................................ 56
QUESTIONNAIRE ........................................................................................................ 56
APPENDIX 2: ................................................................................................................ 60
INTERVIEW GUIDE .................................................................................................... 60
# List of tables

4.1: Questionnaire response rate ............................................................................. 36
4.2: Interview response rate ................................................................................... 37
4.3: Age of respondents ............................................................................................ 37
4.4: Educational level ............................................................................................... 38
4.5: Working experience ........................................................................................... 38
List of Figures

Fig 1: Benefits and cost of EIA................................................................. 39
Fig 2: Factors influencing EIA................................................................. 40
Fig 3: the reporting structure and EIA....................................................... 41
Fig 4: Internal audit and objectives........................................................ 42
Fig 5: Internal audit effectiveness............................................................ 43
Fig 6: Management support................................................................. 44
Fig 7: Management override............................................................... 45
Fig 8: Audit quality and competency....................................................... 46
Fig 9: Management response............................................................... 47
Fig 10: Ways to enhance EIA................................................................. 48
**List of abbreviations**

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>MLG, PW &amp; NH</td>
<td>Ministry of Local Government, Public Works and National Housing</td>
</tr>
<tr>
<td>IAE</td>
<td>Internal Audit Effectiveness</td>
</tr>
<tr>
<td>IA</td>
<td>Internal Audit</td>
</tr>
</tbody>
</table>
Abstract

This study aims to assess the effectiveness of internal audit function in the public sector. The research was based on the existence of countless and continuous financial scandals that are being reported of but are not being considered for decision making in the public sector. The researcher used a descriptive case study to collect data using questionnaires and interviews from the audit and finance stuff at the Ministry of Local Government, Public Works and National Housing in Harare. For data analysis and presentation, the researcher used tables, bar graphs and pie charts with partly the aid of SPSS. The study found out that the internal audit at the Ministry has not been effective due to some factors; 1) management override and political pressure, 2) the internal audit reporting structure and 3) the audit team is understaffed and has insufficient resources to carry out its objectives. Due to the findings of the study, the researcher made some recommendations that the Ministry should establish a dual reporting structure with an independent audit committee among other recommendations. Further research to be carried out on the study mainly focusing on the reporting structure and its relationship to internal audit effectiveness.
CHAPTER I

INTRODUCTION

1.0 INTRODUCTION
This chapter saves to provide the background to the study, statement of the problem, objective of the study, research questions, significance of the study, assumptions, delimitations of the study, limitations, definition of terms and summary respectively.

1.1 Background to the study
Internal audit came to pass as financial scandals increased resulting in falling of renowned financial institutions such as Enron and WorldCom. It started to emerge as a function distinctly different from external audit in the middle of the 20th century as the external auditing firms failed on several occasions to detect frauds which were leading to business failures. The issues of fraudulent financial reporting were examined by a group of private sector organizations which included the American Institute of Certified Public Accounts (AICPA), the American Accounting Association (AAA), the Financial Executives Institute (FEI), the Institute of Internal Auditors (IIA), and the National Association of Accountants (NAA). This group of organizations, known as the Treadway Commission, issued its final recommendations in 1987. Several recommendations of the Treadway Commission were of great significance to internal auditors. Among other recommendations, the Commission's report directs companies to maintain adequate internal control systems, to establish effective and objective internal audit functions staffed with adequate qualified personnel, and to coordinate internal auditing with the external audit of the financial reports. The Commission's report also directed internal auditors to consider whether their findings of a non-financial nature could impact the financial statements. The Treadway Commission also directed its sponsoring organizations to develop guidance on internal control. The sponsoring group did
so, issuing its report Internal Control — Integrated Framework in 1992, which again emphasized the importance of internal controls in organizations.

In effort to restore investors’ confidence in organizations, there is a regulatory framework that was put in place which is the Internal Audit Function (IAF) within the corporate governance. The expected benefits of a strong IAF arise from the view that an effective internal control makes fraud difficult, make fraud discovery likely, provides value added assurance service and promote effective organizational governance which could result in better financial reporting process and audit function. (Chartered Institute of Internal Auditors)

Internal auditing is defined by the Institute of Internal Auditors as an independent and objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. It obtains its mandate from management through an audit committee and it reports to management likewise.

However, at large, every year the Auditor General produces reports exposing corruption in government departments, local authorities and parastatals but none of them has led to the prosecution of people implicated in the pilferage, neither has there been any effort to recover the lost revenue (Standard news). In addition to that, there are many audit reports being made from the internal auditors, are they being responded to?

It is from this background that the research was formulated. The Ministry of Public Works is a Government Ministry born out of the pioneer Ministry of Public Construction and the former Ministry of Local Government, Public Works and Urban Development. Its mandate is to construct, maintain and manage all the Government properties. This mandate is achieved through its decentralized structure covering all the provinces around the country.

The Ministry of Public Works is headed by the Accounting Officer who directly oversees the day to day operations of the Ministry through a senior management committee of directors and reports to the Treasury and the responsible Minister. Amongst the thirteen departments of the Ministry the Internal Audit Department is one of them.

The Treasury released the Treasury Circular Number 5 of 2001 which it mandates all government departments to pre-audit all the transactions carried out by the department
before they are processed. To date only the Ministry of Public Works, Local Government, National Housing, Education Sports and Culture comply with this requirement.

To date the Internal Audit department plays a major role in the processing of all transactions before payment in the Ministry which includes deliberating and authorising of tender purchases more than USD$10 000.00 up to USD $50 000.00 as per the Treasury Circular Number 17 of 1998 as amended in February 2009.

According to the Public Finance Management Act No. 11/2009 Cap 22:19 section 80, the department is mandated to carry out audits to ensure that the accounting records of the Ministry are in order. After the conclusion of any internal audit programme the auditor prepares a report on the status of the accounting and bookkeeping systems and procedures, custody of assets of the Ministry or reporting unit.

1.2 Statement of the problem
The research was conducted from the compulsion that came after reading many articles of the Auditor General making complains of the reports that they make but are not responded to. Hence there are continuous financial scandals of missing funds in the public sector, but most are not being given attention. This could be that the auditors are of little significance in the organization, such that their reports are considered as thrush. The independence of the internal audit function within an organisation should be respected and promoted to enable the auditors to function without interference or undue influence. However, the hierarchy in which the internal audit is following in making their reports is compromising the audit independence and the essence of having internal audit in the public sector. The internal audit receives its operational resources from the accounting officer who has the final say on the reports and appraises the performance of the internal audit function. With this structure present, there is audit interference and undue influence which compromises the audit objectivity and independence, hence its effectiveness becomes questionable.

1.3 Objectives of the study
- To explain what constitutes an effective internal audit
- To determine whether internal audits at MLG,PW&NH are effective
- To recommend best ways to maintain and enhance internal audit’s effectiveness.
1.4 **Research Questions**
- What constitutes an effective internal audit?
- What are the factors influencing the effectiveness of internal audit?
- What are the benefits derived from an effective internal audit at MLG, PW&NH?
- In what ways can internal audit’s effectiveness be maintained and improved?

1.5 **Significance of the study**

1.5.1 **To the researcher**
- The research to be carried out in partial fulfilment of the requirements of Bachelor of Commerce Honours Degree in Financial Intelligence at Bindura University Of Science Education
- To enhance my knowledge on the internal audit function, as well as getting the experience of carrying out a research which will help me in the future.

1.5.2 **To Bindura University of Science Education**
- The research findings will help other scholars who may wish to carry a similar research in the future.

1.5.3 **To The Ministry of Local Government, Public Works and National Housing**
- The ministry and other organizations in the public sector will benefit from recommendations to be made in this research.

1.6 **Assumptions**
- The researcher assumes that the problems identified apply to most organizations in Zimbabwe especially in the public sector including the MLG, PW&NH.
- The researcher assumes that the research tools going to be used in data collection will be effective and will bring in reliable data.
- The information to be collected may be considered to be confidential and might be difficult to collect.

1.7 **Delimitations of the study**
The research is only focusing on the effectiveness of internal audit in the MLG, PW&NH Head Quarters as well as Harare Province. The Audit and Finance departments was the main focus, the Audit General’s office was consulted. The research will cover the year 2018-2019.
1.8 Limitations
- Time constrains as the researcher started late on working with the research, hence will be working on school days.
- Most of the information is on the internet and some books needed to be purchased, hence it needed a strong budget.
- Some information was considered to be confidential; therefore the researcher was limited with getting some important information to base the research.

1.9 Definition of terms
Corporate governance: refers to the structures and processes for the direction and control of the companies.

1.10 Summary
This chapter focussed on the background of the internal audit function which is the base of this research. It also included the statement of the problem, research objectives, research questions, and significance of the study, assumptions, delimitations, limitations and definition of terms respectively.
CHAPTER II

LITERATURE REVIEW

2.0 INTRODUCTION
This chapter reviews the related literature on the effectiveness of internal audit functions. In the development of the chapter, theoretical and empirical literature is discussed based on the research questions. The focus is on reviewing the different perspectives of an effective internal audit and identifying the gap in the existing literature, and a gap is going to be established and ends by summarising the review.

2.1 Purpose of Literature Review
Kahn and Cannel (1957) postulates the following reasons why literature review is important. Following Kahn and Cannel’s ideas, the researcher reviews literature because the knowledge of related literature reviewed helps to define the boundaries of the research field, it places the research quotation in perspective, it limits the researcher’s research question and defines concepts of the study and it leads to an insight, into the reason for contradictory results in an area. Moreover, it helps the researcher to learn which methodologies have proved useful and it avoids unintentional replication of previous studies. It also provided the researcher with some new ideas which exposed gaps that he might have not known. The researcher was also assisted in evaluating his research in relation to what others have done.

2.2 CONCEPTUAL FRAMEWORK
2.2.1 Internal audit
Internal audit in general is an independent appraisal function established within an organization to examine and evaluate its activities as a service to the organization.

The Institute of internal auditors (2001), defined internal audit as:

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

(Swayer 2003) stated that internal audit is a systematic, objective appraisal by internal auditors of diverse operations and controls within an organization to determine whether:

- Financial and operational information is accurate and reliable.
- Risks to the enterprise are identified and minimised.
- External regulations and acceptable internal practices and procedures are followed,
- Satisfactory operating criteria are met,
- Resources are used efficiently and economically and,
- The organisational objectives are effectively achieved.

From the definitions outlined above, the main work of internal audit is to give assurance to the organization, especially of the transparency of financial data and compatibility of the internal control with the strategic development of the organization. This is shown to be accomplished when the internal audit is free from undue influence and interference.

### 2.2.2 What is an effective internal audit function?

Effectiveness is defined by (Arena and Azzone 2009) as, “the capacity to obtain results that are consistent with targets.” (Mihret and Yismaw, 2009), they defined internal audit effectiveness as, “the extent to which an internal audit office meets its supposed objectives or the extent to which it meets the intended outcome.” This is to say that, effectiveness can be measured by goals accomplished against goals set. If the internal audit fails to meet the targets that were set, its effectiveness becomes questionable.

According to (Blackburn 2003), “effectiveness is measured by looking at the completion of annual audit plan and a handful of other lesser goals such as responsiveness to management requests for advice or assistance. It is therefore helpful to have evidence of management improvements as an indicator of an effective audit function.”

(Becknerhagenet 2004), argued that audit effectiveness should not be measured based on set out targets only, he made emphasis that it is more important to determine the quality and suitability of the audit plan, execution and follow up. Auditors can set targets and execute
them, but are those targets of help in the improvement of the organization and offering fundamental security and assurance to the business. Therefore, the qualities of services they offer determine the effectiveness of internal audit function.

An internal audit function is considered to be effective in enhancing and protecting organisational value when it demonstrates achievement of the core principles for the professional practice of internal auditing (Core Principles). Failure to achieve any of the core principles will imply that an internal audit function is not as effective as it can be in enhancing and protecting organisational values. (Dittenhofer 2001), “Effectiveness is the achievement of internal auditing goals and objectives using the factor measures provided for determining such factors.”

Mihret and Yismaw (2007) described the characteristics of effective internal audit unit from the internal audit point of view. Effective Internal Audit undertakes an independent evaluation of financial and operating systems and procedures, contributes to the achievement of organizational goals, needs management’s commitment to implement recommendations, provides useful recommendations for improvements as necessary, affected negatively by lack of attention from management which - in turn adversely affects the audit attribute. Therefore Understanding the factors that influence internal audit effectiveness is important. In order to make internal audit to be effective more researches should be undertaken on factors which affects internal audit effectiveness. For examples; Arena and Azzone (2010), Chaveerug (2011) and Mihret et al (2010) emphasize the need for future studies to examining the factors that influence internal audit effectiveness and the possible interactions among them. Also there are needs for a more comprehensive study on the issue of internal audit effectiveness both conceptual and empirical (Cohen & Sayag, 2010), similarly, considering the little literature about the measurement of auditing effectiveness particularly in the public sector, more need to be done (Mizrahi & Ness-Weisman, 2007). Different research have different direction to study about the effectiveness of internal audit.

2.3 **Factors that influence internal audit effectiveness**

There are many determinants of internal audit effectiveness, but this research will adopt the most four prominent ones, which are (internal audit quality, proficiency of the auditors, internal audit independence, and management support).
2.3.1 Internal Audit Quality

Internal audit quality require auditors to carry out their role objectively and in compliance with accepted criteria for professional practice, such that internal audit activity will evaluate and contribute to the improvement of risk management, control and governance using a systematic and disciplined approach IIA (2008). This is important not only for compliance with legal requirements, but because the scope of an auditor's duties could involve the evaluation of areas in which a high level of judgment is involved, and audit reports may have a direct impact on the decisions or the course of action adopted by management (Bou-Raad, 2000). Greater quality of IA work – understood in terms of compliance with formal standards, as well as a high level of efficiency in the audit’s planning and execution – will improve the audit’s effectiveness. (Bou-Raad, 2000) Internal audit quality is examined as one of the variables associated with internal audit effectiveness by Mihret and Yismaw (2007) they did their research on the public sector of Ethiopia, and their findings indicate that internal audit effectiveness is affected by the internal audit quality, along with the support of management, the organization environment and the characteristics of the organization. In another research Barac and Van Staden (2009) studied the relation between the perceived quality of internal audit and the safety of corporate governance structure in South Africa. In contrast to the above, the results indicate that there is no correlation between the corporate governance structures and the perceived quality of internal audit. In recently, examining one hundred and eight Israeli organizations, Cohen and Sayag (2010) also considered the quality of internal audit work as a factor of internal audit effectiveness. Along with the above Alzeban and Gwilliam (2014) emphasize the impact of internal audit quality to internal audit effectiveness.

2.3.2 Proficiency of the internal audit

According to The Chartered Institute of Internal Audit, internal auditors must possess the knowledge, skill and other competencies needed to perform their individual responsibility. Competency (proficiency) can be relate to the ability of an individual to perform a job or task properly base on academic level, experience, skill and the effort of the staffs for continuing professional development. Competency determines the efficiency of the auditor in setting a systematic and disciplined approach to evaluate and improve the effectiveness of the organization’s activities and financial management as well as governance processes.

Competence of internal auditor also considered as important factor for effective internal audit. In line with ISPPIA, Mousa (2005) considered proficiency and due professional care
(competence) as a significant element of internal auditing. Turley and Zaman (2007) examining the factors that affect effectiveness of internal audit teams, argue that communication between the members of the audit team has a positive impact on the outcome of the audit. Abu-Azza (2012), in addition Haimon (1998), Mihret et al. (2010) and Obeid (2007) found that competence of internal auditors positively related to perceived IA effectiveness. Moreover, Cohen and Sayag (2010) argue that professional proficiency of internal auditors is of major importance for effective internal auditing. In addition many prior academic researchers have focused on the need for an internal auditor to be sufficiently qualified if a high level of effectiveness is to be achieved (Abu-Azza, 2012; Al-Twajry et al.,2003; Mihret and Yismaw, 2007). Finally, Alzeban and Gwilliam (2014) argue that higher internal audit effectiveness is associated with greater competence of internal audit staff.

2.3.3 Independence of Internal Audit Department
The most influential factor for audit effectiveness is the independence of the auditors at the individual and organizational level. According to the (Chartered Institute of Internal Auditors), independence is the freedom from conditions that threaten the ability of the internal audit activity to carry out internal audit responsibilities in an unbiased manner. To achieve independence, the chief audit executive must have unrestricted access to senior management and the board. This can be achieved through a dual-reporting relationship. Hence,( Bou-Raad, 2000), argues that the strength of an internal audit department must be assessed with respect to the level of independence it enjoys.

Independence of internal audit is considered by Zhang et al. (2007) as a determinant of internal audit effectiveness. Cohen and Sayag (2010) also argue that organizational independence of internal audit affects internal audit effectiveness. Auditor independence has long been considered as the key driver of the audit function. Without independence, internal audit simply becomes a part of the management team, losing its ability to offer a fresh perspective (Yee et al., 2008). (Al-Twajryet al.2003). Abu-Azza (2012), Cohen (2010), Haimon(1998) and (Mihret et al. (2010), found that internal auditor independence positively related to perceived IA effectiveness.

2.3.4 Management support
The management support is almost crucial to the operation and internal audit; because all other determinants of IA effectiveness derive from the support of top management, given that
hiring proficient IA staff, developing career channels for IA staff, and providing organizational independence for IA work are the results of decisions made by top management (Cohen & Sayag, 2010). This means it is the interest of management to maintain a strong internal audit department (Adams, 1994; Mihret and Yismaw, 2007). In addition implementation of audit recommendations is highly relevant to IA effectiveness (Sarens and Beelde, 2006; Van Gansberghge, 2005) which is the component of management support (Mihret and Yismaw, 2007). The management of an organization is viewed as the customer receiving IA services. As a result, management’s commitment to use audit recommendations and its support in strengthening internal audit is vital to IA effectiveness. Therefore, audit finding and recommendations would not serve much purposely unless management is committed to implement them. Furthermore, Belay, (2007) find that to curb corruption and inefficiency in the public sector, it is mandatory to have effective internal audit function(IAF) that in turn needs appropriate governance structure, mobilizing sufficient and appropriate resource and competent personnel. Internal audit effectiveness according to the literature is the outcome of the support given by the top management.

As it is analyzed above, Mihret and Yismaw(2007) argued that there is a positive relationship between top management support and internal audit effectiveness. In line with the above study, management support is also considered as the main determinant of internal audit effectiveness according to Cohen and Sayag (2010). Similarly, Alzeban and Gwilliam (2014) indicated that management support is positively and significantly associated with internal audit effectiveness and is also positively associated with all the other variables affecting internal audit effectiveness.

2.4 THEORETICAL LITERATURE
There are many theories that have been studied in support of internal audit function. There are, agency theory, stewardship theory, contingency theory, institutional theory and communicational theory. However this research will not discuss all the theories but only those that are relevant to this study, these include the institutional theory and the agency theory.
2.4.1 Institutional Theory
The theory was proposed by DiMaggio and Powell (1983). They are of the view that the environment (cultures, politics and social force) in which an organization is situated affect organizational structures and behaviour. According to the institutional theory, an organization is viewed as an open system, meaning that organizational structures and activities are shaped by both the external environment and actors within an organization (Scott, 1987).

Oliver (1997), “the basic premise of institutional theory then is that firms’ tendencies toward conformity with predominant norms, traditions and social influence in their internal and external environment lead to homogeneity among firms in their structures and activities, and that successful firms are those that gain support and legitimacy by conformity to social pressures.”

Arena and Azzone (2007) identified some of the external forces that impact both individuals and organizations. 1) Laws and regulations (coercive isomorphism), 2) choices of other organizations (mimetic isomorphism); and 3) consultation or professional bodies (normative isomorphism).

Coercive Isomorphism
It happens when organizations strongly depend on other organizations or parties for resources and support, which then respond to pressures by performing organizational changes, (DiMaggio and Powell, 1983). With this view, they came up with two pressures which are formal and informal pressures. Formal pressures are regarded as those that are from legal standards such as, Laws, regulations and operating procedures. Informal pressures come from outside organizations upon which the entity depends on administratively and culturally expected in the society.

Scott (1991) depicted two types of pressures; pressures by means of coercive power and authority. Modifications that are imposed by authority take place more rapidly and with more resistance than those enforced by coercive power. This suggests that structural changes, which are driven by authority, could produce higher levels of compliance as well as stability since these changes are less superficial than change through coercive force. An example of a coercive mechanism is a public organization which experiences pressure to obey other institutions, when survival one department strongly depend for resources and support from other government.

24
**Mimetic isomorphism**
This takes place when a company seeks to mimic other organizations as a result of uncertainty. When the organization’s goals are unclear and poorly understood, or when the environment commotion or dynamism create uncertainty, organizations may opt to model their strategies after those of other organizations that they believe to represent a high level of success and achievement in the public view. (DiMaggio and Powell, 1983, Hanson, 2001). Such modelling provides a coherent for action and establish grounds for strategy formulation and decision making.

**Normative isomorphism**
Normative isomorphism results from professionalization, which is a struggle of members of an occupation to define the conditions and methods of their work to control the production of producers. The aspects of professionalization include the use of formal education requirements, professional network or boards, on the job socialization and networking, training or professional development.

The institutional theory was adopted by many researchers in internal audit; Arena and Azzone, 2006, 2007, Al-Twaijry et al 2003, Mihret et al 2010. Al-Twaijry et al (2003) adopted the isomorphic perspective to investigate internal audit in Saudi Arabia, and they employed the institutional theory to explain their findings regarding the establishment of internal audit and the role of the government in promoting their development. Arena and Azzone (2006) focused on the coercive isomorphism to investigate the development of internal audit in six Italian companies as a multiple case study. Their findings confirmed that the establishment and development of internal audit were impacted by the coercive, mimetic and normative pressures. Mihret et al (2010) argue that there is a positive relationship between compliance with ISPPIA and organizational goal accomplishment, and this relationship can be used to evaluate audit effectiveness.

**Agency theory**
The theory proposes the agent-principal relationship between organization owners and the top management. The management is entrusted with the work to do in the organization on behalf of the owners and are vested with some authority. In some instances, the management is inclined to misuse that authority for their own personal interests. Consequently, the auditors in the organization will help in enhancing their performance, and they will make sure that management carries out its plans in accordance with the required procedures, (Adams, 1994).
Internal auditors are employed by senior management, but they are also agents of the board and audit committee who trust in the ability of the internal auditors to evaluate the senior management’s work. The agency problem arise when the board or its audit committee is inefficient and incompetent, in this case the senior management is likely to be a powerful influence over the internal audit. However, it is a requirement that the internal audit should be independent, that is being free from undue influence and interference.

As agents of the board, the auditors are required to do their work with professional expertise and proficiency. In order to do so they should have education, professional certificates, experience and other competences required to carry out their responsibilities. When the internal audit is carrying out its duties at a professional level, they will receive confidence from the board and the audit committee.

2.4 EMPIRICAL REVIEW
George et al, (2015), they carried a study investigating the specific factors associated with internal audit effectiveness in the Greek business environment. Empirical evidence was collected by means of a mailed survey. The findings indicate that the main factors affecting internal audit effectiveness are; 1) quality of internal audit, 2) competence of internal audit team, 3) independence of internal audit and 4) management support. The results also revealed that independence of internal audit is the foundation of internal audit effectiveness, as it is the most crucial factor in the model.

Shewamene Haile Mariam, (2014) he investigated on the determinants of internal audit effectiveness in the public sector in Ethiopia. He used questionnaires which were distributed to the senior managers and internal auditors of the selected federal level public sector offices. In his findings, the composite measure of management support, management perception of internal audit values, organizational independence of internal audit, the existence of adequate and competent internal audit staff and the availability of approved internal audit charter have an impact on the internal audit effectiveness.

Alzeban and Gwilliam ( 2014), in their study they assessed factors influencing internal audit effectiveness in Saudi Arabia. Their data was obtained from 203 managers and 239 internal auditors from 79 Saudi Arabian public sector organizations. The results suggest that management support for internal audit effectiveness drives perceived effectiveness of the
internal audit functions from both management’s and the internal auditors’ perspective. Management support is linked to hiring trained and experienced staff, providing sufficient resources, enhancing the relationship with external auditors, and having an independent internal audit department.

Arena and Azzone, (2010), carried a research based on a multiple case study, involving 12 Italian organizations from different industries. This was done through 54 interviews to both internal auditors and auditees. The analysis showed that different factors are important to drive internal audit effectiveness. However, not all of them are under internal auditors’ control. Among the controllable factors, the most relevant deal with competence and professional proficiency of internal auditors, an adequate “promotion” of internal audit at company level, and the modes of interaction between auditors and auditees during audit interventions.

Mihret and Yismaw, (2007), came up with some factors that could have a significant impact on the internal audit effectiveness based on a public sector higher educational institution in Ethiopia as case study using a model developed for the analysis. These factors include: 1) internal audit quality, 2) management support, 3) the organizational setting and, 4) auditees’ attributes. Their findings indicate that both internal audit quality and management support have a strong influence on internal audit effectiveness. The researchers also suggest a need for future research to understand the internal audit effectiveness by using other variables.

2.5 Knowledge Gap
From the empirical review above, the researchers were finding the determinants or factors that influence internal audit effectiveness. In their findings they established four major determinants of an effective internal audit, which are; (1) internal audit quality, 2) internal audit competence, 3) independence of internal audit and, 4) management support. (Drogalas George, Karagiorgos Theofanis and Arampatzis Konstantinos, 2015, Mihret and Yismaw, 2007 and Shewamene Hailemariam 2014). However, (Alzeban and Gwilliam 2014) concluded that management support is the most crucial determinant of IA effectiveness as it is the one that decides on the type of an Internal Audit Function that they want, which has the other determinants. Some of the researches were conducted in the public sector and some in the private sector.

This study will be focusing on those factors to determine whether the internal audit in the public sector is effective especially management support. The study will be considering the
hierarchy and bureaucracy that is in the public sector on reports made by internal auditors and the responses that are given to them, to establish IA effectiveness.
CHAPTER III

RESEARCH METHODOLOGY

3.1 Introduction
This chapter encompasses how vital data and information to address the research objective and questions will be collected. It touches on the research methodology and process used to collect information and data from the sample selected. The researcher describes the research design, research instruments sampling procedures and data collection that will be used in this research. This chapter also states the population of the study, research design, the research instrument and the data collection procedures. It gives the validity and the reliability of the research.

3.2 Research Design
According to Best and Khan (2003), a research design refers to a plan and structure of the investigation to obtain evidence to answer research questions. Cooper (2003) also defined a research design as plan and structure of investigation of information so as to obtain answers to research questions. For purpose of this research the researcher will apply a descriptive research design.

3.2.1 Descriptive Case Study
A descriptive case study is that which allow the researcher to collect data that is descriptive in nature, (Singh, 2006) This means the researcher can use judgment to reach to certain conclusions on research findings. It uses description to organize data into patterns, and usually use visual aids such as graphs and charts to aid the reader. Kothari (2004) highlighted that descriptive research includes surveys and fact-finding enquiries of different kinds. The major purpose of descriptive research is description of the state of affairs as it exists at present.

According to Saunders (2009), descriptive research “is designed to provide a picture of a situation as it naturally happens”. It may be used to justify current practice and make judgment and also to develop theories. Descriptive research design helps reveal an accurate profile of persons, events and situations. A descriptive research design also allows for in-depth analysis of variables and elements of the population to be studied and as well as collection of large amounts of data in a highly economical way, which makes it suitable for this study. Sproul (2001) also highlighted that a descriptive research design enables
generation of factual information about the study. This is so because the descriptive design relies much on secondary data which helps in developing the case basing on facts, sustained by statistics and descriptive interpretations from archival materials and data. In the present study, the descriptive approach is particularly appropriate because an accurate and authentic description is required of the effectiveness of internal audits.

Although the researcher used descriptive case study, it demands a higher level of knowledge and skills of analyzing, in order to make a detailed analysis of data collected. Therefore, it took some time to complete the research, so to address the problem the researcher had to acquire a higher level of understanding and necessary skills thorough reading, in order to make a detailed analysis needed.

3.3 Target Population
A population is referred to as any collection of specified groups of human beings and nonhuman entities such as objects, projects or events (Sproul, 2001). These groups should meet the criteria that the researcher is interested in. (Kothari, 2004) This research involved counters representing the population of forty (40) of the internal audit department at the Ministry of Local Government, Public Works and National Housing. It will include the external auditors from the Auditor General’s office.

3.4.0 Sampling Techniques and Sample size
Sampling is defined by Borg and Gall (1999) as selecting a given number of people from a defined population as representative of that population. Hemmington (2009) stated that, the use of samples offers advantages such as saving time and costs. Due to time limitation the researcher did not afford to waste time on participants with limited grasp of the issues as that would in turn imply thorough screening and validation of results.

3.4.1 Sampling Techniques
The researcher used non probability sampling method. The researcher applied judgmental sampling as a non-probability sampling technique.
3.4.2 Judgmental sampling
Cooper, (2003) defined judgmental sampling as one of the sampling technique where the sample size is based on the knowledge of the researcher. The researcher will use her own wisdom and intellect to identify and pick sample elements suitable for the collection of data.

Singh, (2006) identified the following benefits of using judgmental sampling:

- Knowledge of the investigator can be best used in this technique of sampling.
- This technique of sampling is also economical. This is because the researcher will only select those people the researcher considers relevant for the study.
- Less time consuming. This is so because the researcher only devoted much of the time only to respondents who have relevant knowledge required to carry out the study.
- Suitable elements are targeted. The researcher will only choose those people who have knowledge in the area under review. For example the top management who set the objectives of the internal audit function.

3.4.2 Sample size
The sample size was determined when the researcher was carrying out the research due to uncertainty of the number of people who have the knowledge in the area under review. Hence, the sample size was 40 respondents.

Dune and Yates (2005) highlighted that a sample size does not have an impact on the quality of the study. They went on to say that there is no specific method of determining the sample size in qualitative research. The sample size and type in a qualitative research may change during the research, therefore a qualitative researcher normally do not know the number of people in the research beforehand. (Hussey and Hussey, 1997). In a positivistic study, when seeking the views of a group of fifty or less, Best (1981) argued against any form of sampling. He argues that you should distribute questionnaires and collect data to the entire population, if possible, which is different from this case because the population is greater than fifty. The researcher made the sample relatively smaller so as to cut down the costs and save time as well.
3.5.0 Research Instruments/ Data Collection Approaches
A research instrument is any source of data. This research study is going to use both primary and secondary data sources.

3.5.1 Primary Data Collection.
Peterson (2000) defined primary sources as directed explanations or descriptions of events. It is that type of data which is specifically collected for the project at hand. This type of data gives a more realistic perspective of the local market because of its first hand nature.

Primary data collection is important in this study because there is limited material published on the subject under study. Primary data is of greater importance for a subjective study like this one because primary data draws information directly from the field. Facts and figures should be drawn directly from people because culture exists within a society of people. Kotler (2000) identifies four major technique tools for collecting primary data which are: observations, focus groups, surveys through questionnaires and personal interviews and experiments. For the purpose of this research the researcher gathered information from the stakeholders through questionnaires and interviews.

a) Questionnaires
A questionnaire is a list of structured questions which are answered by respondents. A questionnaire was used because the population was considered literate and they were able to answer the list of questions at leisure.

Merits and Demerits of using questionnaires
A questionnaire is not limited by distance and the results of a questionnaire response can be relatively quantified and with the assistance of computers the data can be analysed quickly. Kothari 2004 identified the merits of this method as follows:

- Low costs can be incurred, when one use questionnaires, even when the population or sample size is large and is widely spread geographically. The researcher will use questionnaires as it is cheaper compared to interviews and it is convenient.
- Questionnaires are free from the bias. The researcher will not be around when the respondents will be answering the questionnaire and no names of the respondents will be required on the questionnaire. The respondents will be allowed to respond in their own words, which reduce bias.
- Administering questionnaire give respondents adequate time to give well thought out answers.
• Responses can be obtained from those people who are not easily approachable.

Harper (2004) highlighted that questionnaires are cost effective since a large population is involved. However a questionnaire does not take into account body language for instance facial expression and the interviewee cannot provide extra information if he has it, or explain further on any issue. The researcher used interviews as a way of catering for the demerits of a questionnaire. Questionnaires also have a problem of limited response from the interviewees and to cater for these problems follow ups were made.

b) Interviews

Face to face interviews were used.

The researcher used interviews as a back-up for questionnaires because they take into account body language and the interviewee can provide extra information. Interviews were conducted on senior employees and top management.

**Merits and Demerits of interviews**

Kothari 2004 identified chief merits of the interview method as follows:

• Interviews enable more information with a greater depth to be obtained.
• The interviewer can overcome resistance of respondents by his/her skills.
• There is greater flexibility when using interviews as there is an opportunity to restructure questions. The researcher will also be asking for more clarification on aspects of the study.
• Observation method can as well be applied to recording verbal answers to various questions. Gestures of the respondents will be taken note of which will enable the researcher to understand more on the topic under discussion.
• Personal information can as well be obtained easily under this method.

According to Wegner (2000) the advantages of personal interviews are that the data is generally more accurate as a result of better control over both the selection of sampling units and the interview, greater quantities of data can be gathered since more questions can generally be asked, the opportunity to clarify questions and probe for reasons of preferences, perceptions or behaviours is easier and enhances the richness and quality of the gathered data, the response rate is generally high (about 80%) and non-verbal response (body language) data can be observed and recorded.
However the disadvantages of interviews as according to Wegner (2000), are that the interviewer bias may be introduced into responses, affecting data validity, lengthy interviews may cause consumer response to be rushed or ill-considered and the loss of respondent anonymity may result in biased responses. Conducting interviews generally is too expensive and time consuming, this makes them have a limited coverage in terms of the population and place. Interviews also lack flexibility due to a rigid interview guide. The researcher addressed these problems by interviewing only the top management and senior auditors.

3.5.2 Data Collection Procedures
Secondary data is data that is collected for purposes other than the original use (Jewel, 2001). Literature Review was based on secondary data. The data mainly came from published textbooks, accounting journals, newspaper articles, articles on the internet as well as other writings on the subject. Secondary data is usually gathered from various sources such as websites, textbooks, journals and company documents like annual financial statements.

Secondary data collection method saves time and money since data has already been collected. Unlike primary data, secondary data generally provides a source of data that is both permanent and available in a form that may be checked relatively easily by others. The published documents gave the researcher extra information on the research problem which may not be found within the organization.

3.6.0 Validity and reliability of data or instruments
There are mainly two factors that may affect how one may trust the results of a research. These factors are validity and reliability. A thesis with high reliability and high validity increases the trustworthiness of the thesis. The validity and reliability can be evaluated by estimating the authority of the source for data collection. Data from respected and well known sources are most likely correct and believable (Saunders, 2003).

3.6.1 Validity
Validity refers to the degree to which an instrument measures what it is supposed to be measuring. (Uys & Basson 1991). Validity can also be defined as the level to which the results accurately reflect what has happened in a situation. Validity has to do with systematic error. If the instruments used for measurement are wrong, there will be a systematic error for every measured unit, (Hussey & Hussey, 1997).
3.6.2  Reliability
Peterson (1982) defines reliability as the extent to which measures are free from errors. Reliability has to do with random errors. The absence of random errors opens up the possibility to repeat the research findings, (Hussey & Hussey, 1977). The researcher expects the reliability of the quantitative research to be reasonably high in this thesis.

3.7.0  Data Presentation and Analysis
According to Jewell, (2001), after data has been collected, it needs to be presented in a way that communicates the information and enables conclusions to be drawn. Data was collected from both primary sources, processed, analyzed and presented using spss.

Data presentation includes the description of the dataset disseminated with the main variables covered the classifications and breakdowns used the reference area, a summary information, the time period covered and if applicable the base period. The researcher will use computer generated graphs and tables for the presentation of a quantitative research findings.

Tables are used to present large quantities of data arranged in labelled rows and columns. The researcher is going to use tables to present data because measurement units are shown clearly. Tables are also easy to refer and the data can be easily interpreted.

Pie charts- this is a circular chart divided into sections which illustrates the relative magnitudes or frequencies. A pie chart can also be used for comparison. Pie charts are easy to understand and quick to interpret.

Bar graphs- These are charts with rectangular bars with lengths proportional to the values or frequencies they represent. They are used to compare groups of data and to present data covering time. Bar charts help to facilitate comparisons by virtue of their clear visual impact. They are also easy to use when presenting quantitative data.

Data analysis involves organizing, providing structure and producing meaning. Data analysis is going to commence after conducting the first interview. The data obtained from a study may or may not be in numerical or quantitative form, that is, in the form of numbers. If they are not in numerical form, then we can still carry out qualitative analyses based on the experiences of the individual participants. Analysis of qualitative data is an active and interactive process (Polit et al 2001). If they are in numerical form, then we typically start by working out some descriptive statistics to summarize the pattern of findings. These
descriptive statistics include measures of central tendency within a sample and measures of the spread of scores within a sample.

3.8 Ethical considerations
The researcher made it a point that the respondents will not suffer from any physical harm or embarrassment. Respondents were not asked to review their identity, this was done such they will not feel any discomfort and that they will be able to express themselves without any force.

3.9 Summary
The chapters’ focus was on describing the methodology used for the study. It explored the sampling procedure showing how a collaboration of probability and non-probability sampling techniques will be used. It concludes a preview of data presentation and analysis procedures which will be used in Chapter four. The chapter cover seven main areas namely; research design, target population, sample size and sampling techniques, research instruments, validity and reliability of data or instruments and data presentation and analysis.
CHAPTER IV

DATA PRESENTATION, ANALYSIS AND DISCUSSION

4.0 INTRODUCTION
This chapter focuses on the presentation, analysis and discussion of data that was collected from the Ministry of Local Government, Public Works and National Housing using questionnaires, interviews and observations. Data is presented in tables, pie charts, bar charts and analysis is done using SPSS.

4.1 Response Analysis

Table 4.1 Questionnaire Response

<table>
<thead>
<tr>
<th>Sample units</th>
<th>Questionnaires administered</th>
<th>Questionnaire responded</th>
<th>Response rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Senior Internal Auditors</td>
<td>05</td>
<td>05</td>
<td>100%</td>
</tr>
<tr>
<td>Internal Auditors</td>
<td>10</td>
<td>07</td>
<td>70%</td>
</tr>
<tr>
<td>Non-audit staff</td>
<td>10</td>
<td>06</td>
<td>60%</td>
</tr>
<tr>
<td>Total</td>
<td>25</td>
<td>18</td>
<td>72%</td>
</tr>
</tbody>
</table>

*Source: Primary data*

The targeted population of questionnaires was 25 and were distributed to the audit department and 10 of them were given to non-audit staff. The total response rate was 72% of the people who fully answered the questionnaires and 28% were not returned. Those that were not returned was because the people were not around on the date of collection due to some organizational missions.
Table 4.2  Interview Response

<table>
<thead>
<tr>
<th></th>
<th>Interviews scheduled</th>
<th>Interviews conducted</th>
<th>Interviews cancelled</th>
</tr>
</thead>
<tbody>
<tr>
<td>Senior Internal Auditors</td>
<td>04</td>
<td>03</td>
<td>01</td>
</tr>
<tr>
<td>Chief Internal audit</td>
<td>01</td>
<td>01</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>05</td>
<td>04</td>
<td>01</td>
</tr>
</tbody>
</table>

*Source: Primary data*

A total of five interviews were scheduled to the chief internal auditor and senior internal auditors. Out of five only one interview was cancelled, 80% of the scheduled interviews were conducted and all the questions asked were responded to. One was cancelled due to tight working schedule. Interviews were done to these employees as the researcher believed that this was a sample that is well vexed with the field and they know all that happens from the top management.

Table 4.3  Age

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-25yrs</td>
<td>1</td>
<td>5.6</td>
<td>5.6</td>
<td>5.6</td>
</tr>
<tr>
<td>25-35yrs</td>
<td>5</td>
<td>27.8</td>
<td>27.8</td>
<td>33.3</td>
</tr>
<tr>
<td>35-45yrs</td>
<td>7</td>
<td>38.9</td>
<td>38.9</td>
<td>72.2</td>
</tr>
<tr>
<td>50+yrs</td>
<td>5</td>
<td>27.8</td>
<td>27.8</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>18</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

*Source: SPSS+ Questionnaires*

The table above shows the age range of the respondents. Only 5.6% were below 25 years, 27% were from 25-35 years, 38% 35-45 and 27% were above 50 years. This shows that the majority of the respondents were those ranging from 35-45 years with 38%.
Table 4.4  

<table>
<thead>
<tr>
<th>Educational level</th>
<th>Frequency</th>
<th>Per cent</th>
<th>Valid Per cent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>masters</td>
<td>4</td>
<td>22.2</td>
<td>22.2</td>
<td>22.2</td>
</tr>
<tr>
<td>bachelors</td>
<td>9</td>
<td>50.0</td>
<td>50.0</td>
<td>72.2</td>
</tr>
<tr>
<td>diploma</td>
<td>4</td>
<td>22.2</td>
<td>22.2</td>
<td>94.4</td>
</tr>
<tr>
<td>others</td>
<td>1</td>
<td>5.6</td>
<td>5.6</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>18</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

*Source: SPSS+ Questionnaires*

Table presents the educational level of the respondents. The researcher considered this information necessary so as to know whether the respondents were professionals, and literate enough to understand the requirements. Hence as shown above, the majority of 50% had Bachelor’s degree, 22% had master’s degree, the other 22% were diploma holders and only 5.6% had other certificates. From these results the researcher concluded that the respondent were professionals therefore, their information is reliable.

Table 4.5  

<table>
<thead>
<tr>
<th>working experience</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-4yrs</td>
<td>7</td>
<td>38.9</td>
<td>38.9</td>
<td>38.9</td>
</tr>
<tr>
<td>4-7yrs</td>
<td>3</td>
<td>16.7</td>
<td>16.7</td>
<td>55.6</td>
</tr>
<tr>
<td>7+yrs</td>
<td>8</td>
<td>44.4</td>
<td>44.4</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>18</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

*Source: SPSS+ Questionnaires*

The table above shows the working experience of the respondents, that is, their years of being in the organization. This helps to know whether their responses are reliable. The type of information required for this study needed respondents who are well vexed with the organization. As shown in the table above, the majority of 44% were over 7 years of
experience in the ministry, followed by 38% of those in the range of 1-4yrs and 16% had 4-7 years working experience in the organization.

4.2 Benefits of effective internal audits outweigh its cost

![Pie chart showing benefits and cost of effective internal audit](image)

**Fig 1 benefits and cost of effective internal audit**

**Source: Primary data**

The pie chart above shows the extent to which effective internal audits are considered to be benefitting and costing the organization by the respondents. The majority of 61% indicated that effective internal audits are very beneficial to the organization. One of the respondents stated that the recommendations by internal audit in the ministry save public funds. Internal audits helps and give management assurance that controls are in place. The other 22% of the respondents were neutral, entailing that they were not able to weigh the benefits and the costs
4.3 Factors which influence effective internal audits

Fig 2 factors that influence effective IA

Source: Primary data

Fig 2 above presents four common variables of internal audit effectiveness and how the respondents consider being the most influencing factor. The majority of 38% opted that the reporting structure has the most influence on audit effectiveness. Their objective was based on the fact that the auditors may be independent, competent and have adequate resources, but their work is concluded at the level of reporting. Hence the audit work can amount to nothing when the reports are not being responded to or given attention for decision making. Another, 22% suggested that internal audit independence influences its effectiveness. That is, being free from undue influence and interference in audit work. In addition to these, qualifications, skills and adequate resources are needed for internal audit effectiveness. In this case 27% were of the view that qualifications and skills are most influential on audit effectiveness and 11% opted for adequate resources.

These factors are supported by other researchers like Mihret and Yismaw, (2007). They came up with some factors that could have a significant impact on the internal audit effectiveness based on a public sector higher educational institution in Ethiopia as case study, these factors
include: 1) internal audit quality, 2) management support, 3) the organizational setting and, 4) auditees’ attributes.

4.4 The reporting structure a threat to effective internal audits

![Pie chart showing the percentage of respondents' agreement with the statement that the reporting structure is a threat to internal audit effectiveness.]

Fig 3 the reporting structure to IA effectiveness

Source: Primary data

The fig above presents the rate on which the reporting structure is a threat to internal audit effectiveness. The majority of 50% strongly agreed that the reporting structure is a threat to the effectiveness of internal audits supported by those agreed with 33%. The rest of 17% was neutral concerning the matter with 0% disagreement. The results shows that the reporting structure is the most treat to internal audit effectiveness especially in the ministry.
4.5 Meeting of objectives by the internal audit function at MLG, PW&NH

![Pie chart showing 56% yes and 44% neutral]

**Fig 4 Internal audit’s ability to meet objectives**

*Source: Primary data*

The fig above presence the rate to which the internal audit functions at the MLG, PW&NH is able to meet its objectives. A larger percentage of 56% were certain that audit is able to meet its objectives. They justified their yes by stating that compliance with the organization’s laws is being 44% met, and fraudulent activities are being minimised. The other 44% were neutral concerning the matter. Neutral here means that they could say yes with a negation, they said that at times meeting of objectives is limited by resources.
4.6 Effective internal audits at MLG, PW&NH

Fig 5 internal audit effectiveness

Source: Primary Data

Fig 5 above is the presentation of the responses ascertaining whether internal audits at MLG, PW&NH are effective. It shows that 27% of the respondents strongly agreed that internal audits at MLG, PW & NH are conducted effectively. In addition, 16% also agreed to the same notation. The other 22% was neutral concerning effective internal audits due to the fact they were not sure, and also that they were considering other variables like independence and the issue of having an audit committee that is functioning. The researcher assumes that they were in-between agreeing and disagreeing that internal audits at the Ministry are effective. The remaining 33% disagreed which means that they are of the view that internal audit function in the Ministry is ineffective. They supported their disagreement on the same facts pointed by those that were neutral.
As highlighted above, 83% strongly agreed that management is committed to have effective internal audits at MLG, PW & NH. They were asserting that the management is taking steps to have adequate resources for the internal audit to carry out its objectives as well as recruiting competent staff to increase accuracy and efficiency. The other 17% they also agree on the subject matter. The results shows that the management at the MLG, PW & NH is committed to having effective internal audits.
4.8 Intervention by management in the audit work

![Bar chart showing responses to management override]

Fig 7 management override

Source: Primary data

Basing on the presentation above, 17% of the respondents strongly agreed together with 33% who agreed that there is too much intervention by management in the audit work. Actually one of the interviewees said that there is management override, management resistance and political pressures in the audit work in the Ministry. The others (24%) were neutral, meaning could not agree on the fact of too much intervention. They opted that there is management intervention in audit work but it cannot be said that it is too much. Those who disagreed were 26% of the respondents with the same notion that the word too much is exaggerating. Showing that if it was not of the word ‘too’ much some of those who disagreed could have agreed.

From the responses made it shows that there is too much intervention by the management in the audit work. Their views reflect that the internal audit is not independent because of the pressures from management.
As presented in the fig above, internal audit qualifications and skills are considered to be adequate at a rate of 75% and 81% respectively. This shows that the internal audit at the Ministry is considered to be having needed qualifications and skills to carry out their work. Only 25% and 19% were of the view that qualifications and skills respectively were inadequate. Through the interviews conducted, the interviewees said that the Ministry is professionalising all departments. They said, ‘we have a mixture of diplomas, certificates and degrees. The majority who do not have degrees are now going for undergraduate degrees. In addition, internal audit is more of experience than profession. This is because some people have qualifications but they lack skills and experience.’ On the other hand, internal audit staff and resources were considered to be inadequate at a rate of 64% and 86% respectively, with only 32% and 9% of staff and resources were of the view that they were adequate. The respondents stated that, ‘The ministry is understaffed. Most of the internal auditors are on business trips. Information required in the audit process is inadequate.’

From the results, it shows that the internal audit at the Ministry had the needed qualifications and skills for the audit profession. However, the results also points out that there is
inadequate staff and resources. According to the Agency theory which explains the relationship of internal auditors and management, the internal audit should be proficient and be adequately staffed also with sufficient resources so that the management does not control the internal audit.

4.10 Responses to audit reports and recommendation by management

The rates presented above shows the extent to which reports and recommendations made by the internal audit are being responded to by management for decision making. Of those responded, 33% with a yes that the reports are being considered by management. The other 67% were neutral, this is to say that the reports are being consider but with a negation. They pointed out that reports are being responded to but not in a timely manner so that corrective actions taken add value to the Ministry. Some said that implementation of the audit recommendations are not given much attention. One of the interviewees said that, ‘Reports are responded to some extent depending on who is caught in the reports. If the reports involve management the reports will just die, so the majority of the reports are not being considered.’

Fig 9 management response to audit reports

Source: Primary data
4.11 Best ways that organizations can use to enhance and maintain effective internal audit

![Bar chart showing percentages of dual reporting, CPDP, audit independence, sufficient resources.]

*Fig 10 ways to enhance internal audit effectiveness*

*Source: Primary data*

The question that was asked on the questionnaire and interview guide gave the respondents to fill in what they considered to be way that can be used to enhance and maintain effective internal audits in the Ministry. So the four presented variables are what noted to be the most important. The researcher took into consideration these because they are the most relevant to the study as well as most mentioned in the responses. Hence, 83% of the respondents indicated that a dual reporting structure will help in enhancing and maintaining effective audits. CPDP (Continual Professional Development programs) was suggested with 64%, audit independence 53% and sufficient resources 30%.
CHAPTER V

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.0 Introduction
This chapter aims to attach meaning to the data presented in chapter four in relation to the research questions presented in chapter two. A brief summary of the research findings, conclusions and recommendations are made respectively.

5.1 Summary of the study
The research sets out to assess the effectiveness of the internal audit in the public sector. A descriptive case study was used to accomplish the stated objectives of the study were to explain what constitutes effective internal audits, to determine whether internal audits at MLG, PW & NH are effective and to recommend best ways to maintain and enhance internal audit effectiveness. The research was carried out using a sample size of 22 respondents from MLG, PW & NH which was summed up with internal auditors and the finance staff. Data collection techniques used to gather data were questionnaires and interviews. The data that was collected was presented and analysed using tables, graphs and pie charts.

5.2 Major findings
Generally, the results show that the respondents were positive about the set of factors which are examined in relation to the effectiveness of internal audit function. These factors include the competency of the internal audit team, management support, independence of the internal audit and the organisational structure.
5.3 Conclusions

- The research concludes that the only way to measure internal audit effectiveness is through the ability to meet set objectives by management. This can vary from company to company.
- Major factors that influence internal audit effectiveness are the reporting structure, engaging continual professional development programs, having adequate resources and audit independence.
- The auditors at MLG, PW&NH are concerned with the reporting structure. The reports made by internal auditors go to the chief internal auditor-the permanent secretary-to the Auditor General–files. The audit committee was introduced but it is not yet implemented.
- Independence of internal auditors at MLG, PW & NH is compromised due to demands from the top management and political pressure.
- Reports and recommendations made by internal auditors at MLG, PW & NH are not being taken serious and many that involve management are not considered for decision making.
- Internal audit at the MLG, PW & NH is understaffed and as well as having insufficient resources to carry out their objectives.

5.4 Recommendations

- The Ministry should have a dual reporting structure, where the internal audit should report to the permanent secretary and also reporting to the audit commit which must be independence. This kind of reporting structure will enable the reports and recommendations to be implemented and on time.
- The internal audit at MLG, PW & NH should improve on audit independence, management should not override in audit work.
- No issues should be handled at individual audit level, instead they should come through the audit committee.
- Management should recruit many qualified auditors and channel many resources toward effective internal audits.
- Further researches should be carried out in the future on factors affecting internal audit effectiveness in the public sectors giving much attention on the reporting structure.
5.5 Chapter summary
The chapter viewed at the summary of the major findings of the study basing on the attributes of an effective internal audit; factors that influence internal audit effectiveness; threats to internal audit effectiveness. Conclusions to the findings were presented and some recommendations to the Ministry and for future studies were made basing on the findings of this research.

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APPENDIX 1:
QUESTIONNAIRE

QUESTIONNAIRE COVER LETTER

BINDURA UNIVERSITY OF SCIENCE EDUCATION

DEPARTMENT OF INTELLIGENCE AND SECURITY

Dear sir/madam,

RE: REQUEST FOR RESPONSE ON THE QUESTIONNAIRE

I am Nomsa Mangena, a final year student at Bindura University of Science Education studying a Bachelor of Commerce (Honours) Degree in Financial Intelligence. I am currently undertaking a research entitled “Assessing the effectiveness of the internal audit in the public sector. A case study of the Ministry of Local Government, Public Works and National Housing.”

This is carried out in partial fulfilment of the requirement of the degree programme. The research is entirely academic and any information provided will be treated with utmost confidentiality.

Your views and contributions will be greatly appreciated.

Yours faithfully

Nomsa Mangena
SECTION A

Background Information

(Please tick in one of the boxes provided or write in space provided where necessary.

1. Age: 10-25 years □ 25-35 years □ 35-45 years □ above 50 years □

2. Educational level

- Master’s degree □
- Bachelor’s degree □
- Diploma □
- Certificate □
- Others, specify………………………………………………………………………………

3. How long have you been working in the MLG, PL&NH?

- 1-4 years □ 4-7 years □ above 7 years □

4 Department ………………………

SECTION B

Effectiveness of internal audit at the Ministry Of Local Government, Public Works and National Housing.

(Please explain further in spaces provided for each question below)

1. What constitute effective internal audits?

……………………………………………………………………………………………………
……………………………………………………………………………………………………
……………………………………………………………………………………………………
……………………………………………………………………………………………………
……………………………………………………………………………………………………
……………………………………………………………………………………………………
2. Do benefits of having effective internal audits outweigh its costs?
   Strongly Agree □   Agree □   Disagree □

   Support your answer in (3) above.

   ………………………………………………………………………………………

   ………………………………………………………………………………………

   ………………………………………………………………………………………

3. What are the factors which influence effective internal audits?

   ………………………………………………………………………………………

   ………………………………………………………………………………………

   ………………………………………………………………………………………

4. Is the reporting structure a threat to the effectiveness of internal audits?

   Strongly Agree □   Agree □   Neutral □
   Disagree □   Strongly Disagree □

   ………………………………………………………………………………………

   ………………………………………………………………………………………

5. Is the internal audit function at ML, PW & NH meeting its objectives?

   ………………………………………………………………………………………

   ………………………………………………………………………………………

6. Are internal audits at ML, PW & NH effective?

   Strongly Agree □   Agree □   Disagree □

   May you please highlight how you measure internal audit effectiveness?

   ………………………………………………………………………………………

   ………………………………………………………………………………………

7. Is the management at MLG, PW & NH committed towards having effective internal audits?

   Strongly Agree □   Agree □   Disagree □

   Support your answer above

   ………………………………………………………………………………………

   ………………………………………………………………………………………
8. There is too much intervention by management in the internal auditors` work.

Strongly agree □ Agree □ Neutral □ Disagree □
Strongly Disagree □

9. Please tick below to highlight whether the internal auditors at MLG,PW&NH are correctly staffed, have appropriate qualification and relevant skills.

<table>
<thead>
<tr>
<th>Staff</th>
<th>Qualifications</th>
<th>Skills</th>
</tr>
</thead>
<tbody>
<tr>
<td>adequate</td>
<td></td>
<td></td>
</tr>
<tr>
<td>inadequate</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

10. Are resources allocated to MLG,PW&NH sufficient to carry out internal audits effectively?

11. Are reports being made by internal auditors being responded to? Briefly explain.

12. What are the hierarchical procedures to be followed in making audit reports?
13. What are the best ways to improve and maintain internal audit effectiveness?

THANK YOU FOR YOUR COOPERATION.

APPENDIX 2:

INTERVIEW GUIDE

Screening question
1 What do you understand by internal audit effectiveness?
2 What are the factors influencing internal audit effectiveness?
3 What threatens the effectiveness of the internal audit at the MLG, PW&NH?
4 How do you enhance internal audit effectiveness?
5 What are the major responsibilities of the internal audit function at MLG, PW&NH?
6 Is the report structure in the internal audit function?
7 Are the internal audit reports considered for decision by management?
8 Do you have an audit committee?
9 Is the internal audit function exercising its independence, if not, how best can independence be achieved?
10 Is the internal audit staffed with a proper mix of professional to achieve its objectives?
11 Does the internal audit operate in accordance with International Internal Audit Standards?