**BINDURA UNIVERSITY OF SCIENCE EDUCATION**

****

**FACULTY OF COMMERCE**

**DEPARTMENT OF ACCOUNTANCY**

IMPACT OF INDEPENDENCE OF INTENAL AUDIT FUNCTION ON TRANSPAENCY AND ACCOUNTABILITY IN ZIMBABWE’S HEALTH INSITUTIONS. CASE OF St ALBET’S MISSION HOSPIAL

B192129B

A DISSERTATION SUBMITTED IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE BACHELOR OF ACCOUNTANCY HONORS DEGREE OF BINDURA UNIVERSITY OF SCIENCE EDUCATION. FACULTY OF COMMERCE.

JUNE 2023

# **APPROVAL FORM**

The undersigned certify that they have supervised the dissertation of student **B192129B**, entitled "Impact of independence of internal audit function on transparency and accountability in Zimbabwe’s Health Institutions. Case of St Albert’s Mission Hospital , submitted in partial compliance with the requirements for a Bachelor of Accounting Degree with Honours from the University of Bindura in Science Education**.**

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# **DEDICATION**

This research project is dedicated to my parents for their financial, moral, and visionary support, in which I recognize that my academic efforts are a product that owes much to their contributions.

# **ABSTRACT**

The core objective of the research was to assess the contribution of internal audit to the achievement of PMO organizational goals using a case study of local PMO's in Zimbabwe: A case study of Delta Beverages Corporation Limited. The main problem that gave rise to and prompted the author to research in this area was the increased level of fraud, abuse of office duties and dishonest of workers, which was the chief reason for the stagnant growth of the organization, since these factors form the main basis of the activities of PMO. The research questions were answered using both a qualitative and quantitative research paradigm, which includes a descriptive study design. The data was collected using interviews and questionnaires. A target population of 30 people was used, and then a sample size of 25 participants was selected using a stratified random sample. The main research results have shown that the effectiveness of the internal audit contribution significantly contributes to improving the effectiveness of the organization in achieving the goals of the PMO. 59% of respondents agreed that the contribution of internal audit contributes to the efficiency of the organization, and 100% of respondents also agreed .These discoveries have confirmed that management support, organizational independence, staff competence, and sound management control enhance the effectiveness of the IAC. The additional contribution of internal audit to the organization's performance in DBCL has not been fully made, so this study provides organizations with valuable information on ways to improve the effectiveness of IAC so that they can achieve the organization's results. It also provides valuable information to other PMOS on how to ensure that the contribution of internal audit is used to ensure the long-term survival of their organizations. The study recommended that DBCL's internal audit service try to use benchmarking as a tool to assess how other internal audit services in their sector (PMO) are performing, and they adopt these best practices to improve their own performance as a way to achieve its goals.

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My sincere thanks to my supervisor who sacrificed a lot to make this dissertation a success. I would also like to thank the investors, Delta Beverage’s accounting and audit departments for their contributions. I would also like to thank all my friends for their moral support.

I love you all. May the Almighty God bless you.

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**LIST OF ABBRIVIATIONS**

AC : Audit Committee

CG : Corporate Governance

IA : Internal Audit

IAC : Internal Audit Contribution

IAE : Internal Audit Effectiveness

IAF : Internal Audit Function

IC : Internal Controls

IIA : Institute of Internal Audit

ICS : Internal Control Systems

IT : Information Technology

MTG: Management Training Ground

PMO: Profit Making Organization

RM : Risk Management

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# **CHAPTER I**

## **1.1 Introduction**

The study evaluates the contribution of internal audit to the achievement of the organization's goals. This chapter focuses on the background of the study, the problem statement, the objectives of the study, and any underlying assumptions in the field under study. This chapter also discusses the limitations and delimitations associated with the field of research.

## **1.2 Background of the Study.**

**Evolution of Internal Auditing**

Last issue of internal auditing standards revised in 2016

The norms become internal auditing standards

IIA issued own internal auditing norms

Establishment of (IIA) perspective of internal auditing ‘’managerial assistance’’

The period of economic crisis the role and the necessity of internal audit

**1929**  **1941**  **1950**  **1970**  **2017**

**Figure 1.0**

Source**:** Szekely (2017)

To explain the fig 1 above, a more intense usage of the term audit was found in the period of the economic crisis from 1929, since then the role and necessity of internal auditing continuously increased, a fact which led to the organisation and standardisation of internal auditing practices. According to Möller (2004) mentioned in Szekely (2017), the internal audit had an important role within corporate governance already since 1940 and it became even more important as the years passed. As from 1940, occurred many changes regarding internal auditing since was regulated through difference standards and corporate governance codes and then the establishment in 1941 in Orlando, Florida, SUA, of the (IIA) moved to various countries in this world. In 1942, the first president of the International IIA, J.B. Thurston, professed that the most vivid auditing to be decision-making succour and also modified by Joseph J. Mossis, president of the IIA from Great Britain in 1942 into more defined terms since it helps management to hold the reins of internal control.

As from 1950, IIA issued specific internal auditing standards which was different from those of external auditing and approved in 1970. They become internal auditing standards, which are subjected to permanent changes due to the entities that are constantly struggling with new challenges. A first definition of internal auditing was given by Brink Victor, director of IIA Research Foundation in the year 1958. It was defined as an objective and independent activity that discusses to an organisation an assurance regarding the level of control concerning operations, it guides the organisation in order to improve its operations and it contributes to adding a plus value” Furthermore, it has to be mentioned that internal auditing helps the organisation to reach its objectives as it evaluates the management process, the control and governance process, but also the risk to which the organisation is exposed; more than that, internal auditing offers solutions to enhancing the efficiency of these processes, or to cover deficiencies.

Like said before, internal audit activity appreciates and guides the corporate governance process, in order to accomplish specific objectives related to ethics, responsibility and efficiency in administration. In this sense, for monitoring and ensuring the conformity with the applicable corporate governance code, considered that it was imperative to define the concept of corporate governance. CG, according to OECD, represents all the procedures and processes according to which an organisation is directed and controlled.

According to Cadbury (1992) quoted in Szekely (2017), the Chartered Institute of Internal Auditors from Great Britain, adds certain key aspects of the corporate governance system to this definition: governance accomplishes the distribution of rights and obligations between the Board of Directors, managers, shareholders and stakeholders, in order to ensure the coordination of the activities and the attainment of the company objectives.

Boţa-Avram (2019) captures the evolution of internal auditing: orientation towards increasing the efficiency of risk management, increasing stakeholder’s level of satisfaction, development of the abilities that internal auditors must possess, increasing concern in measuring and evaluating the performance of internal auditing, increasing the level of technology in the work of internal auditing Boţa-Avram, (2019). Recently, internal auditors have engaged more and more in operational auditing, risk management, internal controls, governance and IT concepts Mermod and Sungun, (2015). It is very important to observe which direction the function of internal auditing will take in the future.

In addition to the background theme, according to Johari et al. (2018), the global challenges facing some organizations today include persistent instances of governance failures, inefficiencies, fraud, and corruption that expose the organization to factors that threaten its ability to achieve its corporate goals.

According to Delathe (2012), audit practice was previously seen as a simple administrative procedure that involved verifying the accuracy of the verification and control of prepaid transactions, counting assets, and reporting in the past when a combination of forces arose. In recent years, accounting, public, private and public companies are moving to a higher level of transparency and, as such, demonstrate accountability and management in the use of the resources entrusted to them.

Mangis (2011) noted that internal audit helps senior management manage corporate affairs by providing guidance on issues ranging from financial accuracy and internal control to regulatory compliance. They also help department managers identify tools and methodologies to improve operational performance, which puts companies on a more sustainable path. The need for audit arises from internal control, financial analysis, and regulatory monitoring

## **1.3 Problems Statement**

Delta Beverages reported that with huge profits in their accounts, there were also some cases of fraud that were committed by its employees at various levels of the organization. First, the internal audit department would not take this matter seriously, and fraud cases continue to come in. Employees have been tempted by such unethical behavior because they find it profitable after they have rationally weighed the costs and benefits of committing fraud. According to the Herald (2017), it was reported that three former employees were charged with committing fraudulent expenses in the amount of $ 761,616. The organization's non-executive directors then discovered that this was due to poor internal controls in the organization, and the organization decided to use the internal audit function to combat fraud in the company. Because of this, the internal audit department has a lot of work to do to reduce and prevent fraud in the organization. This was meant to mean that if internal controls were implemented, it would help reduce or stop fraud within the organization, and everything would go well, as well as increase the reported profits. As a result, therefore, the reason that prompted the researcher to evaluate the contribution of internal audit to the achievement of the organization's goals.

## **1.4 Objectives of the Study**

### **1.4.1 Main Objective**

To assess the contribution of internal audit in achievement of organizational goals.

### **1.4.2 Sub-Objectives**

* To examine the contribution of management support to the contribution of internal audit.
* To examine how the degree of independence given to internal audit influence internal audit contribution
* To study the impact of the competence of employees of the internal audit service on achieving the effectiveness of internal audit.

## **1.5 Research Questions**

## **1.5.1 Main Research Question**

* What is the contribution of internal audit in the achievement of organizational goals?

### **1.5.2 Sub-Research Questions**

* How does management support the internal audit contribution?
* How does the organizational independence of internal auditors affect internal audit contribution?
* What is the impact of the competence of the employees of the internal audit service on achieving the effectiveness of internal audit contribution (IAC)?

## **1.6 Significance of the Study.**

**To the researcher**

This research ~~has~~ helped the researcher to gain real world experience of the contribution of internal audit to the achievement of organizational goals, as well as enhance the academic achievements of the researchers, as the research is a partial fulfilment of the Bachelor of Accounting degree with Honors from the University of Bindura.

**To the Delta Beverage Limited**

This study will provide the company with an analysis of the effectiveness of internal audit in achieving organizational goals. This helps management and shareholders to critically analyse and evaluate how to effectively use the internal audit function to create added value to improve the company's performance

**To the university**

The value of conducting this research can complement a review of the university's library literature to existing knowledge about the impact of internal audit on the achievement of organizational goals, and also opens up opportunities for further study for other students and staff conducting research in the same research area. It will also enhance the researcher's analytical and evaluative skills when conducting further research in various subjects

## **1.7 Assumptions**

* Internal audit has a significant impact on the achievement of organizational goals.
* Respondents will cooperate with the provided questionnaires and are ready to disclose objective information

## **1.8 Delimitations of the study**

* The study focused on the contribution of internal audit to the achievement of organizational goals.
* The data used was limited to the offices of Delta Beverages headquarters in Harare.
* This study was limited to the period 2016-2020.
* The target population for this study was internal audit committee, finance department employees, internal audit staff, company managers and other workers.

## **1.9 Limitations of the study**

* The respondents who participated in the interview were wary of answering some of the relevant questions about the organisation’s privacy policies. The author negotiated with the respondents, explaining that the information was provided for academic purposes and had been previously approved by the company managing director for proof of permission and this will remain undisclosed to any outsider.
* The researcher did not have enough experience in conducting this study, which could negatively affect the results, but the researcher decided to seek the help of supervisor, as well as consult with the studies that were previously submitted.
* The research was heavily dependent on researchers’ funds, so there was not enough funding which is therefore a prohibitive factor for conducting research. My parents helped me with the necessary funds.
* Another restriction was also the Covid-19 outbreak, which prohibited the researcher from moving to the library during the lockdown period and meeting with face to face with a supervisor to guide the research. In this regard, the researcher decided to consult with secondary data from the internet, as well as get recommendations via the internet from his supervisor.

## **1.10 Definitions of terms**

* **Internal Audit-**according to (IIA 2020) defines IA as an independent, objective assurance and consulting activity aimed at increasing the value and improving the organization's performance. It helps the organization achieve its goals by applying a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, control, and governance processes
* **An organizational objective**- refers to the goals that an organization intends to achieve, usually defined quarterly, semi-annually, or annually, and expressed quantitatively or qualitatively in the form of profits, quotas, budgets, and so on.
* Assurance Service - a service in which the internal auditor participates in a systematic process of objectively obtaining and evaluating evidence (Theiia.org, 2016 a)
* **Consulting services**- are advisory in nature and, as a rule, are performed at the specific request of the client. The nature and scope of the consultation task must be agreed with the client participating in the task. (Theiia.org, 2016a)

## **1.11 Summary**

The main purpose of this chapter was to provide an understanding of what was covered by the study. It outlined the problem statement that was seen as the driving force behind this study, as well as the background to the study. This chapter also outlined some of the assumptions, limitations, and delineations relevant to the field of study. The next chapter provides a literature review that provides empirical evidence for these goals.

# **CHAPTER II**

## **2.0 Introduction**

This chapter reviewed theoretical framework and empirical evidence of the research problem. It also looked at objectives of the study, justification of the study and summary.

## **2.1 Conceptual Frame work**

This section showed the relationship between the independent variables that was **internal audit** and dependent variables that was **organisational goals**.

**DEPENDENT VARIABLES**

**Organisational goals**

* Verify the true and fair view of the accounts
* Frauds and errors prevention
* Advising the management
* Corporate failure avoidance
* Cost saving
* Compliance to respective laws, regulations and standards.

**INDEPENDENT VARIABLES**

**Internal Audit**

* Management support
* Organisational independence
* The adequate and competent of internal audit staff.

**Mediating variable**

|  |
| --- |
| **Regulatory Environment**   * Companies Act [Chapter 24:03].   **Standards**   * International Standard on Auditing (ISA). |

**Figure: 2.1 conceptual frame work**

**Source**: (Shamsuddin et al., 2018).

## **2.2 Theoretical Framework**

### **2.2.1 Agency Theory**

The agency relationship could be defined as a contract between the owner(s) of the organization and its senior management. Managers work with the organization as agents to provide certain services on behalf of owners who delegate certain decision-making powers to managers. These authorities could be misused by managers to meet their own personal interests. Therefore, the existence of audit committees and external and internal auditors will help the organization improve their performance and would also ensure that management executes its plans in accordance with procedures (Adams, 1994) cited in Khaled and Mustafa (2018).

Agency problems can arise when the Board of Directors or its audit committee was ineffective, and as a result, senior management was likely to have a powerful influence on internal audit. This complex web creates an inherent dilemma in internal audit: how can it exercise its control over management if it was itself ineffective? Internal auditors are often employed by senior management, but at the same time they are also agents of the board and the audit committee who trust the ability of internal auditors to evaluate the work of senior management

However, internal auditors may have various motivations to act against the interests of the board of directors and its audit committee, and these motivations include the financial rewards of managers, personal relationships with them, and the power of senior management to shape the future position of internal auditors and their salaries Khaled and Mustafa (2018).

In such a working environment, internal auditors as agents may be encouraged to bias information flows, which leads to new concerns of the board and the audit committee about their confidence in the objectivity of internal auditors, and the prevention of such threats of objectivity becomes necessary for the board and its audit committee. Internal auditors as agents must perform audit processes at the professional level requiring professional training and certifications, experience and other skills necessary to fully discharge their responsibilities. Having internal auditors with such requirements and the existence of training programs for internal auditors would increase the level of confidence of the board and the audit committee in the competence of the internal auditor. At the same time, internal auditors, proving their duties in accordance with the professional level, can refute accusations of neglect of their duties Khaled and Mustafa (2018).

During this evaluation, internal auditors should gather sufficient and trustworthy evidence to sustenance their valuation of the system of internal control. The existence of such evidence will increase the level of confidence of members of the organization in the work carried out by the internal audit. Therefore, the performance of the internal audit department is a crucial requirement for members of the organization to consider internal auditors as agents.

Internal auditors, as agents of the members of the organization, need their support. The existence of an effective audit committee within the organization enhances the independence of internal audit and also reduces senior management interference with the scope of internal audit or its performance. For example, the issue of senior management's ability to influence the employment and future salaries of internal auditors will be resolved by having an audit committee as the absolute authority for the appointment and removal of the chief audit executive. Another clear example of support from members of the organization occurs when senior management calls on all departments to act on internal audit recommendations Khaled and Mustafa (2018).

Based on the above discussion, it can be clearly seen that the agency theory is a useful theory that can explain the relationship between certain variables of the study, and it is relevant to be integrated into the development of this conceptual research framework.

### **2.2.2 Institutional Theory**

Institutional theory explains how organizational structures and practices are shaped by changes induced by normative pressures, including external and internal sources such as laws and regulations, choices of other organizations or by professions Mihret et al., (2010) cited in Khaled and Mustafa (2018). Several previous internal audit studies have adopted institutional theory, which has been used to explain their conclusions regarding the contribution of internal audit and the role of management in promoting the achievement of their objectives. Similarly, Arena and Azzone (2016) focused on coercive isomorphism to study the development of internal audit in six Italian companies as a multiple case study. Their findings confirmed that the adoption and development of internal audit was influenced by coercive, mimetic and normative pressures. More recently, a study by Arena and Azzone (2017), based on a survey of 364 Italian companies, found that isomorphic pressures have a significant impact on companies ' support for internal audit.

### **2.2.3 Communication Theory**

Davidson (1991) and Khaled and Mustafa (2018) confirmed that, all auditors can benefit from knowledge of current communication concepts, and even those who believe they are good communicators need to work consciously on assessing, improving, and applying their skills. Davidson’s communication theory is based on three basic truths about communication.

These are: (1) it is impossible not to communicate; (2) communication is a multilevel phenomenon, and (3) message sent does not always equal message received.

Effective communication between internal auditors themselves, internal auditors and auditees, internal auditors and members of the organization was undoubtedly necessary to enhance the effectiveness of internal audit. As noted above, agency theory can explain and cover the importance of having effective communication between members of the organization and internal auditors as agents for them. However, the importance of effective communication in this study extends to the relationship between internal auditors and audited entities, which can be explained under communication theory. In the current study, effective communication was one of the main factors of effectiveness, which was measured by examining the relationship with the audited entities. However, several factors could contribute to the weakness of this relationship, such as the accusatory style of internal auditors or simply the search for weaknesses of auditees. Such an environment leads to a lack of trust between internal auditors and audited entities and creates one of the main barriers to communication, namely a lack of trust between senders and recipients in communication processes (Hahn, 2008) Khaled and Mustafa (2018). Thus, to prevent such threats, it is necessary to improve the collaboration of audits with internal auditors. Based on the above discussion, it is unmistakable that the use of communication theory in this study becomes necessary to establish the conceptual framework.

### **2.2.4 Behavioural theory**

Unlike classical and neoclassical economics, behavioural economics allows us to understand how people make decisions and what influences them. This economy is based on cognitive psychology, social psychology and anthropology (Śliwowski, Wincewicz-Price, 2019). Behavioural economics is divided into several trends (there are several behavioural theories). According to Cyerta and Marcha (2016), the most interesting was the behavioural theory of the enterprise.

According to the behavioural theory, an organization refers to a collection of different people and groups (stakeholders), each with their own goals and requirements. These goals can conflict with each other and with the goals of the organization as a whole. Stakeholders compete with each other and consequently, no clear purpose of the organization can be identified. Rather, there was talk of a bundle of goals postulated by various groups, the ultimate goal of which was chosen by the management (or the owner). The goal does not have to be fully achieved but the degree of its achievement must be satisfactory. Since each member of the organization has their own goal, it can be said that each of them has their own motivations.

In view of the above, the justification for conducting an internal audit in light of the behavioural theory should be sought, as in the case of the agency theory, by the presence of different goals of the activities of different people or groups of stakeholders who have a different amount of information. The internal auditor again acts as an intermediary who - in an independent and objective manner - evaluates various events, processes and systems occurring within a given organization. From the point of view of the internal auditor, it is important that in light of this theory, the organization performs a sequential search for satisfactory solutions, and after finding them, alternative options are not considered. When making decisions, the members of the organization act routinely (maybe even mechanically), use practical rules to minimize the cost of obtaining and processing additional information. This routine is a result of the fact that obtaining information takes time and is expensive. For example, it is possible to routinely calculate the price, i.e. always set it at a certain mark-up on costs (Solek, 2016). Routine may also accompany a production or service activity that involves the risk of an accident at work. This risk also results from haste, sloppiness or misunderstanding of the specificity of risks in the workplace. A tool for building an organization’s safety culture can be an internal behavioural audit (Wyganowska, 2016).

Behavioural economics has many tools for influencing the environment (Śliwowski, Wincewicz-Price, 2019), they include simplification of e.g. various procedures or shortening the time of access to services. Another tool was the so-called approximation of the consequences, which consists of providing people with adequate feedback, including information about delayed or difficult to realize consequences of their actions. The technique of referring to social norms was also used by displaying information about the desired behaviour of the environment (e.g. neighbours, residents of a given area) and persuading a specific group of people to follow good practices from the environment. Another technique was called information framing, i.e. presenting true information, but in a specific context, in a positive or negative tone. Another technique was the so-called personal commitments that was, individual, personal declarations about a specific action.

### **2.2.6 Linking Theories of the Study**

Research in auditing has traditionally been conducted under the framework of agency theory (Pilcher et al., 2011). However, Mihret et al. (2010) argued that the neoclassical economic theories including agency theory were the main reason for limited research in internal auditing. They criticized the assumption that organizational phenomena are only driven by maximizing the self-interest of individuals, and they confirmed that the behaviour of individuals cannot be abstracted from the social settings. Thus, they suggested institutional theory. The use of more than theory in combination enables considering social and behavioural aspects and the economic dimensions. Several previous studies have adopted both agency and institutional theories (Yamak & Suer, 2005; Christopher et al., 2009; Yaqi et al., 2012).

In this study, while agency theory was mainly employed to understand economic motives that make internal auditors seek in achieving their personal interests even if they were against the organization members' interests or organizational interests, institutional theory informs about the level of compliance with ISPPIA, and its impact on the companies' support of internal audit. Moreover, communication theory is used to explain the importance of effective communication between internal auditors and auditees.

## **2.3 Empirical Review**

This section reviewed the existing empirical studies on internal audit contribution on attainment of organizational objectives. Internal audit practices helps an organization to achieve it is objective by bringing a composed, restrained approach with a specific end goal to study.

### **2.3.1 The selected empirical reviews**

**Mihret & Yismaw (2007),** based on a case study of a large public sector higher education institution in Ethiopia, examined how the quality of internal audit, management support, organizational structure, attributes of the auditees, and the interaction between these factors affect the effectiveness of internal audit. The results of the study emphasize that the effectiveness of internal audit largely depends on the quality of internal audit and management support, while the organizational structure and attributes of the audited entity do not have a strong impact on the effectiveness of the audit.

**Baharuddin, Shokia, and Ibrahim (2014)** investigated the factors contributing to the effectiveness of internal audit in the Malaysian public sector. The results of the study showed that there are significant positive relationships between the factors analysed in the study, such as the competence of auditors, the independence and objectivity of auditors, as well as management's support for the effectiveness of internal audit. Thus, the effectiveness of internal audit will strongly depend on the attributes of the factors analysed in this study

**Musah, Gapketor, & Anokye (2018)** examined the factors determining the effectiveness of internal audit among state-owned enterprises in Ghana. The study was conducted in response to various scandals among Ghana's state-owned enterprises and the lack of empirical research on the determinants of internal audit effectiveness that could address these issues. The results of the study showed that the management support of the internal audit function is the most significant factor determining the effectiveness of internal audit. The study also found that the size of the internal audit unit, the competence of the internal audit staff, the independence of the internal audit unit, and the good relationship between internal and external auditors are important factors determining the effectiveness of internal audit

**Hailemariam (2014)** investigated the determinants of IAE in selected public sector offices in Ethiopia. The conclusion of this study was to show a direct link between the impact of management perception, management support, and organizational independence of internal auditors, adequate and competent internal auditor staff, and the existence of an approved internal audit charter with the effectiveness of internal audit on public sector management.

## **2.4.0 Management support for internal audit**

According to Omri and Dellai (2016) observed that without support of management internal audit was unable, internal audit does not have capacities to capacitate its work and cannot hire skilled internal audit staff without support from management. According to Grebe, (2018), management support and commitment have also been evidenced to impact effectiveness of IA. In fact, successful contribution of IAF depends on the support offered by the management on the auditing process. Alzeban & Gwilliam (2014) found that management support was the highly significant factor which influencing the effectiveness of IA within the organizations. Both researchers agreed that support from management was most crucial to the company operation and success of IAC. George et al. (2015) and Alzeban & Gwilliam (2014) also argued that there was positive associated between management supports and effectiveness IAC.

|  |
| --- |
| **Relationship of administrative reports**   * Support daily activities * Open straight connection * Contribute to internal audit plans * Review, approve and resource the requirements of internal audit planning * Review of audit, authority, responsibility and performance for the plan * Admit of internal audit recommendations * Supervise the implementation of action plans * Internal audit is alert |

Internal audit

Top management

|  |
| --- |
| **Objectives to emphasize the following**   * The effectiveness of governance process * Risk management system * Internal control system   **Consulting services**   * Improved internal control system * Support other customer strategy for important activities |

**Fig: 2.2 Relationship between internal audit and management.**

**Source: Sarens and Bleedle (2006) and Mahachi (2018**

### **2.4.1 Effectiveness of internal audit contribution and risk management**

### 

Companies that furnish for risk management have soared their attention, but carrying out effective risk management requires time, knowledge and effort. According to Mahachi (2018), both internal audit and management share a usual objective of risk management to add significant value to the organization in achieving its goal. According to ISA 240 any information about risk considered as core input to internal audit function, for this reason internal auditors required to make investigation on issues of risk to management. Support from management influence the operations on internal audit function in risk management because of their interrelationship as shown Fig.2 above.

According to D ‘Onza et al (2015) the effectiveness of internal audit rises when it's function has the ability to asses and enhance the risk management by the adoption of systematic and disciplined approach. Mahachi (2018) reinforcing their responsibilities in risk management using support from management helps internal auditors improve their effectiveness. According to Badara and Saidin (2014) for internal audit contribution to attain its set objectives within the company they should be well established on risk management put in place in the organization. As a result of support from management in risk management can help promote the effectiveness of IAC. Value addition of IAC to company can be achieved via effective of management and successful implementation of risk management, Thompson (2013). According to Feizizaden (2012) the effective internal audit assesses risk being faced by the organization and built an audit plan to assess them

Some researchers gave a different view on the relationship between effectiveness of IAC and RM. According to Rensburg and Coetze (2016) even though management regard contribution of internal audit in RM as effectiveness of the intention, they do not describe the function as the key for change, mainly because of lack objectives focusing on positive change. According to Sarens et al (2016) stating that for internal audit to be effective must only not enclose sound judgment and critical thinking in risk management but to act appropriately must constrain others that were being agents for change. According to Lenz and Hahn (2015) contemporary internal audit have adopted risk based to be more effective but it does not mean that financial reporting related matters are priority hence risk management as a tool to the effectiveness IAC can be misleading or rather it was defeating its purpose. Chambers and Odar (2015) and Arena and Sarens (2015) states engagement of internal audit in different functions which creates complexity in their contribution as they would need to serve two masters, the complexity might prevent the effectiveness of the function. Further supporting with a neutral standing was Kamu et al (2014) cited in Mahachi (2018), risk management positively impacts effectives of IA but for them to be effective they should abstain from over involvement in management activities but rather restrict themselves to their role of consultancy and assurance and allow management lead in their role of risk management.

However, Chambers (2014) states that internal audit function is not yet fit for its purpose in risk management, thus its role in risk management was not yet up for debate, there was need to improve its effectives through its traditional role. Internal audit function has not yet expanded their role beyond its traditional role of financial regularity and compliance thus finding no relationship between the effectiveness of IAC and RM, Alzeban and Sawan (2013). According to Fourie and Akerman (2013) cited in Mahachi (2018) internal audit should only save as a monitoring tool to management, as the more the consulting and objective assurance services in risk management the less the objectivity and independence of internal audit function thus negatively impacting internal audit effectiveness.

Therefore, risk management impacts negatively the effectiveness of internal audit because their relationship with management and cause management inferring with work of IAF, thus creates a hindrance on the functions performance.

### **2.4.2 Governance and contribution of internal audit effectiveness.**

According to Radu (2016) through management support, internal audit is able to fulfill its governance role and in turn allows harmonizing stakeholder's interest and bring up the performance of the organization in achieving its objectives. According to Shamsudin and Johari (2014), the effectiveness of IAC involves the achievement of organizational goals, corporate governance being one of the objectives as a results making internal audit to be the key participate in corporate governance. According to Omri and Dellai (2016), the relationship between effectiveness of IAC and corporate governance CG, together with management, IAF aims to add organizational values by evaluating and then improving governance effectiveness. According to Arena and Sarens (2015) effectiveness of IAC achieved if IA fulfil its responsibilities to its counterpart in CG, saving as the ears and eyes of management towards any governance issues.

According to Mahachi (2018), some researchers gave an in between standing on the idea that CG affects the effectiveness of IAC. According to Hay et al (2017) the impact of CG on effectiveness IAC was not clear, to some extent good auditing will lead to recommendations that will lead to good governance and alternatively good governance leads to effective IA. The relationship between governance and effectiveness of IAC in goals achievement is a polysemantic concept, Roussy and Bivot (2015). Ashouri et al (2016) gave an in between concept which was stating that the management should eliminate a balance by employing cost benefit analysis in literally implementing recommendation of IAF for CG to positively impact the effectiveness of IA. Lenz et al (2014) states that there is a difference between the theoretical ideas that internal audit in achieving of corporate goals has a positive relationship with actuality and IAE, the two are distinct. According to Paape (2014) internal audit effectiveness or contribution in achieving goals was positively related to CG but this relationship was undetermined upon the level of appreciation management has on the recommendations and actually implementing them in order to return IAE.

However Sarens (2016) disagreed the concept stating that internal audit was becoming further marginalized in governance debate, its value addition has become questionable. According to D’Onza (2015) there was no significant relation between internal audit‘s systematic approach to evaluate effectiveness of CG and the effectiveness of IAC. There was still confusion on the role of internal audit function within corporate governance, agency theory was still very much alive thus it’s involved in governance was not measured as effectiveness of function, Pilcher (2014). Roussy (2013) and Shapiro (2012) agreed there was no relationship between IAE and CG, its value was diminishing due to competition due to policies such as the whistle blower policy .

### **2.4.3 Internal control system and effectiveness of internal audit contributions.**

According to Dellai and Omri (2016) IAF has great contribution in achievement of organizations objectives through using of inputs from management by evaluating and improving effectiveness of internal control systems (ICS) created by management. Further supporting the idea, Twaijry et al (2018) also discovered that effectiveness of ICS assists external auditors to have confidence on the internal auditor's work and thereby improve their effectiveness. According to Badara and Saidin (2013) cited in Mahachi (2018), internal audit became effective when there was proper effective IA which are in place,

Other researchers gave their opinion which was standing in between concerning to this idea. According to Monday et al (2016), found that the extent to which effectiveness of IAC affected by IC practices is moderate. IC which set by management within the organization may positively impacts the effectiveness of IAC but it's not certain upon effectiveness of management on making sure that these controls are monitored, Ogundana (2015). According to Lenz et al (2014), found that there were no clear definition concerning to the relationship between the effectiveness of IAC and ICS, this was because of ICS has so many different aspects which differ in meaning from one situation to another and interpreted differently.

However, according to Mahachi (2018), other researchers disagreed the idea stating that as a result of inherent limitations of internal controls it negatively impacts the effectiveness of internal audit. According to Michael (2016) IC are inclined to inherent limitations which negatively affects the effectiveness of IAC. According to Koo and Yang (2014), the adoption of Information Technology (IT) in ICS it makes difficulty the work of IA thus creating a problems on effectiveness of IAC. Internal control are effective not always to ensure all the achievement of organizational goals for this reason it can negatively impacting the effectiveness of IAC, Bongani (2013). According to Albulkadiar (2014), due to management errors and conspiracy internal controls which fails to serve their end result thus negatively impacting effectiveness of IA.

## **2.5 Organizational Independence of Internal Auditors contribution on goals achievement.**

Salehi (2016) and Muqattash (2017) argued that activity of internal audit within organization should be independent process and internal audit professionals who perform should remain objective if the organizations want to achieve highly effective audits. According to International Standards for the Professional Practice of Internal Auditing (ISPPIA) Standard 1100 department of internal audit must be independent and internal auditors must practice objective in achieving their profession to add value to the organization. According to ISPPIA (2017) and Dejnaronk et al.( 2016) defined objectivity as unbiased mental attitude that allows internal auditors to perform engagements in such a manner that they believe in their work product and that no quality compromises are made. Objectivity prohibit internal auditors to subordinate their judgment to others on audit matters. Usman (2016) states that the more independent and objective the internal audit function is the higher the quality of results produced by internal audit function.

### **2.5.1 Factors to affect organizational independence of internal auditors.**

According to Goodwin and Voe (2001) cited by Mahachi (2018) agreed that there were two factors which affect the organizational independence of internal audit. It’s the link that exist between audit committee and internal audit work and also used the internal audit as management training ground (MTG).

### **2.5.2 Management Training Ground**

Messier *et al* (2010) defined (MTG) as the procedure in which individuals were employed into and then transferred into function of internal audit for a short period of time before being positioned to management. According to Bartlett (2017), the use of IA as an MTG negatively affects their independence, as if it attracts low-performing students who are more interested in getting paid, which threaten their independence. Christ et al (2015) discovered that, the use of management training platform has led to internal auditors becoming less independent, as they have deteriorated their judgment as they are tempted to protect their interests. Rose *et al* (2013) quoted in Mahachi (2018) stating that IAs used as MTG’s independence was compromised because IA are more likely accept aggressive accounting policies promoted by management when they heard rumors that they have to be promoted to managerial position. Anderson et al. (2012) and Mahachi (2018) discovered that, IA used as a training ground for management and were likely to be less effective and to some extent less effective due to the reduced independence of the IA.

However, numerous authors agreed with the idea that the use of internal audit negatively affects organizational independence of internal auditors. According to Hoos et al (2018) objectivity of internal audit compromised not by the use of internal audit as MTG rather helps support their relationship with audit committee thus more objective. According to D’Onza and Sarens (2018) internal audit function benefited from MTG since it improves its relationship between internal audit personnel and the auditee thus their objectivity and become watch dogs for positive change. Audousset-Coulier (2016) internal audit used as MTG increment knowledge of IA and competency thus better objectivity. Dellai et al. (2016) the management training ground (MTG) improves the effectiveness of IAC, since the activities of IA can be used to train potential managers. According to Shahimi et al (2016), this competency alert the auditors more about the scope of their work and methods on how to mitigate threats to their independence. According to (Barrier, 2017) used IAF as a MTG because it transform employees so that can have unique opportunity to see the processes and resources of the whole organization. This contributed a lot to internal auditors to understand the business as a whole and also return top performers within the organization.

### **2.5.3 The relationship between audit committee and internal auditors**

According to Baidhani (2016) observed that audit committee has strong relationship with many stakeholders of the company. These stockholders comprised of internal auditors, external auditors, board of directors, company management, shareholders of the organisation users of financial statement and also governing and regulatory bodies. However, in this current study the researcher focused on the relationship that exist between audit committee and the internal audit contribution.

According to Baidhani (2016) defined audit committee as the Board of Directors with the responsibilities on aspects of financial reporting and companies process to run the business and also financial risk and compliance with significant applicable legal, ethical and regulatory requirements. According to Baidhani (2017) the internal auditors provide the committee with the necessary information to which they have direct access, same as the organization’s management, in order to enable the audit committee to accomplish its oversight and monitoring mission.

According to Korir (2017) personnel of internal audit department should have open and direct interaction with audit committee members to strengthen the image of internal audit within the organisation, enables assistance and freedom access to company resources and promote that there was no impairment of independence. Kaman (2014) quoted in Mahachi (2018) strongly agree with the idea that effective audit committee members has a significant responsibility in improving organizational independence of IAC.

However, it does not mean that audit committee are there always to protect the independence of internal audit. According to Vasile and Mitran (2016) the presents of audit committee members does not mean that everything were in order in terms of organisational independence. According to Kheli (2016) and Mahachi (2018) audit committee in practice remains unable to detect whether management exerts pressure of IA contribution thus failing to shield independence of internal audit function.

## **2.6.0 The staff competency of internal audit on effectiveness IA contribution**

According to Alshbiel, (2017) and Bednarek, (2018) the association between the internal audit and audit committee as important for both parties and also considered to have an effect on the effectiveness of the internal audit activities through information and data sharing. According to Mathius (2016) defined competence as the knowledge, expertise and experience that the auditor who has the knowledge, training, skills and experience sufficient to be able to successfully do the work of the audit. Maharany (2016) further define competence as the expertise of auditors in carrying out their duties which ensures the achievement of organisational goals. According to (IIA, 2017) the staff member’s competence considered as important element in effective IA activity. Moreover, The International Standards for the Professional Practice of Internal Auditing (ISPPIA) emphasizes the significance of IA team, which should possess the knowledge, skills, and other competencies necessary to perform their responsibilities Dellai et al, (2016). According to the International Institute of Auditors (IIA) (2013) coated by Mahachi (2018) internal audit activity comprised of ten core competencies which shown below.

**The internal auditors required to**:

* Promote and apply professional ethics.
* Develop and manage the contribution of internal audit function.
* Adhere to International Professional Practice Framework (IPPF).
* Apply a careful understanding risk of governance and widget fit to the entity.
* Control business acumen which entails maintenance of expertise of business environment, specific organizational factors and industry practices.
* Communicate with impact.
* Convince and motivate others via co-operation and collaboration.
* Apply process analysis, business intelligence and problem solving techniques.
* Deliver internal audit engagements in time.
* Improve change and drive improvement with the organization.

According to IIA (2010) stating that there are three attributes for competency of auditor which are behavioural skills, knowledge and technical skill ability. According to IIA (2013) and Mahachi (2018) agreed that 3 personal skills required to be competent that is communication, persuasion and collaboration and critical thinking and also principal focus of technical expertise points being IPPF, governance risk and control, and business acumen.

### **2.6.1 Technical Expertise**

Gwilliam (2012) for internal audit contribution to work effectively they must be well competent and skilled staff who can able to transform the organization into good image. According to Ussahawanitchawit (2012) agreed that well skilled internal auditors offer quality services to the organisation and also give rise to better results, showing the importance of their competency. Abbott *et al* (2012) also agreed stating that high qualified internal auditor can deal with internal issues of the department because they have a clear insight about how to deal with operations and achieve high quality work. According to Mahachi (2018) competency of Internal audit has been disputed by different researchers ,accepting that staff competency of internal audit has a positive effect on internal audit contribution in achieving organization objectives but defining internal audit competency unclearly and inconsistent. According to Plant *et al* (2013) competency of internal audit was very significance but its vague and no consistent, they is relatively high level of disorder and disagreement between guidance‘s common levels and management of what is fit for staff.

However Dehali and Omri (2016) discovered no significant link between competency of internal audit and contribution of internal audit effectiveness and argued that internal audit and internal audit competency depends on more on managerial characteristics than on qualification. According to Whalen and Holt (2012) suggested that lack of competency does not affect the performance internal audit contribution, but might have competency and knowledge they are operating in and suggest ways but management will not implement. Bonney (2015) agreed with the idea that internal audit function can have well skilled staff with enough knowledge about the business but still fail to achieve company objectives

### **2.6.2 Personal skills**

According to Nakabuye et al (2017) competency has a strong link with effective contribution of internal audit work since competency of internal audit rises compliance with audit plans and producing fair reports to management and audit committee to guarantee proper communication improve an effective contribution of internal audit work. According to Narkchi and Fadzai (2017) communication skill required to reinforce responsibilities of internal audit to its audit client. Alzeban and Sawan (2013) agreed with saying that competency of internal audit staff was password to its effectiveness arguing that without that IA staff become confused otherwise may fail to meet required organisational objectives. All of the above consulted researchers were agreeing that the communication have a great influence on the effectiveness of the internal auditors during the time of executing their duties as with the intention to achieve company goals. The current study requires to add the existing knowledge by looking at the effect of staff competency on internal auditor's effectiveness in contributing the achievement of organizational targets.

## **2.7 Gap Analysis**

The previous researchers did not reach the agreement on relationship between internal audit contribution and risk management. They were searching on the impact of risk management on effectiveness of internal audit. Currently, the researcher takes a different view of filling the gap by looking at on whether the management is effectively using risk management as a tool to support the work of internal audit contribution in order to enhance internal audit effectiveness in achieving organizational goals.

The previous researchers were focused on establishing the role of internal audit in CG and how this was measured as effectiveness of the function. The current study overlooked the interpersonal relationship that exits between management and effectiveness of IAC. Thus providing a gab to study how management support through corporate governance can help enhance the effectiveness of IAC.

As clearly shown in the above literature, the researchers were mainly interested on answering the question does ICS was helpful to increase the effectiveness of IAC. Went through the above arguments the current researcher was inspired to search on how management support the use of ICS influence the efficiency of internal audit function in the achievement of organizational goals. It was because everything related to internal control lies in the hands of organizational management, since they are the once who create and ensure proper implementation of these controls. Therefore thus the gap that the current researcher need to fill.

Therefore, the reviewed literature provides a different views of different authors on the effect of using IA as MTG on independence of IA. The researcher discovered that little has been done to figure out the effect of impaired auditor independence of the effectiveness on the function. Thus a gap for the current study to look at on how the impairment of auditor independence by using it as a MTG influence the effectiveness of IAC.

The previous researchers looked the relationship between internal auditors and audit committee influence the independence of auditors and did not agree. No one researched at this inefficient internal auditor’s independence affects contribution of internal audit. That’s the gap inspired current study to search whether inefficient of independence due to its internal auditors and audit committee relationship affects contribution of internal audit.

Literature review showed the knowledge gaps that existed in the topic in research. The author through the related literature analysed, discovered that the, journals and recognized publications, centred on duties of internal audit in local authorities. The prior scholars did nothing on discovering the extent of the contribution of internal audit in attainment of corporate goals particularly at Delta Beverages Limited and hence the need for this study.

## **2.8 Chapter Summary**

This chapter consulted the literature on independence of internal audit, internal management assistance and competency of internal audit in attainment of organisational objectives. The literature form with different ideas of which lured the current researcher to research on assessing the internal audit contribution on organisational goals achievement through looking at the effect of management assistance, competency of internal audit independence of internal auditor on effectiveness of internal audit contribution. The following chapter will look how the research was conducted to address the issues of contribution of internal audit in the achievement of organisational goals.

# **CHAPTER III**

**RESEARCH METHODOLOGY AND DESIGN**

## **3.0 Introduction**

This chapter describes the design of the study and the methodology used to collect the data. It contains information about the research method, the target population studied, the sampling method, and the method used to collect the data. The issues of reliability and validity of the research tool are considered. Ethical considerations related to the study are also discussed.

## **3.1 Research Approaches**

Mumangeni (2018) defined the research approach as an action plan that provides direction for systematic and effective research. According to Cresswell (2014), the research approach provides a roadmap for research from initial to data collection, evaluation, and interpretation methods. According to Almalka (2016), it was further stated that there are three approaches to research methods, namely qualitative, quantitative, and mixed research methods. Currently, the researcher has decided to use a mixed research method, as it involves a descriptive design of the study.

## **3.2 Mixed Method Approach**

According to Sudeshna and Dutt (2016), the mixed approach refers to a method that assumes practical knowledge, which considered both an open and closed question, as well as quantitative and qualitative data. Cameron (2015) agreed that it refers to a study that involves the collection, analysis, and interpretation of both qualitative and quantitative data in a study or series of studies on a common area of interest. It acts as a guide for conducting research, allowing for a better and more detailed understanding of what none of the approaches alone can fully describe. Creswell (2018) also supported the idea of using a mixed approach, as it usually provides a deeper understanding of the area under study by compensating for the limitations of either approach. This is mainly useful in research where the results of other methods need to be refined or developed, for example when the relationship is using quantitative methods and then explained using qualitative methods. This is considered useful for the researcher, since it was not limited to a single research method, it can lead to more convincing evidence, simplified results, and complete information needed in the study. To fully implement the mixed approach, a descriptive research method was also used.

## **3.3 Descriptive study design**

The researcher used the method of descriptive research design, as it allowed him to conduct a clear analysis of both qualitative and quantitative data through interviews and questionnaires

## **3.4 Research Population**

According to Qureshi (2016), the target population refers to the entire set of individuals, targets, or other items with common characteristics selected for the study. Asiamah (2017) defined the target population as a whole group of individuals, the author of which summarized the results of the study. The researcher targeted 30 characters who were employed at Delta Beverage head office as the study population. The population made up of both males and females who were employed at head office, they were ranged in the age of 20 years and above. The author targeted educated personnel with at least degree or any other professional qualification as well as experience with research Company.

**Table 3.1 Research Population**

|  |  |
| --- | --- |
| **Population Identity** | **Size** |
| Members of the Audit Committee | 04 |
| Employees of the Internal Audit Service | 05 |
| Finance Department employees | 07 |
| Company management | 04 |
| Other employees | 10 |
| **Total population** | **30** |

**Source:** Raw Data 2021

## **3.5 Research Sample**

According to Ormston (2013) and Taherdust (2016), it may not be possible to analyze the entire study population, so the researcher needs to select a small sample of characters to draw conclusions about the entire population. According to Bryman and Bella (2015), sampling was defined as the process of selecting multiple participants from a target group to be studied in order to determine characteristics relevant to the entire group, and Ralph (2020) also defined sampling as a process of selecting a smaller population for study from a larger population of concern. In support, Bryman (2016) found that the larger the sample size, the more reliable the data collected becomes and vice versa. Because of this, researchers are encouraged to select a sample that represents the entire population using a suitable sampling method, and to have the required sample size Taherdoost (2016). Matthew (2014) emphasized numerous sampling methods, such as random, stratified, and targeted sampling. Currently, the researcher decided to use a stratified random sample, as it reveals the true representation of the study population and eliminates bias problems. According to Bryman and Bella (2015), the stratified sampling method was defined as a sampling method in which the population was grouped into small groups with similar characteristics, called strata, and then randomly sampled by population strata. According to Rahi (2017), stratified random sampling was defined as a sampling method in which a subcategory was given a chance of being randomly selected, and this gives the same proportional representation of each given subgroup. Singh and Masuku (2014), cited in Mhachi (2018), defined stratified random sampling as when a population consists of different groups, a sample can be prepared by these groups, and this is considered a useful method when collecting data in an unrelated population. This review of the literature prompted the current researcher to choose a stratified random sample, as the population was characterized according to similarities and the type of their activities. The research group was stratified into the internal audit committee, finance department employees, internal audit service employees, company management, and other employees.

**Table 3.2 Sample Size**

|  |  |  |  |
| --- | --- | --- | --- |
| **Participants** | **Total Targeted Population** | **Sample Size** | **Percentage to Sample** |
| Members of the Audit Committee | 04 | 03 | 75% |
| Employees of the Internal Audit Service | 05 | 04 | 80% |
| Finance Department employees | 08 | 07 | 88% |
| Company management | 04 | 03 | 75% |
| Other employees | 09 | 08 | 89% |
| **Total** | **30** | **25** | 83% |

**Source:** Raw Data 2021

Table 3.2 above shows the study population for each group and the sample size representing the total population. According to Rossi, Wright, and Anderson (2013), a sample that exceeded 50% was considered more reliable and could be relied upon during the study because it represented an important percentage of the population. Because of this idea, the researcher was motivated to use results that were above 50%.

## **3.6 Justification of the stratified sampling method**

In this study, the researcher decided to use a stratified random sample. This is because the stratified random sampling method eliminates sample bias, and the collected sample properly reflects the characteristics of the study population. The author divided the organization into different groups, which include the internal audit committee, employees of the finance department, internal audit employees, company managers and other employees. The author then performed a simple random selection on these groups.

## **3.7 Data sources**

The researcher used primary and secondary data as data sources in the current study.

### **3.7.1 Primary Source**

According to Wyk (2018), primary data sources refers to those in which data was collected by a researcher first-hand for a specific research project. It was considered as original and distinctive data, directly compiled by the researcher from sources such as questionnaires, case studies, and interviews. Ajayi (2017) defined primary data as any data used in a study that was collected through interviews, surveys, and direct observation by a researcher for the first time. Ajayi (2017) found that primary sources are favorable because they provide real-time information and make it relevant to the study. This helped the author to focus on collecting information that was accurate for the study. This increases the accuracy and reliability of the information in the study and, therefore, the reason that prompted the researcher to use the primary data. The researcher collected primary data using interviews and questionnaires

### **3.7.2 Secondary Source**

According to Lowry (2015) and Ajayi (2017), secondary data refers to any existing information that has been collected, structured, collected, and published by others. In this case, the researcher used an internal data source. Internal data refers to any information that has been stored or organized by the organization itself. According to (www.intechopen.com) agreed that the review took into account data also derived from existing working papers, guidelines, procedures, reports, statistics, policies, regulations and standards. This method was fast and easy compared to the primary data.

## **3.8 Research instruments**

The researcher used interviews and questionnaires as research tools to collect data.

### **3.8.1 Questionnaires**

According to the Ajayi questionnaires (2017), defined as the arrangement of questions sent to respondents in writing, where participants must also answer in writing. Simulin (2017) defined questionnaires as a document prepared scientifically or a document with questions prepared to get answers and collect data. Merriam and Tisdell (2015) further stated that the questionnaire refers to a sequence of questions used by the author to gather information from the study population. The researchers came to the conclusion that in order for the questionnaire to be effective, it must be short, clear and accurate, without distorting the purpose of the study. According to McKee (2015), accuracy was maintained because respondents were given the time and opportunity to respond without pressure. The questionnaires consisted of two types of questions, such as open and closed questions (Allery, 2016). Open questionnaire questions are free-form survey questions that allow respondents to answer in an open text format so that they can answer based on their full knowledge, feelings, and understanding. This means that the answer was not limited to a given set of options. According to Shrivastava (2016), a similar form of open-ended questions was asked to all participants, and this method provides a faster interview that allows the questioner to analyze and compare the collected data. Respondents are allowed to freely respond and view more detailed reviews. The author noted that some respondents provided data that they believe the interviewer wants to get, and gave biased information. Then, because of this, the researcher selected a sample interview with the supervisor of each class interval selected in this study. According to Young (2016) closed questions in the questionnaire, defined as a type of question in which respondents were asked to choose from a certain set of predefined answers among a variety of multiple-choice questions, in this case the author used Likert questions. This type of question was used by the researcher to collect quantitative data from respondents.

### **3.8.2 Likert Scale**

According to Bertram (2015), the Likert scale was defined as a tool used to assess the attitude of a group that asked the same set of questions, and the measurement was achieved by how a person agrees, disagrees, is not sure, or strongly agrees or disagrees. The presentation of the data using the Likert scale was reliable and easy to understand. The diagram below shows what the scale looks like. Respondents ' opinions are presented on the Likert scale with a check mark where they believe it is correct. The study used the Likert scale, which makes it easy to understand the information, takes less time, and is mostly suitable for a large population.

**Table 3.3 Likert scale**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Item** | **Strongly agree** | **Agree** | **Uncertain** | **Disagree** | **Strongly disagree** |
| **Points** | 5 | 4 | 3 | 2 | 1 |

**Source:** Bertram (2015)

### **3.8.3 Justification for the use of questionnaires**

* The questionnaires allowed the author to quote the opinions of respondents regarding their assessment of the nature, scope and impact of the internal audit contribution.
* The research tool helped in obtaining the most desired information by directing respondents to the areas that the author expected them to consider.
* The use of questionnaires makes it very easy to analyze and present data, as there is a standard template for the required information.

### **3.8.4 Interview**

Sometimes the questionnaire cannot accurately get other relevant data, because of this, the author decided to use the interview method. According to Walliman (2016), an interview is defined as a discussion of the relevance of certain questions to answering a research problem. According to Pradis et al (2016), the interview, which was supposed to be very successful, was characterized by two-way communication, as it involves a question-and-answer meeting that talks about the interviewer's problems. The researcher noticed that there are various methods that are used to conduct interviews, such as face-to-face interviews, telephone interviews, and email. These types of interviews provide flexibility, as there is freedom to repeat or rephrase the question to make it more understandable to the selected respondents. According to Jamshed (2014), compared to the questionnaire, the interview provides a better opportunity to assess the reliability of the information provided. Hidden information about the participants ' experiences can be obtained through interviews, and can also be used to obtain even more data on the research topic according to (Cresswell, 2014). In this research, telephone interviews using open-ended structured questions was used.

### **3.8.5 Open ended questions**

According to Shrivastava (2016), a similar form of open-ended questions is asked to all participants, and this method provides a faster interview that allows the questioner to analyze and compare the collected data. Respondents are allowed to freely respond and view more detailed reviews. The author noted that some respondents provided data that they believe the interviewer wants to get, and gave biased information. Then, because of this, the researcher selected a sample interview with the supervisor of each class interval selected in this study.

## **3.9 Validity**

Lewis (2015) defined validity as the degree to which an instrument measures what was intended to be measured. According to www.explore.com (accessed 09/04/21 14.55) refer to the extent to which the tool measures what it was designed to measure and performs its work according to its design. The validity of the Todoma (2018) data was defined as the validity of the study, due to the ability of the research mechanisms to meet the requirements of the study and the applicability of the research results in the real world. In this study, the author used the following measures to ensure validity.

* The researcher achieved validity by conducting an experimental questionnaire study
* The researcher conducted follow-up interviews with management to give them an opportunity to comment and confirm the accuracy of the main results of the study
* The research objectives were used and established the research question, and was pre-tested for validation. The author interviewed questions and questionnaires to check for errors and grammar before were distributed.
* In this study, the researcher ensured the validity of the study by linking the question of both questionnaire questions and interviews to the research objectives of the study.

## **3.10 Reliability**

This refers to the extent to which data collection methods, such as tests, questionnaires, or any other measurement procedures, produce consistent results or the same results when retested as described www.compass.port.ac.uk (accessed 29/03/17 14.45) to ensure the validity of the study, the researcher used skepticism when analyzing the source of the collected data.

## **3.11 Ethical considerations**

Phanuel (2013) defined ethics as a way of life. The information gathering researcher respected the company's policies, procedures, and ethics, taking into account how employees might feel about the potential results and implications of the research. Some of the ethical considerations outlined was obtaining permission from senior management and granted prior to conducting the study. Participants were informed that they would contribute voluntarily, without being pressurized. In addition, the information collected will be treated with confidentiality, and the privacy of the respondents has been respected.

## **3.12 Data representation**

According to Kraus (2014), cited in Mataruse (2018), it was decided that a good representation of the data ensures its usefulness, and this allowed users to visualize, interpret, and draw informed conclusions on the issue at hand. The researcher collected the data and presented it in both qualitative and quantitative form, using the graphs, charts, and tables used to ensure clarity. Percentage analysis was also used to present the data according to the respondents ' responses, clearly showing how the conclusions were drawn. The data communicated with meaningful information through proper data presentation. As for the data collected during the interview, the analysis and conclusions were made by shifting towards generally accepted answers.

## **3.13 Data Analysis**

www.explore.com (accessed 09/04/21 17.00) defined data analysis as the process of consolidating data in such a way that it can be understood and critically analyzed for explanations, comparisons, and predictions of relationship variables. To transform the collected data into a meaningful configuration and analyze it correctly, the researcher used tables, graphs, and pie charts. The graphs and pie charts were compiled using Microsoft Excel.

## **3.14 Chapter Summary**

The chapter indicated the research method used by the author in carrying out the research. Defense for choosing research mechanisms used by the author were explained. The targeted population of this research was also debated and the sampling technique as well as its defense. Data gathering techniques were drawn and defensible. The next chapter shall be look at data analysis, presentation and interpretation.

# **CHAPTER IV**

**DATA PRESENTATION, ANALYSIS AND DISCUSION**

## **4.0 Introduction**

This chapter was concentrated on presentation and analysis of data of the objectives described in chapter one, reviewed literature in chapter two via the research methodology used in chapter three. The data was analyzed and presented using mixed data, which was collected using interviews and questionnaires. The results was diagrammatically presented and expressed in percentages for healthier valuation and the findings was interpreted to relate them to the objectives of the research. Conclusion by the researcher was based on this analysis.

## **4.1 Response rate Analysis.**

The researcher distributed 25 questionnaires and 22 were completed and returned, 3 were spoiled and not returned. The **table 4.1** shown below displayed the response rate of the questionnaires distributed by the researcher.

**Table 4.1 Response rate to questionnaire**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Descriptions** | **Targeted respondents** | **Completed and returned Questionnaires** | **Spoiled Questionnaires** | **Response Rate** |
| Members of the Audit Committee | 3 | 3 | 0 | 100% |
| Employees of the internal audit service | 4 | 4 | 0 | 100% |
| Finance department employees | 7 | 6 | 1 | 86% |
| Company management | 3 | 3 | 0 | 100% |
| Other employees | 8 | 6 | 2 | 75% |
| **Total** | **25** | **22** | **3** | **88%** |

**Source: Raw Data (2021)**

Taken from the 25 questionnaires circulated 3 out of 3 audit committee, 4 out of 4 internal auditors, 6 out of 7 finance officers, 3 out of 3 company managers and 6 out of 8 other relevant employees completed and returned the questionnaires. The author calculated the total percentage of the response rate by simply saying total number of answered and returned questionnaires over the total number of targeted respondents such as 22/25 which provide 88% which was above 60%. According to Finchman (2016) expressed that the response rate which considered to be above 60% regarded as useful since it represent a greater portion of the targeted population and it yield a better and reliable results.

## **4.2 Gender Participations**

The issued questionnaires to Delta Beverages Corporation employees regardless of gender. Questionnaires inquired the responded to show there sex, and got 13 out of the 22 returned questionnaire were males and 9 were females. As presented in Fig 4.1 shown below 59% (13/22) were males who responded to the questionnaires and 41% (9/22) were females who responded as well. The researcher discovered that the research organization was dominated by males.

**Figure 4.1** Gender participation

**Source: Raw Data (2021)**

## **4.3 Employee Qualifications**

The study necessitated respondents to have a knowledge about auditing and accounting, hence required to know the professional qualifications which was held by each respondent. The shown below graph showed DBCL staff’s educational and qualification levels so that validity and reliability of data be maintained.

**Figure 4.2** Employee qualification

**Source:** Raw Data (2021)

Figure 4.2 above showed 14% (3/22) of the respondents studying Accounting and 9% (2/22) studying Banking and Finance, 14% (3/22) holding a first degree in Banking and Finance and 22% (5/22) first degree in Accounting. Of the respondents, 9% (2/22) ACCA, CTA and CIMA and the 14% (3/22) CA. There was also none of the CIA. This shows that 77% of the respondents are qualified and can quickly understand and respond to the question asked in the questionnaires which made collected data reliable and valid to the research problem.

## **4.4 Work Experience**

**Table 4:2 Respondents work experience**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Years** | **Less than 1 year** | **1-5 years** | **5-10 years** | **Over 10 years** |
| The number of respondents | 5 | 4 | 8 | 5 |
| Relative percentage (%) | 23 | 18 | 36 | 23 |

**Source:** Raw Data (2021)

Work experience had a great contribution on the views and insights of the respondents with respects to management of risk and internal auditing. Most of DBCL staff were experienced in internal auditing and Accounting and also greatest number of them have work experience of more than 1year. The above table 4.2 showed that more than 50% of the respondents have work experience of at least 5 years meaning to say, the respondents have satisfactory experience to provide valid and reliable data for the study.

## **4.5 Interview Responses**

**Table 4.3 Interview response rate**

|  |  |  |  |
| --- | --- | --- | --- |
| **Responses** | **Interview Schedule** | **Interview Done** | **Response Rate** |
| Internal audit staff | 2 | 2 | 100% |
| Management | 2 | 2 | 100% |
| Finance department employees | 1 | 1 | 100% |

**Source:** Data raw (2021)

Table 4:3 above tabulated the response rate in respect of interviews. The interview guide had comprised of questions used in data collection related to the main objective of assessing the contribution of internal audit to attain organizational goals of DBCL. The internal audit team had 2 participants, 2/2 (100%) of the interviews were conducted fruitfully. 2 interviews were also scheduled for management but only 2/2 (100%). 1/1 (100%) was scheduled for Finance department employee. The whole response rate of the interviews was 5/5 (100%).

## **4.6 Management support and internal audit effectiveness**

The primary objective of the research was to consider how the helps of management support influences the contribution of internal audit in achieving its goals. Management support comprises of risk management, corporate governance and internal control system. The author disseminated questionnaires to Members of the Audit Committee, Employees of the IA service, Finance department employees, Company management and other employees in the organization who were considered to be relevant to the study and the interviews also conducted. The outcomes from the respondents are debated below.

**Figure 4.3** Management support

**Source:** Data raw (2021)

Fig 4:3 showed that 10 out of 22 (45%) strongly agreed that support of the management enriches the contribution of internal audit in goals attainment, 8 out of 22 (36%) simply agreed, 2 out of 20 (9%) were neutral on the view, 1 out of 20 (5%) disagreed and 1 out of 20 strongly disagreed (5%). Cumulatively 18 out of 22 agreed (82%) that is (10 out of 22 strongly agree + 8 out 22 agreed) to the view that support of management boosts effectiveness of internal audit contribution. The results showed that support of management were reliably and significantly related to internal audit effectiveness. Meaning the added management support to internal audit the more effective they performed. 4/5(80%) of the interview respondents also agreed that management support as the key determinate to effectiveness of internal audit contribution at Delta Beverages. With internal audit employees respondents from interviews arguing that management oversees their role of supporting internal function thus the main reason for the stationary development of internal audit occupation at Delta Beverages. This idea agreed with the findings of Alzeban and Gwilliam (2017) who found a positive liaison between the effectiveness of IAC and MS. 2 out of 22 (9%) provided a neutral standing on the idea and which means respondents found support by management to internal audit to be two edged. That was because management support can correspondingly have a helpful effect or have an adverse effect on the effectiveness of IAC. That was because management support on its own cannot assurance the effectiveness of IAC. This idea agreed with the discoveries of Endaya and Hanef (2016) who discovered that support from management has a moderate impact on the effectiveness of IAC. That was because the relationship that exist between IA effectiveness on its contribution and support from management considered as dependent upon other variables, not just only between IA and MS. An aggregate of 1 out of 22 (5 %) disagreed on the idea meaning to say that any support from the management to IA was somewhat disruptive to IAF as management intervention with their occupation generates hurdles. This agreed with findings of Bahera *et al* (2017), discovered that complete support of the IAF by management might compromise objectivity and actions on the role. Thus generating an interference on the achievement of IAC due to lack of objectivity.

The results suggests that 18 out of 22 (82%) of the returned questionnaire the respondents responded that management support improves the effectiveness of IAC. Interview findings further supported with 4/5 (80%) interview respondents agreed that management support boosts IAC. Thus formed the modal response of this goal meaning to say that any support from management, positively affected effectiveness by IAC. Management support significantly related to internal audit contribution in achieving the organizational goals and it increases internal audit‘s value addition towards organizations. This findings, Nakabuye *e tal* (2017) found that IA must receive satisfactory support from company management. Once management does not fully support and does not take the function seriously it defeats the purpose of having internal audit in an organization.

### **4.6.1 Risk management and effectiveness of internal audit contribution**

The research required to establish and determine whether management support of risk management influences the value of IA contribution. The perception were debated by different scholars who failed to reach an agreement concerning to risk management and IAF, so the aim of the study is to institute whether the value of IA was enhanced at Delta Beverages through support by management in risk management.

**Figure** 4.4 Risk management

**Source:** Data raw (2021)

Table 4:4 above shows that 12 out of 22 (55%) strongly agreed that risk management improves the effectiveness of internal audit contribution (IAC), 7 out of 22 (32%) just agreed, 2 out of 22 were neutral demonstrating 9% and 1 out of 22 (4%) disagreed. And no one strongly disagreed. In total those who agreed became 19/22 (Strongly agreed + agree) 86%. This denotes that IAC boosted by risk management. Risk management aids IAC in such a way to enhance its value in achievement of organization objectives. The results of those who agreed, matched with results of Feizizaden (2016) who discovered that an effective IA has assessed risk being faced by the organization and built an audit plan to measure them. The neutral respondents decided not that risk management improves effectiveness IAC. This indicates that even though risk management improves value internal audit contribution this effort may not be resourcefully used as anticipated. These discoveries was in agreement with the results of Rensburg and Coetze (2016) who discovered that although management ponder internal audit‘s responsibility in risk management as usefulness of the function they do not describe the function as the key for change, chiefly because of lack goals concentrating on positive change. The results found that 1 out of 22 (4%) disagreed this meant that IA has not yet familiarized itself with the use of risk management in its job hence tough to appliance it to ensure value. That was in line with the discoveries by Coetze and Lubbe (2017) who discovered that risk management has not been used as contribution in planning phase, the process has not yet been fully implemented thus granting ineffective towards internal audit effectiveness.

### **4.6.2 Internal Control and effectiveness of internal audit contribution**

The intention of this part was to determine whether management use of internal control system as a mechanism to effectiveness of IA considered to be effective. The incidences and rate responses are presented beneath:

**Figure** 4.5 Internal control

**Source**: Data raw (2021)

The discoveries on figure 4.5 showed that 9 out of 22 (41%) strongly agreed, while 8 out of 22 humbly agreed (36%), 2 out of 22 gave a neutral response (9%). Of all the respondents only one disagreed, rated 1out of 22 (5%) and also 2 out of 22 (9%) strongly disagreed.

Cumulatively 17 out of 22 (77%) agreed that internal control systems assistance improves the value of internal audit contribution at Delta Beverages. This shows that internal controls systems established by company management surely affects the value of IAC because by improving these controls the task was serving its purpose and creating its value addition .The bigger percentage of respondents who agreed were stick to results carried out by D’Onza *et al* (2016) who discovered that organizations internal control system was meaningfully and definitely related with the value IA adds to the organization through accepting an organized approach of improving and evaluating internal controls the organization to attain its effectiveness. The neutral respondents on the notion were 2 out of 22 (9%). This meant respondents did not 100% agree that internal control system positively impacts internal audit contribution. This matched with the discoveries of Lenz *et al* (2014) cited in Mahachi (2018) gave an neutral standing on the idea stated that there was no clear defined relationship between the two as internal control systems (ICS) has quite a number of different aspects which vary in connotation in unlike circumstances and interpreted in a different way. The summative of 14% disagreed (1 disagree + 2 strongly disagree) symbolized those who disagreed. These respondents showed that, there were no positive relationship concerning effectiveness of IAC and ICS. Outcomes of those who disagreed were agreed by Michael (2016) who found in his research that internal controls are prone to inherent limitations thus not guarantee sufficient to improve value of internal audit contribution.

The 77% (17/22) formed the modal reply of this objective meaning that ICS put in place by organizational management enriches the value of IAC. This lined Hanafi and Steward (2015) discoveries in their research, more than half of study population was of the opinion that ICS help improve the effectiveness of internal audit contribution.

### **4.6.3 Corporate Governance**

**Table 4.4 Corporate governance**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Descriptions | Strongly agree | Agree | Neutral | Disagree | Strongly disagree |
| |  | | --- | | Frequency | | 8 | 5 | 4 | 4 | 1 |
| % Response rate | 36% | 23% | 18% | 18% | 5% |

**Source:** Data raw (2021)

The discoveries in the above table shows that 8 out 22 (36%) strongly agree and 5/22 (23%) simply agreed of all respondents, 4/22(18%) were neutral, And 4/22 (18%) disagreed. Only 1 out of 22 (5%) strongly agreed.

Cumulatively 13 out of 22 (59%) are those who agreed (8 strongly agreed a+ 5 agreed). These respondents approved that good corporate governance by company management confidently improves effectiveness of internal audit contribution. This denotes that were in agreement with discoveries of Dellai and Omri (2016) who discovered that there were constructive association between corporate governance and internal audit contribution, internal audit task wishes to add worth to the organization and management by assessing and improving effectiveness of governance. 4 out of 22 (18%) had a neutral standing on the idea they did not in their entirety agree that corporate governance improves effectiveness of internal audit contribution. This was in line with the discoveries by Hay *et al* (2017) who discovered that the influence of corporate governance on IAC seemed not straight forward, to some extent blameless auditing will lead to recommendations that will lead to good governance and otherwise good governance leads to effective IAC. Currently, in this research 5/22 (23%) disagreed (4 disagreed + 1 strongly disagreed.) These respondents found no positive relationship between corporate governance and internal audit contribution. This agreed with the discoveries by D’Onza (2015) who discovered that there was no remarkable relation between corporate governance and internal audit contribution. There was still have confusion on the role of IAF inside corporate governance, agency theory still very much alive thus it’s involved in governance was not measured as effectiveness of task.

The 59 % (13 out of 22) made the modal response of this objective denotation that corporate governance positively improves internal audit contribution. This agreed with the outcomes of Rensburg and Coetze (2016) who discovered that corporate governance positively affects internal audit contribution with governance structure element with the highest achievement rate in the internal audit ability model. The effectiveness of IA contribution involves the attainment of objectives, corporate governance being one of the objectives thus making IA the key participate in corporate governance.

## **4.7 Organizational independence**

The second objective of the research was to examine how the degree of independence given to internal audit influence internal audit contribution. And the factors affecting independence of IA that was use of IA as a MTG and internal auditors and audit committee relationship.

**Table 4.5 Organizational Independence**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Descriptions | Strongly agree | Agree | Neutral | Disagree | Strongly disagree |
| |  | | --- | | Frequency | | 12 | 5 | 3 | 1 | 1 |
| % Response rate | 54.6% | 22.7% | 13.6% | 4.5% | 4.5% |

**Source:** Data raw (2021)

The table 4.5 above showed that: 9 out of 22 respondents strongly agree (55%), 5 out of 22 agree (23%), 3 out of 22 (14%) provided neutral standing on the view of independence of internal audit, 1 out of 22 (4% disagreed and 1 out of 22 strongly disagreed (4%).

Cumulatively 17 out of 22 (77%) are those who agreed (12 strongly agreed and 5 agreed) that organizational independence of the internal auditors absolutely improves the effectiveness of internal audit contribution. The extra independent the job enhance the more effective of its contribution. 4/5 (80%) of interview respondents agreed with the notion advocating that “*Internal audit should have a point of view that should not be questioned as prejudice in any matters what so ever”*. This was supported by discoveries of Alzeban and Gwilliam (2016) who discovered that internal audit independence was of supreme worth in providing current internal audit provision, for it needs an atmosphere of objective and restrained appraisal and reporting of findings without impact from components examined. 3 out of 22 offered a neutral reply with an objective standing on the view .These respondents did not entirely agree that organizational independence improves internal audit contribution since considered to be debatable as it might or it might not. This reviewed in line with the discoveries by Roussy and Brivot (2016) who established internal audit independence was crucial superiority to internal audit contribution but yet an idealistic and unrealistic quality. The combined of 1 out of 22 (4%) disagreed (1 out 22 disagree + 1 out 22 disagree) that organizational independence increases internal audit contribution. Supported by 1/5(20%) interview respondent rate disagreeing with the notion arguing that *“It is impossible to have independence as internal audit function because of the position of internal audit in organizational structures but it does not mean ineffectiveness*.” It implies that they found no relationship between the dual. This was agreed with the discoveries by Alzeban and Sawan (2017) who discovered that there was significant gap between theoretical and the actual reportage arrangements thus it difficult to have complete independence for internal audit function thus despite this lack of independence internal audit function should be effective.

Overall 17 out 22 (77%) of the questionnaires and 4/5 (80%) of the interviews respondents strongly agreed that organizational independence of internal auditors improves internal audit contribution. Founding the modal response of the goal meaning that organizational independence of the internal auditors develops internal audit contribution. This agreed with the outcomes researched by Muqattash (2017) who discovered that internal audit activity in an organization should be independent process and professionals of internal audit who perform should remain objective if the organizations want to attain greatly active examination.

### **4.7.1 Factors Affecting Organizational Independence of Internal Auditors.**

The current research observed at two factors which affecting the organizational independence of IA. The first factor looked at how the use of IA as a MTG affects independence OF internal auditors. The second factor looked at the effect of IA and AC relationship affects independence.

### **4.7.2 Management Training Ground.**

**Figure 4.6** use as MTG and independence

**Source:** Data Raw (2021)

The data on table above reveals a population of 14 out of 22 (64%) strongly agrees, 5 out of 22 (23%) simply agrees, 3 out of 22 (14%) were neutral and none of the either disagreed or strongly disagreed.

Cumulatively 19 out of 22 (86%) that made up of (14 out of 22 (64%) + 5 out of 22 (23%) approved that the use of IA as a MTG affects internal audit independence (IAI). This means that IA used as MTG are less independent Consistent with the findings of Bartlett (2017) and Christ *et al* (2015) MTG internal auditors are likely to be less independent as their decision would be compromised because they wanted to safeguard their interests. 0% disagreed with the opinion that use of IA as a MTG affects internal auditor’s independence. This meant that respondents totally disagreed that internal auditors become less independent if used as MTG. This is constant with results of Carcello *et al* (2018) and Audousset-Coulier (2016) who discovered that internal auditor independence was not compromised by use IA as MTG but rather management rely more on MTG auditors than Non-MTG recommendations as they are perceived to have a more natural ability to problem solving. 3 out of 22 (14%) were neutral, they did not agree in all entirety that the use IA as MTG affects their independence management they gave impartial standing on the idea. This meant that study respondents were not sure whether it does affect or not. 19 out of 22 (86%) made the modal reply of the objective, meaning that the uses of IA as a MTG impairs the auditor independence of IAs. This line with the discoveries Rose *et al* (2016) who found that IA used as MTG‘s independence is compromised because IA are more probable admit aggressive accounting policies encouraged by senior management when they are expecting to be promoted to managerial position.

### **4.7.3 Audit committee**

**Figure 4.7** Audit committee and Audit relationship and independence

**Source:** Data Raw (2021)

The figure 4.6 shown above 16 out of 22 (73%) strongly agreed that the audit committee relationship with internal audit contribution certainly improves IA independence, 4 out of 22 (18%) objectively agreed, 2 out of 22 (9%) provided a neutral answers on the idea, nobody neither agreed nor strongly disagreed that IA liaison with AC positively improves IA independence.

Cumulatively 20 out of 22 (91%) agreed that was (16 out of 22 strongly agree + 4 out of 22 agrees). 91% of the participants agreed with the idea that internal audit relationship with AC improves independence of IA. This meant that AC relationship with IA promoted the independence of IAs. This was consistent with outcomes of Korir (2017) who discovered that IA should have direct communication with audit committee which reinforces the organizational status of IA, permits provision and freedom of access to resources organizational and ensures there is no impairment of independence. 2 out of 22 presented a neutral standing on the view.

These respondents were not sure whether this relationships helps ensure the independence of internal auditors or not .None of them who disagreed .This means that respondents did not disregard the fact that AC liaison with IAs improves auditor independence. This doubtful the discoveries of Vasile and Mitran (2016) and Church *et al* (2015) who disputed that the survival of AC does not mean job has independence or the organization will function effectively. 20 out of 22 formed the modal response of the objective meaning that the relationship between AC and AC function improves the function‘s independence. This is line with findings of Alzeban (2015), Kaman (2014) and Zhou and Zinyama (2012) who supports this notion stating that audit committee relationship with internal audit has a significant role in enhancing organizational independence of IAC.

## **4.8 Staff Competency**

The third goal of the research investigated how staff competency of internal auditors affects the effectiveness of internal audit contribution.

**Figure 4.8** Staff competency

**Source**: Data Raw (2021)

Cumulatively 17 out of 22 (77%) (9 out of 22 strongly disagree + 8 out of 22 agree) agreed that staff competent improves the effectiveness of internal audit contribution. All interview respondents responded that staff competency improves the effectiveness of internal audit contribution. 5/5 (100%) of internal audit staff agreed and arguing that “I*nternal audit refers to profession that you certainly not halt education and this will make you more competent and better at your work”.* And the managers supported the notion and stated that “*Internal auditors should challenge themselves more through conducting gap analysis of the required competencies to make their participation more effective”* This notion meant that the further competent internal audit staff that DBCL’ shires the more effective their internal audit .This was consistent with discoveries of Nakabuye *et al* (2017) who discovered that competency has a positive relationship with effectiveness internal audit stating that internal audit competency increases compliance with audit plans and making clear reports to management and audit committee to ensure proper communication enhance an effective internal audit function. The outcomes further exposed 3 out of 22(14%) gave a neutral standing on the notion. From this it is construed that the respondents were not very sure of the required competency level required of internal auditors. These discoveries are in line with Fourier *et al* (2013) quoted in Mahachi (2018) who discovered that internal audit competency as important although seemed to be unclear and inconsistent, they were relatively high level of confusion and discrepancy between guidance‘s common levels and management of what is appropriate for staff. 2 out of 22 (9%) disagreed .This denoted that staff competency does not safeguard the effectiveness of internal audit contribution supported by Bonney (2015), who found that internal audit function competency was not assurance sufficient that it would lead to an effective contribution of internal audit function.

17 out of 22 (77%) of the questionnaire respondents and 5/5 (100%) of the interviewed respondents agreed that staff competency contributed to the effectiveness of internal audit contribution. Consequently, founding the modal response of the unbiased meaning that staff competency improves the effectiveness of internal audit contribution. This notion agreed with discoveries of Abbott *et al* (2012) cited in Mahachi (2018) who reasoned that more experienced internal auditors conducted best practices and also produce better outcomes, proving the importance of their competency. Grounding on the modal frequency of 17/22 of those who agreed that the researcher shows that staff competency surely supports or improves the effectiveness internal audit in an organization.

### **4.8.1 Technical Skills**

**Figure 4**.9 Technical skills

**Source**: Data Raw (2021)

The above data shows that 11 out of 22 (50%) strongly agreed that technical skills on IA guarantees effectiveness of internal audit contributions, 6 out of 22 (27%) just agreed, 3 out of 22 (13%) furthermore gave a neutral reply, 1 out 22 (5%) disagreed and strongly disagreed.

Cumulatively 17 out of 22 (77%) that is (11 out of 22 strongly agree + 6 out of 22 agreed) agreed that technical skills of internal auditors supports the effectiveness of internal audit contributions. This denoted that the well-equipped internal audit with technical skills improves the success of IAC because they would be good at their graft. This was in line with discoveries of Alzeban and Aswan (2013) cited in Mahachi (2018) who discovered that staff competency was vital key to the effectiveness of internal audit contributions disagreeing that absence of competency of IA staff was understood as one of the reason of lack of an audit plan thus no clear direction of goal achievement tool. 3 out of 22 presented a neutral standing of IA competency on role‘s effectiveness. These respondents were not sure whether technical skills does improve the effectiveness of internal audit contributions or not. That was line with the discoveries of Fourier *et al* (2013) and Mahachi (2018) they did not discover a clear standing stating that competency and skills addressed in several brochures failed to share a common set of meaning as a result direct and serious moment this message send to IA managers that they have confusion in their skills and competency. 1 out of 22 (5%) disagreed and also strongly disagreed .That was because they found no important effect of technical skills on the effectiveness of IAC. Reinforced by Dehali and Omri (2016) who instituted no noteworthy liaison between internal audit competency and effectiveness of IAC. Disagreeing that IA and IA competency be influenced by supervisory characteristics than on requirement or qualification.

17 out of 22 (77%) molded the modal reply of the goal sense that the more technical skills the internal audit keeps the more active the internal audit contribution .This notion was in line with discoveries by Ussahawanitchawit (2012) and Mahachi (2018) who agreed that internal audit workforce‘s technical skills guarantees internal audit contribution to be effective, there was need for the function to be fully prepared with knowledgeable and proficient staff to be able to make changes that will value the organization. The modal answer was revealing to the researcher to be in promise that internal audit staff technical skills was significant to ensure real internal audit function.

## **4.9 Chapter Summary**

This chapter was concentrated on data presenting and analyzing which was collected from the study field via both questionnaires and interviews. The analysis assisted the author to provide meaningful conclusions and established viable recommendations presented in the next chapter.

# **CHAPTER V**

**SUMMARY, CONCLUSIONS AND RECOMMENDATIONS.**

## **5.0 Introduction**

The prior chapter focused on the presentation and analysis of data derived from primary data collected through questionnaires and interviews, as well as secondary data take out from journals and brochures. This chapter provided a summary of the research, provided conclusions, and outlined recommendations and areas for further study.

## **5.1 Major Findings**

**To determine the impact of management support to effectiveness of internal audit contribution.**

* From the research outcomes, the researcher established that management support enriches the effectiveness of internal audit contribution. That was support through risk management, corporate governance and internal controls. Evident from the modal class of responses in agreement from the questionnaires which ranged from 86% to 59% and all respondents from the interviews that agreed that management support improves the effectiveness of internal audit contribution. It Indicates that the more the support from management the more the effective internal audit contribution. The data collected from the interviews, the respondents stated that DBCL’s management has not been fully supportive to the function thus the function’s inability to operate to its fullest.

**To examine how the degree of independence granted to internal audit influence the contribution of internal audit.**

* It was found that lack of organizational independence of internal auditors reduces internal audit effectiveness .With 77% of the returned questionnaires, the respondents were in agreement with the notion that lack of organizational independence reduces the effectiveness of internal audit contribution. This was concluded by the interviewing the respondents and all agreed that the lack of organizational independence of internal audit reduces the effectiveness of its contribution towards the attainment of its targeted goals.

**To ascertain the impact of the competence of employees of the internal audit service on achieving the effectiveness of IAC.**

* The current researcher discovered that staff competency of internal audit support the effectiveness of contribution offered by internal auditors. In comparing this with other prior researchers, agreed on the same idea that internal audit staff competency improves the effectiveness of its contribution and the current research also agreed. With a modal response of 77% from the questionnaires and all interviews done, respondents agreed that staff competency of internal audit enhance the effectiveness of IAC.

## **5.2 Recommendations**

The Organization should consider conducting a review of the organizational independence of internal auditors .This review will help ensure that internal auditors are always independent and give an unbiased view of their work. The more independent they are, the more effective their contributions is.

The DBCL internal audit function should try to use benchmarking as a tool to assess how other internal audit functions in their sector (PMOs) are performing, and they are adopting these best practices to improve their own effectiveness.

The management of the organization should strive to ensure that it always fully supports the internal audit contributions. To achieve their goals, they both need to work together.

## **5.3 Suggestions for further study.**

The researcher recommends further investigation of ways to mitigate problems related to factors affecting the effectiveness of internal audit contribution, including management support, staff competence, organizational independence, and management control systems.

## **5.4 Summary**

This chapter presented the overall outline of the study, which highlighted all the chapter summaries of each chapter, the main findings, conclusions, and recommendations .It also suggested spaces for further research.

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Bindura University of Science Education

P. Bag 1020

Bindura

Dear Respondent

**RE: REQUEST FOR RESPONSES TO A QUESTIONNAIRE**

My name is **B1748472**, I am a student of Bindura University of Science Education (BUSE), and I am doing a Bachelor's degree in Accounting. I am currently conducting a study titled "**Assessing the contribution of internal audit in achievement of organisational goals**”

This is being done in partial compliance with the requirements of the degree program. You have been selected to participate in the study, and you are requested to take a few minutes of your time to answer the questions presented. I guarantee that your answers will be used only for academic purposes, and any information provided will be treated with the utmost confidentiality

Your absolute integrity and cooperation in answering the following questions will be highly appreciated. If you have any questions or concerns, please feel free to contact **B1748472** at **0778265127**.

The Researcher (**B1748472**) The Respondent

Signature ……………………. Signature………………..

**Questionnaire**

**APPENDIX 1**

**Instructions**

a) Please respond to all the questions below.

b) Answer where applicable, either by ticking the ‘‘respect’’ box for answer, or by briefly explaining where spaces are provided.

c) There is no right or wrong answer, so please give the answer that is closest to your opinion.

d) Please note that participation is purely voluntary and withdrawal from participation is at your discretion.

e) Please note that all your responses will be treated with strict confidentiality and the study will be used for academic purposes only

**Section A: Demographic Information (Tick where appropriate)**

1. **Gender Male Female**
2. **Age Range 20-30  30-50  Above 50 **
3. **Indicate your position in the organisation**

**Auditor **

**Senior Management **

**Accountant **

**Account and Finance personnel **

**Others  Specify …………….**

1. **What is your highest level of education?**

**PHD **

**Masters **

**Undergraduate **

**Diploma **

**Other (Kindly Specify) **

1. **How long have you been working in the organisation?**

**Less than one 1 year **

**1 - 5 years **

**6-10 years **

**Above 10 years **

**SECTION B: RESPONSES TO RESEARCH OBJECTIVES AND QUESTIONS**

**MAIN OBJECTIVE:** To assess the contribution of internal audit in achievement of organizational goals.

1. **Do you have knowledge or any information about internal audit of your organisation?**

**Yes  No **

1. **If the answer is yes please indicate the choice of your answer by checking the appropriate box from the questions shown on a sub-objectives below.**

**Sub-objective 1: To examine the contribution of management support to the contribution of internal audit.**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Factor** | **Strongly Disagree** | **Disagree** | **Neutral** | **Agree** | **Strongly Agree** |
| a). Management support improving the effectiveness of internal audit contribution | **1** | **2** | **3** | **4** | **5** |
| b). the role of internal audit in risk management contributes to the effectiveness of the function | **1** | **2** | **3** | **4** | **5** |
| c). the role of internal audit in monitoring and evaluating control mechanisms contributes to improving their effectiveness | **1** | **2** | **3** | **4** | **5** |
| d). the role of internal audit in governance contributes to the effectiveness of internal audit | **1** | **2** | **3** | **4** | **5** |

**Sub-objective 2: To examine how the degree of independence granted to internal audit influence the contribution of internal audit.**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Factor** | **Strongly Disagree** | **Disagree** | **Neutral** | **Agree** | **Strongly Agree** |
| a). independent internal audit is more effective | **1** | **2** | **3** | **4** | **5** |
| b). the use of internal audit as a basis for management training affects the internal auditor's independence | **1** | **2** | **3** | **4** | **5** |
| c). internal audit function the relationship with the audit committee promotes independence | **1** | **2** | **3** | **4** | **5** |

**Sub-objective 3: To study the impact of the competence of employees of the internal audit service on achieving the effectiveness of internal audit.**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Factor** | **Strongly Disagree** | **Disagree** | **Neutral** | **Agree** | **Strongly Agree** |
| 3a). the competence of the staff in the field of internal audit contributes to the effectiveness of internal audit | **1** | **2** | **3** | **4** | **5** |
| b). the technical skills of internal auditors help to improve the effectiveness of the internal audit function | **1** | **2** | **3** | **4** | **5** |
| c).The current COVID-19 pandemic negatively affects the competence of internal auditors to achieve their goals | **1** | **2** | **3** | **4** | **5** |

**APPENDIX 2**

**SECTION C: INTERVIEW GUIDE FOR DELTA EMPLOYEES**

The interview questions ask for your opinion, opinions and comments on the subject of evaluating the contribution of internal audit to Delta. Your contribution will be treated with the highest level of confidentiality and will only be used for academic purposes.

**Questions**

1).What is management's contribution in supporting internal audit to ensure the effectiveness of the function?

…………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………

2). Is the internal audit department an independent function?

………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………

3). Are the employees of the internal audit service competent?

………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………………

**Your corporation is very grateful and greatly appreciated. Thank you.**