

BINDURA UNIVERSITY OF SCIENCE EDUCATION

FACULTY OF COMMERCE

DEPARTMENT OF BANKING AND FINANCE



**Determinants Of Internal Audit Effectiveness: A Case Study Of Bindura
Municipality.**

BY

B193425B

**A DISSERTATION/THESIS SUBMITTED IN PARTIAL FULFILMENT OF
THE REQUIREMENTS OF THE BACHELORS OF BANKING AND
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DEDICATION

Dedications goes the almighty for this report not forgetting the most wonderful people in my life, my family, Benhildah, Me ,Brain , Luke, Kudzanai. Special dedication goes to my mother and my father. I Love You All.

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ABSTRACT

This research sought to investigate the determinants of internal audit effectiveness at the Bindura Municipality. The specific objectives of the study were to investigate; the contribution of management support, organizational independence, adequate and competent internal auditors staff and approved internal audit charter to Internal Audit Effectiveness. Theoretical, conceptual and empirical literature was presented to aid the understanding of the issues under study. The research philosophy that guided the research was the post positivist research philosophy. The study adopted descriptive survey design in the form of a questionnaire survey and an in depth interview survey. The target population for the questionnaire survey was internal A-auditors and other workers whereas managements were selected for the in-depth interviews. Purposive and convenience sampling techniques were used to selected respondents for the depth interviews and questionnaire survey respectively. A sample size of 30 employees and other management staff were selected for questionnaires and internal auditor, town clerk, accountant, finance manager and credit control manager were selected for the interviews. According to the correlation output management support, organizational independence of internal auditors, the existence of adequate and competent IA staff and the availability of approved IA charter contributed to internal audit effectiveness at Bindura Municipality. Top management at Municipality need to put in place proper structures and resources to facilitate the efficiency and effectiveness of the IAFs. There should be training and hiring of IAF staffs with IT skills. In the same vein, IAFs need to be resourced with the required number and composition of staff so that it can manage the different risks that the organizational faces. Bindura Municipality should maintain the approved IA charter and workable manuals for their office because it directs the overall activities of the internal auditors in line with IIA standards and the office policies and guidelines. Further research could examine factors that influence the motivation of Internal Auditors in provinces.

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LIST OF ABBREVIATIONS

AC: Audit Committee

ACCA: Association of Certified Chartered Accountants

OECD: Organisation for Economic Co-operation and Development

IA: Internal Audit

IAA: Internal Audit Agency

IAFs: Internal Audit Functions

IAMs: Internal Audit Managers

CHAPTER 1

INTRODUCTION

1.1 Introduction

In this chapter, information about what factors affect the effectiveness of internal audits at Bindura Municipality in Mashonaland Central Province is presented. It also discusses the issue being studied, the goals and objectives of the study, and the assumptions and importance of the research. Additionally, the chapter covers the scope and restrictions of the study.

1.2 Background to the Study

Organizations today face various pressures from both internal and external factors, including professional standards, economic pressures, socio-political considerations, and international laws. Due to the constantly evolving nature of the corporate environment, the effectiveness of the internal audit function (IAF) has become a major concern for many organizations. These environmental factors present both opportunities and challenges to organizations, depending on the strengths and weaknesses of their internal structures and operations Hass et al (2006).

In the same breath, Ahmad (2015) argues that significant improvements in IAFs with a greater focus on internal audit (IA) effectiveness were required as a result of current advances in governance needs and environmental changes. IA is a strategic corporate governance tool used in modern organizational settings Anderson et al (2010), and as organizations have grown more complex, its functions have significantly expanded Chambers et al (2015).

In 1941, the Institute of Internal Auditors (IIA) was established in New York to promote standardization and development of a shared knowledge base, which led to greater recognition of internal auditors as professionals worldwide Papageorgiou et al (2012). Since then, internal auditing has become a crucial part of management in both public and private sectors. Consequently, the IIA updated its definition of internal auditing in 1999 to reflect its significance. The new definition states that internal auditing is an independent, objective assurance and consulting activity that adds value and improves an organization's operations. By applying a systematic and disciplined approach to review and improve risk

management, control, and governance processes, it helps the organization achieve its objectives.

IA is consequently helpful for all kinds of organizations, but it is especially helpful in the public sector where it is more difficult to measure objectives. The literature notes that historically, public sector internal auditing expectations were lower than those in the private sector. Internal auditing, though, is now a vital part of public sector governance. However, given its strategic importance in today's management requirements, internal auditing has emerged as a crucial element of public sector governance Asare (2009). Barrett (2002) asserts that by focusing on corporate governance in particular, public sector reforms have greatly lowered the gap between the two sectors.

1.3 Statement of the problem

The effectiveness of internal audit is a critical factor for ensuring the efficient and effective operation of an organization Mihret et al (2007). However, there is lack of consensus on the determinants of internal audit effectiveness, which rises concerns about the ability of internal audit to identify and mitigate risk and ensure compliance with regulations.

To address this gap, there is need to conduct research to identify the determinants of internal audit effectiveness and understand how these determinants impact the effectiveness of internal audit. This research will contribute to the development of a framework of assessing internal audit effectiveness and help organizations improve their internal audit practices. To achieve, a case study approach will be employed to examine the internal audit function of Bindura Municipality and identify the determinants of its effectiveness. The findings from this research will provide insights into the factors that contribute to internal audit effectiveness and inform the development of best practices.

1.4 Purpose of the Study

The study sought to investigate the determinants of internal audit effectiveness at Bindura Municipality.

1.5 Research Objectives

The study sought to test the following objectives:

1.5.1 To examine the contribution of management support to Internal Audit Effectiveness

1.5.2 To determine the contribution of organizational independence of internal auditors to Internal Audit Effectiveness

1.5.3 To examine the contribution of adequate and competent internal auditors staff to Internal Audit Effectiveness

1.5.4 To examine the contribution of the approved internal audit charter to Internal Audit Effectiveness.

1.6 Research Questions

What the research has proposed to answer the following research questions;

1.6.1 What are the contributions of management support to internal audit effectiveness?

1.6.2 What are the contributions of organizational independence of internal auditors to Internal Audit Effectiveness?

1.6.3 What are the contributions of audit staff to the effectiveness of Internal Audit?

1.6.4 What are the contributions of the internal audit charter to the effectiveness of the Internal Audit system at Bindura municipality?

1.7 Research hypotheses

To attain the above objectives, the following hypotheses will be tested:

H1: Management support is positively related to Internal Audit Effectiveness

H2: Organizational independence for internal auditors is positively related to Internal Audit Effectiveness

H3: The presence of adequate and competent IA staff is positively related to Internal Audit Effectiveness

H4: The availability of approved IA charter is positively related to Internal Audit Effectiveness

1.8 Significance of the study

The area of the study has become a very much cause of concern to several stakeholders. Once the problem is reduced or solved, various groups and stakeholders as stated below to benefit:

Studying internal auditing practice in developing nations like Zimbabwe could lead to a greater understanding of IA, an increase in the development of knowledge in internal auditing areas, and the ability to maximize organizational performance. As developing nations have a greater need to develop their national economies, this would support the development of the national economy.

Additionally, the empirical data from this research was crucial for Bindura Municipality to review their policies and procedures. By evaluating the characteristics that impact the local internal audit effectiveness, this research will be extremely important.

The practical issues affecting the efficacy of internal audit at Bindura Municipality may be resolved for practitioners. The study's findings might inspire suggestions to enhance any weak points identified by the empirical survey.

It will advance academics' comprehension of the variables affecting IA efficacy. The study will be useful for developing conceptual literature for future scholars.

1.9 Assumptions

- It will be presumed that there are functional internal audit systems at Bindura Municipality.
- Determinants of internal audit effectiveness can be delineated.

1.10 Delimitation of the Study

Geographically, the study was carried out at Bindura Municipality, Mashonaland Central Province. The subject matter of the study will be the determinants of internal audit effectiveness at Bindura Municipality. I have managed to have other information during my attachment at Micro-plan financial services as Bindura Municipality is one of its partners.

1.11 Definition of Key Terms

Internal auditing: is a methodical and impartial review of information, financial statements, accounting records, operations, and performances of an enterprise with a view to determining their veracity and fairness Butcher et al (2013).

Effectiveness: is the ability to achieve outcomes that are congruent with goals Arena et al (2009).

Internal audit charter: is a formal document that details the intent, scope, and obligations of an activity (IIA, 2001).

1.12 Limitations of the Study

- Lack of cooperation from respondents

A number of respondents may not cooperate. People at the institutions are not used to the culture of research. It will take a lot of effort to convince them the usefulness of research.

- Confidentiality

Usually respondents withhold information citing confidentiality issues.

1.13 Ethical Issues

The following steps were taken during each stage of data collection to guarantee that an ethical procedure is followed. These actions include:

- Plans for questionnaire and interview question sessions are unbiased and impartial.
- Before filling out questionnaires or answering interview questions, respondents and participants will be fully informed, and they are requested to recognize the process and release the results for study.
- Because all results are stored centrally in a safe location, confidentiality of results or feedback is guaranteed.

1.14 Budget

Table 1.1 Research plan

| Item | Amount us\$ |
|--------------------------------|--------------------|
| Transport | 10.00 |
| Stationery | 10.00 |
| Statistician | 30.00 |
| Typing & printing | 40.00 |
| Data Bundles | 50.00 |
| Food & refreshments | 25.00 |
| Total | 165.00 |

Source: Researcher's Work

1.15 Chapter Organization

Chapter 1: Introduction

The study on the factors affecting internal audit effectiveness's first chapter served as an introduction to the topic (IAE). The study's history, problem statement, goals of the research, and hypothesis were all covered. The chapter also described the study's objectives, definition of key words, significance, underlying presumptions, and restrictions.

Chapter 2: Literature review

The literature review in regards to internal controls and revenue collection were covered in this chapter. The theoretical foundation that underlies the investigation was also covered in the chapter. Then, the idea of internal audit effectiveness's determinants was developed. Then, a presentation of empirical literature on internal audit effectiveness followed. The chapter will also identifies research gaps.

Chapter 3: Research methodology

The research approach used to gather and analyze the study's data was the main topic of Chapter 3. The study will use a sequential mixed-methods design, which maximizes the benefits of qualitative and quantitative approaches while minimizing their inherent drawbacks. Data analysis was done using the Statistical Package for Social Sciences (SPSS). The chapter's conclusion covers methods for boosting validity and dependability.

Chapter 4: Data Presentation, Analysis, Discussion and Interpretation

The results from the bio-data and background information was included in this chapter. The results were provided as frequencies, tables, and figures inside the chapter. The study's findings will be explained via narrative discussion.

Chapter 5: Summary, Conclusion and Recommendations

A summary of the study's theoretical and applied contributions are given in Chapter 5. Additionally, it specifies the study's conclusions and suggestions derived from its findings. The recommendations for additional research will also be provided in this.

1.16 Chapter Summary

This chapter provided an overview of the study by laying out an introduction, discussing the study's history, problem statement, research aims, and hypothesis. The chapter also described the study's objectives, definition of key words, significance, underlying presumptions, and restrictions. The literature review in regard to internal controls and revenue collection will be covered in the next chapter.

CHAPTER 2

LITERATURE REVIEW

2.1 Introduction

In this chapter literature review on the determinants of Internal Audit Effectiveness was discussed. The theoretical framework will be presented first, followed by conceptual literature on Internal Effectiveness and its determinants. Empirical studies are then presented, followed by a conceptual framework and lastly the chapter summary.

2.2 Theoretical Framework

This section will describes the institutional theory-based theoretical framework selected for this investigation. According to the institutional theory, which is a paradigm used to analyze social phenomena like organizations, the social world is made up of institutions that put conditions into motion Lawrence et al (2008). The most often used theory in internal audit research is this one Ahmad (2015). The institutional theory emphasizes how institutional surroundings affect an organization's internal structures and processes; as a result, organizations continually change their configurations in response to environmental changes Meyer (2006).

Meyer et al (1977) make the case that modern organizations operate in institutionalized environments made up of practices, methods, services, goods, regulations, and professions that serve as myths. They further said that because these social phenomena are thought to promote rationality, organizations formally adopt and modify them. Therefore, organizations would want to align their structures with these formalized norms and processes from their environment in order to achieve legitimacy, resources, success, and survival Lawrence et al (2008).

IA effectiveness empirical researchers contend that the term "IA effectiveness" refers to different things to different people in different contexts and at different periods Arena et al (2006). As a result, the institutional theory offers a more thorough analysis for comprehending the outside elements that affect IA and its efficacy Ahmad (2015).

2.3 Conceptualization of Internal Audit

Internal auditing is a methodical, unbiased study of information, financial statements, accounting records, operations, and performances of an organization with a view to confirming its accuracy and fairness Butcher et al (2013). It consists of the organization's plan and all techniques and policies used within a company to protect operational effectiveness and promote adherence to set managerial policies. It is necessary for an organization to operate effectively and without hiccups Farouk et al (2014). The organization shall establish and maintain an appropriate internal control system suitable for the size and nature of the company's business. The examiner recognizes and accepts the proposals presented for review, collects evidence, evaluates it and formulates his judgment. The assessment is then communicated through the audit report, which is the final result of the audit Ravinder et al (2005). Organization insiders and outsiders rely solely on audit reports to determine whether financial accounting and financial statements provide a fair and true view of an organization's performance. This report is of particular interest to shareholders, creditors, investors, employees, and governments. H. Someone who has an economic share of the success or failure of a company Daniel (2013).

Inner review control guaranteeing the efficient and productive conduct of its trade, counting adherence to administration arrangements, the shielding of resources, anticipation and location of extortion and mistake, the precision and completeness of account records, and the opportune arrangement of dependable monetary data Abidin et al (2009). The framework of inside control expands past those things which relate specifically to the capacities of bookkeeping framework. Besides, inside reviewing has ended up an irreplaceable administration apparatus for accomplishing successful control by identifying the shortcomings in administration operations in all industry particularly managing an account industry Nyakundi et al (2014). It gives a premise for rectifying insufficiencies that have evaded the primary line of defence some time recently these lacks ended up uncontrollable or are uncovered within the external auditor's report Goodwin (2001). It is a system of instituting checks on the day-to-day transactions which operate continuously as part of the routine system whereby the work of one person is proved independently or is complementary to the work of another, the object being the prevention and early detection of errors or fraud Jeong (2005).

Inner inspecting may be a wide term which suggests a number of checks and controls worked out in a trade to guarantee efficient and financial working Chopra (2012). It is best respected as showing the full framework of controls, monetary and something else, built up by the administration within the conduct of trade, counting inside check, inside review and other shapes of control Bakar (2009). It includes a sort of watchfulness and heading over critical things like budget and fund, buys and deals and inside organization by the administration; for case, in case of restrictive concern, such a control would be worked out by the proprietor whereas the case of joint stock Company, it would come from the chiefs. Hence, it may be expressed that inside review gives a degree for the administration to get data, assurance, and control which is very vital for the effective working of a trade organization Ravinder (2005).

2.4 Research Gap

In the past, local governments would seek the services of external auditors as internal auditors were not available. Consequently, scholars and researchers focused on studying the role of external auditors. However, with emergence of internal auditors, there has been limited research conducted on their effectiveness. This study aims to investigate the contributions of internal auditors to the operations of Bindura Municipality.

2.5 Types of Internal Audits

A variety of audits are performed in the review of campus programs and resources. These audits according to Lawrence et al (2008).include:

- **Operations Audits:** These audits examine the use of resources to determine if resources are being used in the most effective and efficient manner to fulfil the organization's mission and objectives.
- **Financial Audits:** These audits review accounting and financial transactions to determine if commitments, authorizations, and receipt and disbursement of funds are properly and accurately recorded and reported. This type of audit also determines if there are sufficient controls over cash and other assets and that adequate process controls exist over the acquisition and use of existing resources.

- **Compliance Audits:** These audits determine if entities are complying with applicable laws, regulations, policies and procedures. Examples include federal and state laws, and Trustee policies and regulations.
- **Information Systems Audits:** These audits review the internal control environment of automated information processing systems and how people use these systems. The audits usually evaluate system input, output; processing controls; backup and recovery plans; system security; and computer facilities.
- **Internal Control Reviews:** These audits focus on the components of the major business activities, such as payroll and benefits, cash handling, inventory and equipment, physical security, grants and contracts, and financial reporting.

2.6 Internal Audit Effectiveness

Arena et al (2009) define effectiveness as the ability to achieve results that are in line with goals. Dittenhofer (2001) added that effectiveness is the achievement of the goals and objectives of internal audit using factor indicators designed to determine such factors. Mihret et al (2007) considers the effectiveness of internal audit to be the extent to which internal audit achieves its intended purpose or intended outcome. All three authors defined effectiveness in terms of IA goals and achieving them, but they were interpreted differently.

Mihret et al (2007) described the characteristics of effective internal audit unit from the internal audit point of view. Effective Internal Audit (IA):

- Undertakes an independent evaluation of financial and operating systems and procedures;
- Contributes to the achievement of organizational goals;
- Needs management's commitment to implement recommendations;
- Provides useful recommendations for improvements as necessary;
- Affected negatively by lack of attention from management which in turn adversely affects the audit attributes; and
- Management support is a natural quid pro quo for effective internal audit.

While; Sarens et al (2006) point out the contribution and roles of internal audit in organizations or corporate governance from the senior management's expectation point of view. Senior management expects internal audit:

- To compensate for management's loss of control resulting from increased organizational complexity,
- To be the safeguard of corporate culture through personal contacts with people in the field,
- To be a supportive functions in the monitoring and improvement of the risk management and internal control system,
- To be laid a training ground for future managers, and
- To collaborate actively with the external auditors to increase total audit coverage.

This shows that internal audit and control are interdependent entities that need to work together to achieve an organization's goals. Internal audit requires management to carry out its activities, and there is a certain value that management expects from internal audit. Add value to decision making by providing sufficient information, reducing information asymmetry, and monitoring and improving risk management and internal control systems.

2.7 Management Support

Management support has a wide range of implications for the effectiveness of IA in an organization. For example, Mihret et al (2007), a case study of the effectiveness of IA in the public sector, shows that the management support component consists of efforts to respond to audit results and strengthen internal audit.

Given that internal audit activities are conducted in a dynamic management process and a more supportive environment, internal auditors expect senior management to take the first steps to support the IA process. Sarens et al (2006) argue that the general acceptance and assessment of IA within an organization relies heavily on the support it receives from senior management. Internal audit actively seeks management support through commitments and resources to promote and communicate its added value.

Management support is critical to operations and internal audit. Recruiting competent IA staffs, developing career paths for IA staff, and providing organizational independence in IA work is top management, as all other determinants of IA effectiveness come from top management support Cohen et al (2010). This means that maintaining a strong internal audit function is in the interests of management Mihret et al (2007).

In addition, the implementation of audit recommendations is critical to the effectiveness of the IA Sarens et al (2006), which is part of management support Mihret et al (2007). The management of the organization is considered a customer receiving IA services. Therefore, management's commitment to the application of audit recommendations and their support in strengthening internal audit are critical to the effectiveness of the IA.

Therefore, audit finding and recommendations would not serve much purposely unless management is committed to implement them. Furthermore, Belay (2007) state that it is mandatory to have effective internal audit function (IAF) that in turn leads to appropriate governance structure, mobilizing sufficient and appropriate resource and competent personnel.

2.8 Organizational Independence

Independence does not have a unified meaning and interpretation for people. Therefore, the concept is ambiguous and uncertain Wines (2012). However, for the purposes of case studies, "independence" refers to the concept of being unaffected by management while internal auditors perform audit activities and produce audit reports Ahmad et al (2009). Independence is the basis of the credibility of an auditor's report. Unless the auditors are independent in facts and appearance, these reports are unreliable and investors and creditors have little confidence in them. The assurance services provided by auditors derive their value and credibility from the basic assumptions of independence of mind and independence of appearance Wines (2012).

Internal audit usually covers the entire management process, but it should be independent IIA (2001). However, senior management has a great deal of influence over the IA, as there is often a strong direct or indirect relationship between the IA and the CEO and / or CFO, expected to be exercised Sarens et al (2006).

Independence really exists when the auditor can actually act objectively, honestly, fairly and free from conflicts of interest. Although the concept of independence is similar, the auditor should be perceived as independent by others (the general public or other third parties). In this case, even if a reasonable person who fully understands all relevant facts and circumstances concludes that the auditor or audit team expert cannot provide the relevant objective and impartial opinion. There is a conflict of interest about the implementation of the audit of the audited entity.

The auditor must be sufficiently independent of the auditor who must audit so that the business can be performed unimpeded. In addition to objectivity, organizational independence contributes to the accuracy of the auditor's work and reassures employers that they can rely on results and reports Cohen et al (2010). However, Hellman (2011) suggests that the CFO is trying to influence the audit plan. In particular, regarding the selection and scope of internal controls and audited entities. And this affects the independence of internal audit.

The organizational position and position of internal audit is also important for maintaining its independence, which is related to management perception, because it allows them to perform their work independently and act objectively. As Stewart et al (2010) reviews under the status of the organization, the IAF is given the appropriate status within the organization, exercises the independence of the organization, and the individual internal auditors are objective. You need to be able to act in a positive way. Employees of the organization are responsible for assessing and overseeing the decisions made by management, and are also responsible for management.

In addition, many auditors have argued that organizational independence is critical to achieving and being effective in auditing objectives. For example, the level of independence of the internal audit department and the level of authority reported by internal audit staff are important criteria that influence the objectiveness of their work, and organizational independence is more than protecting auditors from pressure. Also adds that it is more important to the effectiveness of internal audit. Or threaten and increase the objectivity of audit work Cohen et al (2010).

2.9 Adequate and competent Internal Audit Staff

Sufficient staffing is essential for the system to reach its full potential. Staff shortages can lead to mismanagement, error, abuse and impair the effectiveness of other controls MoFED (2004). The size of IA staff and the ability to audit internally are important characteristics of IA quality that are inseparable from each other. This means that if one dimension is missing, the other dimension cannot contribute to the quality of internal audit. An empirical discovery by Al-Twaijry et al (2004) suggests that external auditors believe that the size of the IAF is an important indicator of its quality, based on questionnaires and interview responses from internal and external auditors operating in Saudi Arabia. In addition, many IA staff has many advantages in the internal operation of the IA unit. For large, immediate entities, you have the opportunity and flexibility to plan staff rotations. This can also impact the effectiveness of impact assessments by promoting healthier relationships and leading to more objective audit investigations.

In addition, Zain et al (2006) larger internal audits are likely to be better resourced, including a wider range of work, higher organizational status, and better staff talent than smaller units. Similarly, the quality of IA operations can be higher in the internal audit department, which has a large percentage of staff with audit experience, than in the internal audit department, which has a low percentage of audit experience.

Appropriate staffing of the internal audit department and proper management of its staff are key to the effective operation of the internal audit function. Audits require professionals with the education, training, experience, and professional qualifications needed to perform all audits required for the mission (Al-Twaijry et al., 2004). Auditors must comply with minimum continuing education requirements and professional standards published by their relevant professional organizations IIA (2001).

IIA Standard 1210 on Auditor Capabilities requires internal auditors to have the knowledge, skills, and other abilities necessary to perform their duties IIA (2001). In addition, an important aspect of the IAF is the quality of internal audit staff as measured by internal audit skills Seol et al (2011). As part of this, the Internal Auditing Capability Framework (CFIA) focuses on the skills that individuals need to become effective internal auditors.

In addition to the above aspects of IA quality, internal audit competence can be measured by the academic level, experience, and effort of staff for continuous professional development and compliance with auditing standards. Both the amount of audit effort and the quality of professional care performed determine the overall quality of internal audit work Cohen et al (2010). Arena and Azzone (2009) also found that the effectiveness of the IA increases, especially as the proportion of qualified internal auditors and staff increases. This shows that a sufficient number of qualified professionals will have the IA perform the task.

2.10 The Approved Internal Audit Charter

To ensure the effectiveness of internal audit activities, the Institute of Internal Auditors (IIA) defines the Internal Audit Charter as a formal document that outlines the purpose, authority, and responsibilities of the IA operations. The Charter should specify the location of internal audit within the organization, provide access to records, personnel, and property necessary for the performance of IA activities, and define the scope of IA activities. The Charter should also outline IA's responsibilities and standards and define access to information required to perform the work and draw conclusions. The Charter must record limitations and changes that affect IA's ability to provide guarantees for internal control from a forward-looking perspective.

According to O'Regan (2002) and Van Peurseem (2005), a well-designed audit charter is essential to ensure the effectiveness of IA. It helps direct audit staff efforts, defines the board's expectations for IA's guarantees regarding internal controls, adds officially respected authority to the IA's position in the company, and ensures the IA's independent status is achieved. Having an audit charter also affects management's implementation of internal auditor recommendations, which can impact IA effectiveness.

2.11 Empirical Literature

Ahmad (2007) notes that auditing standards, particularly internal audit, auditor liability, and compliance with fraud-related standards in financial transactions, receive more attention from auditors and regulatory bodies in Jordan. Management attitudes, potential internal auditor promotion, performance assessments, job description preparation, internal auditor education, and professional skills are factors that impact management's perception

of internal audit effectiveness, according to Hung et al (2010). In Albkour et al (2017) study, which had a sample size of 145 employees, it was found that internal audit has a significant impact on the organizational performance of selected Jordanian banks. Alflahat (2017) examined the impact of internal audit on the organizational performance of three Jordanian companies- Jordan Electric Power, Jordan Telecom, and National Petroleum- using a sample size of 290 employees. The study found that internal audit, as represented by expertise, internal control, internal audit standards, and internal audit independence, has a significant impact on the organizational performance of the surveyed companies.

2.12 Conceptual Framework

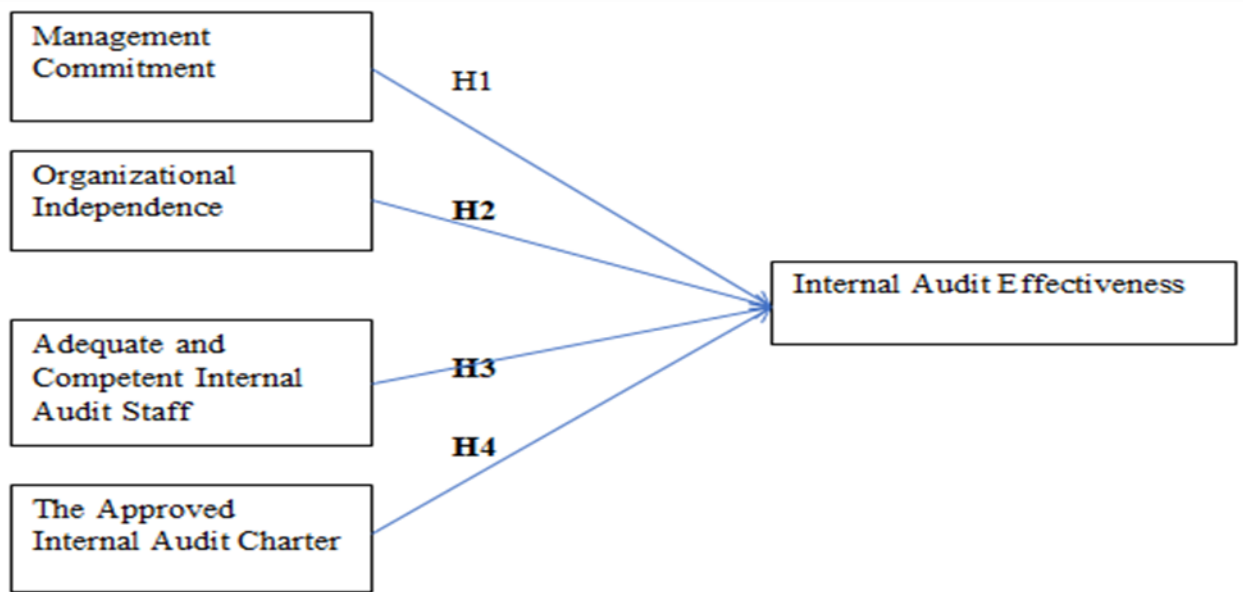


Figure 2.1 Conceptual framework

Source: Researcher's Work

2.13 Chapter Summary

The chapter discusses the theoretical frameworks that form the basis of the study, followed by the conceptualization of the determinants of Internal Audit Effectiveness. Furthermore, the chapter presents empirical literature on Internal Audit Effectiveness. The subsequent chapter will focus on the research methodology.

CHAPTER 3

RESEARCH METHODOLOGY

3.1 Introduction

This chapter outlines the approach used to achieve the objectives of the study. It begins by discussing the research paradigms that were used to guide the study. The research design, including details on research instruments such as the questionnaire and interviews, the sampling procedure, and the data collection process, is also covered. Additionally, statistical procedures for presenting and analyzing data are described. The chapter concludes with an overview of the measures used to improve the reliability and validity of the instruments and results.

3.2 Research Paradigm

To put it simply, a "research paradigm" refers to a group of philosophical assumptions and beliefs that guide research, as stated by Jonker et al (2010). According to Saunders, Lewis, and Thornhill (2009), ontology and epistemology comprise the most significant group of philosophical presuppositions. Modern literature is dominated by several key study paradigms, including positivism, realism, compositionism, and pragmatism McMillan et al (2010). Pragmatism, a research paradigm that combines the constructivist and positivist paradigms, is related with this study and is in keeping with its intended objective.

The post-positivist paradigm asserts that knowledge is acquired rationally through systematic and unbiased scientific inquiry, as seen in epidemiology. This paradigm is supported by quantitative research methods that rely on objective measurement of relationships between variables in a study, and the analysis of quantified numerical data through statistical methods. In this study, a questionnaire survey was conducted to assess the Internal Audit Effectiveness (IAE) of the neighborhood, following the post-positivist approach.

On the other hand, the constructivist paradigm emphasizes the active involvement of researchers in the research process, and the subjective formation of knowledge by examining contextual elements that impact the research topic. To better understand the IAE at Bindura Municipality, in-depth interviews were conducted in line with this paradigm. The study utilized both inductive and deductive approaches, merging the constructivist and

positivist paradigms into a practical paradigm. The strength of the pragmatic paradigm lies in its capability to integrate objective and subjective data sets to answer research questions.

3.3 Research Design

A study design refers to the techniques and protocols employed to gather and analyze data for a research project Gupta (2010). It is a set of guidelines that outlines the necessary steps to attain the research objectives Malhotra (2010). Additionally, study design aids researchers in deciding on the best technique for data collecting and analysis Welman et al (2011). Theoretically, there are three primary types of studies: exploratory, definitive, and mixed Hair et al (2013). Exploratory research designs' primary objective is to clarify or help characterize the issue at hand McDaniel et al (2010). This study uses a standardized methodology to comprehend Municipality's IAE. Descriptive and causal research are two conclusive research categories Hair et al (2013). Causal research aims at testing a hypothesis to establish a causal relationship between two or more variables using scientific techniques Silver et al (2013). However, this study utilized a descriptive research design. Descriptive research designs aim at providing answers to research questions by analyzing and interpreting data Shiu et al (2009). The primary objective of descriptive research is to describe phenomena, such as market features, and estimate the frequency of marketing phenomena and forecast associations between variables Fienberg et al (2013); Malhotra (2010).

Descriptive research designs can be either cross-sectional or longitudinal Iacobucci et al (2010). Longitudinal research involves measuring the same population components repeatedly over time, while cross-sectional research only collects data once from a specific sample Silver et al (2013). Descriptive research designs can be single-section or multiple-section; the single-section design collects data once from one sample, while the multiple-section design collects data once from two or more samples Malhotra (2010). This study utilized a descriptive research design with a single-section approach, which was selected based on the main objectives of the study. The following section discusses the survey approach used in the study.

3.4 Research Approach

The survey approach is a method of collecting data Creswell (2009). Researchers typically employ two main strategies for data collection: quantitative and qualitative procedures Bryman et al (2011). The post-positivist paradigm guides quantitative research, which uses statistical methods to analyze the relationships between variables influencing the phenomenon being studied Bryman et al (2011).

Deductive reasoning is used in quantitative studies, which aim to generalize results using empirical data with statistical support Borrego et al (2009). The two main advantages of the quantitative method are the ability to generalize study findings to the entire population and the objectivity of the research outcomes Wiid et al (2011).

Following the assumed practical paradigm, this study follows a qualitative-quantitative mixing approach. The flexibility, total integration, ability to get over the constraints of separate methods, availability of a larger dataset than a single method, and research findings are the key benefits of the mixed method methodology includes trustworthiness Bergman (2010). The mixed method approach also gives researchers the chance to generalize their findings while learning in-depth information on the topic they are studying Schulze et al (2014).

The simultaneous mixing approach involves the gathering of qualitative and quantitative data at the same time, followed by integration of the data during data processing and interpretation Venkatesh et al (2013). On the other hand, the sequential blending strategy involves starting with either qualitative or quantitative exploratory research and moving to the other type of research Creswell (2009). The transformation blending method employs theoretical lenses to support in-design studies involving both quantitative and qualitative data Creswell (2009). Data acquisition can follow either a sequential or parallel approach with this method.

For this study, a sequential conversion and mixing approach was used, which included a literature review and both qualitative and quantitative methods to answer the research questions. The sequential mixing approach allows for thorough quantitative research on larger samples and the creation of appropriate instruments through qualitative research Delpont et al (2011). The study involved a thorough interview and survey conducted in two steps McCusker et al (2014).

3.5 The target population

The group of individuals that are relevant to the research topic is known as the target population Wiid et al (2015). Salkind (2012) defines population as the complete set of units that are eligible to participate in a study. In this study, the target population was composed of 35 selected employees from Bindura Municipality, while in-depth interviews were scheduled with the internal auditor, town clerk, accountant, finance manager, and credit control manager.

3.6 Sampling

The practice of making conclusions about a research population based on a small number or a subset of objects is known as a sampling technique Sreejesh et al (2014); Andale (2015). Drawing conclusions about a particular community based on the chosen sample is the primary goal of sampling Uprichard (2013). Probabilistic sampling and non-probabilistic sampling are the two basic techniques used in research sampling Berndt et al (2011). In probabilistic sampling, it is known that each person or thing in the population could be chosen for the survey sample, according to Fineberg et al (2012). Participants are selected on the basis of personal judgment, so samples without probability emit any subjective traits. This study uses the non-probability sampling method for both qualitative and quantitative studies.

3.7 Sampling technique

The research employed non-probability sampling techniques such as convenience, purpose, assignment, and snowball sampling Shiu (2009). Both qualitative and quantitative research used non-probability sampling methods for this study. The survey utilized a non-probability convenience sampling method due to limited resources and time constraints. Because it is the least time-consuming and expensive technique, convenient sampling is frequently employed Shukla (2008). Silver (2013) notes that convenient sampling is a simple and rapid method of gathering sample materials. Targeted sampling, also known as judgment sampling, was used for qualitative research. Targeted sampling selectively chooses participants based on availability and ability to provide the necessary data Fink (2013). Non-stochastic and non-judgmental sampling methods were used to select administrator

respondents. Respondents for in-depth interviews were chosen based on their internal audit knowledge.

3.8 The sample size

The study's sample size refers to the number of participants required for the analysis to produce meaningful results. The choice of sample size is influenced by various factors such as the number of related studies, the number of configuration-related objects, the type of investigation, financial, statistical analysis techniques, and administrative considerations. The cost of the survey was also considered after determining the appropriate sample size. Respondents were interviewed until technical saturation was reached, which is the point where no new information is obtained. The study achieved the sixth technical saturation point in the detailed interviews. To avoid overlap, participants from the quantitative survey population were excluded from the detailed interviews.

3.9 Research Instruments

The IAE was examined in this study using a semi-structured, in-depth interview. Investigators were able to gather data that mirrored the viewpoints of the respondents through in-depth interviews as opposed to restricting it to a pre-determined set of replies, as in the case of structured surveys Sooful et al (2010). After a thorough review of the literature, the interview guide was developed. According to Surujilal's advice, the interview guide is pre-tested to evaluate the question's applicability and establish the interview's duration (2011). Data from the quantitative survey was gathered using a standardized, self-administered questionnaire. Participants respond to a series of written or verbal questions as part of a systematic data collection technique called a questionnaire Malhotra (2010). Structured self-administered questionnaires' key benefit is that respondents can complete them without the researcher's direct involvement, which saves time and lessens researcher bias Salkind (2012). Researchers can also gather ordered and systematic datasets using questionnaires Malhotra (2007).

3.10 Pilot Testing the Questionnaire

The purpose of the pilot study was to evaluate the suitability of the research technique, the appropriateness of the questionnaire, and the practicality of executing the study Delpont et al (2011). Four (4) randomly selected participants from the target population were given the questionnaire as part of the pilot project. The primary survey's questionnaire was distributed after it had been finalized.

3.11 Data collection Procedures

The questionnaires were sent to chosen employees through email and WhatsApp, and participation was voluntary without any incentives offered for completing the survey. Customers who did not answer in a timely manner received reminder WhatsApp and mail. Due to the difficulty in convincing people to agree to interviews, scheduled appointments for the in-depth interviews could not be completed within the anticipated time frame. The interviews were done according to the agreed time frame.

3.12 Data Preparation and Analysis

The analysis of data for this study involved two strands, qualitative and quantitative surveys. The analysis of qualitative data is presented first, followed by an explanation of the methods used for analyzing the quantitative data.

3.12.1 Qualitative data analysis

The analysis of qualitative data involved identifying and defining themes that emerged from the investigation. The mapping method was used to describe and define the core of each theme and the data features that each theme had collected. This iterative and recursive method ensured that all relevant information was accurately captured. The findings were then related to the research questions and the themes that were discovered.

3.12.2 Quantitative Data Analysis

SPSS 21.0 was utilized for statistical analysis of the quantitative survey's returned questionnaires. The study employed descriptive statistics to analyze the sample characteristics, which involves tabulating and summarizing the research items' profile. Descriptive statistics were used to provide information on the sample's gender, work experience, and educational background. The study utilized frequencies, means, and

Pearson's correlation analysis as descriptive statistics to determine the relationship between the study's variables.

3.13 Reliability and Validity

Reliability refers to the ability of a measuring process to produce consistent results under similar conditions, as stated by Yusoff (2011). Validity, on the other hand, refers to the ability of a measuring instrument to accurately measure what it is intended to measure, according to Gupta (2011). The following section outlines the techniques employed to enhance the validity and reliability of both the qualitative and quantitative research in this study.

3.13.1 Reliability of the qualitative study

To guarantee reliability in the qualitative study, themes that were generated during the data analysis stage were evaluated based on the research objectives.

3.13.2 Validity of the qualitative study

Bracketing was utilized to enhance the credibility and impartiality of the process of gathering and analyzing data. Bracketing is defined as "setting aside the researcher's personal biases, preconceptions, and opinions so that they do not affect or sway the participants' encounters," according to Parahoo (1997). The researcher's focus on the participants' viewpoints and encounters during the interviews had an effect on the findings of the qualitative study.

3.13.3 Reliability of the quantitative study

To determine the consistency of the measuring items, the study utilized Cronbach's alpha coefficient. This coefficient evaluates the relationship between measurement components that are supposed to measure the same construct, known as internal consistency Tavakol et al (2011). Cronbach's alpha provides an estimate of the correlation coefficient among the measuring items of a test Malhotra (2007). If the alpha value is less than 0.7, the measurement items cannot be considered reliable, whereas an alpha value of 0.7 or higher indicates strong internal consistency of the test Blunch (2008).

3.13.4 Validity of the quantitative study

Validity was examined in order to evaluate convergence, substance, and validity. The measuring scale's content validity, also known as facial validity, evaluates how closely the configuration under study's theoretical lens matches the measurement scale Malhotra (2007).

Two scientists pre-tested and double-checked the interview rules and questionnaire, and the required equipment adjustments were performed in order to ensure the authenticity of the material. Additionally, we used a handy sample taken from the target market to perform a pilot survey of five employees. The degree of a measurement item's positive correlation with other instruments used to measure the same configuration is known as convergent validity Malhotra (2007). By generating the inter-construct correlation matrix between the study constructs, the validity of convergence was assessed.

3.14 Ethical considerations

Creswell (2014) emphasizes the importance of ethical conduct in research and outlines several principles that should be observed in every study. These principles include obtaining informed consent from participants, ensuring that there is no harm or risk involved in participating, maintaining honesty and trust throughout the data collection and analysis process, ensuring privacy, confidentiality and anonymity of participants, and allowing for voluntary participation.

During the data collection phase, the study took several measures to ensure ethical conduct. The questionnaire and interview questions were designed to be neutral and free from bias, and participants were informed of the purpose and nature of the study before participating. Participants were also asked to acknowledge the process and release their results for research purposes, and all results were kept confidential and secure.

3.15 Chapter Summary

The current study is based on the combination of constructivist and post-positivist perspectives under the framework of pragmatism. A sequential mixed-methods design was used to leverage the advantages of both qualitative and quantitative approaches and minimize their limitations. The data collected was analyzed using the Statistical Package for Social Sciences (SPSS). The concluding section of the chapter discusses techniques to

enhance the validity and dependability of the findings. The subsequent chapter provides an overview of the study's results.

CHAPTER 4

DATA ANALYSIS, PRESENTATION AND DISCUSSION

4.1 Introduction

In this chapter, the data collected during the investigation was evaluated and presented. The research findings were based on both in-depth interviews and self-administered questionnaires. The goal was to demonstrate how effectively the research objectives and open-ended issues were addressed. To illustrate the data, the researcher utilized SPSS output, including tables and pie charts. Correlation analyses were conducted to test the research hypotheses. The chapter concludes with methods for enhancing the credibility and dependability of the results.

4.2 Reliability and Validity

A preliminary study was conducted before the main investigation to assess the feasibility of the study. Its objective was to determine if the study was possible to be carried out.

Table 4.1 Pilot Testing Results

| Variable | Number of items | Cronbach's alpha |
|-------------------------------------|-----------------|------------------|
| Management Support | 4 | .919 |
| Organizational independence | 4 | .953 |
| Competency internal audit staff | 4 | .931 |
| The approved internal audit charter | 4 | .988 |
| Internal Audit Effectiveness | 4 | .983 |

Source: Survey Data 2023

The internal consistency reliability was deemed satisfactory as all Cronbach's alpha values exceeded the recommended threshold of 0.70. Two academics assisted in the pre-testing and evaluation of the questionnaire to ensure content validity, and necessary adjustments were made accordingly.

4.3 Response Rate

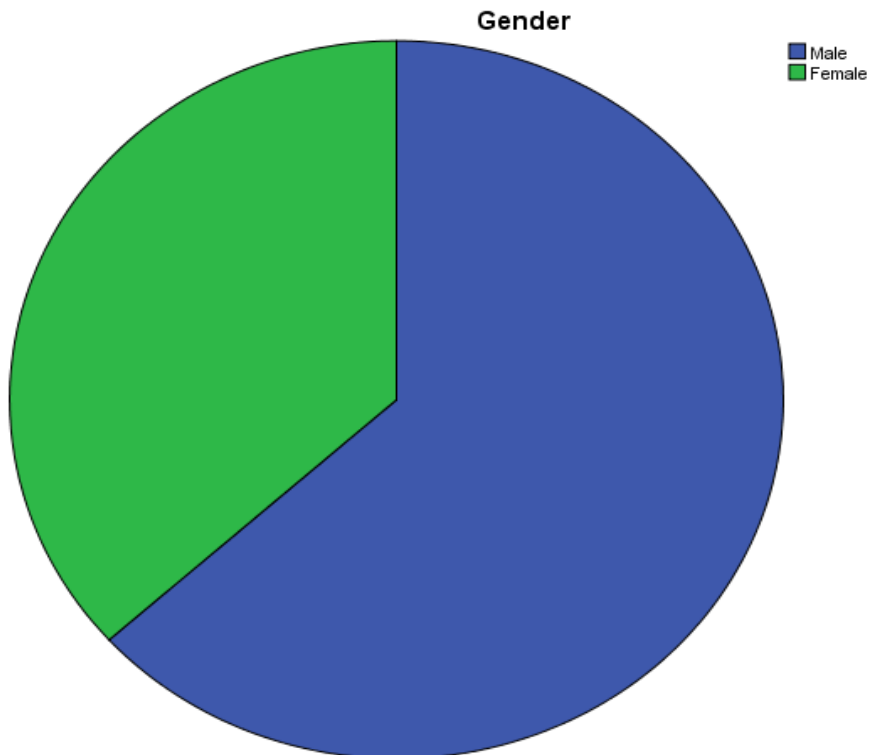
30 surveys that were distributed were all returned. As a result, 100% participants in this study responded. The fact that the questionnaires were sent via email and WhatsApp, following up was simple which helped to obtain the high response rate. By re-emailing non-respondents, the researcher followed up on every email questionnaire and made sure it was responded to. Similar to that, all scheduled interviews took place as planned.

4.4 Demographics of respondents

4.1 Gender

| | Frequency | Percent | Valid Percent | Cumulative Percent |
|--------------|-----------|---------|---------------|--------------------|
| Male | 19 | 63.3 | 63.3 | 63.3 |
| Valid Female | 11 | 36.7 | 36.7 | 100.0 |
| Total | 30 | 100.0 | 100.0 | |

Figure 4.1 Gender



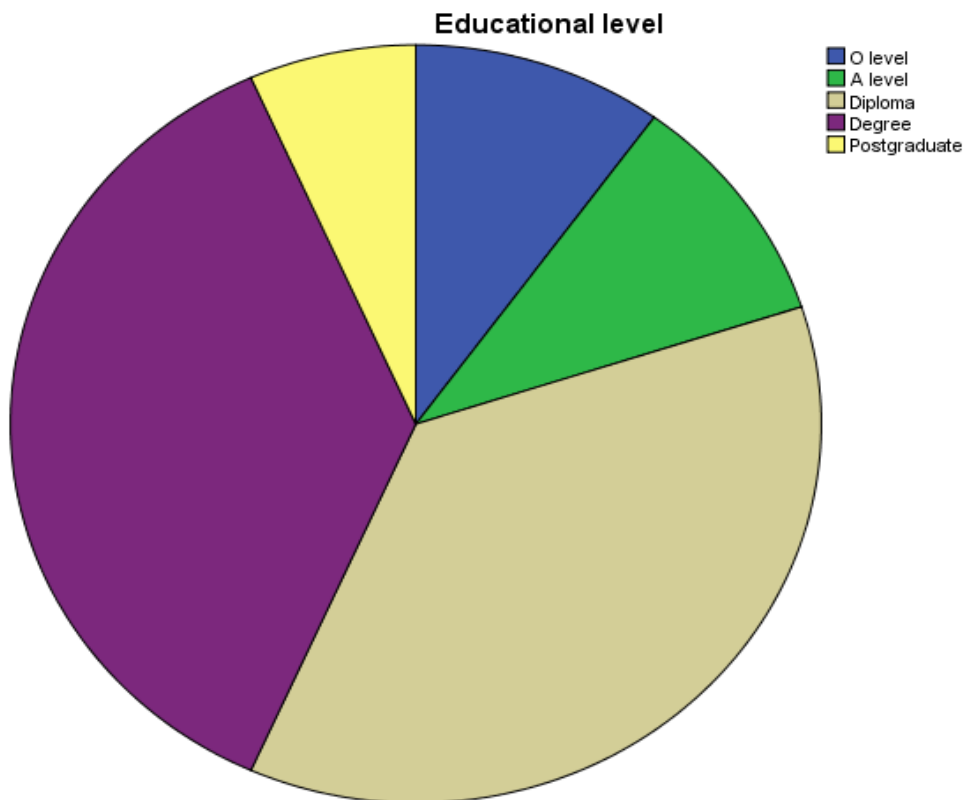
Source: Survey Data 2023

According to Figure 4.1 above, 63.3% of responders were men. Females came in second at 36.7%. The findings suggest that there are more working males than women since there are more male employees than female employees.

4.2 Educational level

| | | Frequenc y | Percent | Valid Percent | Cumulative Percent |
|-------|--------------|---------------|---------|------------------|-----------------------|
| Valid | O level | 3 | 10.0 | 10.0 | 10.0 |
| | A level | 3 | 10.0 | 10.0 | 20.0 |
| | Diploma | 11 | 36.7 | 36.7 | 56.7 |
| | Degree | 11 | 36.7 | 36.7 | 93.3 |
| | Postgraduate | 2 | 6.7 | 6.7 | 100.0 |
| | Total | 30 | 100.0 | 100.0 | |

Figure 4.2 Educational level



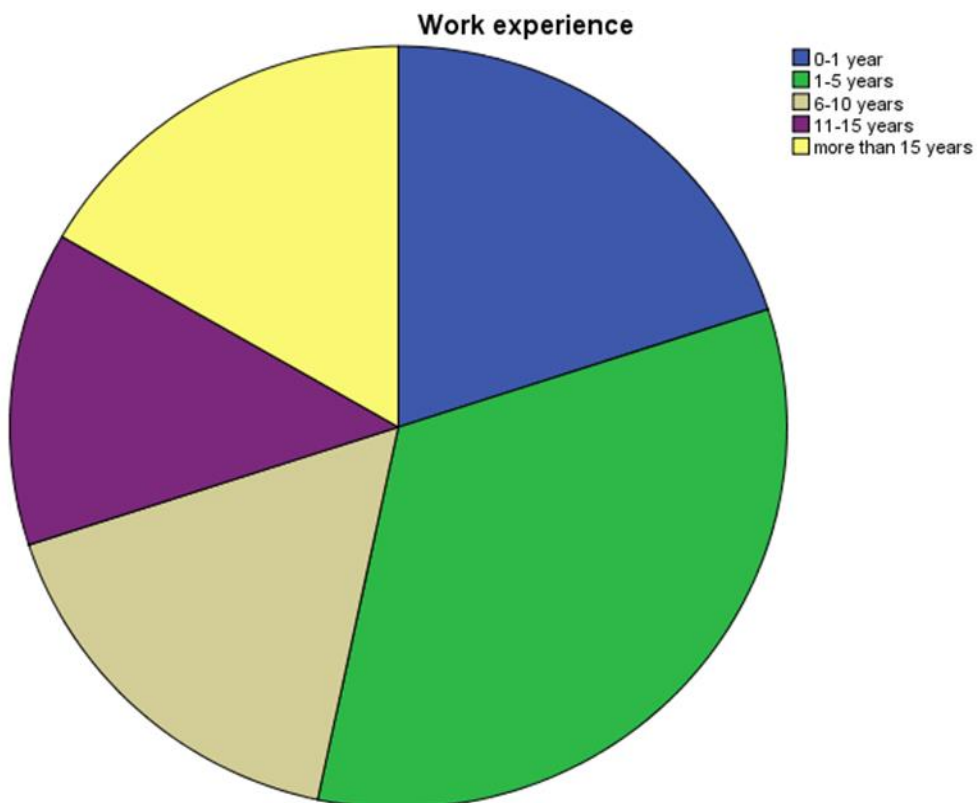
Source: Survey Data 2023

According to the table above, the majority of respondents (n = 36.7%) have degrees and diploma holders (n = 36.7%). Advanced level and Ordinary level certificates were tied at 10%. Only 6.7% had Postgraduate degrees. Since most people have high levels of literacy, this contributes to the accuracy of the findings.

4.3 Work Experience

| | Frequency | Percent | Valid Percent | Cumulative Percent |
|--------------------|-----------|---------|---------------|--------------------|
| 0-1 year | 6 | 20.0 | 20.0 | 20.0 |
| 1-5 years | 10 | 33.3 | 33.3 | 53.3 |
| 6-10 years | 5 | 16.7 | 16.7 | 70.0 |
| Valid 11-15 years | 4 | 13.3 | 13.3 | 83.3 |
| more than 15 years | 5 | 16.7 | 16.7 | 100.0 |
| Total | 30 | 100.0 | 100.0 | |

Figure 4.3 Work Experience



Source: survey data 2023

According to Figure 4.3, the majority of respondents (33.3%) fell into the categories of workers with between one and five years of experience. Those with 0 to 1 year of experience come in second place, at 20%. Those with six to 10 years and more than 15 years of work experience are tied at 16.7%. Employees with eleven to fifteen years of experience made up a small percentage of the workforce (13.3%). The research findings are more credible due to the fact that the target group consisted of workers who had been employed in their company for a significant amount of time.

4.5 Descriptive, statistics

Descriptive statistics presents the results based on the study's objectives, which include assessing the impact of management support, organizational independence of internal auditors, adequacy of internal audit staff, and the existence of an approved internal auditing charter on internal audit effectiveness. The variables were evaluated using a five-point Likert scale, and the findings are presented in descriptive tables that display the mean score for each item.

4.6 Management Support

The following findings are related to the contribution of management support for internal audit effectiveness, including whether there is complete cooperation and access to records and information, required resources to perform auditing activities, training to improve my skill and stay current with the field, and exploitation of new technology, policy, or procedures when they become available. Results by item mean were created to display the respondents' typical responses to each item

Table 4.2 Management Support

| | N | Minimum | Maximum | Mean | Std. Deviation |
|--|---|---------|---------|------|----------------|
|--|---|---------|---------|------|----------------|

| | | | | | |
|--|----|---|---|------|------|
| I receive full cooperation, access to records and information from my office/sector | 30 | 3 | 4 | 3.93 | .254 |
| I can get the necessary resources to perform auditing activities as needed. | 30 | 3 | 5 | 4.07 | .583 |
| The office supports me by providing training in order to improve my skill and update with the field. | 30 | 2 | 5 | 4.33 | .802 |
| The office supports me to introduce myself with new technology, policy or procedures when it is necessary. | 30 | 2 | 5 | 3.47 | .819 |

Source: Survey Data 2023

The respondents indicated that they have access of cooperation and access to records and information (mean=3.93) based on the study results in Table 4.2 regarding the impact of management support to Internal Audit effectiveness. Similar to this, auditors have been provided with the resources necessary to carry out auditing tasks (mean: 4.07). Also, the Bindura Municipality offers training to enhance auditors' skills (mean=4.33). The adoption of new technology or practices by the Bindura Municipality to enhance the audit function was acknowledged (mean: 3.47).

4.7 Organizational independence

The results below are related to the organizational independence of internal auditors' contribution to internal audit effectiveness, including whether auditing activities are influenced by others, whether auditing procedures are based on auditing standards, freedom to report audit findings, and freedom to access necessary information. Results by item mean were created.

Table 4.3 Organizational Independence

| | N | Minimum | Maximum | Mean | Std. Deviation |
|--|---|---------|---------|------|----------------|
| | | | | | |

| | | | | | |
|--|----|---|---|------|-------|
| I perform the auditing activities without any influence from the office. | 30 | 1 | 5 | 2.47 | 1.279 |
| I freely decide the extent of auditing procedures based on auditing standards | 30 | 2 | 5 | 3.87 | 1.042 |
| I feel free to include any audit finding in my audit work and report directly to responsible body. | 30 | 2 | 5 | 3.53 | 1.106 |
| I can freely access necessary information about the organization for my audit work. | 30 | 2 | 5 | 3.73 | .868 |

Source: Survey Data 2023

The study's findings showed that the majority of respondents (mean = 2.47) believed that there was little interference with their work. However, there were encouraging findings where respondents stated that they had complete freedom to choose the scope of auditing procedures (mean=3.87). In a similar vein, they stated that they are allowed to incorporate any audit findings into their work (mean=3.53). Finally, respondents mentioned that they do, in fact, report to the appropriate authority (mean=3.73). The argument by Cohen (2010), Heneman (2000), and Mihret et al. (2010) that internal auditor independence is positively correlated with perceived IA effectiveness is supported by these data.

4.8 Competency of internal audit staff

The following table sought to determine the contributions of an adequate and competent internal audit staff for internal audit effectiveness, including whether there are competent internal auditors, an adequate number of internal auditors, internal audit staff skills that are in line with the scope of internal operations at the office, and whether internal audit work is carried out using contemporary technology, including computerized data tools and specific IA software. Results by item mean were created to display the respondents' typical responses to each item. The results are displayed in Table 4.4 below:

Table 4.4 Competency of internal audit staff

| | N | Minimum | Maximum | Mean | Std. Deviation |
|---|----|---------|---------|------|----------------|
| My office have skilled internal auditors | 30 | 2 | 5 | 3.60 | .724 |
| There are adequate internal auditors | 30 | 2 | 5 | 3.60 | .968 |
| The internal audit staff skills match the scope of office's internal operations. | 30 | 3 | 5 | 3.53 | .629 |
| The work of internal audit is performed with modern technology that uses computerized data tools and specific IA software | 30 | 2 | 5 | 3.93 | .785 |

Source: Survey Data 2023

The Bindura Municipality have trained internal auditors, according to the responses on the contribution of adequate and competent internal auditors staff to internal audit effectiveness (mean=3.60). In a similar vein, it was determined that the Bindura Municipality have an acceptable number of internal auditors (mean=3.60). Additionally, it was positively stated that internal audit staff skills correspond to the range of internal operations of the office (mean=3.53). Also, respondents believed that enough was being done to advance contemporary technology that makes use of specialized IA software and computerized data

tools (mean=3.93). Alzeban et al (2013) suggest that internal auditors must possess the requisite skills and knowledge to effectively fulfill their responsibilities related to audit activities.

4.9 The approved internal audit charter

The following findings pertain to the contribution of an approved internal audit charter for internal audit effectiveness, including whether the charter is maintained in the office, whether the charter clearly defines the purpose and authority of internal audit, whether the charter's purpose and authority are consistent with the standards for professional practice established by the Institute of Internal Auditors, and whether the charter identifies the purpose of the internal audit activity. Results by item mean were created to display the respondents' typical responses to each item. The results are displayed in Table 4.5 below:

Table 4.5 the approved internal audit charter

| | N | Minimum | Maximum | Mean | Std. Deviation |
|---|----|---------|---------|------|----------------|
| Internal audit charter is maintained in my office | 30 | 2 | 5 | 3.93 | .785 |
| The purpose and authority of internal audit is clearly defined in charter. | 30 | 3 | 5 | 4.27 | .691 |
| The purpose and authority of internal audit charter is in line with standards for the Professional Practice? formulated by the Institute of Internal Auditors | 30 | 3 | 5 | 3.80 | .551 |

| | | | | | |
|---|----|---|---|------|------|
| The IA charter specifies the internal audit activity's position within the office | 30 | 3 | 5 | 4.00 | .371 |
|---|----|---|---|------|------|

Source: Survey Data 2023

The results of the evaluation of the approved internal audit charter's contribution to internal audit effectiveness showed that the internal audit charter is still in place (mean 3.93), that the purpose and authority of internal audit are specified in the charter (mean 4.27), that the purpose and authority of the charter are in accordance with the standards for professional practice (mean 3.80), and that the internal audit activity is assigned a specific position within the office (mean 4.00).

4.10 Internal Audit Effectiveness

The results below pertain to the effectiveness of internal audit at Bindura Municipality, including whether internal audit permits effective business conduct, ensures adherence to management policies, facilitates fraud detection, and ensures prompt preparation of trustworthy financial information. Results by item mean were created to display the respondents' typical responses to each item.

Table 4.6 Internal Audit Effectiveness

| | N | Minimum | Maximum | Mean | Std. Deviation |
|---|----|---------|---------|------|----------------|
| Internal audit allows for efficient conduct business | 30 | 2 | 5 | 3.80 | .847 |
| Internal audit ensures adherence to management policies | 30 | 3 | 5 | 4.07 | .640 |
| Internal audit enables detection of fraud | 30 | 3 | 5 | 4.53 | .730 |
| Internal audit ensures timely preparation of reliable financial information | 30 | 4 | 5 | 4.47 | .507 |

Source: Survey Data 2023

The majority of respondents agreed that internal audit allowed for efficient business conduct (mean=3.16), ensured adherence to management policies (mean=3.08), enabled fraud detection (mean=3.22), and ensured timely preparation of reliable financial information (mean=3.16), according to the results on the effectiveness of internal audit at Bindura Municipality. To enhance the effectiveness of the company, Dittenhofer (2001) emphasizes that IA must be able to accomplish the aims and objectives set forth by management.

4.11 Correlation Analysis

The study's constructs were compared to one another using the Pearson's Product-Moment Correlation Coefficient (r). A link between the variables is said to be weak if the value is between 0.10 and 0.29, medium if it is between 0.30 and 0.49, and strong if it is between 0.5 and 1.0. (Pallant, 2010). The correlation between the research constructs is displayed in Table 4.7.

Correlations

Table 4.7 Correlations

| | | Management_ commitment | Organisational _independence | Staff competent | Internal_audit _charter | Internal_audit _effectiveness |
|---------------------------------|------------------------|---------------------------|---------------------------------|--------------------|----------------------------|----------------------------------|
| Management_ commitment | Pearson Correlation | 1 | .778** | -.156 | .155 | .060 |
| | Sig. (2- tailed) | | .000 | .410 | .413 | .753 |
| Organisational _independence | Pearson Correlation | .778** | 1 | -.287 | .179 | -.057 |
| | Sig. (2- tailed) | .000 | | .125 | .344 | .764 |
| Adequate_and _competent_ | Pearson Correlation | -.156 | -.287 | 1 | .105 | .018 |

| | | | | | | |
|-------------------------------------|---------------------|------|-------|------|--------|------|
| internal_audit_staff | Sig. (2-tailed) | .410 | .125 | | .582 | .924 |
| The_approved_internal_audit_charter | Pearson Correlation | .155 | .179 | .105 | 1 | .545 |
| | Sig. (2-tailed) | .413 | .344 | .582 | | .002 |
| Internal_audit_effectiveness | Pearson Correlation | .060 | -.057 | .018 | .545** | 1 |
| | Sig. (2-tailed) | .753 | .764 | .924 | .002 | |

Source: Survey Data 2023

The presented correlation analysis in Table 4.7 offers a more thorough and precise investigation of the research hypotheses. The hypotheses aimed to examine the significant impact of management support, organizational independence, competent internal audit staff, and approved internal audit charter on internal audit effectiveness.

H1: Management support is positively related to internal audit effectiveness

The first hypothesis stated that the effectiveness of internal audit is directly related to the extent of management support it receives. The correlation results ($r = 0.060$, $P > 0.01$) strongly support this hypothesis, indicating a positive correlation between IAE and management support. Providing resources and access to information are significant aspects of management support that enhance the effectiveness of internal audit activities. The research findings are consistent with previous studies conducted by Cohen et al (2010) and Mihret et al (2007), which highlighted the crucial role of top management support in determining internal audit effectiveness. Therefore, by supporting ongoing training for IA employees and providing the necessary resources and facilities, management can assist internal auditors in producing effective results, which strongly supports the first hypothesis (H1).

H2: Organizational independence for internal auditors is positively related to Internal Audit Effectiveness

The research's second hypothesis proposed that the effectiveness of internal audit is not reliant on the independence of the organization where internal auditing is conducted. The correlation analysis presented in Table 4.8 above indicates that organizational independence has a weak correlation with internal auditing effectiveness ($r = -0.057$, $P > 0.01$), supporting the second hypothesis.

H3: The presence of adequate and competent IA staff is positively related to Internal Audit Effectiveness

The third hypothesis of the research posited that the effectiveness of internal audit is influenced by the presence of competent and adequate internal audit staff. However, the correlation analysis result ($r = 0.018$, $P > 0.01$) did not provide support for this hypothesis. This finding is consistent with previous auditing research by Arena et al (2009) and Cohen et al (2010), who argued that there is no correlation between professional proficiency and internal audit effectiveness.

H4: The availability of approved IA charter is positively related to Internal Audit Effectiveness

The final hypothesis of this research was centered on the presence of an approved internal audit charter at Bindura Municipality. According to the findings presented in Table 4.9, the existence of a well-crafted IA charter was found to have a significant and positive correlation with internal auditing effectiveness ($r = 0.545$, $P < 0.01$). This result indicates that having an approved IA charter is a crucial factor in the successful functioning of internal auditing processes at the municipality.

The outcome is in line with earlier audit research carried out by Peurseem (2005). The authors assert that a well-written IA charter aids the internal audit function in carrying out its management influence responsibilities objectively and serves as a means of gaining access to the data needed to carry out and draw conclusions about the job.

4.12 Discussion of Interview Results

This portion of the study examines the perspectives of managers regarding the factors that contribute to the effectiveness of internal auditing. The following sections elaborate on the themes that were analyzed to address the research questions.

4.12.1 The Contribution of Management Support to Internal Audit Effectiveness

In all instances, respondents mentioned there was management support but bemoaned lack of resources implementation of policies. Excerpts:

Five respondents: “Additionally, our internet connection is quite unreliable. Despite our best efforts, how can we be successful without these things?”

Some respondents cited high management affiliations with political parties as dangers to the efficacy of IA because controls are not followed. In a similar vein, management willfully diverts funds in an effort to obstruct or "monitor" the IAF's operations. The effectiveness of the IA is compromised in these circumstances.

Some respondents claimed that upper management typically takes longer than expected to put audit recommendations into practice and occasionally does not do so at all. Excerpts:

Respondents 4: “Since there are frequently delays in adopting the recommendations, you must keep making them until management feels compelled to act on them.”

4.12.2 The contribution of organizational independence of internal auditors to Internal Audit Effectiveness

Respondents 1“I have observed individuals working in other departments before auditing those departments.”

4.12.3 The contribution of adequate and competent internal auditor’s staff to Internal Audit Effectiveness

The effectiveness with which the IAF can carry out its tasks depends on the number of individuals who are engaged and function specifically as internal auditors. IAF will be able to function effectively and efficiently where the staff requirements are enough. Respondents to the interviews gave hints on the insufficient size of the IA workforce.

The duties of IA now encompass value generation through enhanced risk assessment processes in addition to more typical accounting checks and controls. IA staff members are therefore required to have the knowledge and skill sets necessary to accomplish this goal. Excerpts:

Respondents 2 “The staff composition currently looks as if all of us are accounting bias meanwhile we do not only perform financial audit but we perform an operational audit which involves the other non- financial departments. So there is the need for us to get other disciplines as well.

Respondents 3 “There is need for us to get at least an expert in IT audit to be part of the staff.

4.12.4 The contribution of approved internal audit charter to Internal Audit Effectiveness

Respondents 1 “We go by the government regulations, the internal audit act since it is a requirement.”

Respondents 4 “The Internal Audit Agency (IAA) personnel do not interact with us. Although we use the Internal Audit Act to work, but as to whether the personnel from the agency will come to make a follow up on that, then that does not exist”.

Others stressed that they take guidance from professional bodies.

Respondent 2 “We rely on the professional standards for our code of ethics because we do not have our personal code of ethics so we rely upon the general standards.”

Respondent 1 “A lot is contributed by professional bodies. For instance, the Institute of Chartered Accountants often invites IA staff members to conferences, training sessions, and seminars. They have been helpful in increasing our expertise and keeping us up to date with events in the internal audit system by inviting the internal auditors, sending us newsletters, and other means.”

4.13 Chapter Summary

In this chapter, the focus was on data analysis, presentation, and discussion. The research data obtained from the descriptive survey was analyzed using descriptive statistics and the

SPSS software. The results were presented using frequencies, tables, and figures. The findings were interpreted through a narrative discussion. The next chapter, Chapter 5, provides a summary of the research's interpretations, findings, and recommendations.

CHAPTER 5

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Summary of findings

The majority of the respondents revealed there is cooperation and access to records and information (mean=3.93) and auditors are given the necessary resources to perform auditing activities (mean=4.07). Also, the Bindura Municipality offers training to improve auditors skills (mean=4.33) and there is adoption of new technology, policy or procedures (mean=3.47). On organizational independence, respondents reported that they could not freely decide on the extent of auditing procedures (mean=2.47), free to include any audit findings in their work (mean=3.87) and reported to responsible authority (mean=3.53). Respondents felt there was no interference in their work (mean =3.73). With regard to competency of internal auditors staff for Internal Audit Effectiveness, revealed, that, the Bindura Municipality has skilled internal auditors, (mean=3.60), adequate number of internal auditors (mean=3.60), good match of skills and work (mean=3.53. Much is being done to modern technology that uses computerized data tools and specific IA software, (mean=3.93). The majority concurred on the use of an approved internal audit charter (mean=3.93), purpose and authority of internal audit definition (mean=4.27), adherence to standards for the Professional Practice (mean=3.80) and recognition of the internal auditor's activity's position (mean=4.00). The majority of the respondents agree that

internal audit allowed for efficient conduct business (mean=3.80), ensured adherence to management policies (mean=4.07), enable detection of fraud (mean=4.53) and timely preparation of reliable financial information (mean=4.47).

5.2 Conclusions

5.2.1 The contribution of management support to Internal Audit Effectiveness

Management support has a strong bearing on Internal Audit Effectiveness. There is provision of training in order to improve on auditor skills and move in sync with technological advance.

There is however a major problem of lack of management cooperation in some cases. Internal auditors also have a challenge in getting necessary resources to perform auditing activities.

5.2.2 The contribution of organizational independence of internal auditors to Internal Audit Effectiveness

Organizational independence has a strongly association with Internal Audit Effectiveness. Internal auditors suffer from interference in their work. On the good side auditing procedures are based on auditing standards, there is freedom to report audit findings and free access to required information.

5.2.3 The contribution of adequate and competent internal auditor's staff to Internal Audit Effectiveness

There is a strong association between adequacy and competency of internal auditor's staff and Internal Audit Effectiveness. There are skilled internal auditors and little number of internal auditors. Also internal audit staff skills match the scope of office's internal operations and the work of internal audit is performed with modern technology that uses computerized data tools and specific IA software.

5.2.4 The contribution of approved internal audit charter to Internal Audit Effectiveness

Internal Audit Effectiveness is significantly influenced by the internal audit charter. The charter is a maintained document in the office that defines the purpose and authority of

internal audit in accordance with the Institute of Internal Auditors' standards for Professional Practice. Additionally, the charter specifies the position of the internal audit activity within the office, which contributes to its effectiveness.

5.3 Recommendations

It is also recommended that;

5.3.1 Cooperation with Regulatory Bodies

The IAA should increase its focus on the IAFs at the Bindura Municipality. This will ensure that the IAFs receive the needed government support to effectively carry out their responsibilities.

5.3.2 Provision of Proper Structures and Adequate Resources

The Bindura Municipality's top management should establish appropriate structures and allocate resources, such as networked computers with productivity software, to enhance the efficiency and effectiveness of their IAFs.

5.3.3 Hiring staff with IT skills

The organization should prioritize the recruitment and training of Internal Audit Function (IAF) staff members who possess IT skills. In addition, it is crucial to ensure that the IAF is adequately staffed with the appropriate number and mix of personnel to effectively manage the various risks that the organization encounters.

5.3.4 IA charter

To ensure that their internal auditors' activities align with IIA standards and office policies and guidelines, Bindura Municipality should keep their approved IA charter and practical manuals for their office.

5.3.5 Acquisition of Internal Auditing qualification

It is recommended that the internal auditors at Bindura Municipality improve their contributions to internal audit effectiveness by enhancing their professional certifications in accordance with the standards of the Institute of Internal Auditors and organizational guidelines. Additionally, they should familiarize themselves with modern technologies that can enhance their internal audit functions for the office.

5.3.6 Compliance with internal audit charters

It is recommended that the internal audit staff at Bindura Municipality adhere to the internal audit charters available to them. This will assist them in producing accurate reports and understanding the scope of their relationship with management, outlining their responsibilities and rights as internal auditors and as employees.

5.3.7 Higher Education Institutions

In conclusion, it is recommended that higher educational institutions in Zimbabwe collaborate with the Ministry of Higher and Tertiary Education and other public sector offices to enhance internal audit effectiveness. This can be achieved by providing adequate and competent internal audit staff and offering short-term training programs to improve the proficiency of existing IA staff in accordance with the institute of IA standards.

5.4 Area of further study

It could be beneficial to conduct additional research on the factors that impact the motivation of internal auditors at Bindura Municipality, as current evidence suggests that many employees lack motivation, which could be negatively impacting their work performance.

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APPENDICES

APPENDIX I: LETTER SEEKING PERMISSION TO UNDERTAKE RESEARCH

Bindura University of Science Education

P. Bag 1020

Bindura

TO WHOM IT MAY CONCERN

Dear Respondent;

Request for research data on the determinants of internal audit effectiveness: A case study of Bindura Municipality.

My name is Rowsai Belinda Kumundati, a fourth year student from Bindura University of Science Education. I am carrying out a study on the determinants of internal audit effectiveness: A case study of Bindura Municipality. This is in partial fulfillment of the requirement for the award of an Undergraduate Bachelor of Commerce Honour's degree in Banking and Finance. Currently I am undertaking a questionnaire to gather internal audit views towards the aforementioned research topic.

I am therefore requesting for your kind assistance in completing the questions contained the attached questionnaire to the best of your knowledge. The information you provide shall

be treated with strict confidentiality and will be used solely for the purpose of this research. I greatly value your cooperation and your responses are of great importance.

Your assistance and co-operation will be highly appreciated.

Thank you in advance.

B193425B

APPENDIX II: QUESTIONNAIRE

Dear respondent, I am conducting a study on “**Determinants of Internal Audit Effectiveness: Case Study of Bindura Municipality**” as part of my study at the Bindura University of Science Education. As one of the respondents, your involvement is very important to this study. The information provided will only be used for academic purpose, and will be treated with utmost confidentiality. Thank you in advance.

Section A: Demographics

1. Gender

| | |
|------|--------|
| Male | Female |
|------|--------|

2. Education Level

| | | | | |
|---------|---------|---------|--------|--------------|
| O level | A level | Diploma | Degree | Postgraduate |
|---------|---------|---------|--------|--------------|

3. Work Experience

| | | | | |
|------------|-------------|------------|-------------|--------------------|
| 0 - 1 year | 1 - 5 years | 6-10 years | 11-15 years | More than 15 years |
|------------|-------------|------------|-------------|--------------------|

Section B: Management Support

I receive full cooperation, access to records and information from my office/sector

| | | | | |
|----------------|-------|----------|----------|-------------------|
| Strongly Agree | Agree | Not Sure | Disagree | Strongly Disagree |
|----------------|-------|----------|----------|-------------------|

I can get the necessary resources to perform auditing activities as needed.

| | | | | |
|----------------|-------|----------|----------|-------------------|
| Strongly Agree | Agree | Not Sure | Disagree | Strongly Disagree |
|----------------|-------|----------|----------|-------------------|

The office supports me by providing training in order to improve my skill and update with the field.

| | | | | |
|----------------|-------|----------|----------|-------------------|
| Strongly Agree | Agree | Not Sure | Disagree | Strongly Disagree |
|----------------|-------|----------|----------|-------------------|

The office supports me to introduce myself with new technology, policy or procedures when it is necessary.

| | | | | |
|----------------|-------|----------|----------|-------------------|
| Strongly Agree | Agree | Not Sure | Disagree | Strongly Disagree |
|----------------|-------|----------|----------|-------------------|

Section C: Organizational independence

I perform the auditing activities without any influence from the office.

| | | | | |
|----------------|-------|----------|----------|-------------------|
| Strongly Agree | Agree | Not Sure | Disagree | Strongly Disagree |
|----------------|-------|----------|----------|-------------------|

I freely decide the extent of auditing procedures based on auditing standards

| | | | | |
|----------------|-------|----------|----------|-------------------|
| Strongly Agree | Agree | Not Sure | Disagree | Strongly Disagree |
|----------------|-------|----------|----------|-------------------|

I feel free to include any audit finding in my audit work and report directly to responsible body.

| | | | | |
|----------------|-------|----------|----------|-------------------|
| Strongly Agree | Agree | Not Sure | Disagree | Strongly Disagree |
|----------------|-------|----------|----------|-------------------|

I can freely access necessary information about the organization for my audit work.

| | | | | |
|----------------|-------|----------|----------|-------------------|
| Strongly Agree | Agree | Not Sure | Disagree | Strongly Disagree |
|----------------|-------|----------|----------|-------------------|

Section D: The adequacy of competent internal audit staff

My office has skilled internal auditors

| | | | | |
|----------------|-------|----------|----------|-------------------|
| Strongly Agree | Agree | Not Sure | Disagree | Strongly Disagree |
|----------------|-------|----------|----------|-------------------|

There are adequate internal auditors

| | | | | |
|----------------|-------|----------|----------|-------------------|
| Strongly Agree | Agree | Not Sure | Disagree | Strongly Disagree |
|----------------|-------|----------|----------|-------------------|

The internal audit staff skills match the scope of office's internal operations.

| | | | | |
|----------------|-------|----------|----------|-------------------|
| Strongly Agree | Agree | Not Sure | Disagree | Strongly Disagree |
|----------------|-------|----------|----------|-------------------|

The work of internal audit is performed with modern technology that uses computerized data tools and specific IA software

| | | | | |
|----------------|-------|----------|----------|-------------------|
| Strongly Agree | Agree | Not Sure | Disagree | Strongly Disagree |
|----------------|-------|----------|----------|-------------------|

Section E: The approved internal audit charter

Internal audit charter is maintained in my office

| | | | | |
|----------------|-------|----------|----------|-------------------|
| Strongly Agree | Agree | Not Sure | Disagree | Strongly Disagree |
|----------------|-------|----------|----------|-------------------|

The purpose and authority of internal audit is clearly defined in charter.

| | | | | |
|----------------|-------|----------|----------|-------------------|
| Strongly Agree | Agree | Not Sure | Disagree | Strongly Disagree |
|----------------|-------|----------|----------|-------------------|

The purpose and authority of internal audit charter is in line with standards for the Professional Practice” formulated by the Institute of Internal Auditors

| | | | | |
|----------------|-------|----------|----------|-------------------|
| Strongly Agree | Agree | Not Sure | Disagree | Strongly Disagree |
|----------------|-------|----------|----------|-------------------|

The IA charter specifies the internal audit activity’s position within the office

| | | | | |
|----------------|-------|----------|----------|-------------------|
| Strongly Agree | Agree | Not Sure | Disagree | Strongly Disagree |
|----------------|-------|----------|----------|-------------------|

Section F: Internal Audit Effectiveness

Internal audit allows for efficient conduct business

| | | | | |
|----------------|-------|----------|----------|-------------------|
| Strongly Agree | Agree | Not Sure | Disagree | Strongly Disagree |
|----------------|-------|----------|----------|-------------------|

Internal audit ensures adherence to management policies

| | | | | |
|----------------|-------|----------|----------|-------------------|
| Strongly Agree | Agree | Not Sure | Disagree | Strongly Disagree |
|----------------|-------|----------|----------|-------------------|

Internal audit enables detection of fraud

| | | | | |
|----------------|-------|----------|----------|-------------------|
| Strongly Agree | Agree | Not Sure | Disagree | Strongly Disagree |
|----------------|-------|----------|----------|-------------------|

Internal audit ensures timely preparation of reliable financial information

| | | | | |
|----------------|-------|----------|----------|-------------------|
| Strongly Agree | Agree | Not Sure | Disagree | Strongly Disagree |
|----------------|-------|----------|----------|-------------------|

APPENDIX III: INTERVIEW GUIDE

Demographics

1. Gender
2. Work Experience
3. Position

Research Questions

4. What are the contributions of management support to internal audit effectiveness?
5. What are the contributions of organizational independence of internal auditors to Internal Audit Effectiveness?
6. What are the contributions of audit staff to the effectiveness of Internal Audit?
7. What are the contributions of the internal audit charter to the effectiveness of the Internal Audit system at Bindura municipality?

new one

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