

**HOW AUDIT RECOMMENDATIONS ARE OR NOT IMPLEMENTED OVER
YEARS IN MINISTRIES AND AGENCIES IN NAMIBIA**

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ABSTRACT

This study combined significant hypothetical and empirical writing to create suggestions and proposes a research agenda on the usage or non-execution of audit recommendations. Auditing has developed to a phase where it is regarded as a value adding tool in the organisation and is relied upon to assume a value adding role by giving an extensive variety of services that help enhance organisational performance. By adopting a quantitative descriptive design and using questionnaires as tool of data collection, the study provided evidence on whether audit findings are or not implemented in public sector organisations in Namibia as recommended by auditors. A purposive sampling method was used as the researcher selected ministries and agency with internal auditors, external auditors, and managers. Primary data was collected by means of open-ended questionnaire while secondary data came from reviews of existing literature. Primary data analysis was performed using SPSS software. The first objective was to examine the importance of addressing and implementing audit findings in ministries and agencies in Namibia. The study found that over 50% of managers feel that audit findings are not upheld and actualized although (70%) of respondents concurs that audit findings ought to be executed. The second objective was to understand the perception on relevance of audit findings and implementations of those findings in ministries and agencies in Namibia. The result shows 70% of respondents feel that management does not authorize or enforce the implementation of suggestions or recommendations despite the fact that at 70%, managers find proposals worth actualizing. The third of objective was to examine the implementation-ability of recommendations from external and internal auditors in ministries and agencies in Namibia. The result shows 70% of respondents feel that management does not authorize or enforce the implementation of suggestions or recommendations despite the fact that at 70%, managers find proposals worth actualizing. Internal audit is of major importance for Namibian public enterprises.

TABLE OF CONTENTS

ABSTRACT	i
ACKNOWLEDGEMENTS	iv
DEDICATION	v
DECLARATION	vi
CHAPTER ONE	1
INTRODUCTION AND OVERVIEW OF THE STUDY	1
1.1. Introduction	1
1.2. Background to the Research Problem.....	2
1.3. Statement of the research problem	5
1.4. Objectives of the Study	6
1.5. Significance of the Study	6
1.6. Research design and ethical considerations	7
1.7. Limitations of the study	7
1.8. Structure of the thesis.....	8
1.9. Summary	8
CHAPTER TWO	9
LITERATURE REVIEW	9
2.1. Introduction	9
2.2. Definition of terms	9
2.3. Historical background of auditing	12
2.3.1 Historical Division of Auditing	13
2.3.2. Control role of internal auditing	17
2.4. Hypothesis of Auditing	19
2.4.1. <i>The monitoring hypothesis</i>	20
2.4.2. <i>The information hypothesis</i>	22
2.4.3. <i>The insurance hypothesis</i>	23
2.5.2. <i>Management Support</i>	25
2.5.3. <i>Organizational Setting</i>	26
2.6. Review of Theoretical and Empirical studies	28
2.6.1. Theoretical studies	28
2.6.2. Empirical studies	33
2.7. Conceptual Description of the Study.....	38
2.7.1. Introduction.....	38

2.7.2. Concepts	38
2.8. Summary	39
CHAPTER THREE	40
RESEARCH METHODOLOGY	40
3.1. Introduction	41
3.2. Research Design	41
3.3. Population	41
3.4. Sample and sampling	42
3.5. Research Instrument	42
3.6. Research Procedure	43
3.7. Data Analysis	43
3.8. Research Ethics	44
3.9. Conclusion	45
CHAPTER FOUR	
PRESENTATION OF FINDINGS AND DISCUSSIONS	46
4.1. Introduction	46
4.3. Findings and discussions based on research objectives.....	46
Findings on Objective one	46
Discussion of objective one.....	50
Findings on Objective Two	51
Presentation of findings on objective Two.....	51
Discussion of objective Two	54
Findings on Objective Three	54
Presentation of findings on objective Three.....	55
Discussion of objective Three	55
CHAPTER FIVE	57
CONCLUSIONS AND RECOMMENDATIONS.....	57
5.1. Introduction	57
5.2. Conclusion	58
5.3. Recommendations	59
REFERENCES	63
APPENDICES.....	67

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DEDICATION

I dedicate this study to my lovely wife Mrs Bronah Nsala Mwilima, to my daughter Isabella Mbula Mwilima, to my mom Mrs Reginah Bwiza Mwilima and to my Father Mr Clement Mwilima.

DECLARATION

I, Mwilima Obby Mwilima, hereby declare that this study is a true reflection of my own research and that this work or thereof has not been submitted for a degree in any other institution of higher education. No part of this report may be reproduced, stored in any retrievable system or transmitted in any form, (e.g., by means of electronic, mechanical, photocopying, recording or otherwise) without the prior permission of the author, or the University of Namibia in that behalf.

Signature

Date

CHAPTER ONE:

INTRODUCTION AND OVERVIEW OF THE STUDY

1.1. Introduction

The level of discourses on the role and amplexness of internal audit in public sector by focusing on the nature and routine of internal evaluation in associations have been significantly analyzed by specialists, researchers, and policy makers. Studies by Abdulaziz and Sawan (2013), Motubatse, Barac and Plant (2009) for instance, looked at this subject. Recent economic catastrophes, as upheld by Bielińska-Dusza (2011) have brought out the need for good governance and management for businesses to remain competitive and improve performance. This is where internal auditing is needed as it brings out management and corporate deficiencies that would otherwise not be noticed until an entity begins to its competitive advantage.

Zulkifli, Shokiyah and Ibrahim (2014) stated that internal audit assist government organizations to achieve accountability and integrity improve the implementation of government programs and develop confidence among citizens and stakeholders as well as to cater any risk of mismanagement of public fund. Mebratu (2015) found that competent staff, compliance with professional audit standards and sufficient funding is positively related with the control function of internal audit. Discoveries by Motubatse et al. (2009) uncovered that internal audit is seen to add value with respect to risk identification and alleviation. It is for this view that additionally research should be led to identify generally accepted value-added attributes for internal audit function, including those in the public sector. This chapter looks at the

background of the study and its objectives of the study. The chapter also outlines the research design, limitations and significance.

1.2. Background to the Research Problem

According to Ehiorobo, Osa-Erhabor, Mgbame and Enofe (2013), there is general care wherever all through the world for the need to give cautious thought to the change of public sector administration. The reason is plainly obvious, government constitutes the greatest single business component, and her case of utilization through its distinctive parastatals, workplaces, and commissions enables numerous money related activities. In view of these Government huge financial exercises, activities are being taken everywhere throughout the world towards change of the norms of bookkeeping and examining divisions in government by apply improved accounting and auditing standards. Public sector managers work in an unpredictable and testing environment. This, to a restricted degree, reflects the developing solicitations and cravings of the groups, governments and the Parliament. Internal auditing is a basic segment of the extent of assets and frameworks open to public sector chiefs to help them to meet their commitments in the environment (Ehiorobo et, al., 2013).

Internal audit gives a free and impartial assessment and advisory services to the Executives and Board of directors that the entity's fiscal and operating controls directed toward the organisation's risk management to accomplish its targets are working productively, cost-effective, as well as morally sound; and help management in enhancing the organisation's performance. Ehiorobo et al. (2013), communicated that internal appraising in the public sector works as a basic

authoritative system contained chiefly of testing correctness of transaction, advance-payments confirmation and control, tallying resources and giving reports on previous dealings to different levels of organisation.

Auditing is a crucial aspect of effective organizational performance, since it focuses on organizational internal control systems set by management. According to Diamond (2000), internal audit function has gotten expanding consideration as a critical part of financial management and a device for enhancing organisational performance. Unegbu and Kida (2011) noted that internal auditors owe a duty to the management and the board, to provide data about the amplex and viability of internal control system and the quality of performance.

Internal audit is amongst many internal control mechanisms and audit exercises which ought to work in a planned and reciprocal way to benefit the organisation. These different exercises incorporate management-monitoring, assessments, quality affirmation and control that are altogether intended to give certainty and confirmation to the Executives and Board whether or not the administration carries out its obligations, and the goals are attained (Anao, 2012). Building up an expert working relationship between internal and external auditors ought to convey advantages to both sides. It is imperative that internal auditors look for contribution from external auditors when building up internal audit procedure and action plan. Internal and external auditors share counsel during the period of reviews that looks into key monetary and corporate frameworks supporting the organisation's fiscal reports.

For external auditors to use specific work of the internal auditors, they are required to survey the work done by the inside examiner to choose its adequacy for outside

review purposes (Ehiorobo et al., 2013). Inward audit ensures amplex and how much internal audit staff meets its dedication. This is a delayed consequence of the exchange among components such as the quality of internal audit, organization, administration and support of management. Thus, internal audit should be viewed as a dynamic system that is reliably framed by the interchanges among the parts indicated above (Ehiorobo et al., 2013).

A solid developed internal audit capacity can assume a key part management and responsibility procedure in an institution through evaluations of key organisational controls, management and the processes of risk management (Asare, 2009). This sound internal audit requires hierarchical freedom, formal command, unlimited access, adequate funding, able authority, skilled staff, management support, and professional audit guidelines (IIA, 2006). The extent to which these elements associated with risk management, control, and governance of internal audit work in the public sector rarely investigated (Mebratu, 2015). Although most analysts agree that the role of internal audit in public sector is important, still there are deficient prior empirical studies on Namibia except for the studies by Kandjeke (2014 and 2015). The researcher provides findings on the lack of implementations of recommendations from external auditors. Lack of implementation of auditor general's recommendation has caused ministries and agencies to seat with mismanagement issues in their organisations. The most recent and pressing issue is reconciliation of suspense accounts in ministries and agencies. Failure to implement recommendation has been attributed to the fact that incumbents inherit unreconciled balances from previous financial years. This causes an accumulation of balances. Another is the Daily Subsistence Allowance (DSA) outstanding list. Recommendations have been passed that these ministries encourage or enforce DSA

claims within stipulated time frame but members have always failed to do so. This causes outstanding balances on DSA to constantly accumulate over the years because some ministries and agencies have inherited some suspense accounts. Recommendations on unauthorized expenditures have also been a major concern over the years. Ministries and agencies have exceeded their spending brackets although treasury authorization has been provided for ministries or agencies to virement funds from other subdivisions. This lack of implementation has subjected many ministries and agencies to unlawful activities.

1.3. Statement of the research problem

The concern expressed over the years is that internal auditors have been representatives or employees of organisations they work for, which have caused reports of their audits not to be taken seriously by ministries and agencies, therefore their suggestions and recommendations, are not actualized on time or not executed (Naido, 2009).

Throughout the years, concerns with respect to implementation of audit recommendations have been noted. According to Kandjeke (2014), the report published by the office of the auditor general in 2013 states that the Ministry of Information Communication and Technology under spent on its expenditure by exceeding the required minimum 2% as per Namibian state finance act of 1991. Furthermore, Kandjeke (2015) found similar trend in the financial year 2014. The Office of the Auditor General did not execute suggestions on extraordinary income as indicated by the External Auditors reports for two sequential years (Kandjeke 2014, 2015). This implies that activities were not well funded and could bring about

insufficiency in the execution of the service, which may negatively affect the Namibian economy.

Comparative discoveries reoccurred in two back-to-back financial years, which are 2013 and 2014 yearly reports. This implies that the Ministries and Agencies did not actualize the proposals for the earlier year's reports. It is against this foundation that the study seeks to understand if audit recommendations are or not implemented in Ministries and Agencies in Namibia. If not, the researcher aims to outline the reasons why they are not implemented.

1.4. Objectives of the Study

The objectives of this study are to:

- To investigate the importance of addressing and implementing audit findings in ministries and agencies in Namibia,
- To examine the relevance of audit findings and implementations of those findings in ministries and agencies in Namibia
- To establish the implement-ability of recommendations from external and internal auditors in ministries and agencies in Namibia.

1.5. Significance of the Study

With this study, the public will have the chance to comprehend the role of internal auditors, external auditors, and management in accounting for public resources. It will likewise help the internal, external and management to enhance their approach of getting things done. It will help internal and external auditors in enhancing their

performance and management to appropriately assess the audit reports and to fundamentally examine them with the goal that it increases the value of the Ministries and Agencies.

1.6. Research design and ethical considerations

The researcher paid careful ethical consideration while involving humans or the organizations involved in the study during the research design. No names of individual respondents or organizations were mentioned throughout. This was done to help to protect the institutions and individuals who were involved in the study and the researcher against potential legitimate ramifications from any conduct that might be considered exploitative. The researcher encouraged voluntary participation by means of informed consent. Participants were completely informed with respect to the procedure of the study and any potential risk. This was taken after to ensure that all participants decide to participate freely. Moral benchmarks were taken after secure the secrecy and namelessness of the respondents.

1.7. Limitations of the study

This study focused on only three Ministries and one Agency namely the Ministry of Information and Communication Technology, Ministry of Gender Equality and Welfare, Ministry of International and Relations and Office of the Auditor General Namibia only, leaving out other Ministries and Agency. Therefore the evaluation will focus only on these three ministries and Agency. The researcher selected the three Ministries and an Agency because data will be easily collect.

1.8. Structure of the thesis

The remainder of the dissertation is structured as follows: Chapter two examines existing literature and empirical findings on the subject. Chapter three discusses the methodologies used for analysis. Chapter four and five focus on the findings and issues on recommendations.

1.9. Summary

In this chapter, the background of the study presented an insight into areas of why internal and external auditors are vital to ministries and agencies in Namibia. The implementation of audit findings and recommendations from the Auditor General 's Office has been of a concern since ministries and agencies still face challenges in implanting some of the recommended findings. The chapter further outlined the statement of the problem, significance and limitations of the study.

CHAPTER TWO: LITERATURE REVIEW

2.1. Introduction

Chapter 2 discussed the secondary data on studies already conducted by others on the on this topic. It is of great significance to this study with various available studies in order to obtain comparative and related views and be able to compare them to the current Namibian situation.

This chapter aimed to provide an important discussion in evaluating the importance of implementing audit findings and their relevance to organizations both private and public.

Chapter 2 also discussed the terminologies that were used in the research. It is important to define expressions related to study before exploring relevant literature. In this chapter, the researcher outlined a brief history of auditing and looks into determinants of effective implementations of audit findings, hypothesis, and theories on the study.

2.2. Definition of terms

The following terms relate to the study and should be understood as such.

Audit

"Audit" originates from the Latin word *audire*, signifying, "to listen" "to tune in". As indicated by Flint (1988), audit is a social wonder that fills no need or incentive with the exception of its useful helpfulness and its reality is completely utilitarian. Cañibano (1993) characterizes audit as being, by and in general terms, to inspect and

check data, enlist, forms, circuits, having as an objective to express an assessment over the benefications and its suitability. Auditing is a method for enhancing understanding by looking at what you do, to check whether you can improve. As indicated by Power (1999), auditing alludes to a precise and autonomous examination of books, records, organizational reports, to determine whether financial statements display genuine and reasonable perspective of the matter under investigation. Raffa (2003) refers to it as a methodical procedure of dispassionately acquiring and assessing proof with respect to attestations about financial activities and events to find out the level of correspondence between those declarations and built up criteria and imparting the outcomes to intrigued clients.

Auditor

An individual in charge of inspecting records with the point of avoiding corrupted activities (Abdel-Qader, 2002). As indicated by Gul, Teoh, Andrew and Shelluch (1994), special auditors are delegated to ensure that, both the state and private associations', income and expenditure transactions are appropriately represented.

Internal audit

The Institute of Internal Auditors characterize internal audit as a free confirmation and consulting activities intended to add value and enhance the organisation's goals. As per Kumar and Mohan (2015), internal audit is a wilful examination action undertaken by an organisation to give confirmation over the viability of internal controls, risk management, and governance to encourage accomplishment of organisation's goals. Internal review is done generally by employees of the organisation who reports to council of the top managerial staff instead of external

audit which is done by experts independent of the organisation and who answer to the shareholders by means of audit report.

External audit

External audit, otherwise called financial and statutory audit, includes the examination of the genuineness and fairness of financial reports of an organisation by an independent external auditor of the organisation as per reporting framework such as the IFRS. In this way, Company law requires yearly outside review of the organisation (Kumar and Mohan, 2015).

Financial audit

Wang (2004) explained financial audit to mean the process of reconfirming of self-identity, self-measurement and self-edit on financial accountability of management.

Ministry

Referred to government ministries in Namibia

Agencies

Describes the relationship between two parties in which one (the 'agent') is under the control of (is obligated to) the other (the 'principal'), (Business Dictionary).

Management

Management is the authoritative procedure that incorporates key strategic planning, setting goals, and overseeing assets, conveying the human and financial resources expected to accomplish objectives, and measuring outcome. As per Hisson (2009), it

incorporates recording and keeping of facts and data for later utilize or for others inside the organisation. Olum (2004) alludes to management as the artisanship, or science, of accomplishing objectives through individuals.

Organization

An organisation is a social unit of people that is structured and managed to meet a need or to pursue collective goals (Business Distortionary).

2.3. Historical background of auditing

Auditing has its history largely dictated by the historical backdrop of accounting, as the latter metamorphosed and culminated with the advancement of the world economy (Tanko, 2011). Salehi (2008) observed that albeit antiquated societies of Mesopotamia, Egypt, Greece and Italy demonstrate proofs of profoundly created financial frameworks, yet the economic reality amid these periods were constrained to the recording of single transaction. Salisu (2011) stated that archaeological ancient rarities and discoveries uncovered those accountants in certainty developed writing. Iuliana (2012) followed the historical backdrop of auditing to the pre-recorded period. He clarified that the auditing procedures could be connected to the key conduct of individuals in life circumstances. Imbedded in the way we listen and communicate in order to analyse, observe, and make the best decision. In old past around 5000 years B.C., there was confirmation of first writings, growing new types of organisations, new financial developments, and philosophical, social ones. Because of these, there appeared the need of enhancing the financial and economic situation of the tribes or kingdoms. Subsequently, this assignment was tasked to an individual from the group, who knew how to write and commanded numeracy to sort out the information and figures, which would permit an assessment of economic

situation in order to make informed and appropriate decisions. In this manner, the auditing process was said to have started by about 400 BC where the old Egyptians and Babylonians had evaluating frameworks for looking at development in and out of storage facilities, including oral "audit reports", bringing about the expression "auditor" (gotten from the Latin word "audire", signifying "to listen").

Iuliana (2012) additionally underlined that from the Roman period the principal genuine accounting registers "Codex Tabulae," which on one side were registering the cashing, (acceptum) and on the opposite side the expenses (expesum). Lee (1994) stated that the early advancement of auditing is not well reported. Auditing as an old checking exercise was found in the old civilization of China (Lee, 1986), Egypt and Greece (Boyd, 1905). The ancient checking exercises found in Greece (around 350 B.C.) have all the earmarks of being nearest to the present-day auditing. Comparable sorts of checking exercises were additionally found in the antiquated Exchequer of England. In early and middle ages, in nations such as Italy and France, the accounting activity turned into a prestige profession, made by the intellectuals "escribanos", creating basic qualities for the expert morals –, for example, genuineness and correctitude prompting to transparency through accurate presentations of data to keep up moral and ethical practices.

2.3.1 Historical Division of Auditing

A prominent work in the examination of history of auditing is the work of Lee and Azham (2008); they divided the history into five chronological periods of; before

1840's; 1840s- 1920's; 1920's – 1960's; and 1960's - date. Their observations are summarized as follows:

Before 1840's the activities of the auditors can be summarized in this period as follows:

1. There was no structured business and as such no formal internal control was established;
2. Lee and Azham (2008) observed that the auditing at the time was limited to performing detailed verification of every transaction. Thus, the idea of testing or inspecting was not some portion of the examining strategy;
3. Fitzpatrick (1939) opined that the objective of audit in the early period was principally intended to check the trustworthiness of people in charge of financial duties;
4. The sole duty of auditors was to detect fraud. He was seen as a bloodhound and not a watchdog (Police man theory);

1840's – 1920's The Industrial Revolution of the United Kingdom was between this period and it contributed immensely to the expansion of businesses and subsequently evolution of the role of auditors. The contributions of this period to the field of auditing are summarized as follows:

1. The Joint Stock Companies Act was passed in UK in the year 1844 providing for the appointment of auditors to check the account of companies;
2. Porter, Simon, and Hatherly (2005) observed that the obligations of auditors amid this period were impacted by the choices of the courts;

3. Leung, Coram, Cooper, Cosserat, and Gill (2004) explained the objectives of auditing in accordance with the book of Dicksee (1892) as: (i) the detection of fraud; (ii) the detection of technical errors, and (iii) the detection of errors of principles.

1920's – 1960's: During this period, Porter (2005) explained that as organizations developed in size, the division of the ownership and administration capacities turned out to be more apparent. Thus, agency theory was evident. The following are the main activities of this period:

1. Internal control functions of the organization started because of inflow of funds from investors to companies, and the existence of functioning financial markets;
2. The audit capacity was for the most part to give believability to the budgetary proclamations arranged by organization directors for their shareholders. Hence, lending credibility theory was developed and the essential goal of audit work changed to adding believability to the financial statements from the discovery of extortion and blunders;
3. Queenan (1946) explained that the concept of materiality was used in this period. Also, Brown (1962) observed that sampling techniques were used in auditing during this period was because of the voluminous exchanges required in the direct of business by extensive organizations working in far reaching areas. It was no longer useful for auditors to check every one of the exchanges;

1960's – 1990's: According to Davies (1996), auditing had experienced some basic advancement in this period. He clarified that in the before part of this period, an

adjustment in audit approach could be seen from "confirming transactions in the books" to "depending on framework or system". Such a change was because of the expansion in the quantity of transactions that came about because of development in size and many-sided quality organizations. Therefore, Lee and Azham (2008) clarified that auditors in this period had put considerably higher dependence on organizations' inner control in their audit methodology. Moreover, evaluators were required to find out and archive the bookkeeping framework with specific consideration to information streams and recognizable proof of internal controls. At the point when internal control of the organization was viable, auditors decreased the level of itemized substance testing.

Salehi (2007) watched that in the early 1980, there was a readjustment in auditors' methodologies where the evaluation of internal control frameworks was found to be a costly procedure thus auditors started to decrease their systems work and make greater utilization of scientific strategies. A development of this was the progression amid the mid-1980s of risk based auditing (Turley and Cooper, 1991). Risk based auditing is an approach where the auditor focuses on those zones that will presumably contain blunders. To grasp the use of risk based examination, auditors are required to pick up a cognizance comprehension of their customers in term of the organisation, key faculty, approaches, and their businesses (Porter, Simon, and Hatherly, 2005). Therefore, the use of hazard based evaluating had set strong emphasis on dissecting audit evidence obtained from a wide collection of sources that is both inner and outside information for the audit client.

1960's – date: This period is characterized by the following:

1. Selection of the business risk approach and in turn upgrades auditor's capacity to satisfy these duties (Porter et al., 2005);
2. A definitive target of auditing is to give believability to financial and non-financial related information reported yearly by management;
3. Audit firms also provide consultancy services to businesses whereby, investigative arm of audit was separately done. The birth of forensic accounting;
4. Introduction of Computer Assisted Audit Techniques (CAATs) that facilitated data extraction, sorting, and analysis procedures (Lanza, 1998).

The interest to check and get a specialist's assessment is the sole motivation behind auditing and this is in human nature. Agency and accounting theory prompt to the need of auditing. The critical aspect of the historical of auditing theory is the role and function of auditors. Saleem (2012) opined that their roles have not been well characterized from commencement. As observed by Iuliana (2012) auditing has forever advanced answering to the changes in the environment and altering its objectives starting from the middle age, going through the industrial transformation up to the 21st century.

2.3.2. Control role of internal auditing

Asare (2009) stated that internal auditing as a control measure does not simply limit the open doors for defilement through the confirmation of acquirement procedures but also ensures viable physical observing of capital items obtained and real use to maintain a strategic distance from misrepresentation and manhandle.

Notwithstanding these, internal audit has assumed a dynamic part in actualizing successful administration and controls while being solicited to assess the adequacy of management of management practices. Concerning governance, the key activities of internal auditing concerning control is that to guarantee controls set up to address key organisational risks (Hermanson and Rittenberg, 2003)..

Standard 2130 of IIA (2010) noticed that the internal audit exercises must help the association in keeping up suitable controls by evaluating their ampleness and adequacy and by propelling consistent change. Like this, internal audit work consistently evaluates internal control system of the entire management process of planning, organising and coordinating to decide if sensible affirmation exists so that targets and objectives of the organization will be accomplished (Haron et al., 2009). To achieve these internal auditors must combine information of controls obtained from consulting engagements into appraisal of the association's control procedure (IIA, 2010).

According to IIA (2006) the public sector governance includes methodologies and systems used to manage an association's activities to give sensible certification that objectives are met and that operations are completed in a moral and responsible way. Internal audit can upgrade governance process by focusing on how qualities are developed to ensure feasible and capable control and administration of public sector entities. Such highly regarded structure requires an open government that is clear in its dealings with a high sentiment moral direct and sensibility (Asare, 2009). In like manner, standard 2130 (IIA, 2010) express that internal audit activities should assess and make fitting recommendations for improving the administration to accomplish the accompanying objectives: progressing appropriate ethics and values inside the association, ensuring powerful hierarchical execution and obligation, and adequately

planning the activities of and conveying information among the Board`s outer and external and internal auditors and management.

2.3.3. Governance role of internal audit function

Institute of internal auditors (IIA, 2006) expressed that public sector governance includes approaches and strategies used to guide an organisation's activities to give reasonable assurance that objectives are met and that operations are carried out in a moral, ethical, and accountable manner. Internal audit can enhance governance process by concentrating on how values are built up to guarantee compelling and effective control and management of public sector entities. Such value framework requires an open government that is transparent in its dealings with a high feeling of ethical conduct and decency (Asare, 2009).

In essence internal audit activities ought to evaluate and make suitable suggestions or recommendations for enhancing the governance procedure in order to fulfil the following: advancing proper morals and values inside the organisation, guaranteeing effective organisational performance management and accountability, and successfully planning the activities of and relaying information among the Board`s external and internal auditors and management (IIA, 20120). It is the internal auditor`s role is to help with guaranteeing that controls are set. The organization is to disclose that there is an ongoing process for identifying, assessing, and overseeing critical risks confronted by the organization.

2.4. Hypothesis of Auditing

Wallace (1980) proposed three speculations for clarifying the role of audit in free and controlled markets: the checking or monitoring theory, the information theory, and the insurance hypothesis.

2.4.1. The monitoring hypothesis

This hypothesis accept that when settling on designating and appointing basic leadership control, as suggested in agency theory, the specialist is inspired to agree to be checked if the preferences from such activities outperform the related costs. This theory is significant to all co-agent associations in any association, connections amongst proprietors and supervisors, as well as amongst businesses and workers, loan bosses and shareholders, diverse levels of administration in organizations and government and citizens (Wallace, 1980, 1987).

Beaver (1989) clarified that monitoring theory attempts to handle issues that rise due to moral hazard risk and information asymmetry between the operator and the principal. Moral risk is the issue of the operator having better information and the chance to use it self-interestedly to the drawback of the principal (Beaver 1989). Bolt (1985) refers to the two sorts of main operator issues as hid or concealed activity (moral peril) and shrouded data (information asymmetry).

Public disclosures have been seen as one strategy for controlling the monitoring theory. They have been seen as constraining the predominant information position of management. Moreover, free performing actors can be contracted to survey the information condition. From this point of view, auditing is one sort of controlling for the monitoring hypothesis. The review lessens the operator's chances to withhold material information from the shareholders (Beaver 1989).

The connection between the auditor and the governing body of an association is one variable that impacts the monitoring of management. The auditor and the management as a general rule have a relationship, which is considered to build the monitoring power of the owners. In addition, the self-ruling review boards of trustees are thought to be a framework that upgrades the auditor's autonomous position in negotiating and increase the amplex and nature of audit engagement (Ng and Tan, 2003). Current updates in regulation condition for public organisations have constrained higher demands on the self-sufficiency and fitness individual on the board. Correspondingly, the auditors and management are presently commanded to issue internal control reports, which again augment and strengthen the monitoring role of the auditor over the management.

Wallace (1980, 1987, and 2004) presented many factors suggesting that auditing is a profoundly valued monitoring framework among stockholders, banks, creditors and top management. For instance, Chow (1982) found that organizations with a higher proportion of total debt to total assets or organizations with more accounting based contracts will probably enlist an auditor, presumably to address the agency relationship of management to creditors. In addition, according to Hay and Davis (2004) there is evidence to suggest that voluntary enlisting an auditor increases with the quantity of workers. The benefit of auditing of management may likewise be clarified by the management's loss of organisational control (Hay and Davis, 2004). In organizations with more workers or more complex authoritative structure, management may profit from audit, as it is an extra mean for enhancing inner control.

2.4.2. The information hypothesis

Financial reporting was before observed to be key to the monitoring purposes, however since the 1960's the concentration moved to the needs and the provision of data to empower users to take financial decisions (Higson 2003). In this manner, an option or supplement to the monitoring hypothesis is the information or data hypothesis. One argument in regards to the interest for audited financial statements is that they give information that is valuable to investors' decision making. Investment decision models in the finance literature value an organization by computing the net present estimation of future cash streams. For instance, future cash streams have been seen to be profoundly correlated with financial statement information. In this manner, investors value the audit as a method for enhancing the nature and quality of financial information (Wallace 1980, 1987 and 2004).

Similar information that is utilized in monitoring contracts is likewise helpful in when making investment decisions. The distinction from monitoring purposes, nonetheless, is that introducing method for monitoring more often than not requires unequivocal contracting, similar to the situation when agent commits to providing financial statements. Information hypothesis accentuates that investors when making rational investment decisions require financial information (Wallace 1980).

Fama and Laffer (1971) examined three noteworthy advantages of information: decrease of risk, improve decision-making and earnings of trading benefits. Examined financial statements can be identified with every advantage. Investors have a tendency to be risk averse and so they will request a higher return for more risk, or they will pay a higher cost in the form of a risk premium to decrease the level of vulnerability or risk (Fama and Laffer, 1971). The audit can be viewed as cost

effective if the risk premium of every individual investor surpasses the cost of the audit to the organization (Wallace 1980, 1987, 2004).

An audit is valued as a method for enhancing the finance related information utilized by directors or management in decision-making. It can enhance the nature of the information by discovering errors and by making employees more cautious in preparing records. Information that is more accurate will enhance internal decision-making. Outer utilization of more precise information for credit and venture analysis, labour negotiations or control decisions will likewise enhance management performance (Wallace, 1980; 1987; 2004). The role the audited information is affirmed by research results (Beaver et al. 1970) which exhibit a change in the estimation of risk utilizing accounting data. The enhanced estimation of risk does not imply that unusual or abnormal earnings could be gained, but rather proposes that investors have more accurate information for evaluating investment (Wallace 1980 and 2004). The apparent validity of accounting information has been seen to affect premium costs (Wallace 2002), under-pricing of initial public offerings (Menon and Williams (1991); Hogan (1997); Willenborg (1999) and insolvency (Menon and Williams (1994).

2.4.3. The insurance hypothesis

The third hypothesis on how the interest for audit has advanced relates to management risk introduction (Wallace 1980). Following the work of Wallace (1980; 1987; 2004), the writer explained that under the Securities Act, the auditor and the auditee are together and severally liable to third parties for misfortunes inferable from faulty financial statements. The ability to shift financial responsibility

for reported data to an auditor lowers the expected loss from litigation or related settlements to managers, creditors and other professionals involved in the securities market. As potential litigation, costs increase the insurance demand from managers and expert participation for an audit can be relied upon to develop.

In the work of O'Reilly, Leitch, and Tuttle (2006), they demonstrate that the going concern audit report information is evaluated less adversely when the environment perceives that auditor will provide some insurance. Similarly and Lennox (1999) reasons that the bigger auditors with "deeper pockets" are more inclined to litigation in spite of the higher quality that they provide, and consequently, this is interpreted as confirming the presence of a protection impact on the demand for auditing. There also evidence in the work of (Menon and Williams1994) in which they discovered that investors consider auditors to be underwriters or guarantee for the quality of financial statement and of their ventures.

2.5. Determinants of effective implementations of audit findings

2.5.1. Internal Audit Quality

Internal audit quality, which is exhibited by the workplace's capacity to give helpful audit discoveries and suggestions, is a standout amongst the most important factors on which audit adequacy is tied down. The execution standards of the IIA (1999) require the auditor to plan and perform the work with the end goal that he or she would have the capacity to arrive at helpful audit discoveries and forward proposals for improvement. The workplace's capacity to properly plan, perform, and communicate the results of the audit is a proxy for audit quality. A timely, proficient report process is essential to make internal auditors achieve the highly effectiveness

(Schroeder 1977). Internal auditing is proficient field, which needs an extensive variety of information, experience, knowledge, and development, with a specific end goal to execute its auditing admirably. Therefore, professional license, integrity, autonomy, objectivity, learning, and experience are all vital (DeMarco 1980).

With this in mind, it is safe to state that audit quality is an element of broad staff ability; sensibility of the extent of service; and successful planning, execution and communication of internal audit. Auditing planning is to set up auditing targets and strategies. It can facilitate internal auditing targets and organization objectives, and afterward help internal auditing department to achieve greatest proficiency (McAvoy 1977). In designing an annual plan, internal auditing department can review all the activities in an organization. Moreover, they should consider "risk" and audit risky areas all the more regularly (Schroeder 1977).

2.5.2. Management Support

The management literature offers abundant evidence for the key role of top management support in the accomplishment of all programs and procedures inside an organisation. Fernandez and Rainey (2006) contended, in light of literature, that top management support and responsibility to change assume an essential role in organisational renewal, as senior chiefs can mobilize the critical assets needed to process implementation of suggestions or recommendations. Various exact reviews have discovered that top management's support for quality to be a key factor when implementation is concerned.

The support and commitment of management additionally effect of making sure that Internal Audit system is working viably. The success of Internal Audit function

depends on the quality of management's support for the auditing procedure. They need to acknowledge that the IA procedure is similarly an important process as others in the organisation. Studies found that without management endorsement, support, and encouragement, the internal audit process is probably going to face failure and could be a waste of financial resources (Ibrahim, Shokiyah and Baharuddin, 2014). Management's support is presumably the most essential factor in an organization's environment (Stocks, Albrecht, Howe, and Schueler, 1988).

The association and relationship between senior management and internal auditors and the internal audit function is both vital and complex. Senior management have an imperative say in the resource dedicated to internal audit work and are likely likewise to contribution to the internal audit work plan and the nature and focus of the internal audit function. It is conceivable that they will see internal audit as a function of checking both their performance and probity. Against this foundation, the way in which senior management seek to, and show, their support internal audit is probably going to give an important signal with regards to the role and value internal audit throughout the organisation, and in this manner give the internal audit department the strength required for it to play out its obligations and duties.

2.5.3. Organizational Setting

Organisational setting incorporates the status of internal audit in the hierarchical structure; the honour of internal audit's office; budgetary status of the internal audit office; and the presence of sound criteria set up to assess auditees' practices. So in order to make internal auditing effective, there ought to exist clear policies and systems against which organisational practices are to be measured. On the off chance

that management furnishes internal auditing division with a free position inside an organisation, it would affect control environment (Pushkin 1990).

In today's environment of expanded accentuation on corporate governance, the roles of both the internal and external audit functions are getting expanded prominence and consideration. In the consequence of corporate scandals and the worldwide financial crisis, corporate governance has gotten critical consideration from regulators and the public. Regulation responses have concentrated on expanding disclosure requirements identifying with corporate governance and this has increased awareness and demand for internal assurance on corporate governance processes, including internal control and risk management. Given its unique position inside the organisation, the internal audit function is very much set to give this assurance and is a vital part of the corporate governance.

Increasing consideration of internal audit function, its extending role, its foundation in a growing number of organisations and an expansion in its size has been observed in studies by Spira (2003); Carcello et al. (2005); Arena and Azzone (2007) and Ernst and Young (2007). Beasley et al. (2000) and Coram et al. (2008) expressed further support that internal audit function contributes towards quality corporate governance, through its oversight role, its enhancements to the control and monitoring environment and its capability to alleviate fraud risk.

2.6. Review of Theoretical and Empirical studies

2.6.1. Theoretical studies

Internal auditing (IA) fills in as a critical connection in the business and financial reporting procedures of profit and non-profit organizations (Reynolds 2000). Internal auditors assume a key role in checking an organization's risk profile and recognizing areas to enhance risk management (Goodwin-Stewart and Kent, 2006). The aim of internal auditing is to enhance organisational productivity and viability through valuable feedback. Unegbu and Obi (2007) characterized internal audit as a major aspect of the Internal control framework set up by administration of an Organization to guarantee adherence to stipulated work procedure and as help to administration. As per Unegbu and Obi (2007) internal audit measures, investigates and assesses the proficiency and viability of different controls set up by administration in order to guarantee smooth organization, control cost minimization, and guarantee capacity usage and maximum benefit derivation.

Public sector managers work in a perplexing and testing condition. This, to some degree, mirrors the developing requests and desires of the group, government and the Parliament (Ehiorobo et al., 2013). Anao (2012) felt that internal audit is a vital component of the scope of assets and systems accessible to public sector managers to help them to meet their obligations inside this condition.

In the perspective of Adeniji (2004), internal audit is a piece of the internal control framework set up by administration of an association. The Institute of Internal Auditors (IIA, 1999a) characterized internal auditing as a free, objective and consulting activity intended to add value and enhance an association's operations. It helps an association accomplish its objectives by bringing a methodical, restrained

way to deal with, assess and enhance the viability of risk management, control, and governance processes. This definition connotes that internal review has experienced an outlook change from an accentuation on responsibility about the past to enhancing future results to help auditors work all the more adequately and proficiently (Nagy and Cenker, 2002; Stern, 1994; Goodwin, 2004). Internal audit is successful when it meets the planned result it should achieve.

Sawyer (1995) stated that internal auditor's job is not done until deformities are rectified and remain remedied. Van Gansberghe (2005) clarifies that adequacy of internal audit public sector ought to be assessed by the degree to which it contributes to the demonstration of effective and service delivery, as this drives the interest for enhanced internal audit services. In view of the consequences of a consultative discussion that concentrated on enhancing public sector internal audit, Van Gansberghe (2005) identified perceptions and ownership; organization and governance framework; legislation; improved professionalism; conceptual framework; and resources as factors influencing internal audit effectiveness. Viable internal audit attempts a free assessment of financial and operating information and of frameworks and procedures, to give helpful proposals to changes as necessary. The viability of internal audit adds to the adequacy of each auditee in particular and the association at large (Dittenhofer, 2001). Dittenhofer (2001) has likewise watched that if internal audit quality is kept up, it will add to the fittingness of strategies and operations of the auditor, who will bring positive contribution to the whole organisation.

Using agency theory, Xiangdong (1997) explained the role that internal audit plays in an economy. The author points out that internal audit has an advantage over external audit in obtaining information quickly and finding problems at an earlier

stage; and Spraakman (1997), applying the theory of transaction cost economics, demonstrated how internal audit recommendations are important to the management of government organizations. Prior literature relating to internal audit effectiveness has either focused on the internal audit's ability to plan, execute and objectively communicate useful findings (Xiangdong, 1997; Spraakman, 1997; Dittenhofer, 2001); or taken a broader view and included factors that transcend the boundary of a single organization (Van Gansberghe, 2005). This study attempts to introduce a different perspective for evaluation of internal audit effectiveness by identifying factors within an organization that impact on audit effectiveness. Internal audit quality, which is determined by the internal audit department's capability to provide useful findings and recommendations, is central to audit effectiveness. Internal audit has to prove that it is of value to the organization and earn a reputation in the organization (Sawyer, 1995). Internal audit has to evaluate its performance and continually improve its service (Ziegenfus, 2000). Audit quality is a function of the level of staff expertise, the scope of services provided and the extent to which audits are properly planned, executed, and communicated.

Audit findings and recommendations would not serve much purpose unless management is committed to implement them. Adams (1994) used agency theory to explain that it is in the interest of management to maintain a strong internal audit department. Implementation of audit recommendations is highly relevant to audit effectiveness (Van Gansberghe, 2005) and the management of an organization is viewed as the customer receiving internal audit services. As a result, management's commitment to use audit recommendations and its support in strengthening internal audit is vital to audit effectiveness (Sawyer, 1995). Organizational setting refers to

the organizational profile, internal organization, and budgetary status of the internal audit office; and the organizational policies and procedures that guide operation of auditors. It provides the context in which internal audit operates. Thus, organizational setting can exert influence on the level of effectiveness that internal audit could achieve.

Hass et al. (2006) noted that internal auditors must not only be able to assess risks in their large organizations, but they must also be able to complete complex risk analyses in their own internal audit function. The authors in addition included, accomplishing this, internal auditors need to possess increasing levels of critical thinking, analysis, decision making and logic. As per Unegbu and Kida (2011), many individuals show the contention that internal auditors being employees in the public sector do not have the freedom to practice fairly and with autonomous attitude so important to an auditor. Kumar and Sharma (2009) supported the perspective of how internal audit affect management by means of assessing the operations and records of the organisation while in the meantime furnishing management with updated reports based on entities' operations so that management can execution suggestions and recommendations made by internal department.

Cascarino and Van Esch (2007) noted that internal audit is an autonomous, objective assurance and consulting activity intended to add value and enhance an organisation's operations. It helps an organisation attain its goals by bringing an efficient and disciplined way to evaluate and enhance the effectiveness of risk management and in addition control and governance procedure. Independence is set up by organisational and reporting structure while goal is accomplished by an appropriate mind-set. The internal audit activities assesses chance of risk exposures

relating to the organisation's governance, operations, and information system relating to adequacy and effectiveness, dependability and integrity of financial and operational information, safeguarding of assets and compliance with laws, regulations and contracts.

Octavia (2013) stated that, there is a need for new worldwide monetary change, recognising the need for an Internal Auditor to include an incentive by using their qualities to address the issues of their associations. Nonetheless, the Internal Auditor in future will search for chances to, proactively, adjust to changing business demands, not simply responding or reacting to them. To accomplish this development, the focus ought to be on the following six elements: Governance, Risk Management, eBusiness, extortion, outsourcing, and recruitment. These in the end will benefit the organisation by improving its performance.

Octavia (2013) further expressed that the extent of audit activities right now is not just finance related compliance audits, but rather the involves all aspects influencing the performance of the organization and management control and in addition considering risk issues of business and management. Ali, Sahdan, Saad and Gloek (2005-2008) expressed that in public sector internal audit function holds high potential for advancing accountability and enhanced governance. Therefore, some countries have created approaches or policies for reinforcing public sector internal audit capacities to improve their ability add value through their work. In countries such as the United States of America, internal audit is at present additionally a device for enforcing accountability and not only an instrument expected to help senior management of government organisations.

According to Ibrahim et al. (2014), auditing practices have evolved over the years and develop into the broader aspects to become into a field of fraud detection and financial accountability. Auditing also provides feedback on organization financial information and reporting. It has a tool for an analysis of any fraudulent activity, potential and actual within the organization (Ibrahim et al., 2014). Internal audit findings are very critical to management of public sectors. It is the duty of management to follow through and make sure that audit recommendations are implemented.

Karagiorgos, Drogalas, Gotzamanis, and Tampakoudis (2010) noticed that internal auditing and corporate governance have now turned into a matter of significant public concern. In this idea, universal rules see that viable collaboration of corporate governance and internal auditing enhances performance, and leads to competitive advantage. The contribution of internal auditing to corporate governance is delineated by means of separating the relationship between internal audit and key components of corporate governance.

2.6.2. Empirical studies

Alzeban and Gwilliam (2012) carried out a study to provide empirical evidence as to the main factors influencing internal audit effectiveness. The authors obtained data obtained from 79 Saudi Arabian public sector organizations using 442 usable questionnaire responses. They used both conventional multiple regression and path analysis to examine the association between internal audit effectiveness and five principal factors, namely; the competence of internal audit, the size of the internal audit department, the relationship between internal and external auditors, management support for internal audit, and the independence of the internal audit

department. The results suggest that management support for the internal audit function was the main driver in terms of ensuring the perceived effectiveness of the internal audit function from the perspective of both management and internal auditors. Management support was important as a construct in its own right but also via its links to issues of hiring qualified staff, providing sufficient resources, enhancing the relationship with external auditors, and having an independent internal audit department.

Yismaw and Mihret (2007) carried out a case study to identify factors impacting the effectiveness of internal audit services in the Ethiopian public sector and found that internal audit effectiveness is strongly influenced by internal audit quality and management support, whereas organizational setting and auditee attributes do not have a strong impact on audit effectiveness. Ehiorobo et al. (2013) conducted an empirical analysis of the role of Internal audit (IA) in an effective management control in public sector in Edo state of Benin. It examine if effective management can be achieve in local government, IA effectiveness does play a role in ensuring effective management in public sector, and If IA effectiveness does affect management control in public sector in Edo State using Z –test statistical tool. The Z-test results shows that effective management can be achieve in local government, IA effectiveness play role in ensuring effective management in public sector, while IA effectiveness does not affect management control in public sector in Edo state. This study proves the importance of internal audits and its effect on management. As public sector plays a huge role in economic activities, initiatives are being taken all over the world towards improvement of the standards of accounting and auditing departments (Angus and Mohammed, 2011).

George, Theofanis, and Konstantinos (2015) investigated the specific factors associated with internal audit effectiveness in the Greek business environment. Factor Analysis and regression analysis are used in order to illustrate the gathered information. The findings indicate that the main factors affecting internal audit effectiveness are: (1) quality of internal audit, (2) competence of internal audit team, (3) independence of internal audit and (4) management support. The results also reveal that independence of internal audit is the foundation of internal audit effectiveness, as it is the most crucial factor in our model.

Mebratu (2015) conducted an empirical study to look at the role of internal audit work in public sector governance and difficulties that affect this function in Amhara. The researcher used internal audit directors and staff from 35 public sector bureau of Amhara National Regional State and 61 internal auditors. To dissect the information, the researcher utilized OLS regression statistical method as a tool of analysis. The findings demonstrate that risk management function of internal audit is positively related to compliance with professional audit standards, unrestricted access, formal mandate, top management support, and competent leadership, and negatively related to organizational independence, competent staff, and sufficient funding. The finding uncovers that able staff, with professional audit standards and adequate funding is emphatically related with the control capacity of internal audit. The results additionally suggest that governance process role of internal audit function is positively related to equipped and competent staff and consistency in compliance with professional audit guidelines and adversely related to top management support, formal mandate and unrestricted access.

Hung and Han (2001) carried an empirical study in Taiwan to identify the factors that affect the effectiveness of internal auditing for listed firms. The authors used a sample of 210 listed manufacturing firms and found that the factors that affect management's perceiving effectiveness are management's attitude, controller's attitude, the probability of internal auditors' promotion, the implementation of performance evaluation, the establishment of job description, and the training and professional abilities of internal auditor. Secondly, the factors that affect audited department head's perceiving effectiveness are internal auditor professional abilities, and the combination of organization formalization and professional abilities. Finally, the factors that affect the progress of annual auditing plan are management's attitude, controller's attitude, the organization position of internal auditing department in a company, the probability of internal auditor's promotion, the implementation of performance evaluation, the establishment of job description, the training and professional abilities of internal auditor, and the combination of organization formalization and the professional abilities.

Ibrahim, et al. (2014) employed a cross sectional survey to investigate the factors that contribute to the effectiveness of internal audit in the Malaysian public sector. The authors used several statistical techniques. Descriptive statistic, correlation and regression analysis were used to analyze the data from the survey. The result of the study showed that there were significant positive relationships among the factors analyzed in this study such as: auditor competency, auditors' independence and objectivity and management support to the effectiveness of internal audit. This means the quality of internal audit is dependent on other factors apart from having a

process in place. The above-mentioned elements have to be effectively put in place in order to have quality reports and recommendations that can be implemented.

Bielińska-Dusza (2011) conducted an empirical analysis of internal auditing functioning in Poland and concluded that internal audit is an effective instrument of the institutional improvement when it contributes to implementation of the institution's objectives, is an element of the planning system, and by eliminating the irregularities it improves the entity's efficiency.

In Jordan, Al-Khaddash, Al Nawas and Ramadan (2013) found a positive and significant correlation between audit quality and audit efficiency, the reputation of auditing office, auditing fees, the size of audit firm, and the proficiency of auditor. Oduyo, Omwono and Okinyi (2014) analysed the role of internal audit in Enterprise Risk Management (ERM) by carrying out cross-sectional survey to provide empirical evidence on the Kenyan public sector. The discovery was that, management of public enterprises needs to create an environment that will harness commitment and support to internal audit if it is to effectively perform its responsibility of giving assurance that organizational risks are managed effectively.

The researchers stated that this is only possible if individuals within organizations are aware of the role and importance of internal audit function in implementation of enterprise risk management. Again, here the study expresses the need for management support, as it is the case for the Namibian case.

2.7. Conceptual Description of the Study

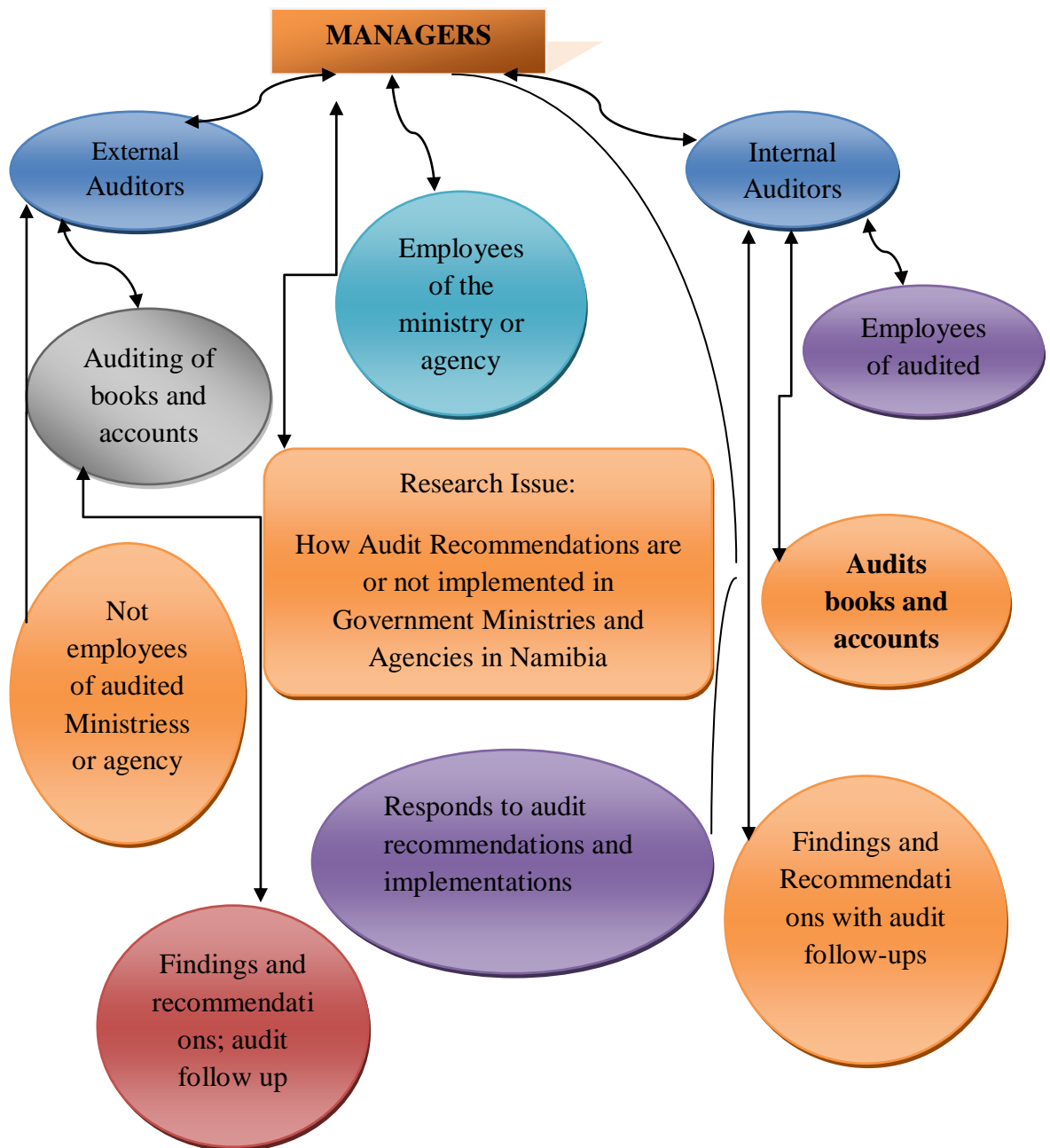
2.7.1. Introduction

This section will look at the various concepts by definition that supports and informs the current study. Key factors or concepts to be covered in the study are defined and the presumed relationship amongst them is explained (in graphics and narratives) in this section.

2.7.2. Concepts

Auditing: Both internal and external auditors indicated that they are involved in auditing books and accounts in their respective ministries and agency. They come up with findings and recommendations, which are then reported to management

Audit recommendations and implementation: Managers indicated that it is their responsibility to discuss audit recommendations in their meetings and come up with implementation strategies.



2.8. Summary

To underline on the significance of internal auditing to an establishments' general working, it is said that internal audit gives an autonomous and objective audit and adversary service to give affirmation to the Chief Executive as well as the Board.

This guarantees that the organisation's financial and operational controls intended to deal with the risk and accomplish the organisation's goals are working in a proficient, economical, and ethical way and help management in enhancing the business' performance.

Internal audit is one of the most powerful means of monitoring and promoting good governance system in the overall objective of the internal audit activity to obtain reasonable assurance. The overall objective of the internal audit activity is to obtain reasonable assurance that the management and control system of the company is operating effectively, as required by regulations and that the operations are carried out correctly and have no errors. Internal audit helps the company to operate in accordance with standards and regulations by evaluating specific controls and procedures and ensure that those charged with governance performs their duties accordingly.

Audit frameworks have been extended from financial audit to other areas of operations throughout the different business processes. The auditors are expected to possess the capability for consultation and recommendation to support strategic planning and the improvement of operations.

CHAPTER THREE:

RESEARCH METHODOLOGY

3.1. Introduction

This chapter looked at all those methods or techniques used for conduction of research the study. The chapter is divided into three aspects. The first aspect will look at the research methods that are concerned with the collection of data. Because of the fact that available information or literature is not sufficient in answering the research questions, these methods will be used to arrive at the required solution. The second aspect consists of those statistical techniques that are used for establishing relationships between the data and the unknowns. The third aspect consists of those methods that are used to evaluate the accuracy of the results obtained.

3.2. Research Design

Maree (2007) stated that research design is a plan of how to proceed in determining the nature of the relationship between factors under study. The function of research design is to provide for the collection of relevant evidence with minimal expenditure of effort, time, and money. This study adopted a quantitative descriptive research design in order to assist the researcher in gathering information from various cases in the sample population; this allowed the researcher to put focus on the exact characteristics under considerations. As per Burns and Grove (2003), descriptive research design gives an image of a circumstance as it actually happens. It might be utilized to legitimize current practice and make judgment and to create hypotheses. For the purpose of this study, descriptive research was conducted to obtain a picture views and or opinions on the implementation of audit recommendations with the aim of improving the standard of management in public organisations in Namibia.

3.3. Population

Polit and Hungler (1999) alluded to the population as a total or totality of the considerable number of objects, subjects or individuals that to a set specification. The targeted population of 100 staff members of auditing for this study was derived from the Office of the Auditor General in Namibia, Ministry of Information Communications and Technology, Ministry of Gender Equality, Child and Welfare, and Ministry of International and Relations. The ministries were chosen because they are accountable for the well-being of the Namibian society in terms of transparent reporting. Another reason is that they were available to provide the necessary information for this study.

3.4. Sample and sampling

The process of selecting a portion of the population to represent the entire population is known as sampling (Polit and Hungler 1999). Out of the population of 100 staff members, a purposive sample of 60 was selected which consisted of 30 external auditors, 5 internal auditors, and 25 managers. The sample was purposely selected for inclusion based on the ease of access or convenience and the fact that the researcher would get information that reflect and answers the research objective. Respondents were chosen through purposive sampling based on profession, function, and departments.

3.5. Research Instrument

The researcher conducted group administration questionnaires whereby questionnaires were circulated to respondents and explained to them what was required. By using this instrument technique implied, the researcher needed to wait for the entire group of respondents to complete the questionnaires (Maree, 2007). The fundamental reason of utilizing this information accumulation strategy is that

numerous respondents can finish the questionnaires with a brief timeframe (Maree, 2007).

3.6. Research Procedure

Firstly, the researcher sent a letter to the ministries and agencies to request approval to approach them for collection of data. When permission was endorsed, the researcher then compiled the assent form and gave it to all the participants so they comprehend it well ahead of time and sign by their will and thereafter the researcher collected data. Primary data were acquired through open-ended questionnaires. Internal and external auditors and management completed three set of questionnaires.

It was imperative that all participants complete questionnaires on time and thus continuous support from the internal auditors, external auditors and the management of the three Ministries and the Office of the Auditor General important. Normally research participants have no unwaveringness to the researcher matter and would avoid answering questions. Thus, participating ministries and agencies needed to buy into the research and offer support to the outcome of the study. Secondary data were sourced by reviewing existing literature on this subject to augment any gaps in the data collected.

3.7. Data Analysis

In quantitative research, a researcher depends on numerical information to come up with findings (Maree, 2007). Quantitative information were gathered by method of questionnaires, which were coded and partitioned into different classifications so as to help with definite handling of quantitative information. The researcher made utilization of coding keeping in mind the end goal to make it simple in dissecting

information. Once coding was done, information was captured using a computer and analysed using SPSS. The researcher made utilization of statistics to estimate the population parameter (Maree, 2007).

From that point, the researcher then checked whether findings are in concurrence with similar studies or there were contrasts that the researcher recognized, and in doing as such deliver proposals or recommendations on how to improve the services or add to the current body of learning.

3.8. Research Ethics

Maree (2007) expressed that it is imperative to highlight the moral and ethical considerations concerning research. A basic ethic perspective is the issue of the privacy of the outcomes and findings of the study and the insurance or protection of participants. This could incorporate getting letters of assent, acquiring authorization to be interviewed. It is additionally critical to researchers to acclimate themselves with morals strategy of the significant organizations.

Preceding the study, the reason for the research was disclosed to the respondents and guarantee that they comprehended what really matters in the study; how it will influence them; the dangers and the advantages of support. Every participant signed a consent form, which meant they comprehended what was disclosed to them and furthermore got a duplicate for their own record.

Moreover, the researcher set aside opportunity to clarify and inform participants on their rights to pull back from the study or decline to participate. Their entitlement to protection, secrecy, and obscurity was guaranteed, concerning information gathered.

3.9. Conclusion

The internal audit function of a public sector enterprise was examined utilizing an analytical framework derived from the literature. Primary data were gathered utilizing questionnaires disseminated to two gatherings of respondents (that is auditors and managers from various divisions and ministries). Open-ended questionnaires were picked in light of the fact that they permit the respondents to completely communicate, which gives the researcher in-depth perspectives of opinion. A review of internal audit reports, and policy and procedural manuals filled in as source of secondary data. The questionnaires were subjected to review by senior individuals from the internal audit department in the company to guarantee clarity of importance and understand ability of questions, to enhance the internal legitimacy of the instruments. Questions were introduced as affirmative statements, identifying with the ideas on value-added internal audit, to enable the estimation of the respondent's conclusions.

CHAPTER FOUR:

PRESENTATION OF FINDINGS AND DISCUSSIONS

4.1. Introduction

This chapter was divided into different segments. Diagrammed findings are outlined first followed by discussions in view of every objective and noting research questions. This layout is followed through to the last research objective.

4.3. Findings and discussions based on research objectives

Findings on Objective one

To examine the importance of addressing and implementing audit findings in ministries and agencies in Namibia

Presentation of findings on objective one Management's Perspective

Do managers discuss auditor's findings and recommendations in their management meetings

	Frequency	Percent	Valid Percent
Valid Yes	15	75.0	75.0
No	5	25.0	25.0
Total	20	100.0	100.0

Are audit recommendations and findings implemented based on the audit reports

	Frequency	Percent	Valid Percent
Valid Yes	1	5.0	5.0
No	8	40.0	40.0
No	11	55.0	55.0
Total	20	100.0	100.0

Are implementations of these findings and recommendations being enforced by management

	Frequency	Percent	Valid Percent
Valid Yes	6	30.0	30.0
Valid No	14	70.0	70.0
Total	20	100.0	100.0

Do managers lay out measure as to how to implement these audit findings and recommendations

	Frequency	Percent	Valid Percent
Valid Yes	6	30.0	30.0
Valid No	14	70.0	70.0
Total	20	100.0	100.0

Do managers ensure that all audit findings are implemented as per audit recommendations

	Frequency	Percent	Valid Percent
Valid Yes	7	35.0	35.0
Valid No	13	65.0	65.0
Total	20	100.0	100.0

Do managers revisit previous year audit findings and recommendations just to ensure that implementations are done

	Frequency	Percent	Valid Percent
Valid Yes	6	30.0	30.0
Valid No	13	65.0	65.0
Valid Not sure	1	5.0	5.0
Total	20	100.0	100.0

Do managers find most of audit recommendations worth of implementations

	Frequency	Percent	Valid Percent
Valid Yes	14	70.0	70.0
Valid No	6	30.0	30.0
Total	20	100.0	100.0

Internal auditors

Are Internal auditor's reports sent to management for comments and implementation purpose

	Frequency	Percent	Valid Percent
Valid			
Yes	4	80.0	80.0
No	1	20.0	20.0
Total	5	100.0	100.0

Do internal auditors see most of their findings and recommendations being implemented as per their recommendations

	Frequency	Percent	Valid Percent
Valid			
Yes	1	20.0	20.0
No	4	80.0	80.0
Total	5	100.0	100.0

Do ministries and agencies take long to respond to follow up on audit recommendations for implementations purpose

	Frequency	Percent	Valid Percent
Valid			
Yes	3	60.0	60.0
No	2	40.0	40.0
Total	5	100.0	100.0

External auditors

Do external auditors see most of their findings and recommendations being implemented

	Frequency	Percent	Valid Percent
Valid			
Yes	7	23.3	23.3
No	18	60.0	60.0
Total	30	100.0	100.0

Cross tabulation

*Department * Are audit recommendations and findings implemented based on the audit reports Cross tabulation*

			Are audit recommendations and findings implemented based on the audit reports			Total
			Yes	No		
Department Cash based	Count	0	1	3	4	
	% within Are audit recommendations and findings implemented based on the audit reports	0.0%	12.5%	27.3%	20.0%	
	% of Total	0.0%	5.0%	15.0%	20.0%	
Performance audit	Count	0	1	2	3	
	% within Are audit recommendations and findings implemented based on the audit reports	0.0%	12.5%	18.2%	15.0%	
	% of Total	0.0%	5.0%	10.0%	15.0%	
Accrual audit	Count	0	1	2	3	
	% within Are audit recommendations and findings implemented based on the audit reports	0.0%	12.5%	18.2%	15.0%	
	% of Total	0.0%	5.0%	10.0%	15.0%	
Internal audit section	Count	0	1	0	1	
	% within Are audit recommendations and findings implemented based on the audit reports	0.0%	12.5%	0.0%	5.0%	
	% of Total	0.0%	5.0%	0.0%	5.0%	
IT section	Count	1	1	0	2	

	% within Are audit recommendations and findings implemented based on the audit reports	100.0%	12.5%	0.0%	10.0%
	% of Total	5.0%	5.0%	0.0%	10.0%
General services	Count	0	3	2	5
	% within Are audit recommendations and findings implemented based on the audit reports	0.0%	37.5%	18.2%	25.0%
	% of Total	0.0%	15.0%	10.0%	25.0%
Procurement	Count	0	0	2	2

Discussion of objective one

Inability to execute audit discoveries by management is hampering the adequacy of findings. Over half (50%) of managers were of the assessment that audit findings are not upheld and actualized while it is the obligation of the managers to do as such. This is poor management and absence of public responsibility, which can prompt to bungle assets. The reason for this is, as per 70% of respondents, the fact that there are no measures on how to actualize recommendations and findings. Once more, this is essentially being incompetent in management or lacking finance related knowledge to comprehend the implications thereof. With legitimate management procedures set up, this ought not to be the situation. The larger part (70%) of respondents concurred that audit findings ought to be executed yet is not the situation. This is the reason some auditors feel there is no need for follow up in light of the fact that they wind up finding "similar issues" and implementation takes long to take effect. In support of this, Mihret and Yismaw (2007) found the same in Ethiopia. In their review on Ethiopia, they found that IA proposals are not afforded

enough consideration for implementation. Aaron and Gabriel (2010) supported the need for management to lead implementation of findings. They found that the support of management is essentially significant to the operation and accomplishment of internal audit.

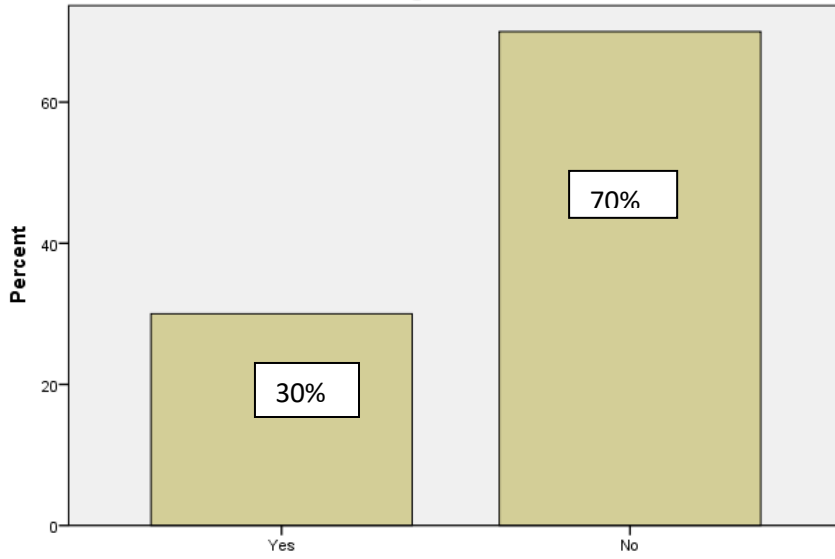
Similarly, in Zimbabwe, Munyunguma and Obert (2014) found that auditing can be enhanced by getting satisfactory support from management, enlisting qualified and proficient auditors and management can enhance internal auditing by exhibiting responsibility to execute audit discoveries. It is obvious that management support is vital to implementation of audit recommendation.

Findings on Objective Two

To understand the perception on relevance of audit findings and implementations of those findings in ministries and agencies in Namibia

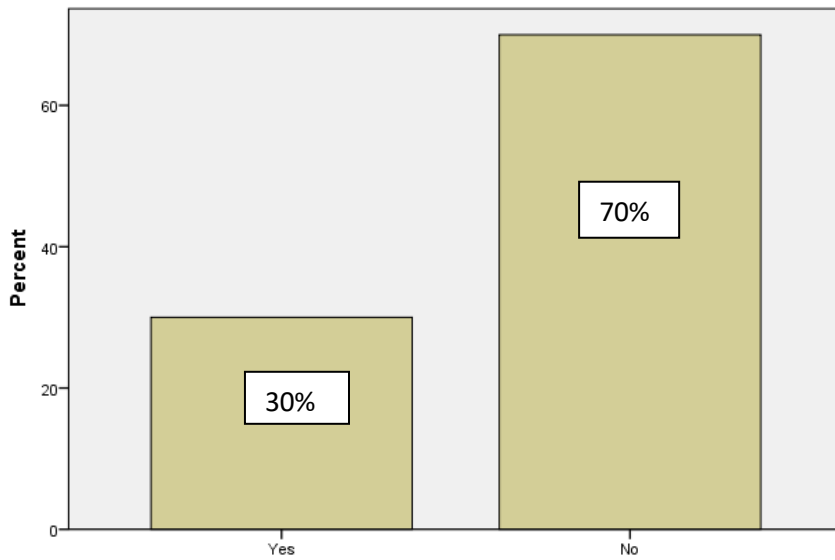
Presentation of findings on objective Two

Are implementations of these findings and recommendations being enforced by management



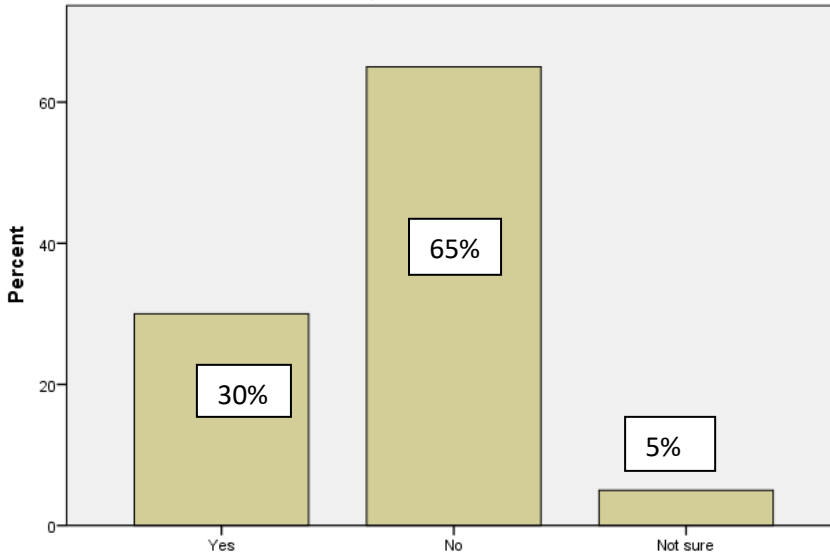
Are implementations of these findings and recommendations being enforced by management

Do managers lay out measure as to how to implement these audit findings and recommendations



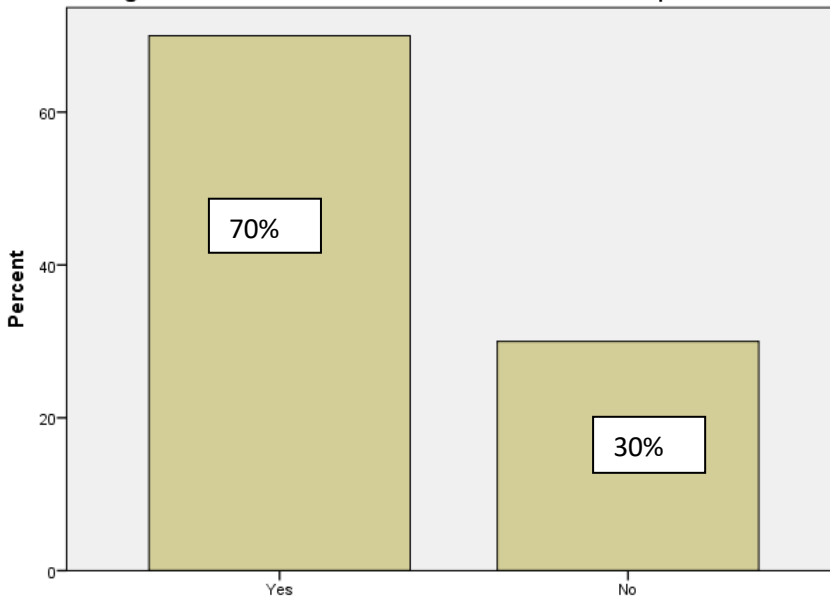
Do managers lay out measure as to how to implement these audit findings and recommendations

Do managers revisit previous year audit findings and recommendations just to ensure that implementations are done



Do managers revisit previous year audit findings and recommendations just to ensure that implementations are done

Do managers find most of audit recommendations worth of implementations



Do managers find most of audit recommendations worth of implementations

There is increasing weight on public authorities to exhibit an abnormal state of responsibility concerning the utilization of public assets. These responsibility prerequisites and the necessity for sound finance related administration have brought public managers in contact with responsibility instruments such as internal audit and the audit committee of the organization. Albeit finance related responsibility is not

by any means the only type of responsibility, it assumes a critical part in public responsibility and chiefs of public enterprises are at risk for any blunder or mismanagement of public funds. The charts above portray the perspectives from management point of view.

Discussion of objective Two

The result showed 70% of respondents who felt that management does not authorize or enforce the implementation of suggestions or recommendations despite the fact that at 70%, managers find proposals worth actualizing. As indicated by the response from questionnaires, the central point that is hindering implementation is time and money related assets.

Fernandez and Rainey (2006) contended that, in view of literature review top management support and commitment to change assume a vital part in hierarchical renewal, as senior chiefs can assemble the critical mass expected to finish on endeavours launched by maybe a couple visionary masterminds. Various empirical reviews have discovered top management support for quality to be a key element in its improvement. Subsequently, the management and control of public account is the heart of government organization. It is along these lines it is critical for management to monitor and supervise implementation (Ehiorobo, et al., 2013).

Findings on Objective Three

To examine the implementation-ability of recommendations from external and internal auditors in ministries and agencies in Namibia

Presentation of findings on objective Three

Are Internal auditor's reports sent to management for comments and implementation purpose?

	Frequency	Percent	Valid Percent
Valid Yes	4	80.0	80.0
No	1	20.0	20.0
Total	5	100.0	100.0

Do ministries and agencies take long to respond to follow up on audit recommendations for implementations purpose?

	Frequency	Percent	Valid Percent
Valid Yes	3	60.0	60.0
No	2	40.0	40.0
Total	5	100.0	100.0

Do internal auditors interact more with external auditors to avoid duplication of work done? e.g. doing joint planning and information sharing

	Frequency	Percent	Valid Percent
Valid Yes	4	80.0	80.0
No	1	20.0	20.0
Total	5	100.0	100.0

Literature outlines a change in the activities performed by internal auditors. The expanding unpredictability of business exchanges, a more dynamic regulatory environment in Namibia, and noteworthy advances in technological innovation have brought about opportunities and difficulties for internal auditors. The function of internal auditors in reporting and implementation of recommendation is critical to the success of any organisation.

Discussion of objective Three

At 80%, it is clear that both internal and external auditors cooperate however, there is still doubt regarding proficient skill that originates from being fit professionally to

perform the function and level of autonomy. Respondents expressed that external auditors would probably depend on internal auditors when they are seen as exceptionally able and profoundly skilled in the field. This is brought on, as per respondents, by the fact that internal auditors do not perform their duties as per auditing benchmarks or standards and are not partnered to any expert body or association.

Respondents additionally opined that internal auditors are not dependable and are not generally viable to mitigate the weaknesses and hence, there is a probability of misinterpretation of findings. It is clear that despite the fact that there is a level of association amongst internal and external auditors, there are still a few provisos in their relationship. When it comes to follow up, audit reports and recommendations are sent to management but 60% of respondents stated that organisations take long to respond to follow-ups. Hence, external auditors feel that there is no need for follow up if findings are not executed.

Conclusion

The findings indicated that the expectation gap is wide, as auditors felt that it is management's responsibility to implement audit recommendations and see no need for follow-ups if recommendations are not implemented. Management opined financial and time resources are a major constraint in their implementation of recommendations. From available literature supported by findings on Namibia, it is clear that auditing improves organisational governance by enhancing accountability and improving performance while at the same time managing risk and detecting fraudulent activities in the public sector. Although disputable, it is safe to say that internal auditing leads to sound internal control.

CHAPTER FIVE:

CONCLUSIONS AND RECOMMENDATIONS

5.1. Introduction

The fact that effective internal audit can contribute to the significant impact to the quality of management has raised the interest for researchers to explore into this matter. Auditing has gained many strides especially in the wake financial deficit in the Namibian economy. The ministry of finance has embarked on a countrywide campaign to bring all companies to account for their taxes. However, from the findings, implementation of recommendations is an issue and some respondents expressed concern.

In accordance with all responses, the researcher observed that Internal Audit deals with the improving management activities, in as much as the evaluation of risk management and internal controls especially in operations. It was apparent that there is support to auditing work looking at the number of auditors and resources invested into it. However, there is a general view that there is no execution of audit discoveries and recommendations. It has been discovered also that there no follow-ups on suggestions and recommendations. In a country like Namibia where there is great deal of attention being channelled towards eradicating corruption, there is a great concern that should be dealt with in order to improve management of public enterprises.

5.2. Conclusion

This study provided evidence on whether audit findings were implemented in public sector organisations in Namibia as recommended by auditors.

Objective one was to examine the importance of addressing and implementing audit findings in ministries and agencies in Namibia. The study found that over 50% of managers feel that audit findings are not upheld and actualized although (70%) of respondents concurs that audit findings ought to be executed. The reason for this is that there are no measures on how to actualize recommendations and findings. Due to lack of implementation, some auditors felt that there is no need for follow up in light of the fact that they wind up finding "similar issues" and implementation takes long to take effect. A study by Mihret and Yismaw (2007) found similar outcome in Ethiopia. Aaron and Gabriel (2010) and Zimbabwe, Munyunguma and Obert (2014) supported the need for management to lead implementation of findings. They found that the support of management is practically pivotal to the operation and achievement of internal audit. It is obvious that management support is vital to implementation of audit recommendation. The second objective was to understand the perception on relevance of audit findings and implementations of those findings in ministries and agencies in Namibia. The study uncovered that there is still doubt regarding proficient skill that originates from being fit professionally to perform the function and level of autonomy. 80% of respondents supported the fact that internal and external auditors cooperate. However, respondents expressed that external auditors would probably depend on internal auditors when they are seen as exceptionally able and profoundly skilled in the field. Respondents expressed this

opinion because internal auditors do not perform their duties as per auditing benchmarks or standards and are not partnered to any expert body or association.

Respondents further stated that internal auditors are not dependable and are not generally viable to mitigate the weaknesses and hence, there is a probability of misinterpretation of findings. It is clear that despite the fact that there is a level of association amongst internal and external auditors, there are still a few provisos in their relationship.

The third of objective was to examine the implementation-ability of recommendations from external and internal auditors in ministries and agencies in Namibia. The result showed that 70% of respondents felt that management does not authorize or enforce the implementation of suggestions or recommendations despite the fact that at 70%, managers find proposals worth actualizing. Fernandez and Rainey (2006) contended that, in view of literature review top management support and commitment to change assume a vital part in hierarchical renewal, as senior chiefs can assemble the critical mass expected to finish on endeavours launched by maybe a couple visionary masterminds. Respondents from management stated that the central point that is hindering implementation is time and money related assets.

When it comes to follow up, audit reports and recommendations are sent to management but 60% of respondents stated that organisations take long to respond to follow-ups. Hence, external auditors feel that there is no need for follow up if findings are not executed.

5.3. Recommendations

The incentive from auditing is not in the proposals or recommendations, but rather in successful implementation of those recommendations. As indicated by the American General Accounting Office report of 1991, essential measures of an audit organisation's adequacy are the kind of issues it handles and the progressions or changes it can influence. In addition, one of an auditor's fundamental goals is to have his or her work make a difference. At the point when recommendations are made to an organisation, its management is fundamentally in charge of actualizing them through effective implementation. Notwithstanding, auditors can do a great deal to enhance the probability that a proposal or recommendation will be properly actualized (General Accounting Office report of 1991).

Utilizing the American General Accounting Office report of 1991 and taking a gander at the responses from the exploration surveys, auditors can get more action and improvement from their audit work through the following g means:

1. *Quality recommendations*: Whether audit results are achieved depends on the quality of the recommendation. A recommendation that is not convincing will not be implemented. A recommendation that does not correct the basic cause of a deficiency may not achieve the intended result.
2. *Commitment*: When the auditor is committed to the need for action on a recommendation, he or she will do what needs to be done to get it implemented. Without that commitment, a recommendation may not achieve the desired action.
3. *Aggressive monitoring and follow-up*: Acceptance of a recommendation does not ensure results; effective implementation does. Continued attention is required until results are achieved. A respondent stated, "*in the planning process there is no provision for follow-up on recommendations.*" Provision

for follow up should be in place to hold auditee accountable in order to implement recommended changes.

4. *Special attention to key recommendations:* While all recommendations require follow-up, some deal with particularly serious or flagrant matters. They should receive special attention.

We therefore recommend the following to improve auditing profession in Namibia:

1. *Independence of auditors:* Auditors ought to be free when conducting auditing duties. They should not feel threatened when reporting.
2. *Improved qualification:* Education, training of personnel, Proficiency and auditors reputation. Auditors must be sufficiently qualified, and in possession of all the requisite knowledge and skill to discharge, the responsibilities associated with audit duties International Standards for the Professional Practice of Internal Auditing (ISPPIA).
3. *Standard audit approach and methodology:* Guides auditors on how to conduct and produce quality reports
4. *Introduction of audit of audit committee with financial knowledge in organisations*
5. *Good governance:* Encourage integrity in reporting and transparency when managing public accounts or companies.
6. *Interaction between audited organisations and external auditors:* Co-ordination and co-operation are essential between internal and external auditors to facilitate the overall process of audit and to raise the professional profile of the function (Messier et al., 2011). Activities such as joint planning, information exchange, reporting to each other, all prevent duplication of effort and develop mutual trust, ultimately accelerating the

audit process. The internal/ external auditor relationship is a prime concern within the professional standards.

Auditing is a costly exercise; however, it helps in lessening of data or information hazard, which is the risk that information whereupon a business is based is precise and accurate. Setting up an expert working relationship between internal and external auditors ought to convey advantages to both parties. It is vital that internal auditors seek for input from the external auditors when building up an internal audit strategy and inside review work plan. Internal and external auditors consult each other amid the planning period of individual audits that address the key finance related and business frameworks supporting the business's financial statements. For the external auditor to utilize particular work of internal auditor, the external auditor is required to assess the work done by the internal auditor to decide its amplexness for external audit purposes.

This area has room for further research with a specific end goal to comprehend the requirement for both internal and external auditing. More research in the field will lead to transparent management of public organisations and curb on the high risk of mismanagement of public enterprises.

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APPENDICES

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