

GREAT ZIMBABWE UNIVERSITY



MUNHUMUTAPA SCHOOL OF

COMMERCE

**AN INVESTIGATION OF THE IMPACTS OF INTERNAL AUDIT DEPARTMENTS
IN SMALL TO MEDIUM FIRMS (CASE STUDY OF FIRST PACK MARKETING)**

DISSERTATION

BY

YOLANDA MAKAKA

M226015

**SUBMITTED TO GREAT ZIMBABWE UNIVERSITY IN PARTIAL
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PROFESSIONAL ACCOUNTING AND CORPORATE GOVERNANCE**

MASVINGO, ZIMBABWE

YEAR 2023

DECLARATION

I, Yolanda Makaka, I declare that am a bonafide producer and owner of this dissertation and the work presented therein is my own. I do also affirm that it has not been submitted by any other student to any academic institution. The contents of this paper has been submitted in partial fulfilment of the Master of Commerce Degree in Professional Accounting and Corporate Governance.

Supervisor: Tagwireyi F _____ Date: 31 __ / _01 / _24 Signature: __ ..



Student: Makaka Yolanda

Date: 15/02/24 Signature: _____

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RELEASE FORM

NAME OF AUTHOR : YOLANDA MAKAKA

TITLE OF THE PROJECT : **AN INVESTIGATION OF THE IMPACTS OF INTERNAL AUDIT DEPARTMENTS IN SMALL TO MEDIUM FIRMS (CASE STUDY OF FIRST PACK MARKETING)**

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Signed :

Permanent address : Stand Number 20008B Mutoko High Density

Date : June 2023

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I, the undersigned certify that I have read and recommend to Great Zimbabwe University for acceptance; a project entitled “**An investigation of the impacts of internal audit departments in small to medium firms (case study of First Pack Marketing)**” submitted by Yolanda Makaka in partial fulfilment of the requirements for Master of Commerce Degree in Professional Accounting and Corporate Governance.



.....
SUPERVISOR(S)

Mr. F TAGWIREYI

.....
CHAIRPERSON

Dr Duve

EXTERNAL EXAMINER

DATE:.....

DEDICATION

This dissertation is dedicated to my family, whose unwavering support and belief in my abilities have been the guiding light throughout my academic journey. Their endless love, encouragement, and sacrifices have made this accomplishment possible. To my parents, who instilled in me the values of hard work and perseverance, and to my spouse/partner and children, for their patience and understanding during the countless hours spent on this research. This work stands as a testament to the power of commitment and love that we share. I dedicate this achievement to you all, with all my heart.

ABSTRACT

This study investigates the impacts of internal audit departments in small to medium-sized enterprises (SMEs), with a focus on First Pack Marketing. Given the global concerns about corporate governance and accountability, internal audits in SMEs have become increasingly significant. This research was grounded in agency theory and employed a mixed-methods approach, utilizing questionnaires and interviews to gather data from internal audit personnel, audited departments, and executive directors within First Pack Marketing.

The findings reveal that while First Pack Marketing has established internal audit policies and procedures, there are challenges in their implementation, primarily due to inadequacies in personnel competence and budget constraints. The study also highlights a significant correlation between the effectiveness and efficiency of internal audit functions and factors such as clearly defined roles and policies, audit quality, and the independence and objectivity of auditors. The research concludes that robust internal audit functions, characterized by skilled personnel, clear policies, and independence, are crucial for enhancing audit effectiveness in SMEs. Recommendations include regular policy reviews, enhanced training for auditors, and strategies to safeguard auditor independence. This study contributes to the understanding of internal audit functions in SMEs and offers practical recommendations for enhancing their effectiveness.

Keywords: Internal Audit, Small to Medium Enterprises, Corporate Governance, First Pack Marketing, Auditor Independence.

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CHAPTER I

INTRODUCTION

1.0 Introduction

This chapter presents the background of the study, unveiling the origins of the research and the statement of the problem underlying the research. It introduces the research questions, objectives, and the significance of the study. Also included in this chapter are the assumptions, delimitations, and limitations of the study. Finally, it concludes with the definition of terms and a summary of the chapter.

1.1 Background of the Study

The importance of internal audit departments within organizations has been highlighted by a series of global corporate scandals, leading to a notable erosion of public confidence in financial statements. Notable cases such as Enron, WorldCom, and Parmalat, which were linked to audit failures or negligence, have raised serious questions about the auditors' effectiveness in mitigating agency conflicts (Sikka, 2009; Coyle, 2010).

Similarly, public sector entities in Zimbabwe have not been immune to such scandals (Zinyama, 2013). Issues reported widely in social media included poor service delivery, corruption, illegal practices, delayed salaries, and excessive management compensation. These incidents have contributed to a significant expectation gap in the public's perception of the auditors' role, particularly concerning internal audit functions and their ability to combat corruption and prevent corporate scandals.

In this research, the focus was placed on the role of internal audit departments in small to medium-sized firms. The study explored how these departments in such firms provide independent, objective assurance and consulting services aimed at enhancing operational efficiency, risk management, control, and governance processes (Institute of Internal Auditors

(IIA), 2004c). First Pack Marketing was selected as a case study to investigate the impact of internal audit departments in the context of small to medium-sized firms.

The research examined the role and responsibilities of the internal audit department in First Pack Marketing, assessing the qualifications and training of the internal audit staff, the support provided by audited departments, and the independence of the internal auditors. These factors were crucial in determining the impact of the internal audit function within the organization.

This study defined and specified the objectives of First Pack Marketing's internal audit department and evaluated its performance against these objectives (Brown and Jackson, 2007). Efficiency, defined as achieving the desired level of output with the minimum allocation of resources, was also a key aspect of this assessment (Jones and Prowle, 2008).

The findings from this investigation offer insights into the impacts of internal audit departments in small to medium-sized firms, providing valuable information that can guide improvements in the internal audit functions of First Pack Marketing and similar organizations.

1.2 Statement of the Problem

The impacts of internal audit departments in small to medium-sized firms have garnered significant attention, underscoring the importance of thorough investigation and understanding. This study focused on examining the specific impacts of internal audit departments in small to medium firms, with a particular case study of First Pack Marketing. The public's confidence in the effectiveness of internal audit departments within such organizations has been a critical area of interest (Senar, 2018). Through an exploration of the roles, responsibilities, qualifications, and independence of internal auditors, as well as the support provided by audited departments, the study has provided valuable insights. This investigation has contributed to enhancing the overall impact of internal audit departments in small to medium-sized firms, thereby strengthening governance, risk management, and control

processes (IIA, 2012).

1.3 Justification of the study

The main objective of this study was to comprehensively examine the role and significance of internal audit departments in small to medium firms, with a specific focus on the case study of First Pack Marketing. The research aimed to investigate and uncover the real challenges faced by internal auditors within this organizational context. By conducting a detailed analysis, the study explored the impacts of internal audit departments on governance, risk management, and control processes within small to medium firms. The findings of this research have contributed to the existing body of knowledge by providing insights into the specific challenges encountered by internal auditors in First Pack Marketing and shedding light on the broader implications for internal audit practices in similar organizations.

1.4 Research Objectives

- To examine the role and significance of internal audit departments in small to medium firms, with a focus on First Pack Marketing.
- To assess the effectiveness of the internal audit function in enhancing financial controls and risk management within First Pack Marketing.
- To evaluate the impact of internal audit departments on organizational performance and decision-making processes in small to medium firms.
- To identify the challenges and opportunities faced by internal audit departments in small to medium firms, using First Pack Marketing as a case study.
- To provide recommendations for improving the effectiveness and efficiency of internal audit departments in small to medium firms based on the findings from First Pack Marketing.

1.5 Research Questions

- What is the role and significance of internal audit departments in small to medium firms, specifically within the context of First Pack Marketing?
- How does the internal audit function at First Pack Marketing contribute to enhancing financial controls and risk management within the organization?
- What are the impacts of internal audit departments on organizational performance and decision-making processes in small to medium firms, with a focus on First Pack Marketing?
- What are the key challenges and opportunities faced by internal audit departments in small to medium firms, as observed in the case of First Pack Marketing?
- Based on the findings from First Pack Marketing, what recommendations can be made to improve the effectiveness and efficiency of internal audit departments in small to medium firms?

1.6 Research Hypothesis

H1: The presence of clear roles and policies for internal auditors is positively correlated with the effectiveness and efficiency of the internal audit function in small to medium firms, such as First Pack Marketing.

H2: Higher internal audit quality is positively associated with the effectiveness and efficiency of the internal audit function in small to medium firms, such as First Pack Marketing.

H3: The adequacy and competence of internal auditors are positively related to the effectiveness and efficiency of the internal audit function in small to medium firms, such as First Pack Marketing.

H4: The independence and objectivity of internal auditors are positively associated with the effectiveness and efficiency of the internal audit function in small to medium firms, such as First Pack Marketing.

1.7 Significance of the Study

1.7.1 To the Researcher

This research provided the researcher with valuable research skills and a deeper understanding of the concept of auditing and the factors that contribute to its effectiveness. It has contributed to their professional development and enhanced their expertise in the field of internal auditing.

1.7.2 To First Pack Marketing

The research identified and addressed the challenges faced by internal audit departments, providing potential solutions and recommendations. This has assisted First Pack Marketing in improving its internal audit systems and processes to overcome these challenges.

1.7.3 To the Society/Public

The findings of this study have increased public awareness and understanding of the roles and responsibilities of internal auditors in small to medium firms, specifically within the context of First Pack Marketing. It has also promoted best practices in internal auditing, enhancing trust and confidence in the internal audit function within the public sector.

1.7.4 To the University

If the research recommendations are implemented by First Pack Marketing, they will contribute to the existing body of knowledge in the field of auditing and serve as a valuable reference for future research. They have also provided relevant literature for students at Great Zimbabwe University undertaking courses in Auditing.

1.7.5 To Professional Bodies

The findings of this research can assist professional bodies in designing standards and professional ethics that are tailored to the specific needs of internal audit departments in small to medium firms. Additionally, the government can utilize this research to strengthen rules and regulations that support professional ethics and promote best practices in auditing.

1.8 Assumptions

The study was based on several assumptions:

- Respondents had adequate familiarity with auditing concepts.
- Respondents were aware of the duties and responsibilities of internal auditing.
- Respondents recognized that auditing is a valuable management tool.
- The research instruments used were reliable and valid.

1.9 Delimitation

As defined by Fischer (1995:14), delimitation refers to the boundaries of the study. This research was focused on assessing the effectiveness and efficiency of the Internal Audit Function at First Pack Marketing and its audited departments. The study covered the period from 2022 to 2023, providing a comprehensive analysis of the internal audit practices within this specific timeframe.

1.10 Limitations

Limitations are factors beyond the control of the researcher that may impact the study.

1.10.1 Financial Limitations

The researcher faced challenges due to inadequate financial resources for covering research expenses such as travel and stationery. To overcome this limitation, additional funds were sought from family members, ensuring that the research quality was not compromised. Furthermore, cost-effective methods, like using electronic communication instead of physical travel, were employed to maintain the integrity of the research.

1.10.2 Time Limitations

The busy work schedules of the respondents led to delayed responses to questionnaires, potentially affecting the time budget of the study. To mitigate this, the researcher extended working hours to accommodate the schedules of the respondents, ensuring timely completion of the research.

1.10.3 Confidentiality Limitations

Confidentiality concerns limited respondents' willingness to share certain information. For instance, internal audit reports were confidential, and the researcher assured the firm that any

information provided would be treated with utmost confidentiality and used solely for academic purposes. This restricted access to some confidential information may have influenced the depth of analysis in certain areas of the study..

1.11 Definition of Terms

Auditing

Auditing is a systematic process of objectively obtaining and evaluating evidence regarding assertions about economic actions and events to ascertain the degree of correspondence between these assertions and established criteria, and communicating the results to interested users (IIA, 2012).

Internal Auditor

An internal auditor is an employee who is permanently employed in auditing as one's lifetime profession within the same organization. They are mandated with the responsibility of examining the organization's position of financial transactions and assets, earning a stipulated salary every month (IIA, 2009).

Internal Audit Activity

The internal audit activity refers to a department, division, team of consultants, or other practitioners that provides independent, objective assurance and consulting services designed to add value and improve an organization's operations. Its primary goal is to accomplish the organization's objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes (IIA, 2004:8).

Independence

Independence refers to having a position to take an unbiased viewpoint in the performance of audit tests, analysis of results, and attestation in the audit report (Hayes et al., 2005).

Audit Committee

An audit committee is a standing committee of the board of directors created to provide an oversight function on behalf of the board. It oversees the financial reporting process, the system of internal control, the audit process, risk management and governance process, and the company's process for monitoring compliance with laws, regulations, and the code of conduct (Bishop et al., 2000).

International Professional Practices Framework

The International Professional Practices Framework (IPPF) was approved by the Institute of Internal Auditor's Board of Directors in June 1999. It provides a fundamental guide on how a body of knowledge and practical guidance can be integrated. The framework includes the definition of internal auditing, the Code of Ethics, and the Standards (Professional Practice Framework, 2004).

Institute of Internal Auditors (IIA)

The Institute of Internal Auditors establishes International Standards for the Professional Practice of Internal Auditing (Standards), which represent the practice of internal auditing as it should be (Professional Practice Framework, 2004).

Code of Ethics

The Code of Ethics refers to a set of moral principles, rules of conduct, or values that guide the behavior and actions of internal auditors (Hayes et al., 2005).

Efficiency

Efficiency is the ability to accomplish work with fewer resources, little time, and the least amount of money (Jones and Prowle, 2008).

Effectiveness

Effectiveness refers to meeting the business objectives or customer requirements (Brown and Jackson, 2007).

Impact

The impact refers to the effect or influence of internal audit departments on the overall performance, governance, risk management, and control processes of small to medium firms. It assesses the positive changes, improvements, or value-added outcomes that can be attributed to the activities and recommendations of internal audit departments within the organization (Abiodun, E.A., 2020.).

Conflict of Interest

A conflict of interest refers to any relationship that appears to be not in the best interest of the organization and prejudices an individual's ability to perform their duties and responsibilities objectively (Hayes et al., 2005).

Add Value

Adding value means that internal auditors provide objective and relevant assurance and contribute to the effectiveness and efficiency of governance, risk management, and control processes (IIA, 2009).

1.12 Research Outline

This first chapter covers the background of the study and statement of the problem underlying the research. It introduces the research questions, research objectives, hypothesis, and the justification of the study. The limitations, research outline, and the delimitations of the study are also covered.

Chapter 2 focuses on the conceptual framework, roles, and policies of internal audit departments in small to medium firms. It explores the qualities of an effective and efficient internal audit function, including the adequacy and competence of internal audit personnel. The chapter also examines the independence and objectivity of internal audit personnel, the controls applicable to the internal audit function, and best practices to ensure effectiveness and efficiency. It concludes by highlighting the theoretical framework and empirical reviews related to internal audit impacts.

The third chapter presents an overview of the methods used in gathering information to accomplish the objectives of the research. It clearly outlines and justifies the research design, target population, sample size, sampling techniques, data sources, research instruments, data collection, and administration. The chapter also presents the validity and reliability of findings, data analysis and presentation tools, as well as model specification.

Chapter four focuses on the presentation, interpretation, and analysis of data extracted from the field research conducted through questionnaires and interviews administered. The data presentation techniques, such as graphs, pie charts, tables, and bar charts, shall be used to analyze and provide the basis for answering the sub-research questions appropriately. The data analysis done shall assist the researcher in deriving research conclusions and will pave the way for recommendations.

Chapter five wraps up the study by focusing on the major research findings and drawing conclusions on the impacts of internal audit departments in small to medium firms, specifically

in the case study of First Pack Marketing. It also looks at the recommendations and suggestions for further research

1.13 Summary

This chapter highlighted the background of the research and the research questions underlying the study. It also looked on the objectives of the study and how it is to be structured to serve its purpose. The limitations, significance, delimitation of the study and definition of key terms have been outlined. The next chapter covers the literature review.

CHAPTER II

LITERATURE REVIEW

2.0 Introduction

This chapter explores the impacts of internal audit departments in small to medium firms. It provides an overview of the conceptual framework, roles, and policies of the internal audit function. Additionally, it examines the qualities required for an effective and efficient internal audit function, as well as the adequacy and competence of internal audit personnel. Furthermore, the chapter discusses the independence and objectives of internal audit personnel, the applicable controls over the internal audit function, and best practices that can enhance the effectiveness and efficiency of the internal audit function. The chapter concludes by presenting a summary of the literature review, which encompasses both theoretical and empirical perspectives. The literature review aims to elucidate key concepts relevant to the research, provide descriptions, summaries, evaluations, and clarifications of the literature, and establish the connections between existing literature and the field of study (Reid et al., 2006).

2.1 Conceptual Framework

In accordance with Dickson et al. (2018), a conceptual framework elucidates the research path and solidifies it within theoretical constructs. The primary objective of a conceptual framework is to render research findings more meaningful and acceptable within the theoretical context. Saunders (2009) emphasizes that a conceptual framework serves as an analytical tool that facilitates a comprehensive understanding of a phenomenon. It can be employed in various fields of work to visually elucidate the key concepts or variables and their interrelationships that necessitate investigation.

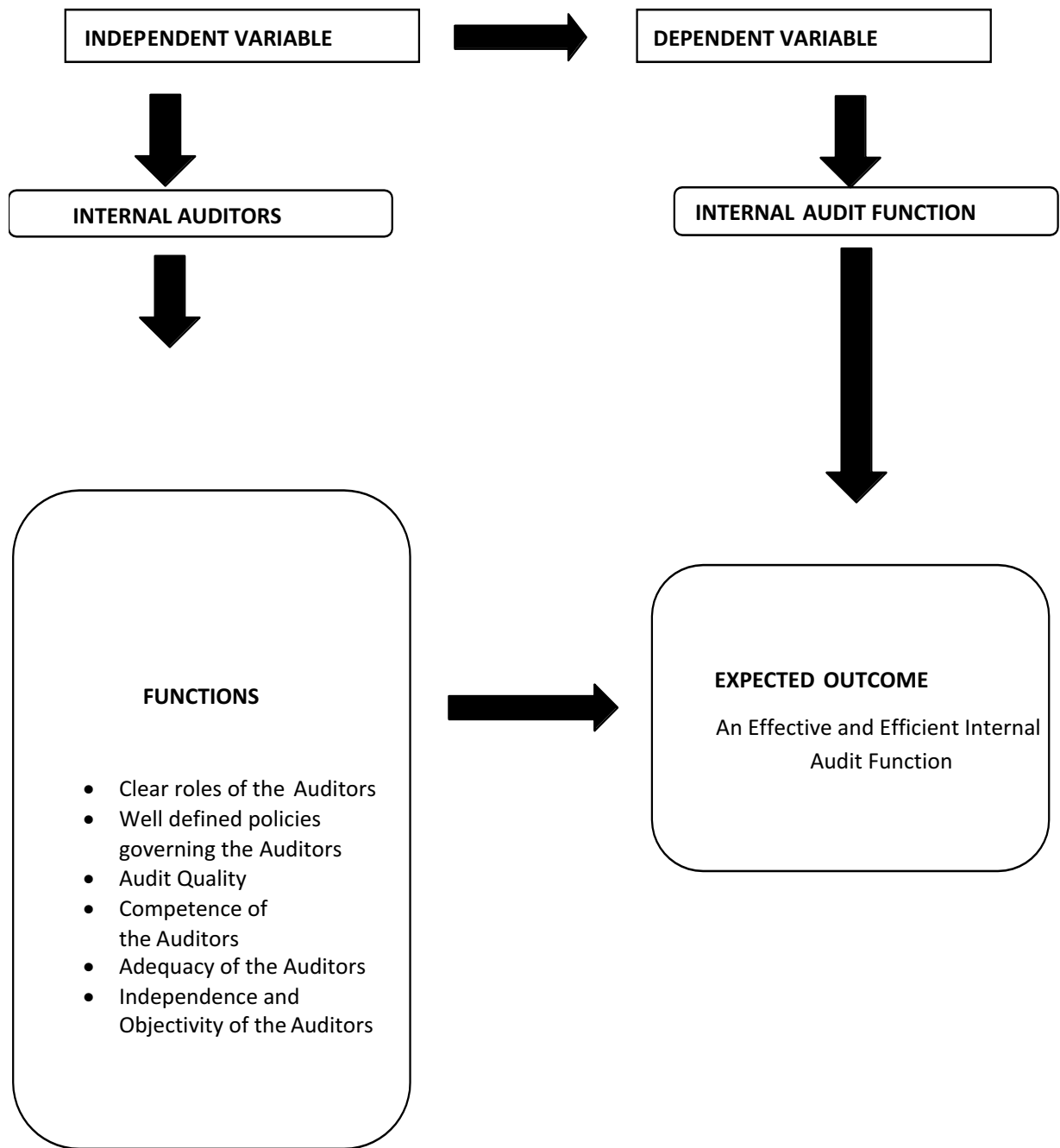


Figure 2. 1 Conceptual framework

2.1.1 Roles and Policies of an Internal Audit Function

2.1.1.1 Roles of an Internal Audit Function

The internal audit function plays a crucial role in ensuring the effectiveness of the organization's operations, risk management, and control processes. The Institute of Internal Auditors New York (1997) defines internal audit as an independent appraisal activity that reviews accounting, financial, and other operations within the organization. It functions by measuring and evaluating the effectiveness of various controls. Similarly, the Institute of Internal Auditors UK and Ireland (2007) describes internal auditing as an independent, objective assurance and consulting activity that adds value and improves the organization's operations.

According to the International Institute of Auditors (IIA) (2009), the core role of the internal audit function is to provide objective assurance to the board on the effectiveness of risk management. This involves conducting independent assessments of governance issues, risk management processes, and control systems. The internal audit function also offers consulting services, which include advisory, facilitation, and training activities. These services are designed to add value to the organization's governance, risk management, and control processes without assuming management responsibility.

Furthermore, the IIA (2012) emphasizes the significance of the internal audit function in the context of good governance. The internal auditors provide unbiased and objective assessments to ensure that public resources are managed responsibly and effectively. They contribute to accountability, integrity, and improved operations within the organization. The internal audit function supports governance responsibilities by providing oversight, insight, and foresight. Oversight involves verifying whether the organization is complying with its obligations and detecting potential instances of public corruption. Insight provides decision-makers with

independent assessments of programs, policies, and operations. Foresight helps identify emerging challenges and trends.

Smith et al. (2008) highlight the major role of internal audit in Enterprise Risk Management (ERM). Internal auditors provide objective assurance to the board on the effectiveness of the organization's ERM activities. They engage in risk identification, prioritization, and alignment of key people, processes, and systems with the business strategy. Internal auditors also contribute to the definition of key performance indicators, analysis of risk factors in new ventures, and understanding shared risks among various projects and initiatives.

The internal audit function, as defined by the IIA Guidance for Audit Committee (2004), has two main roles. The first role is to provide an independent assurance service to the board, audit committee, and management. This involves reviewing the effectiveness of governance, risk management, and control systems. The second role is to provide advice to management on governance risks and controls.

Okoe Sai (2009) highlights the stewardship role played by internal. They are responsible for looking after the property of the public at large. The internal audit function, along with the audit committee, provides advice and assistance in areas where they possess expertise. They offer effective risk management control advice, guidance on good governance, transparency, accountability, corporate ethical conduct, and suggestions for improved information technology.

In addition, internal audit serves as a cornerstone of strong governance, bridging the gap between management and the board, as stated by the IIA (2005). It assesses the ethical climate, effectiveness, and efficiency of operations, and acts as a safety net for compliance with rules and best business practices.

Silvia et al. (2013) describe internal audit as an internal control measure that helps manage resources, activities, risks, and the effectiveness and efficiency of operations. It provides assurance regarding the degree of control over operations and adds value by evaluating risk management processes and formulating proposals to strengthen their effectiveness.

Spenser Pickett (2005) emphasizes that the internal audit function is concerned with ensuring the reliability and integrity of financial and operating information, as well as the efficiency and effectiveness of operations, asset safeguarding, and compliance with laws and contracts.

The roles of internal auditors, according to the Monetary Authority Cayman Islands (2001), include examining and evaluating the adequacy and effectiveness of internal control systems, reviewing risk management procedures, assessing the accuracy and reliability of records and financial reports, ensuring compliance with legal and regulatory requirements, codes of conduct, and reviewing means of safeguarding assets. Internal auditors also perform special investigations as necessary.

2.1.1.2 Policies of an Internal Audit Function

Policies in the context of an internal audit function refer to the guidelines and standards that outline how the organization conducts its internal audits. These policies communicate the connection between the organization's vision and values and its day-to-day operations. Procedures, on the other hand, are specific action plans for carrying out these policies.

An audit policy, as defined by Osmand (2021), describes the standards and guidelines that an entity follows when conducting internal audits. It helps auditors understand their role in the audit process. The internal audit policy sets out the framework within which the internal audit function provides objective and independent assurance and advice to the Audit Committee and the Board of Directors over the processes and systems of internal controls, as expressed by Hood (2017).

According to the Professional Practice Framework (2004), policies refer to conformity and adherence to plans, codes of ethics, procedures, laws, regulations, contracts, or other requirements of the International Standards for the Professional Practice of Internal Auditing. These policies ensure that internal audit activities are performed consistently across diverse legal and cultural environments, regardless of variations in the size, purpose, complexity, and structure of organizations.

The implementation of standards within the internal audit function applies to both attribute and performance standards for specific types of engagements. Attribute standards address the characteristics of the organization and individuals performing internal audit activities, including the audit charter and codes of ethics. Performance standards describe the nature of internal audit activities and provide quality criteria against which the performance of services can be measured. These standards encompass issues such as the management of the internal audit activity, lines of reporting, communication, and resource management.

The code of ethics, as defined by Hayes et al. (2005), represents a set of moral principles, rules of conduct, or values that guide the internal audit profession. The fundamental principles of internal auditing include integrity, professional competence and due care, confidentiality, professional behavior, and technical standards. Internal auditors are expected to uphold these principles, demonstrating honesty, diligence, responsibility, objectivity, and respect for the value and ownership of information.

The purpose, authority, and responsibility of the internal audit activity should be formally defined in a charter, as outlined by the International Professional Practices Framework (IPPF, 2004). The charter establishes the position of the internal audit activity within the organization, authorizes access to relevant records, personnel, and physical properties, and defines the scope of the internal audit activity.

The audit charter is a formal document that identifies the objectives, scope, purpose, and independence of an internal audit function. It also establishes the internal audit's position within the organization, delineates its powers, responsibilities, and relations with other functions, and outlines the accountability of the head of the internal audit department. The charter should be periodically reviewed and approved by senior management, the board, and the audit committee.

To ensure independence and objectivity, the internal auditor should directly report to the board of directors via the audit committee, as stated in the Internal Audit Manual (2012). This reporting structure helps safeguard the internal auditor from interference in audit scope determination, work performance, and communication of results. Internal auditors are expected to maintain an impartial, unbiased attitude, avoid conflicts of interest, and report any apparent or actual impairments to independence and objectivity.

Internal auditors are required to exercise due professional care, perform their work independently, objectively, professionally, and with utmost good faith. They must maintain strict confidentiality regarding information obtained in the course of their work and should not use privileged information for personal gain. The reporting structure and organizational structure should be clear and sufficient to enable internal auditors to accomplish their audit objectives. The appointment, remuneration, performance appraisal, transfer, and dismissal of the head of the internal audit should be decided by the audit committee.

The internal auditors should document a plan for each audit assignment, collect and analyze relevant information, and document their findings promptly in an objective, clear, concise, and constructive manner, as suggested by South Carolina State University (2011). The internal audit policy requires the internal auditor to maintain a file of all relevant information, which will be reviewed and authorized by designated audit management.

2.1.2 Qualities of an Effective Internal Audit Function

IAASB (2014) highlighted that audit quality enhances the degree of confidence of intended users in the financial statements. This is achieved by auditors gathering sufficient appropriate audit evidence to express an opinion on whether the financial statements are prepared, in material respects, in accordance with the applicable financial reporting framework.

Mihret et al (2007) argue that the quality of internal audit hinges on the function's ability to provide useful audit findings and recommendations. It is one of the most crucial factors influencing audit effectiveness. Hayes et al (2005) identified audit quality as the technical and functional elements of internal audit. Technical audit quality refers to the degree to which the audit meets a customer's expectations regarding the detection of errors and irregularities in the audited client's financials. Functional audit quality, on the other hand, pertains to the degree to which the audit process and communication of results meet a customer's expectations.

Johnstone et al (2014) pointed out that audit quality involves performing an audit in accordance with generally accepted auditing standards to provide reasonable assurance that the audited financial statements and related disclosures are presented in accordance with generally accepted accounting standards. It also entails providing assurance that those statements are not materially misstated due to errors or fraud. Drivers of audit quality include the effectiveness of the audit process, the reliability and usefulness of audit reporting, and factors beyond the auditor's control.

According to Johnstone et al (2014), the effectiveness of the audit process is improved by well-structured audit methods, including planning, appropriate documentation, review of audit work, and compliance with audit standards. Audit firm culture, as exhibited by audit leadership, plays a role in creating a work culture where audit quality is valued and rewarded, and employees have sufficient resources and time to address issues. Additionally, the skills and

qualities of the engagement team, such as understanding the client's business, adhering to audit ethics and standards, and exhibiting professional skepticism, contribute to the effectiveness of the audit process. Reliable and useful audit reports also contribute to audit quality when they are clear, unambiguous, and address the needs of the audited clients.

Ferroine (2009) outlined the nine stages of the audit process, including planning, notification, testing, communication, drafting, management response, review, distribution, and verification. Each stage has its specific purpose, such as developing an annual audit plan, scheduling meetings, conducting interviews, reviewing procedures and manuals, and verifying the report through follow-up audits.

The Internal Audit Standard Operational Procedure Manual (2013) states that working papers should be sufficient, competent, relevant, and useful to provide a sound basis for audit observations, opinions, and evidential matter. The information contained in working papers should be factual, adequate, convincing, and reliable, utilizing appropriate audit techniques. Relevant information should support audit findings and recommendations in line with the audit objectives, while useful information helps the organization meet its goals.

Mihret et al (2007) argue that fieldwork should be thoroughly documented in audit working papers in a consistent and standardized manner. Effective internal audits require assurance team leaders to conduct a comprehensive quality review of the audit working papers and draft reports to ensure that the audit work has been performed according to plan and properly documented. This review is necessary to ensure that conclusions and internal audit findings have sufficient appropriate evidence. Any changes prior to the issuance of the final audit report are decided upon by the internal auditor directors after the review process.

The IIA (2003) highlights effective communication as a critical attribute of internal audit. The audit report should be written with sharp skills, conveying a clear message. Audit

communication should be engaged throughout the fieldwork period, and written audit reports should be forwarded to acknowledge the completion of the audit. Exit meetings serve as a platform to address concerns and resolve questions of the auditee regarding audit findings before issuing the final audit report. The Internal Audit Policy and Operational Manual (2013) also emphasize that internal auditors must communicate the assignment's results to the client and management through a report, including the scope and objectives, observations, recommendations, and action plans. Effective communication should be accurate, objective, clear, concise, constructive, complete, and timely.

According to the IPPF (2004), the internal auditor should plan and perform their work to derive useful audit findings and recommendations for improvement. The ability of the internal audit function to plan, perform, and communicate audit results is crucial for maintaining audit quality. Internal audit quality is influenced by factors such as staff expertise, the reasonableness of the scope of service, and effective planning, execution, and communication of internal audits.

2.1.3 Adequacy and Competence of Internal Audit Personnel

2.1.3.1 Adequacy of Internal Audit Personnel

According to Gronewold et al. (2009), the adequacy of internal audit personnel is influenced by both qualitative and quantitative factors. The size of the audited firm, the importance of the capital market to the auditee, the range of audit tasks to be covered, and the spatial decentralization of the internal audit function are key factors in determining the adequacy of internal audit personnel. The size of the company, measured by the total number of employees, is a crucial factor in determining the adequacy of internal audit personnel. Companies with higher risk levels require increased internal audit activities, resulting in a larger internal audit function and a higher number of audit personnel.

Frazer et al. (2007) argue that the adequacy of the internal audit function depends on the number of skilled individuals needed to cover the activities outlined in the approved audit plan. The size of the internal audit function is compared to similar organizations, and the audit committee reviews and evaluates the appropriateness and expertise of the resources as part of the annual audit plan. The audit committee determines the most cost-effective combination of in-house and outsourced internal audit staffing. The qualifications of internal auditors are established and included in job descriptions and postings, and recruitment is limited to individuals with the appropriate qualifications and experience.

Gronewold et al. (2009) state that internal auditors should possess sufficient qualifications and practical experience to effectively fulfill their duties. The adequacy of internal audit personnel depends on their competence, and a lower level of qualifications and experience requires a larger number of personnel to meet the expected level of expertise. On the other hand, more qualified and experienced staff members are more effective and efficient in conducting audit tasks, resulting in a lower number of internal audit personnel required.

Gronewold et al. (2009) further suggest that the demand for internal audit services depends on the range of tasks that the internal audit function is responsible for, such as financial audit, operational audit, management audit, IT audit, or compliance audit. Each of these tasks requires specific skills and qualifications from audit personnel. Internal auditors may specialize in a limited number of audit task areas, which would require a higher number of internal audit personnel. The greater the diversity of internal audit tasks to be covered, the larger the number of internal audit personnel required.

Gronewold et al. (2009:12) highlight that the adequacy of internal audit personnel is influenced by the willingness of audited departments to cooperate constructively with internal auditors. Departments that cooperate, provide the required information or documents to auditors

promptly, and support them in carrying out their duties create efficiency and effectiveness. Conversely, departments that resist and work against auditors require a larger number of internal audit personnel. The level of cooperation and support from audited departments, as well as the auditability of the auditee, impact the number of internal audit personnel required and the efficiency and effectiveness of the audit work.

According to Frazer (2007), the adequacy of internal auditors depends on the recruitment strategy, whether the function relies on internal auditors or outside experts when the staff lacks specialized expertise. The adequacy of internal auditors is also influenced by the internal audit budget, including adequate funds for professional development, and the planned utilization of external expertise.

2.1.3.2 Competence of the Internal Audit Personnel

According to the International Professional Practices Framework (IPPF, 2004), competence in internal auditing involves the performance and communication of assessment results, requiring the exercise of professional judgment. Reviewers should be competent and certified audit professionals with certifications such as CA, CIA, CISA, and ACCA. They should be well-versed in the best practices of the profession and have a minimum of three years of experience. Alkafaji et al. (2010:7) define the competence of internal auditors as having a level of formal education, academic major, professional certification, and professional and technical skills. The study also suggests that auditors with higher levels of education are more capable of effectively handling job challenges than those with lower levels of education.

The Institute of Internal Auditors (IIA, 2013:2) emphasizes that internal auditors must possess business acumen, which includes understanding the auditee, its culture, its industry, and local and global factors. This understanding is crucial for internal auditors to fulfill their duties

effectively. The IIA also states that internal auditors need to be competent in communication, persuasion, collaboration, and critical thinking in order to deliver internal audit engagements and drive improvement and innovation within the auditee.

According to the IIA's International Professional Practices Framework (IPPF, 2010), internal auditors must have the knowledge, skills, and other competencies required to perform their individual responsibilities. These competencies encompass the professional proficiency needed to carry out their duties effectively. Internal auditors should have sufficient knowledge to evaluate the risk of fraud and how it is managed by the organization. Additionally, they should possess adequate knowledge of key information technology risks, controls, and technology-based audit techniques relevant to their assigned work.

The IIA (2013:1-2) argues that core competencies for the internal audit activity include promoting and applying professional ethics, developing and managing the internal audit function, adhering to the International Professional Practices Framework, possessing a thorough understanding of governance, risk, and control relevant to the entity, maintaining business acumen by staying informed about the business environment, industry practices, and specific organizational factors, effectively communicating with impact, persuading and motivating others through collaboration and cooperation, applying process analysis, business intelligence, and problem-solving techniques, delivering engagements in a timely manner, embracing change, and driving improvement and innovation within the organization.

Frazer (2007) highlights that the competence of an internal audit function lies in its ability to attract and retain skilled personnel. Excessive turnover can result from poor management and a lack of respect for the internal audit function within the organization. Insufficient turnover may arise when internal audit staff do not progress in their careers and become stagnant or overly aligned with management. Insufficient allocation of internal audit resources can occur due to a

lack of appreciation for the role and contribution of the internal audit function, as well as the management's diversion of internal audit resources to address short-term goals, operational crises, and special projects. Adequate funding for professional development and planned utilization of external experts should be included in the internal audit budget.

The IIA (2013:2) emphasizes that a strong foundation for an effective internal audit lies in "professional ethics" and "internal audit management." Internal auditors are required to carry out their duties in accordance with high ethical standards, while internal audit management coordinates the resources and activities of the internal audit function. The expertise of internal auditors should focus on the IPPF, governance, risk, and control, and business acumen. Technical expertise in governance, risk, and control is necessary for informing their work and assisting organizations in achieving their objectives.

2.1.4 Independence and Objectivity of the Internal Audit Function

According to Hayes et al. (2005:85-91), independence in auditing refers to the ability to adopt an unbiased viewpoint in conducting audit tests, analyzing results, and attesting in the audit report. Independence encompasses both independence in mind and independence in appearance. Independence in mind is the state of mind that allows the provision of an opinion without being influenced by factors that compromise professional judgment. It enables individuals to act with integrity, exercise objectivity, and employ professional skepticism. Independence in appearance, on the other hand, involves avoiding facts and circumstances that are significant enough for a reasonable and informed third party, with knowledge of all relevant information, to conclude that the integrity, objectivity, or professional skepticism of the firm or assurance team member has been compromised.

Hayes et al. (2005) outline threats to the internal auditor's independence, which include self-review threat, self-interest threat, advocacy threat, familiarity threat, and intimidation threat.

Self-interest threat arises when an auditor could benefit financially or have a conflict of self-interest with an assurance client. Self-review threat occurs when a member of the assurance team has previously held a position of significant influence over the subject matter of the assurance engagement as an employee of the client. Advocacy threat occurs when a member of the assurance team promotes or appears to promote an assurance client's position or opinion, subordinating their judgment to that of the client. Familiarity threat arises when an auditor becomes too sympathetic to the client's interests due to close relationships with the client's directors, officers, or employees. Intimidation threat occurs when a member of the assurance team is deterred from acting objectively and exercising professional skepticism due to actual or perceived threats from the directors, officers, or employees of an assurance client.

Gallegos (2002) emphasizes that independence is a critical component of a business's strategic approach to achieving its organizational vision, as it allows the internal audit function to add value to the organization. Diamond (2002) suggests that if auditing is conducted in-house, objectivity may be compromised because some officials will be involved in both pre-auditing and post-auditing. Officials who approve expenditures in the pre-audit stage are likely to be less inclined to question their own judgment when making post-audit decisions. To ensure the integrity of the audit process and its contribution to the organization's goals and objectives, the audit report and opinion must be free from bias or influence.

The Institute of Internal Auditors (IIA, 2004) states that independence is the freedom from conditions that threaten objectivity or the appearance of objectivity. These threats to objectivity must be managed at the individual auditor, engagement, functional, and organizational levels. Objectivity is defined as an unbiased mental attitude that enables internal auditors to perform engagements with an honest belief in their work product and without making significant compromises in quality. Objectivity requires internal auditors not to subordinate their

judgment on audit matters to that of others. It should be noted that internal auditors are typically employees of the organization. The Smith Committee (2003) suggests that the hiring, recruitment, firing, or retrenchment of the internal audit head should not be under managerial jurisdiction.

2.1.5 Best Practices and Controls to Implement

2.1.5.1 Controls over the Internal Audit Function

Control, as defined by the Commercial Bank Examination Manual (2006), is a mechanism that ensures the attainment of desired outcomes, promotes efficiency, and ensures compliance with policies and procedures. The functions of control include adequacy, effectiveness, and efficiency. Adequacy involves comparing the existing organizational structures and procedures to what they should be. Effectiveness measures the extent to which internal control features are followed and serve their intended purpose. Efficiency evaluates the practicality of controls in terms of their cost relative to the benefits they provide.

The Internal Audit Quality Assessment Framework (2013) suggests several good practices for the internal audit function. These include having an audit charter that defines the purpose, authority, responsibility, code of ethics, and standards. The charter should clearly establish the internal audit function's position within the organization, including reporting lines and access to records, personnel, and physical assets. The internal audit function should also have a risk-based internal audit plan, and its staff should be qualified, experienced professionals. New staff should receive induction training, and all staff should engage in continuous professional development. Quality assurance procedures should cover all aspects of internal audit activities, including supervision, reviews, and compliance with laws and regulations. Communication should be accurate, objective, clear, concise, constructive, and timely. Sufficient evidence should be identified, analyzed, evaluated, and documented to support audit conclusions and opinions. Working papers should be clear, concise, and appropriately cross-referenced to work

programs.

The International Standards for the Professional Practice of Internal Auditing (2008) emphasize the importance of quality control, which includes both internal and external assessments. Internal assessments involve ongoing monitoring of the internal audit activity's performance and periodic reviews conducted through self-assessment or by other knowledgeable individuals within the organization. External assessments should be conducted at least once every five years by a qualified, independent reviewer or review team from outside the organization. Conformance with the International Standards for the Professional Practice of Internal Auditing is also a critical aspect of quality control.

According to the Audit Manual (2009), internal audit controls encompass internal assessments, external assessments, and a statement of conformance. Ongoing monitoring in internal assessments ensures that planning and guidance are adequate, the approved audit plan and program are executed and documented in working papers, audit findings are supported by relevant evidence, and reports are accurate, objective, clear, concise, and timely. Ongoing monitoring also involves adherence to the audit work plan, completion of time sheets, identification of staff development needs, and feedback analysis from the audited entities. Periodic reviews aim to assess the department's adherence to IIA standards, code of ethics, and internal audit manual, as well as its efficiency and effectiveness in meeting stakeholder needs. External assessments should be conducted by independent and qualified individuals every five years, in accordance with IIA standards. The results of the review should be submitted to the board, and recommendations should be implemented. The statement of conformance, included in each audit report, indicates that the internal auditors have complied with professional standards and the IIA standards.

The Internal Audit Quality Assessment Framework (2013) emphasizes that quality control includes various activities such as preparing, reviewing, and approving field plans, providing direction, supervision, and review of work at all levels, ensuring working papers comply with prescribed standards, documenting and resolving differences in professional judgment among staff, providing on-the-job training to audit staff, and conducting overall reviews of audits to ensure compliance with professional standards.

The Audit Manual (2009) highlights the role of the chief auditor in reviewing the audit work plan, verifying the justification of assignments based on the risk register, ensuring no duplication and prioritizing higher-risk areas, and maintaining an appropriate mix of audits. The chief auditor is responsible for effective supervision at all levels, including reviewing working papers, ensuring compliance with the engagement program, supporting observations, conclusions, and recommendations, ensuring accurate and timely communication, and ensuring engagement objectives are met. The chief auditor also provides opportunities for the development of internal audit knowledge, skills, and competencies.

2.1.5.2 Best Practices for Ensuring the Effectiveness and Efficiency of the Internal Audit Function

The Internal Audit Quality Assessment Framework (2013) emphasizes that implementing good practices can enhance the effectiveness and efficiency of the internal audit function. One such practice is the establishment of an audit charter that clearly defines the purpose, authority, responsibility, code of ethics, and standards of the internal audit function. The charter should also outline the organizational position of internal audit, including reporting lines and access to records, personnel, and physical assets. Additionally, the internal audit function should develop a risk-based internal audit plan and employ qualified and experienced professionals. New staff members should receive induction training, and all staff should engage in continuous professional development. Quality assurance procedures should cover all aspects of internal

audit activities, including supervision, reviews, and compliance with laws and regulations. Effective communication within the function should be accurate, objective, clear, concise, constructive, and timely. Sufficient evidence should be identified, analyzed, evaluated, and documented to support audit conclusions and opinions, and working papers should be clear, concise, and appropriately cross-referenced to work programs.

Millichamp (2000) argues that an effective and efficient internal audit function should possess key essentials, including independence, staffing, relationship management, due care, planning, controlling and recording, system control, evidence gathering, and reporting. The Guide to Internal Audit (2009) highlights additional good practices, such as having a well-structured audit charter, an appropriate budget and staffing model, a well-developed internal audit plan that is responsive to risk assessments, and clear reporting responsibilities. It is important to establish clear expectations between management, the board, and the audit committee. The entity should also determine staffing requirements, whether through internal sourcing or co-sourcing, and monitor audit work, including following up on recommendations.

The Guide to Internal Audit (2009) also emphasizes the role of the audit committee in overseeing internal audit activities. The audit committee should provide input and approval on the audit charter and periodically review and update it. It should understand, discuss, and approve the risk assessment and audit plan, and have the authority to make changes to the plan if necessary. The committee should review ongoing activities of the internal audit function, including the design of controls, governance, and ethics training for internal audit staff. It should also discuss and approve the compensation of the Chief Auditor and ensure adequate funding for the internal audit function. Furthermore, the audit committee should contribute to risk management, control, and governance processes, including the training and retention of audit staff. Bishop et al. (2000) emphasize that the audit committee should expect the internal

audit function to provide independent, objective assurance, and consulting services that add value and improve the organization's operations.

Frigo (2002) suggests that the internal audit function can benefit from using the balanced scorecard model, which enhances performance measurement and drives results, performance quality, and continuous improvement. The balanced scorecard model assesses the performance of the internal audit entity using both qualitative and quantitative metrics. Qualitative metrics may include customer satisfaction, evaluations by management and the audit committee, independent quality assessment reviews, and the percentage of internal audit staff with professional qualifications and experience. Quantitative metrics may include the overall cost of internal audit, actual cost per internal audit report, training costs, report cycle time, budgeted hours versus actual hours per report, and the average length of audit assignments.

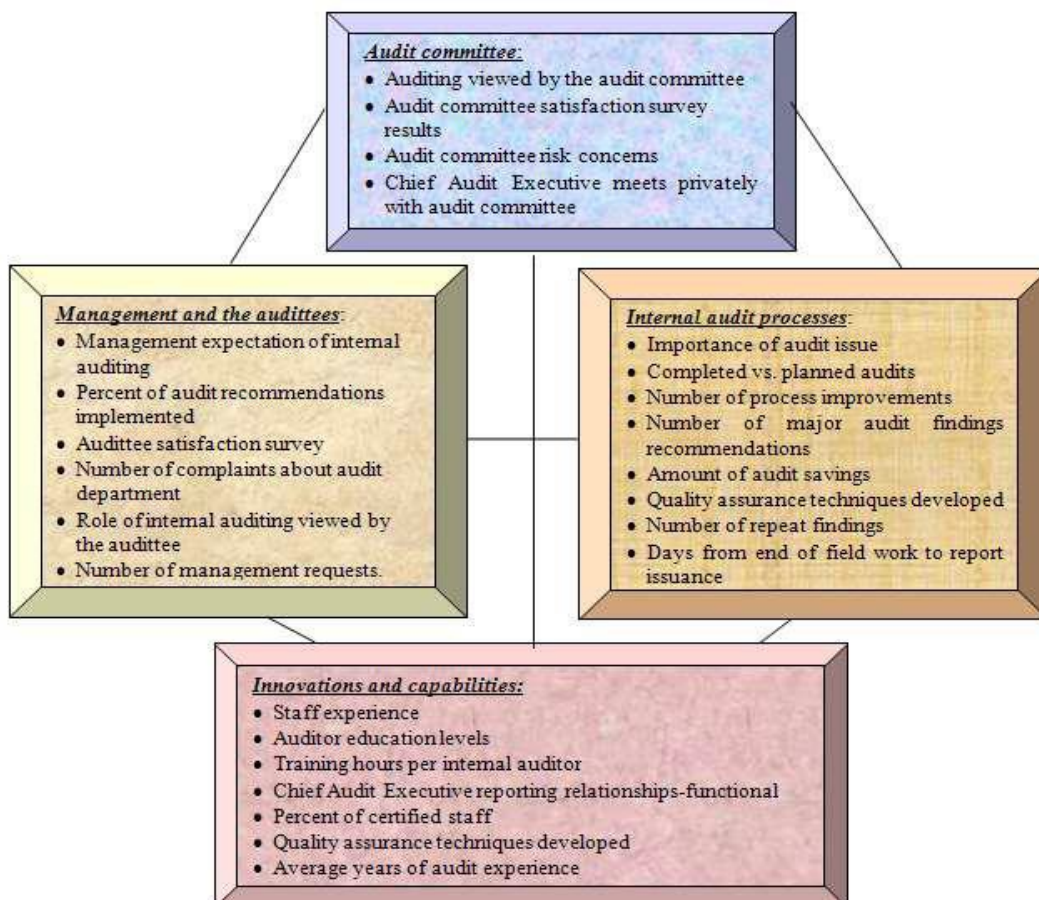


Figure 2. 2 Balanced Scorecard model for internal audit function

Source: Frigo, M.L. (2002)

2.2 Theoretical Framework

Agency theory, as defined by Jensen and Meckling (1976), explores the relationship between shareholders and managers, where shareholders entrust managers to oversee and direct their investments. According to Fooladi and Farhadi (2011), the separation of ownership from control implies that stakeholders cannot fully control managerial actions. Therefore, they hire managers to make decisions that align with the stakeholders' best interests. Jensen and Meckling (1976) identified two primary problems within this relationship: managerial compensation and information asymmetry. The first problem arises because managers desire higher compensation in the form of bonuses, while shareholders seek higher dividends. The second agency problem, related to asymmetry information, occurs because managers have insider knowledge, whereas shareholders rely on financial reports prepared by management to understand the company's financial condition. Negotiation regarding managerial compensation and executive stock ownership programs can address the first agency problem. The second agency problem is expected to be mitigated through the involvement of independent auditors. Independent auditors are responsible for providing assurance to shareholders that financial reports prepared by management are unbiased, free from material misstatements, and in accordance with accounting standards (Jensen and Meckling, 1976).

The Organization for Economic Cooperation and Development (OECD) states that "An annual audit should be conducted by an independent and qualified auditor to provide an objective assurance to the board and shareholders that the financial statements fairly represent the financial position and performance of the company in all material respects." Willenborg (1999) suggests that audit services play a crucial role in reducing information asymmetry and mitigating agency problems between managers and stakeholders. Auditors can help alleviate

agency problems resulting from the separation of ownership and control. However, it's important to note that auditors can only be effective if their audit opinions accurately reflect the true findings of the audit engagement. From an agency perspective, Beasley and Salterio (2001) highlight that auditors can be considered part of the corporate governance structure because they monitor the quality of the financial reporting process.

2.3 Empirical Review

The empirical review involves an examination of previously published works on a specific topic, analyzing past empirical studies to address a particular research question (Gill and Johnson, 2002). Hung and Han (1998) conducted research in Taiwan to evaluate the effectiveness of internal auditing in listed firms. This study was motivated by the demand for internal auditing and the competitive market environment, which had experienced several business crises. The researchers employed both qualitative and quantitative approaches, utilizing questionnaires, interviews, and focus group discussions to collect data. A sample of 210 listed manufacturing firms was selected, and questionnaires were administered to management, heads of audited departments, and heads of internal auditing departments in these companies.

The findings revealed several factors that influenced management's perception of effectiveness, including management and controller attitudes, the probability of internal auditors' promotion, the implementation of performance evaluation, the establishment of job descriptions, and the training and professional abilities of internal auditors. Factors that hindered the perceived effectiveness of audited department heads included the professional abilities of internal auditors and a combination of organizational formalization and professional abilities. Obstacles to the progress of the annual auditing plan included management and controller attitudes, the organizational position of the internal audit department within the

company, the probability of internal auditor promotion, the implementation of performance evaluation, the establishment of job descriptions, and the training and professional abilities of internal auditors.

It is important to note that this research focused solely on the private sector and did not consider the internal audit functions in the public sector. Therefore, generalizing the findings to listed firms in Zimbabwe may be limited, as the listed firms in Zimbabwe primarily belong to the private sector, with only a small portion representing the public sector. Additionally, the study did not gather sufficient information from internal audit team members regarding independence, objectivity, professional qualifications, roles, staffing adequacy, competence, and policies. Consequently, the findings may not fully reveal the real challenges faced by internal auditors, as the information provided by the heads of audit departments and management may be insufficient for drawing conclusive insights.

Another study by Masood and Lodhi (2015) examined the factors influencing the success of government audits in Pakistan. The primary areas prompting this research were corruption and misappropriation of funds within the government, which had eroded public trust and economic welfare. The study employed a quantitative approach, conducting face-to-face in-depth interviews with fifteen government auditors in Pakistan. The results indicated that factors such as massive corruption, conservative auditing methods, lack of cooperation from auditees, low morale among auditors, lack of financial independence, inability to take action against malpractices, insufficient financial, technological, and human resources, lack of qualified trainers, and ineffective training institutes were antecedents of ineffective audits, which hindered transparency and accountability in the public sector. The research recommended that Parliament should support government auditors by providing sufficient resources, training opportunities, and avenues for professional growth.

Solomon (2015) conducted a study in Tanzania, assessing the impact of audits on the accountability and transparency of non-governmental organizations (NGOs) in the Bolgatanga Municipality. The research employed both qualitative and quantitative approaches, collecting data through questionnaires, interviews, and focus group discussions. The findings revealed that audit reports of NGOs were not effectively utilized for achieving compliance, and recommendations made by auditors were not enforced by management. The audit reports did not have a positive influence on the activities of NGOs in terms of accountability and transparency. The researcher recommended that auditors be hired by the Board of Directors or Donors rather than by the management of NGOs. To enhance effectiveness and efficiency, auditors should report to the Board of Directors or the donor, rather than to the management of NGOs.

Hailemariam (2014) investigated the determinants of internal audit effectiveness in Ethiopian public sector entities. The study focused on 15 selected public sector entities, which represented the public sector. Data was collected through questionnaires administered to the management teams and internal auditors of these entities. The findings revealed that factors such as management support, the presence of adequate and competent internal audit staff, and the availability of an approved internal audit charter contributed to internal audit effectiveness in the public sector. Management's perception of the value of internal audit and the independence of internal auditors also played a role in determining the effectiveness of internal audit functions in the public sector.

Huong (2018) examined the factors influencing internal audit effectiveness in Vietnam. Data was collected through questionnaires administered to chief audit executives and internal auditors of Vietnamese companies. The results indicated that internal audit effectiveness was influenced by the independence of internal audit, the competence of internal auditors,

management support for internal audit, and the quality of internal audit. Dellai and Omri (2016) also explored the factors influencing internal audit effectiveness in Tunisian organizations. They collected data through questionnaires administered to chief audit executives of 148 Tunisian organizations. The results revealed that the effectiveness of internal auditing was influenced by the independence of internal audit, the objectivity of internal auditors, the management support for internal audit, the use of internal audit function as a management training ground, and the sector of organization.

The empirical review section provides an overview of previous research conducted on a specific topic, focusing on empirical studies that aim to answer particular research questions (Gill and Johnson, 2002).

In a study conducted by Hung and Han (1998) in Taiwan, the effectiveness of internal auditing for listed firms was evaluated. The researchers were motivated by the demand for internal auditing in the face of a competitive market environment and various business crises. The research employed both qualitative and quantitative methods, including questionnaires, interviews, and focus group discussions, to collect data. A sample of 210 listed manufacturing firms was selected, and data was gathered from management, heads of audited departments, and heads of internal auditing departments using questionnaires.

The findings revealed several factors that influenced the perception of effectiveness. These factors included management and controller attitudes, the probability of internal auditors' promotion, the implementation of performance evaluation, the establishment of job descriptions, and the training and professional abilities of internal auditors. The study also identified factors that hindered the perception of effectiveness, such as internal auditor professional abilities and the combination of organizational formalization and professional abilities. Additionally, factors that impeded the progress of the annual auditing plan were

identified, including management and controller attitudes, the organizational position of the internal audit department, the probability of internal auditor promotion, the implementation of performance evaluation, the establishment of job descriptions, and the training and professional abilities of internal auditors.

2.4 Research Gap

It is important to note that these researches focused exclusively on the private sector, and the findings may not be applicable to the public sector in Zimbabwe. The studies neglected the public sector internal audit functions, which represent only a small portion (5%) of the listed firms in Zimbabwe. These limitations highlights a gap in the researches. Furthermore, the studies did not extensively explore important aspects such as independence, objectivity, professional qualifications, roles, staffing adequacy, competence, and policies of internal audit team members. Therefore, the information provided by the heads of audit departments and management might be insufficient to draw comprehensive conclusions about the challenges faced by internal auditors.

2.5 Summary

This chapter discussed the conceptual framework of the research, the roles and policies of the internal audit function. It also highlighted the qualities that define an effective internal audit function and this hinges around the internal audit's ability to provide useful audit findings to the client. Adequacy and competence of internal audit personnel has been looked at which mainly depends on the level of qualification and experience of the internal auditors. The independence and objectivity of internal auditors as well as controls applicable and the best practices that ensure internal audit effectiveness and efficiency have been noted. Finally the chapter round up with the theoretical and empirical review of the research. Chapter three looks at the research methodology.

CHAPTER III

RESEARCH METHODOLOGY

3.0 Introduction

In this chapter, we embark on a detailed exploration of the research methodology that was carefully crafted to assess the impacts of internal audit functions in small to medium-sized enterprises (SMEs), with a deep dive into a case study of First Pack Marketing. The construction of the methodological framework was a critical process, conducted with the intent to fortify the research with the necessary rigour and to substantiate its findings with credibility and precision. By embracing both qualitative and quantitative research strategies, this approach is meticulously aligned with the complex and multifaceted nature of internal audit processes. It is designed to capture the nuanced realities of the audit function's role, its efficacy, and the challenges it faces within the unique operational landscape of SMEs. This comprehensive approach is pivotal as it reflects the dual dimensions of auditing the tangible, measurable outcomes, and the more subjective, qualitative experiences of stakeholders involved in the audit process.

3.1 Research Philosophy

The study's foundation rests on a pragmatist philosophy, which suggests that the nature of the research question should dictate the methodological approach (Johnson & Onwuegbuzie, 2004). This philosophical stance is not just an arbitrary choice, it is a strategic decision that

offers the flexibility required to navigate the complex terrain of internal auditing within SMEs. It allows the researcher to utilize a diverse array of methods to unravel the intricate layers of the internal audit function within First Pack Marketing. By adopting this pragmatic approach, the study does not confine itself to a singular perspective instead, it blends quantitative data analysis such as the examination of audit outcomes with qualitative inquiry, including the subjective perceptions of stakeholders. This blend is essential for capturing the full spectrum of the auditing process, which includes both numerical data and personal experiences, thus providing a rich, multidimensional understanding of the internal audit function (Creswell & Plano Clark, 2011).

3.2 Research Design

The chosen mixed-methods research design represents a synthesis of strategies that is particularly potent for dissecting the layered aspects of internal audit functions within SMEs (Creswell, 2013). The underpinning rationale for selecting a mixed-methods design lies in its proven efficacy to capture the diverse facets of complex phenomena such as internal auditing, and to interpret these findings with both statistical and narrative depth (Bryman, 2012). In the quantitative domain, this involves a scrupulous examination and statistical analysis of audit reports, financial data, performance metrics, and structured questionnaire responses. Concurrently, the qualitative domain is explored through thematic analysis of interviews, discussions and subjective interpretations of the internal audit processes. This approach ensures that the quantitative data are not only statistically sound but are also enriched with the qualitative context, providing a bridge between empirical evidence and the rich narratives that underlie them (Braun & Clarke, 2006). This dual-lens analysis ensures a comprehensive view of the audit function, encapsulating both the measurable outcomes and the experiential realities of the auditing process.

3.3 Research Method

The research method of concurrent triangulation was selected for its robustness, involving the simultaneous collection and analysis of both qualitative and quantitative data (Creswell, 2013). The justification for this approach lies in its ability to corroborate findings across different data sources, effectively marrying the strengths of qualitative and quantitative research while offsetting their individual weaknesses. It is a strategy that brings a comprehensive perspective to the study, allowing for a multi-faceted exploration and a more complete understanding of the internal audit function within the SME context. The concurrent collection of data through diverse methods ensures that the study's findings are not only substantiated by quantitative evidence but are also given depth and context by qualitative insights, leading to a more nuanced understanding of the complexities involved in internal auditing within First Pack Marketing.

3.4 Case Study Research Strategy

The research adopts a case study strategy to facilitate an exhaustive investigation into First Pack Marketing's internal audit department (Yin, 2018). This approach was selected for its suitability in studying contemporary phenomena within their real-life context, which is particularly relevant when the boundaries between the phenomenon and context are not readily apparent. A case study strategy is invaluable in such research as it allows for a detailed examination and a comprehensive understanding of the internal audit's role, effectiveness, and challenges within SMEs. It provides an opportunity to delve into the intricate and often nuanced details of internal audit operations, yielding insights that would remain obscured with other research strategies.

3.5 Population

The population for this research was carefully defined to encompass the entirety of the internal audit department at First Pack Marketing. This small, specialized group consisted of 25 individuals who collectively form the backbone of the company's internal audit function. The decision to include the full population in the research is anchored in the statistical reasoning

that a group smaller than the conventional sampling threshold of 30 is optimally studied in its entirety (Lohr, 2009). By engaging with every member of the department, the research inherently benefits from a holistic view of the internal audit environment, thereby capturing the full spectrum of insights, practices, and attitudes that pervade the department. The importance of each individual's contribution is magnified in such a small population, where the exclusion of even a single member could lead to a significant gap in the data and potentially skew the research findings.

3.6 Sample Size Determination

With a focus on the 25-member internal audit team, the methodology pivoted from a sampling strategy to a full-population census. This decision was informed by a strategic intent to capture an undiluted picture of the internal audit landscape within the company. Fowler Jr's (2013) insights into sampling methodologies reinforce the decision for a census in small populations, articulating the benefits of obtaining a complete set of data points that represent every perspective within the audit team. Such an approach is paramount in a setting where each auditor's role and experience could significantly influence the department's collective efficacy and strategic direction. The census methodology thus ensures the inclusivity of diverse viewpoints, facilitating a comprehensive analysis that embodies the totality of the department's dynamics.

3.7 Sampling Technique

Given the strategic choice to engage with the entire population of the internal audit department, the implementation of a sampling technique was rendered unnecessary. This section, therefore, serves to underscore the methodological rationale that underpins the absence of a sampling process. By default, the full-population study negates the need for sample selection procedures and thereby eliminates the associated risks of sampling biases and errors. This ensures that the collected data is not a subset but a complete set, reflecting the unified experiences and opinions

of the audit team without the mediation of sampling techniques.

3.8 Research Instruments

The cornerstone of any empirical research is the suite of instruments utilized to gather data. In this study, a meticulous approach was adopted to ensure the robustness and reliability of the instruments, which included structured surveys, semi-structured interviews, and questionnaires. Each instrument was carefully designed and validated to capture the necessary data that would enable a comprehensive analysis of the internal audit functions within First Pack Marketing. The instruments were subjected to rigorous pilot testing and expert review to ensure their reliability and validity, with Cronbach's alpha used as a measure of internal consistency for the structured instruments (Muijs, 2010).

3.8.1 Surveys

Surveys were the primary tool for quantitatively assessing the views of the entire internal audit team at First Pack Marketing. The survey design incorporated a Likert scale to quantify responses concerning auditors' perceptions of their role, the efficacy of the audit processes, and the integration of audit functions with broader organizational goals. These surveys were distributed electronically to all 25 members of the internal audit department, ensuring complete participation and the avoidance of sampling bias (Fowler Jr, 2013). The responses were intended to be anonymous to encourage candidness and minimize any potential response bias. The survey's design, content, and scaling were validated by three experts in the field of auditing and research methodologies to ensure content validity and appropriateness for the study's aims.

3.8.2 Interviews

Complementing the surveys, semi-structured interviews were conducted to gain deeper insights into the qualitative aspects of the internal audit function. These interviews were structured to allow for open-ended responses, enabling participants to discuss their experiences, challenges, and suggestions for improvement in detail. The interview protocol

included themes such as the auditors' professional autonomy, the impact of organizational culture on audit practices, and the perceived value of the audit function within the company. Key informants for the interviews were selected based on their extensive experience and strategic roles within the audit team. The iterative nature of these interviews allowed for the exploration of emerging themes, thereby providing rich, contextual data that were instrumental in understanding the subtleties of internal audit practices (Cohen, Manion, & Morrison, 2013).

3.8.3 Questionnaires

Questionnaires were used as a versatile instrument to capture a broader perspective, incorporating both closed and open-ended questions. The closed questions aimed to quantify the frequency and importance of various audit activities, while the open-ended questions sought to collect qualitative data on the auditors' subjective experiences and opinions. The questionnaire design was a critical phase, involving a series of revisions based on feedback from a pilot study with a group of auditors from a similar organization. This process ensured that the questions were both comprehensive and comprehensible. The final version of the questionnaire achieved a Cronbach's alpha of 0.85, indicating a high level of reliability for the instrument (Muijs, 2010).

3.9 Data Collection Techniques

The data collection strategy was twofold: electronic surveys were disseminated among the internal audit team members, and semi-structured interviews were conducted with selected key stakeholders. This dual approach was designed to harness the strengths of both quantitative and qualitative research methods, facilitating a rich data pool that caters to the multi-faceted nature of the research questions. The rationale for this integrative methodology stems from the theoretical and empirical advocacy for mixed-methods data collection, which allows researchers to corroborate quantitative data trends with the depth and context provided by qualitative data (Cohen, Manion, & Morrison, 2013). By employing electronic surveys, the

research capitalized on the efficiency of technology to reach all participants despite potential logistical constraints, while the in-person and virtual interviews provided the necessary latitude to explore complex topics in greater depth.

3.10 Ethical Considerations

Ethical considerations were paramount throughout the research process. Prior to the commencement of data collection, ethical clearance was obtained from the university's review board, reinforcing the study's commitment to upholding the highest standards of research ethics. Participants were assured of the confidentiality of their responses, and their autonomy was respected with the explicit right to withdraw from the study at any point, without any negative repercussions. This commitment to ethical research practices was guided by established ethical frameworks and scholarly discourse on the ethical conduct of research, which emphasize the protection of participant rights and the maintenance of trust between researchers and subjects (Sieber, 1992).

3.11 Data Analysis

The analysis of collected data was bifurcated into quantitative and qualitative strands, each requiring a distinct methodological approach. Quantitative data was analyzed using advanced statistical software, facilitating the identification of patterns, correlations, and trends that could be statistically substantiated. This was complemented by a thematic analysis of the qualitative data, where narratives and responses were coded and categorized to distill core themes and insights pertinent to the research objectives. The decision to integrate these strands of data was informed by a methodological perspective that values the cross-validation of different data types to enhance the robustness of the findings and to provide a multifaceted view of the phenomena under investigation (Creswell, 2014).

3.12 Model Development/Operationalization of Study Variables: Conceptual Clarity and Analytical Precision

The operationalization of study variables was a critical step in developing a conceptual model that clearly delineates the dependent and independent variables. Financial performance and decision-making efficacy were posited as dependent variables, while internal audit practices were treated as independent variables. This operational framework was essential not only for conceptual clarity but also for facilitating precise analytical procedures. The operational definitions provided the necessary granularity to accurately measure the intended constructs and to scrutinize the causal relationships that underlie the study's hypotheses. This meticulous operationalization process is rooted in the scholarly work on research design and variable measurement, underscoring the necessity of clear definitions to ensure the validity and reliability of research findings (Krejcie & Morgan, 1970).

3.13 Limitations of the Methodology

The methodological choices, while methodically justified and robust, are not devoid of limitations. The case study approach, although rich in detail and context, inherently limits the extrapolation of findings beyond the studied SME. Furthermore, the reliance on self-reported data from surveys and interviews, while valuable for insight, may be subject to individual biases and inaccuracies. These limitations are candidly acknowledged as they bear implications for the interpretation and generalizability of the research outcomes. This transparency in recognizing limitations is consistent with scholarly rigor and provides a balanced perspective on the study's methodological framework (Bryman, 2012).

3.14 Summary

This chapter has meticulously delineated the methodological underpinnings of the research conducted at First Pack Marketing. The comprehensive description of each methodological component from the population and data collection instruments to ethical considerations and data analysis has laid a solid foundation for the subsequent chapters. The mixed-methods approach adopted in this research offers a robust platform for the in-depth exploration of

internal audit functions, promising a nuanced understanding of the audit team's impact on the organization's performance. As this chapter concludes, it not only summarizes the methodological journey but also sets the stage for the presentation of research findings that derive from this methodologically sound investigation.

CHAPTER IV

DATA PRESENTATION, ANALYSIS AND DISCUSSION

4.0 Introduction

This chapter focuses on the presentation, analysis and discussion of data extracted from field research conducted at First Pack Marketing Internal Audit Department through questionnaires and interviews administered. The data presentation techniques such as graphs, pie charts, tables and bar charts shall be used to analyse and provide the basis for answering the research questions appropriately. The percentage system is applied to provide a standard measure for effective analysis and interpretation. The data analysis done assist the researcher in deriving research conclusions and pave way for recommendations.

4.1 Questionnaire Response Rate

The researcher distributed a total of twenty questionnaires to First Pack Marketing members for the study. Fifteen questionnaires were administered to the internal audit staff, three questionnaires to the audited departments and two were given to the Board of Directors. The table below depicts the response rate of the target population under study.

Table 4. 1 Questionnaire response rate

Respondent	Questionnaires sent	Questionnaires returned	Response rate
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Internal Auditors	15	11	73%
Audited Departments	3	2	67%
Board of Directors	2	1	50%
Total	20	14	70%

Source: Primary data (2023)

The table 4.1 above shows an overall response rate of 70% on the questionnaires that were administered and the response rate were quite good. The researcher considered it as reliable for making analysis and interpretation of results from the questionnaires sent out.

So this proves that the research was valid since questionnaires yielded 70%. The bias of results is reduced since there is a fair response rate. National (2010) justified that a population is a complete set of people with a specialized set of characteristics while a sample is a subset of the population. It is a satisfactory response rate since more than two thirds of the target population participated in the field research. Richardson (2005:406) argued that a response rule of thumb of 60% or more is desirable.

4.2 Demographic Details

4.2.1 Gender

Table 4. 2 Gender response rate

Respondents	Internal Auditors	Audited Departments	Board of Directors	Total	Response Rate
Male	9	1	1	11	79%
Female	2	1	0	3	21%
Total	11	2	1	14	100%

Source: Primary data (2023)

As highlighted by table 4.2 above, 21% of the respondents are women while 79% are male and constitutes almost all the respondents of the study. This shows that First Pack Marketing is staffed with more males than women.

4.2.2 Age

Table 4. 3 Participants age response rate

Age group	Responses			Response rate
	Internal auditors	Audited Departments	Board of Directors	
21-30 years old	1	0	0	7%
31-40years old	7	1	0	57%
41-50years old	2	1	0	22%
More than 50years old	1	0	1	14%
Total	11	2	1	100%

Source: Primary data (2023)

As depicted on table 4.3, respondents within the 21-30 years’ age group constitutes 7% of the study and 57% of the respondents are within the 31-40 years’ age groups while 22% are within the 41-50 years’ age group. Only 14% are more than 50 years old.

However, more than half of the participants are within the 31-40 years’ age group with 57%, this concludes that these age groups constitute members who are at First Pack Marketing. These are responsible people who can understand the organisation well and can be assigned audit and accounting duties as well as managerial posts.

4.3 Internal Auditors Responses

4.3.1 Qualification of internal auditors

4.3.1.1 Academic qualifications

Table 4. 4 Academic qualifications

Level of Education	Number of Respondents	Area of Academic Specialisation	Response Rate
O' level	2	Mathematics	18%
A 'level	2	Accounting	18%
Diploma	3	Accounting	28%
Undergraduate degree	2	Accounting	18%
	1	Banking and Finance	9%
Masters	1	Accounting	9%
Total	11		100%

Source: Primary data (2023)

The table 4.4 above portrays that 18% of the respondents have O' level mathematics, 18% have A' level accounting while 28% have diploma in accounting. The other 18% have undergraduate degree in accounting while 9% have undergraduate degrees in banking and finance. The other 9% have master's degree in accounting.

The internal audit department have 45% of its staff not holding academic qualifications, those holding O' levels, A' levels and none accounting related degree. The analysis shows that the internal auditors are less academically qualified and may not be capable of handling job challenges. In the same note, Alkafaji et al (2010:7) confirms that highly educated auditors were found to be more capable of dealing with job challenges in a more skilled and competent way than the less educated.

4.3.1.2 Professional qualifications

Table 4. 5 Professional qualifications

Professional qualifications	Number of respondents	Response rate
ACCA	0	0%
CIA	0	0%
CISA	1	9%
CIMA	0	0%
Other	2	18%
Do not have any	8	73%
Total	11	100%

Source: Primary data (2023)

Table 4.5 depicts that 9% of the respondents have CISA, 18% have other professional qualifications which is CIS, SAA and IAC while 73% of the members do not have professional qualification at all.

This shows that the internal auditors at First Pack Marketing are under qualified since more than half of the members do not have professional qualification in auditing. This is contrast to Alkafaji et al (2010:7) who said that competence of the internal audit staff depend upon the level of formal education, academic major, professional and technical skills. The Professional Practice Framework for internal auditors (2004) requires internal auditors to be certified with CA, CIA, CISA and ACCA.

4.3.2 Professional work experience of internal auditors

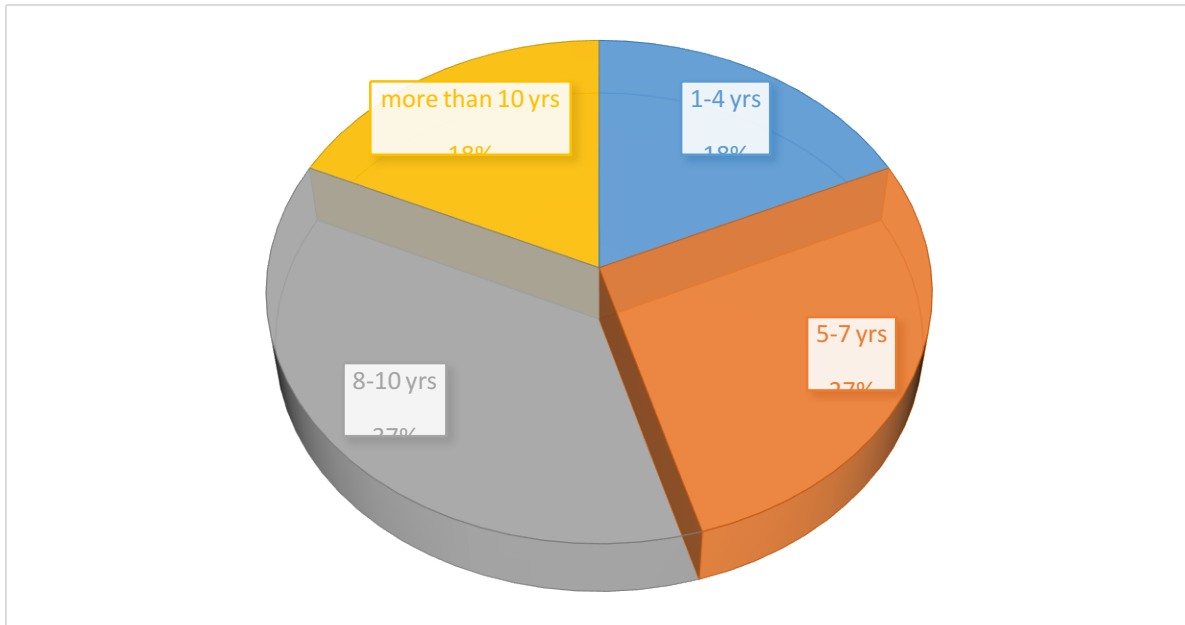


Figure 4. 1 Professional experience

Source: Primary data (2023)

Figure 4.1 shows that 18% of the internal auditors have 1-4 years and 27% have 5-7 years of professional experience. However, 37% have 8-10 years of professional experience with the audit function. The other 18% have more than 10 years of professional working experience.

The majority of the internal auditors have 8-10 years working experience with the audit function. This prove that the internal auditors have professional experience to conduct audit tasks. The respondents were well experienced and had relevant knowledge of the organization’s systems. Gronewold et al (2009:10) also highlighted that more experienced staff will have the ability to conduct audits and other tasks more effectively and efficiently.

4.3.3 The roles discharged by the internal audit function

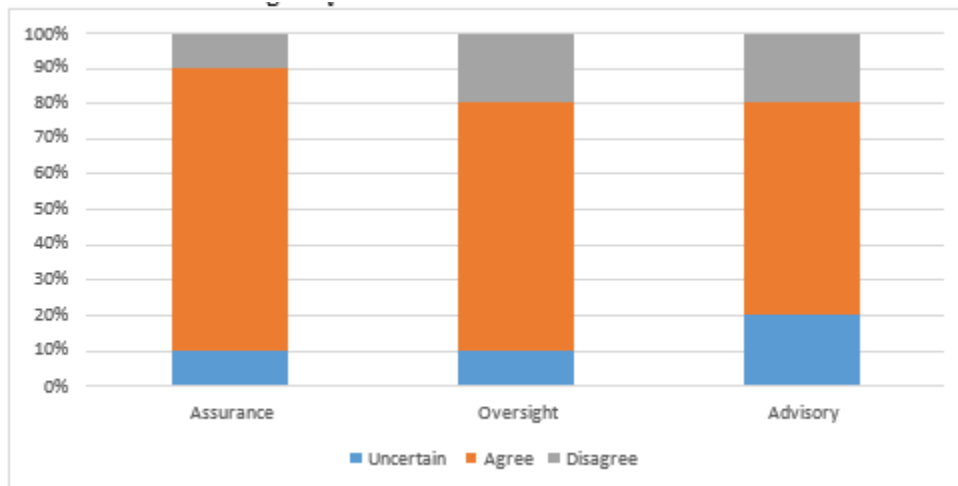


Figure 4. 2 Internal Auditors’ roles

Source: Primary data (2023)

4.3.3.1 Assurance

As displayed by figure 4.2 above 9% disagree, 9% were uncertain that internal auditors offered the assurance role at First Pack Marketing. However, 82% agreed that the assurance role was being done by the internal auditors.

Basing on the mode this prove that the internal audit function discharges the assurance role at First Pack Marketing. Smith et al (2008) asserts that internal audit provide objective assurance to the board on the effectiveness of the organisation’s ERM activities and ensure business risks are being managed appropriately and internal controls are operating effectively.

4.3.3.2 Oversight

As illustrated in figure 4.2, the survey results are revealing: 73% of respondents agree, 18% disagree, and 9% remain uncertain regarding the oversight role of internal audits within SMEs. This indicates a predominant view that the internal audit function in SMEs effectively performs an oversight role. Similarly, a study by the Institute of Internal Auditors (IIA) in 2012 emphasized that in the context of SMEs, an oversight role is crucial for ensuring that these enterprises operate as intended, aiding in the prevention and detection of corporate misconduct.

4.3.3.3 Advisory

Figure 4.2 above denotes that 64% agreed, 18% disagree and 18% were uncertain that advisory role was being done at First Pack Marketing. This clearly proved that advisory role is being discharged by the internal audit function. Okoe sai (2009), expressed that internal audit provide advice and assistance in areas where they possess expertise and may recommend effective risk management control advices, providing guidance on issues of good governance, transparency and accountability, good corporate ethical conduct and improved information technology suggestions.

4.3.4 Professional services offered by the internal audit function

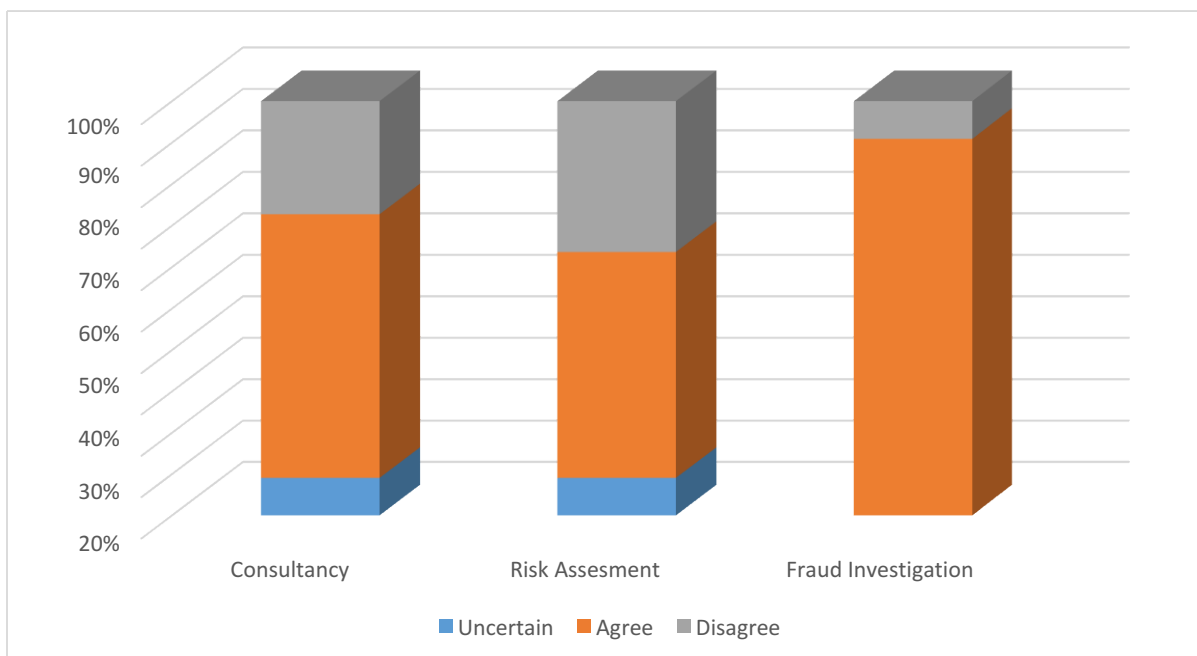


Figure 4. 3 Professional services offered by the internal audit function

Source: Primary data (2023)

4.3.4.1 Consultancy services

Figure 4.3 shows that 64% agreed, 27% disagreed and the other 9% remained uncertain on the consultancy services being offered. Basing on the mode the findings prove that the internal auditors provide the consultancy services. The IIA Guidance for Audit Committee (2004) suggest that internal auditors provide advice to the management on governance, risks and

controls.

4.3.4.2 Risk assessment

The results shows that 54% agree, 36% disagrees while 9% were uncertain on the risk assessment being done by internal auditors. The results prove that risk assessment service is being discharged.

4.3.4.3 Fraud investigations

From figure 4.3, above 91% agree and 9% disagree that fraud investigation was being done at First Pack Marketing. Using the mode, it shows that the internal audit function is conducting fraud investigations.

4.3.5 The internal audit policy manual is formally documented

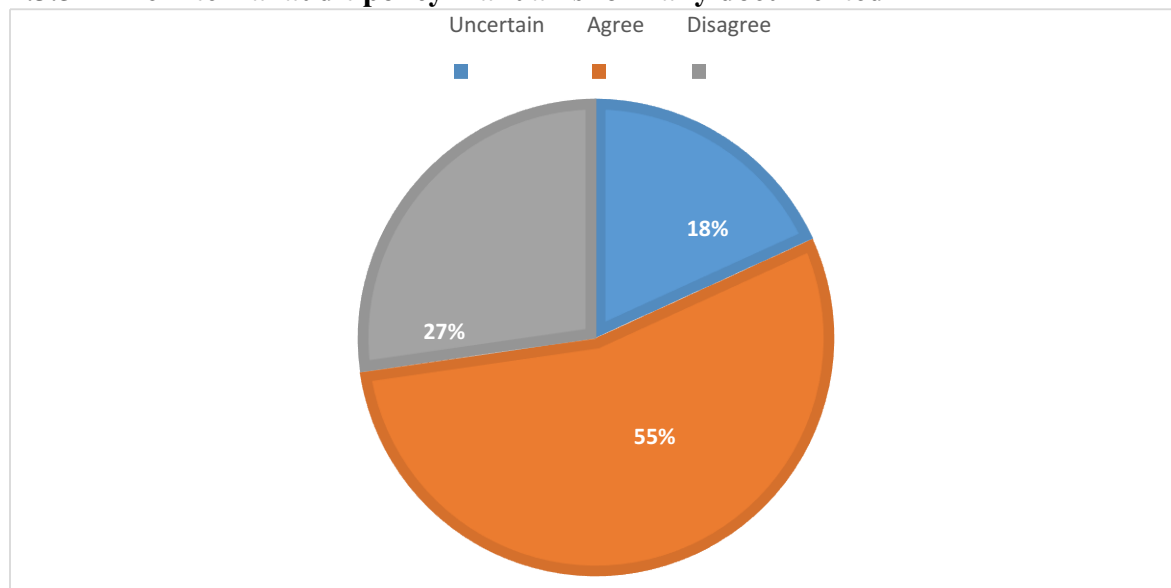


Figure 4. 4 Formally documented internal audit policy manual

Source: Primary data (2023)

Figure 4.4 above shows that 55% agree, 27% disagrees and 18% were uncertain of the audit policies being in place. Basing on the results First Pack Marketing have a formally documented policy manual in place. This position is further strengthened by the Professional Practice Framework (2004) which asserts that the purpose, authority and responsibility of the internal audit function should be formally defined in a charter consistent with the standards and

approved by the board.

4.3.6 Adequate of internal audit personnel

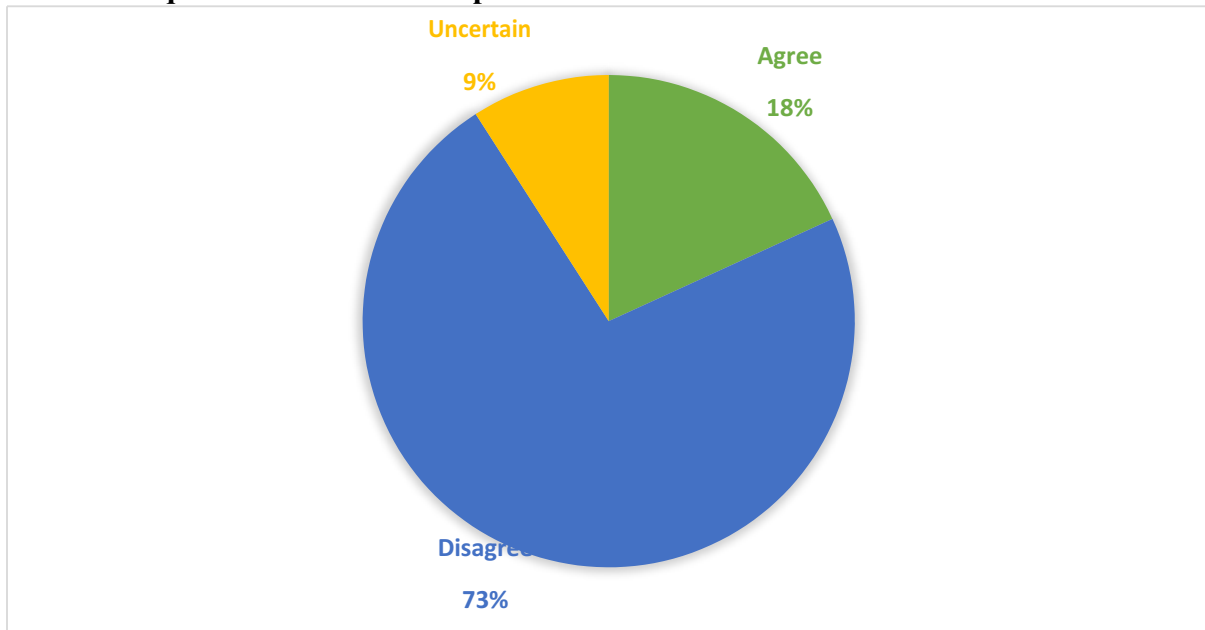


Figure 4. 5 Adequate of internal audit personnel

Source: Primary data (2023)

As depicted by figure 4.5 above 18% agree, 73% disagree while 9% are uncertain that the audit function have adequate personal. The findings shows that the department do not have adequate personnel for audit duties.

This can further be explained by John Fraser (2007) who said that the adequacy of internal audit staff is based on the number of skilled individuals required to cover the audit activities identified in the approved audit plan. Groneworld et al (2009:3-9) also expressed that adequacy is either qualitative or quantitative in nature for internal audit staff relating to size and competence of staff.

4.3.7 The internal audit work is properly planned and reports issued in time

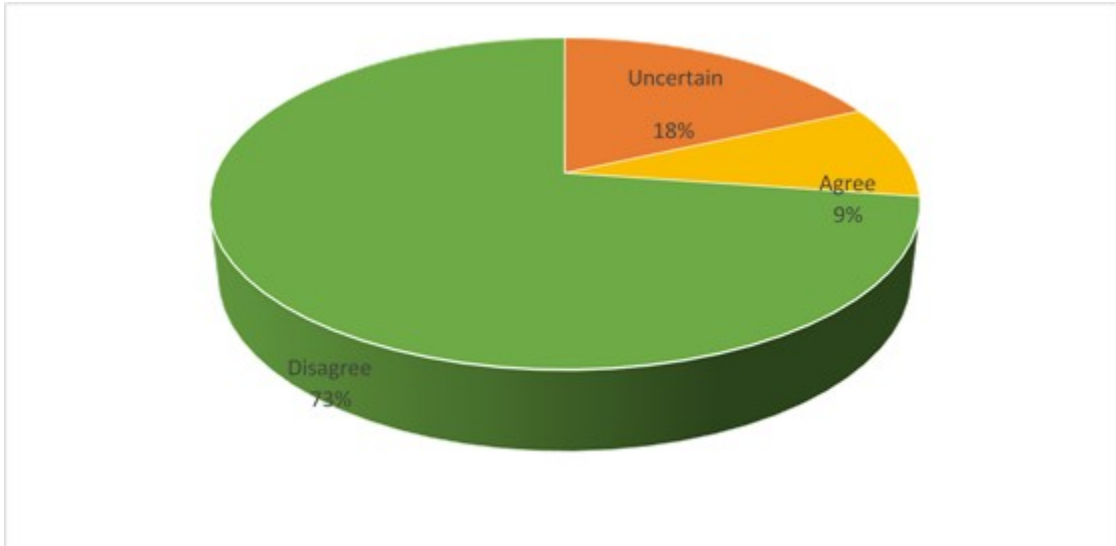


Figure 4. 6 Planning of audit work and timeous issuing of reports

Source: Primary data (2023)

From figure 4.6 above 9% agree, 73% disagree and 18% were uncertain of the fact that reports were issued in time and audit work planned well. The research findings shows that the internal audit work is not properly planned and reports are not issued in time. This contradicts to Johnstone et al (2014) who confirms that the well-structured planning determines the audit process effectiveness.

4.3.8 Completion of audit assignments in time

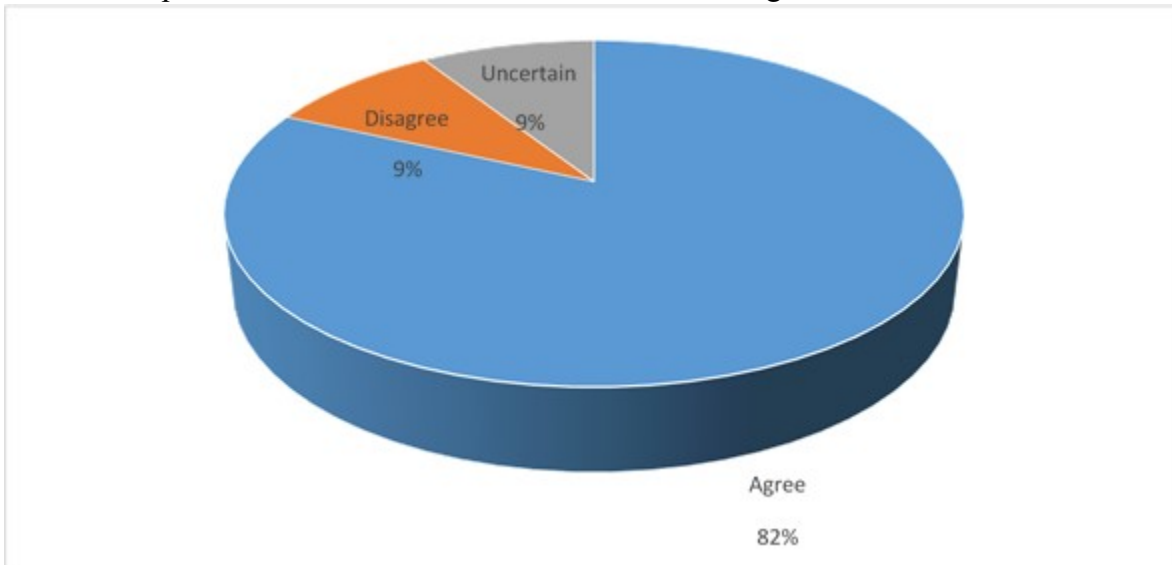


Figure 4. 7 Completion of audit assignments in time

Source: Primary data (2023)

Figure 4.7 above shows that 27% agree, 64% disagree and 9% were uncertain that audit tasks are completed in time. However this prove that audit assignments are not being issued in time. This position is further explained by Alkafaji et al (2010:7) who said that the level of formal education, professional certification and technical skills may affect the audit process. Hayes et al (2005) also claimed that the degree of audit quality or the process of carrying out the audit, review and communication of results may affect the audit process at a large extend.

4.3.9 There is an Audit Committee in place to address audit issues to the management.

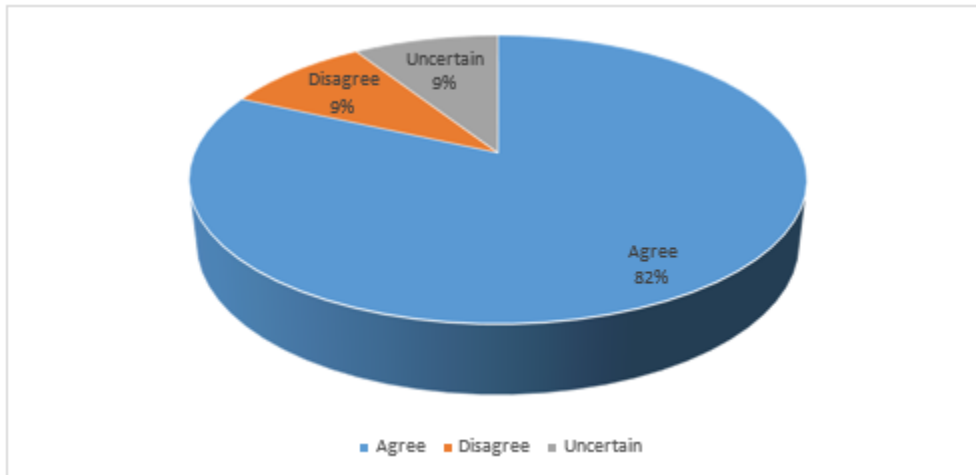


Figure 4. 8 Presence of Audit Committee

Source: Primary data (2023)

Figure 4.8 above shows that 82% agree and 9% disagree while 9% remained uncertain on the presence of the audit committee. However this express that there is an audit committee in place. Bishop et al (2000:51) asserts that the audit committee can look to today’s internal audit function to provide independence, objective assurance and consulting services designed to add value and improve an organisation’s operations.

4.3.10 The internal audit function's compliance with the ISA

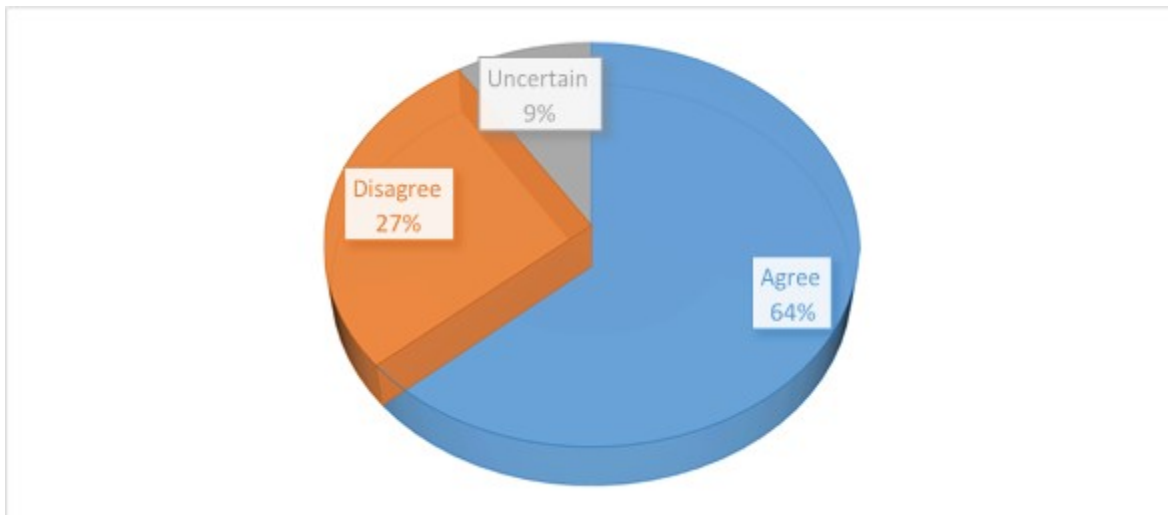


Figure 4. 9 Internal audit functions' compliance with the ISA
Source: Primary data (2023)

Figure 4.9 above shows that 64% agree, 27% disagree and 9% were uncertain that the internal audit function complies with ISA. This shows that the internal audit function complies with the International Standards on Auditing.

This position is further strengthened by Tamer Aksey (2013) who said internal audit policies in tells compliance with the institute of internal audit standards, code of ethics, audit charter, goals and procedures that govern the internal audit profession.

4.3.11 The internal auditors are exposed to threats to independence when discharging their duties which include intimidation threat, self-interest threat, familiarity threat, self-review threat and advocate threat

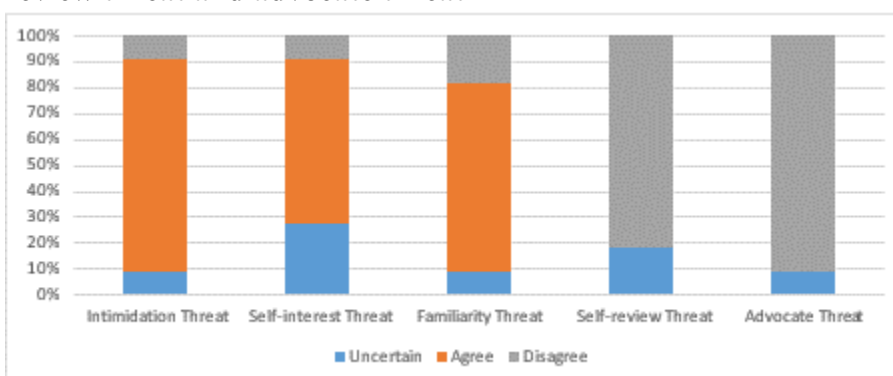


Figure 4. 10 Threats to audit independence

Source: Primary data (2023)

4.3.11.1 Intimidation threat

From figure 4.10 above 82% agree, 9% disagree and 9% were uncertain that internal auditors were exposed to intimidation threat. Basing on the mode it show that internal auditors are exposed to intimidation threat at First Pack Marketing.

4.3.11.2 Self-interest threat

The results from the above figure 4.10 portrays that 64% agree, 9% disagree while 27% remain uncertain of the exposure of self-interest threat. From the results extracted it proves that internal auditors are exposed to self-interest threat.

4.3.11.3 Familiarity threat

Figure 4.10 above reflect that 73% agree,18% disagree while 9% were uncertain of the exposure of familiarity threat. The results shows that familiarity threat affected the internal auditors at First Pack Marketing.

4.3.11.4 Self-review threat

Figure 4.10 shows that 0% agree, 82% disagree and 18% were uncertain of the exposure of self-review threat. Generally the results prove that internal auditors at First Pack Marketing are not exposed to self-review threat.

4.3.11.5 Advocate threat

From the results expressed by figure 4.10 above 0% agree and 91% disagree and 9% were uncertain. The highlighted results show that First Pack Marketing internal auditors are not exposed to advocate threat.

Hayes et al (2005) highlighted that the independence of an auditor contribute to the unbiased view point in the performance of audit tests, analysis of results and attestation in the audit report.

4.3.12 The challenges faced by internal auditors when dealing with clients includes lack of willingness to cooperate, denial access to records or information and resistance in implementing observations

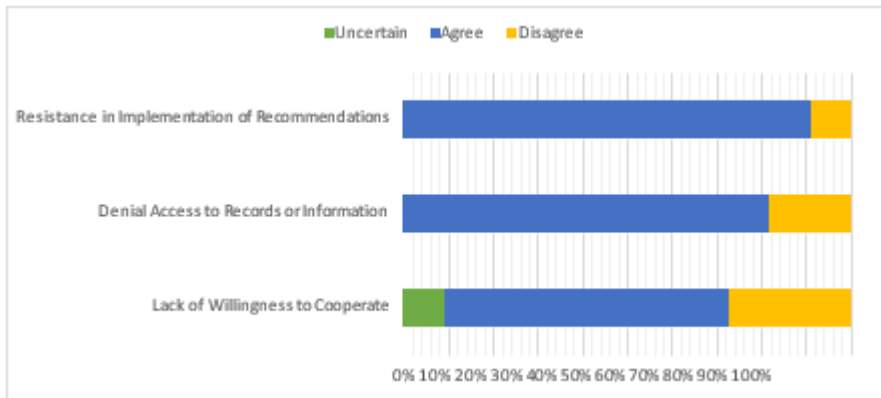


Figure 4. 11 Challenges faced by internal auditors
Source: Primary data (2023)

4.3.12.1 Lack of willingness to cooperate

Figure 4.11 above shows that 64% agree, 27% disagrees and 9% were uncertain that internal auditors’ clients lack willingness to cooperate. The results obtained reviews that clients at First Pack Marketing lack willingness to cooperate with internal auditors due to lack of adequate knowledge.

4.3.12.2 Denial access to records or information

From figure 4.11 above 82% agree and 18% disagree that clients deny access to records and information. The results prove that clients deny internal auditors access to records and information.

4.3.12.3 Resistance in implementing observations

Figure 4.11 above shows that 91% agree and 9% disagree that clients resist in implementing noted observations.. Basically from the expressed results it shows that the clients resist implementing highlighted observations.

Mihret et al (2007), purports that internal audit effectiveness hinges around the function’s ability to provide useful audit findings and recommendations and it is one of the most crucial

factors. Hayes et al (2005), highlighted audit effectiveness as the degree to which the process of carrying out the audit and communicating its results meeting customer’s expectations and it addresses the audit process itself.

4.3.13 Communication of the audit policy manual and ISA to the audit staff

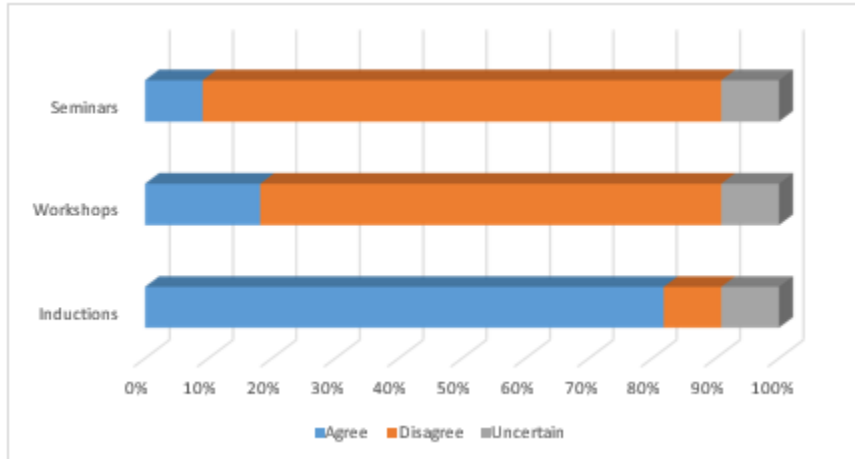


Figure 4. 12 Communication of the audit policy manual and ISA to the audit staff

Source: Primary data (2023)

4.2.13.1 Induction

From the results of figure 4.12 above it show that 82% agree, 9% disagree while 9% were uncertain that inductions are being conducted. Basing on the modal it shows that First Pack Marketing disseminates the audit policy manual to its staff through induction.

4.3.13.2 Workshop

Figure 4.12 above show that 18% agree and 73% disagree while 9% were uncertain. Generally the results prove that First Pack Marketing internal auditors are not communicating their policy manual through workshops.

4.3.13.3 Seminars

Figure 4.12 above depict that 9% agree, 82% disagree while 9% were uncertain. The results prove that First Pack Marketing is not communicating its policy manual to its staff through seminars.

4.3.14 The controls that the internal audit function implements includes reviews at all levels for quality and adequacy, well defined reporting lines and audit committee reviews on internal audit work.

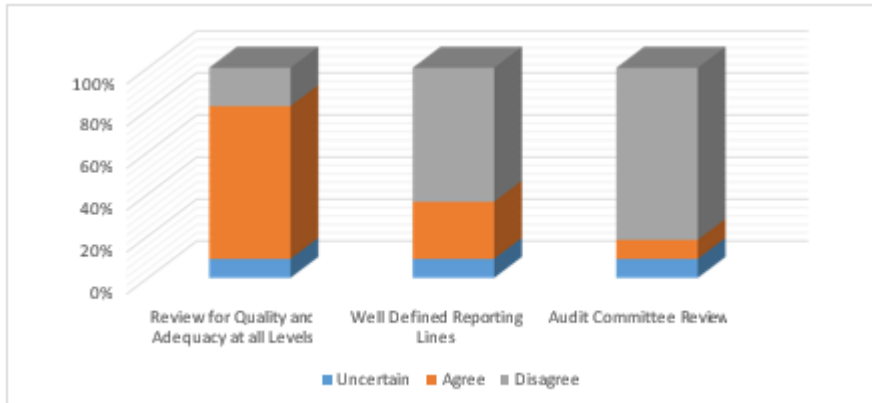


Figure 4. 13 Controls of the internal audit function

Source: Primary data (2023)

4.3.14.1 Reviews for quality and adequacy at all levels

Figure 4.13 above reviews that 73% agree, 18% disagree while 9% were uncertain that there is review for quality at all levels. Basing on the mode it proves that quality and adequacy control is being practised at First Pack Marketing internal audit function.

4.3.14.2 Well-defined reporting lines

Figure 4.13 above shows that 27% agree and 64% disagree while 9% remain uncertain. The results prove that First Pack Marketing internal auditors do not have a well-defined reporting line.

4.3.14.3 Audit committee reviews

From the results above 9% agrees, 82% disagree and 9% were uncertain that there are audit committee reviews. The results prove that audit committee review for internal audit work is not being practised at First Pack Marketing.

This position is also strengthened by the Guide to Internal Audit (2009), which disclosed that good practice is centred at the audit committee duties pertaining the internal audit activities which include providing input and approval on the written audit charter including periodic

reviews and updates. The audit committee reviews all on-going activities of the internal audit function including the design of controls, governance and ethics training to its staff

4.4 Board of Directors and audited departments responses

4.4.1 Board of directors and audited departments’ staff work experience

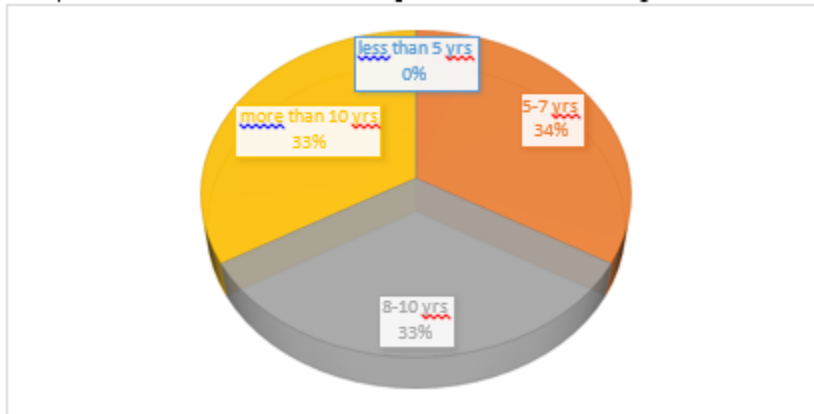


Figure 4. 14 Board of directors and audited departments’ staff work experience

Source: Primary data (2023)

Figure 4.14 shows that 34% of the Board of Directors and the audited departments’ staff have 5 -7 years working experience while 33% have 8-10 years’ experience. The other 33% have 8- 10 years of working experience. The majority of the staff which is 67% is more than 8 years of working experience within the post and this shows that the participants from Board of Directors and audited departments staff are in a position to present reliable information.

4.4.2 Your department has been audited before

Table 4. 6 Conducting of Audits

Strength of feeling	No. of Respondents	Response rate
Agree	0	0%
Strongly agree	2	67%
Disagree	0	0%
Strongly disagree	1	33%

Uncertain	0	0%
Total	3	100%

Source: Primary data (2023)

Table 4.6 above depicts that 67% strongly agree and 33% strongly disagree that their departments have been audited before. Generally since 67% agree that they have been audited before and this shows that First Pack Marketing internal audit function is adequately exercising its duties. This position is confirmed by Gronewold et al (2009:3) who asserted that quantitative adequacy of the internal auditors is positively and significantly related to the size of the client's entity.

4.4.3 The internal audit reports are understandable, constructive and contributes to organisational performance

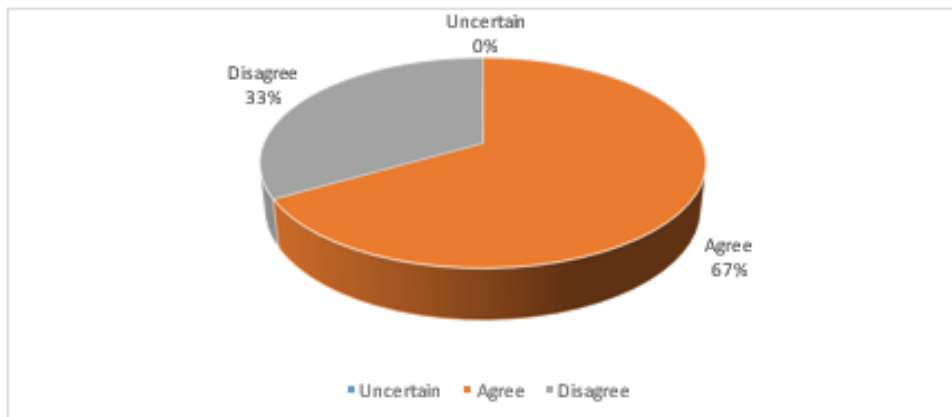


Figure 4. 15 Internal audit reports understandable

Source: Primary data (2023)

Figure 4.15 denotes that 67% agree and 33% disagrees that internal audit reports are understandable. The findings prove that First Pack Marketing internal auditor's reports are helpful and contribute to the performance of the organisation.

Internal Audit Quality Assessment Framework (2013) expressed that communication should be accurate, objective, clear, concise, constructive and timely and evidence identified,

analysed, evaluated and documented sufficiently to support audit conclusions and opinions.

4.4.4 The internal auditors demonstrate professionalism in their approach to duty.

Table 4. 7 Professionalism of internal auditors

Strength of feeling	No. of Respondents	Response rate
Agree	1	33,3%
Strongly agree	1	33,3%
Disagree	0	0%
Strongly disagree	0	0%
Uncertain	1	33,4%
Total	3	100%

Source: Primary data (2023)

Table 4.7 denotes that 67% agree while 33% were uncertain. The interviews portrays that 79% agree and 21% disagree mentioning that they just harass and threaten them at workplaces. Basing on the mode, First Pack Marketing internal auditors display some professionalism in their approach to duty.

4.4.5 The following difficulties are faced by clients when dealing with internal auditors, undue criticism and lack of clarity on what is required.

4.4.5.1 Undue criticism

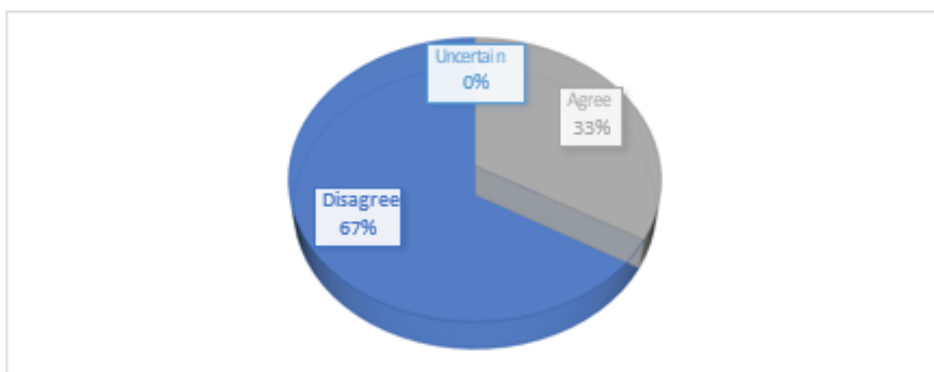


Figure 4. 16 Challenges face by clients when dealing with internal auditors

Source: Primary data (2023)

Figure 4.16 show that 33% agree and 67% disagree that undue criticism is experienced. Basing on the mode it proves that the management and audited departments of First Pack Marketing benefit from the services offered by the internal auditors and are not criticised.

4.4.5.2 Lack of clarity in terms of what is required

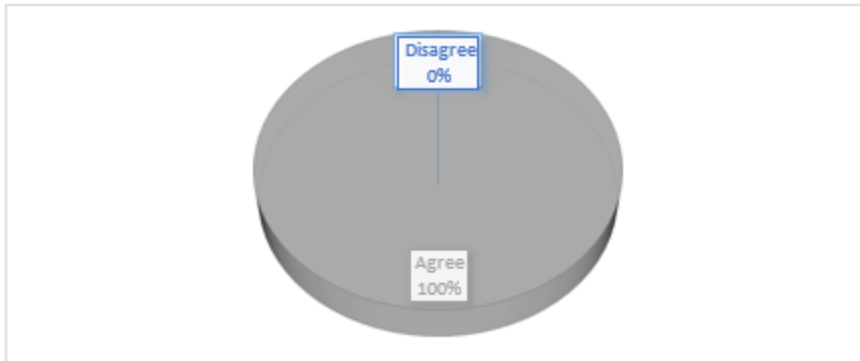


Figure 4. 17 Challenges face by clients when dealing with internal auditors

Source: Primary data (2023)

From figure 4.17 above 0% agree and 100% disagree that there is lack of clarity on what is required by the internal auditors. The highlighted results prove that First Pack Marketing internal auditors are comprehensively explaining what is supposed to be done to the clients and management.

4.4.6 The internal audit function has an adequate budget to discharge its duties successfully

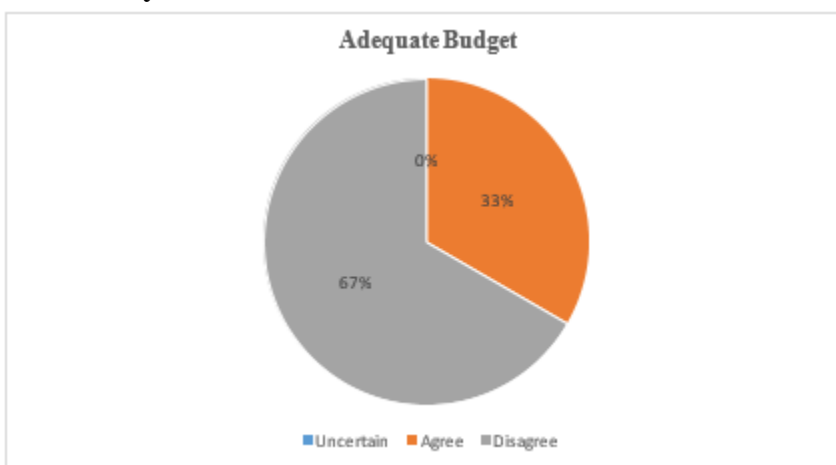


Figure 4. 18 Adequate internal audit budget

Source: Primary data (2023)

Figure 4.18 above portrays that 33% agree and 67% disagree that the internal auditors have an adequate budget. The results proves that the internal audit do not have a budget to discharge its duties successfully. Guide to Internal Audit (2009) assets that internal audit effectiveness is based on the well-structured audit charter, an appropriate budget and staffing model and well developed plan responsive to risk assessments.

4.5 Interview Response

4.5.1 Interview Response Rate

The interviews were scheduled targeting the internal auditors, audited departments and the Board of Directors. The below table tabulates the response rate in respect with the interviews.

Table 4. 8 Interview response rate

Interviewee	Interviews scheduled	Interviews done	Response Rate
Internal Auditors	5	4	80%
Audited Departments Staff	3	2	67%
Board of Directors	1	1	100%
Total	9	7	78%

Source: Primary data (2023)

From the presented data in table 4.8 above, 9 interviews were scheduled and 7 were successful giving 78% overall response rate. Only two interview were not done because the internal auditors and audited departments had a very busy work scheduled.

So this proves that the research was valid since interviews had 78%. There is a fair response rate. National (2010) justified that a population is a complete set of people with a specialized set of characteristics while a sample is a subset of the population. It is a satisfactory response

rate since more than two thirds of the target population participated in the field research. Richardson (2005:406) argued that a response rule of thumb of 60% or more is desirable.

4.5.2 The internal audit policy manual, and how often is it reviewed and how it is disseminated to staff

The interviews conducted shows that most of the participants agreed that there is a formally documented policy manual in place however only a few participants disagreed saying that they are not sure if there is any formally documented policy manual in place. However they cited that the audit charter act as a policy manual but it is outdated and have never been reviewed since the inception of the internal function at First Pack Marketing. They also highlighted that the charter do not clearly define the purpose, authority, responsibility, code of ethics and standards of the internal audit function.

4.5.3 The Audit Committee addressing all audit issues with the management and understating auditing in detail

The interviews conducted show that all the participants disagreed that the audit committee within First Pack Marketing is managing to address all audit issues with the management. The members highlighted that the Audit Committee do not have thorough understanding of auditing. They lack experience in auditing and they cannot deliver effectively as expected from them. This is contrary to Bishop et al (2000) who highlighted that the audit committee can look to today's internal audit function to provide independence, objective assurance and consulting services designed to add value and improve an organization's operations.

4.5.4 The management implementing internal audit recommendations and follow ups to the internal audit recommendations

The interviews conducted reviewed that some of the participants disagreed that audit recommendations are implemented while a few agreed that there are at times implemented. However the findings prove that the audit recommendations are not implemented and the members cited that some clients resist to implement the observations while some clients also do not have professional and academic qualifications for their post so it will be difficult to

implement the recommendations. On the same note the chief executive officer of First Pack Marketing is the one entitled to do follow ups but he fails to supervise and ensure that all audit observations are implemented.

4.5.5 The established training programs for the internal auditors

The interviews conducted shows that most participants disagreed while a few of them agreed that there are training programs for internal auditors. However the results proved that there are no training programs for the internal auditors, members expressed that only new auditors are inducted when there are recruited but no other training will commence which include seminars, workshops or professional career development of sending them to universities or colleges due to lack of funds. They also highlighted that the internal audit function do not have a budget for its operations.

4.5.6 The use of computer systems to carry out audit tasks

The interviews conducted highlighted that some participants disagreed and a few of participants agreed that there is use of computer systems in auditing. However the results proved that internal auditors at First Pack Marketing are not exposed to computer auditing. The members cited that the entity is failing to purchase both the audit software and computers for use by the internal audit function thereby affecting the effectiveness and efficiency of the internal audit function.

4.5.7 Adequate internal audit planning and reviewing

The interviews show that a few participants agreed while most of them disagreed that there is adequate audit planning and reviewing at all levels. The results prove that there is no adequate planning and reviewing at all levels. The members cited that the internal audit function fails to meet the Annual Audit Plan in the years 2016 to 2020 and the management takes longer in reviewing reports. The audit committee is not reviewing the internal audit function as a whole. There no external and internal assessments done at the internal audit function.

4.6 Pearson Correlation Coefficient Model

Pearson’s correlation coefficient is calculated for ratio data or interval data. It is based on the mean and standard deviation. Pearson’s coefficient is obtained using the following computational formula:

$$r = \frac{n \sum xy - \sum x \sum y}{\sqrt{(n \sum x^2 - (\sum x)^2)(n \sum y^2 - (\sum y)^2)}}$$

X is the serial number from strongly disagree, disagree, uncertain, agree and strongly agree

Y is the number of respondents

4.6.1 The internal audit policy manual is formally documented and communicated to internal auditors.

Table 4. 9 Internal audit policy manual

	$\sum X$	$\sum Y$	$\sum XY$	$\sum X^2$	$\sum Y^2$
Strongly disagree	1	1	1	1	1
Disagree	2	2	4	4	4
Uncertain	3	2	6	9	4
Agree	4	2	8	16	4
Strongly agree	5	4	20	25	16
\sum	15	11	39	55	29

Source: Primary data (2023)

Pearson Correlation Coefficient is 0,866025

This shows that there is a strong positive relationship between the internal audit roles and policies and the effectiveness of the function. Once the roles and policies are clarified in the audit policy manual it is very easier to execute.

4.6.2 The internal audit function's compliance with International Standards to Auditing

Table 4. 10 Compliance with ISAs

	ΣX	ΣY	ΣXY	ΣX^2	ΣY^2
Strongly disagree	1	1	1	1	1
Disagree	2	2	4	4	4
Uncertain	3	1	3	9	1
Agree	4	3	12	16	9
Strongly agree	5	4	20	25	16
Σ	15	11	40	55	31

Source: Primary data (2023)

Pearson Correlation Coefficient is 0,848874687

This shows that there is a strong positive relationship between the compliance with audit standards and the effectiveness. Once the internal audit function complies with audit quality in the way it execute its operations the more it become effective.

4.6.3 Adequate personnel for audit duties.

Table 4. 11 Adequate personal for auditing

	ΣX	ΣY	ΣXY	ΣX^2	ΣY^2
Strongly disagree	1	5	5	1	25
Disagree	2	3	6	4	9
Uncertain	3	1	3	9	1
Agree	4	1	4	16	1
Strongly agree	5	1	5	25	1
Σ	15	11	23	55	37

Source: Primary data (2023)

Pearson Correlation Coefficient is -0,883883476

This shows that there is a strong negative relationship between the adequacy of the internal audit personal and effectiveness. This clearly discloses that the more staffed the audit function the more effectiveness and vice versa.

4.6.4 The internal auditors are exposed to threats to independence when discharging their duties.

Table 4. 12 Threats to independence

	ΣX	ΣY	ΣXY	ΣX^2	ΣY^2
Strongly disagree	1	2	2	1	4
Disagree	2	1	2	4	1
Uncertain	3	2	6	9	4
Agree	4	4	16	16	16
Strongly agree	5	6	30	30	36
Σ	15	15	56	56	61

Source: Primary data (2023)

Pearson Correlation Coefficient is 0,790569

This shows that there is a strong positive relationship between the independence and objectivity of the internal audit function and the effectiveness and efficient of the function. The more independent the internal audit function the more the effectiveness and vice versa.

4.6.5 Pearson Coefficient Results

Table 4. 13 Summary results

Independent Variables	Pearson Correlation Coefficient
Clear roles and policies of the internal auditors	0.866025

Internal audit quality	0.848875
Adequacy and competence of internal auditors	-0.883883
Independency and objectivity of internal auditors	0.790569

Source: Primary data (2023)

The correlation coefficients indicated above reflected that there was a strong correlation between the independent variables of internal audit (audit roles and policies, audit quality, adequate and competence audit staff and audit independency) and the effectiveness and efficiency of the internal audit function.

4.7 Summary

This chapter focused on the presentation and analysis of the data accumulated from the field research through questionnaire administration and interviews in respect to the research objectives and sub-research questions. This study noted that internal auditors lack professional qualifications, lack of audit committee reviews, audit teams are understaffed and internal auditors are exposed to threats to independence. Chapter five focus on the major research findings, conclusions and recommendations.

CHAPTER V

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

This chapter wraps up the study by focusing on the chapter summaries, major research findings and drawing conclusions on the impact of internal audit department at First Pack Marketing. It also looks at the recommendations and suggestions for further research and it ends up with a summary.

5.1 Summary of the study

This study aimed to evaluate the effectiveness and efficiency of the internal audit function at First Pack Marketing, a small to medium enterprise. Motivated by public concerns regarding the adequacy of internal audit functions in preventing corporate scandals, ranging from poor service delivery to corruption, the research explored these aspects in the context of an SME. The theoretical framework was based on the agency theory as defined by Jensen and Meckling (1976), which conceptualizes the relationship between shareholders and managers, with the latter tasked with managing investments on behalf of the former.

The literature review established a comprehensive understanding of the internal audit function. This included an exploration of roles and policies, where the Institute of Internal Auditors (IIA, 2004) emphasized the internal audit's role in providing independent assurance services and advising the board and management on the effectiveness of governance, risk management, and control processes. Further, the literature underscored the importance of adequacy and competence in internal audit functions. John Fraser (2007) highlighted that adequacy is determined by the number of skilled individuals necessary to cover the activities identified in the approved audit plan. Alkafaji et al. (2010) added that competence involves formal education, academic major, professional certification, and technical skills. Additionally, the literature addressed the crucial aspect of independence and objectivity in internal audit functions. Hayes et al. (2005) defined independence as the capacity to maintain an unbiased standpoint in performing audit tasks and reporting.

To probe these elements within the SME context, the study employed a qualitative research approach, incorporating both descriptive and exploratory research designs. Data was gathered through questionnaires and interviews, targeting a sample of 27 participants from a pool of 245 employees at First Pack Marketing. This sample included eighteen internal audit personnel, six from audited departments, and three from the Executive Directors. The research instruments —

questionnaires with a 70% response rate and interviews with a 78% response rate — provided comprehensive data for analysis. The data was meticulously presented using graphs, tables, and pie charts, facilitating the drawing of rational conclusions. The Pearson correlation coefficient was utilized to ascertain the relationship between internal audit variables and the effectiveness and efficiency of the entity.

The findings are pivotal for understanding the dynamics of internal audit functions in SMEs like First Pack Marketing, providing insights into how these entities can enhance their audit processes to better meet stakeholder expectations and align with best practices in governance and risk management.

5.2 Summary of major findings

In line with the research objectives, the following major findings were identified;

- The findings disclose that there is an internal audit policy at First Pack Marketing internal audit function and the roles discharged by the internal audit function include assurance, oversight, advisory, risk assessment, consultancy, fraud investigations and internal control implementation. The audit charter used as a policy document does not clearly define the purpose, authority, responsibility, code of ethics and standards and it is not periodically updated.
- The findings proved that the internal audit function at First Pack Marketing is failing to plan, issue reports in time and complete assignments in time. There is lack of effective communication skills and lack of clarity to employees in terms of internal audit requirements. This witnessed lack of control of the internal audit function to meet the required policies and procedures.
- The internal audit function at First Pack Marketing lacks adequate and competent personnel to carry out audit tasks since it is failing to complete assignments in time. The

internal audit has an inadequate budget to discharge its duties, no qualified staff in both academic and professional qualifications, lack continuous professional development and fail to hire quality staff. Due to these deficiencies the internal audit function faces undue resistance from its clients.

- The internal audit function at First Pack Marketing lacks independence to disclose the objective opinion about the operations of projects, internal controls and risk assessment. The internal auditors are exposed to threats to independence which includes intimidation threat, self-interest threat and familiarity threat. However the internal auditors at First Pack Marketing are not exposed to self-review threat and advocate threat.
- In line with controls the internal audit function do not have a well-defined reporting line and however it does reviews for quality and adequacy at all levels. There is lack of Audit Committee reviews for the work of internal auditors and this affects the objectivity of the internal auditors. There are no internal or external assessments done as a control to approve the internal audit work.
- The internal audit function at First Pack Marketing fails to hire quality employees and could not offer continuous professional development to its employees as a best practice. The internal audit function fails to conduct workshops and seminars as a best practice. The internal audit function only manages to conduct inductions to new staff as a best practice.

5.3 Conclusion

The primary objective of this study was to analyze the effectiveness and efficiency of the internal audit function at First Pack Marketing, and the findings have successfully met this goal. The research illustrates a significant correlation between key independent variables, including the roles and policies of the internal audit function, audit quality, the adequacy and

competence of internal auditors, and their independence, with the effectiveness and efficiency of the internal audit function. These elements are crucial in shaping the audit process, where well-defined roles and robust policies, alongside highly competent and adequately trained audit personnel, are fundamental for efficient and effective auditing. Moreover, the research underscores the indispensable role of auditor independence in ensuring objective evaluations and reporting. This comprehensive study at First Pack Marketing has thus highlighted critical insights for small to medium-sized enterprises (SMEs) aiming to bolster their internal audit capabilities, emphasizing that structured, competent, and independent internal audit functions are essential for enhancing organizational audit effectiveness and efficiency.

5.4 Recommendations

- The internal audit policy manual must clearly define the purpose, authority, responsibility, code of ethics and standards. The audit charter and policy manual should be periodically reviewed. The audited departments should be enlightened on the role of internal audit through workshops, seminars and meetings.
- Audit quality assurance procedures have to cover all aspects of internal audit activities including planning, appropriate documentation, reviews and compliance with regulations. Entrance and exit conferences with the audited departments should discuss the audit objectives and audit findings prior to issuing of the report. The Internal Audit Quality Assessment Framework (2013) states that communication should be accurate, objective, clear, concise, constructive and timely.
- The internal audit function should hire quality employees and enhance in continuous professional development. The internal auditor's budget have to be revised for adequacy by the audit committee. Guide to Internal Audit (2009) cited that the audit committee discusses the funding level of the entity its appropriateness and adequacy.

- A high degree of integrity and objectivity should be exercised to avoid giving a biased opinion about the audited entity. Threats to independence should be avoided at all cost which includes intimidation threat, advocacy threat, familiarity threat, self-interest threat and self-review threat. IIA (2004) purports that independence is the freedom from conditions that threaten the objectivity or the appearance of objectivity and should be managed at individual auditor level or organisational level.
- Quality reviews for audit work should be done at all levels including periodical reviews, internal and external assessments to ensure adherence to professional standards. An independent audit committee should be selected to review all on-going activities of the internal audit function including the design of controls, governance and training of its staff. Bishop et al (2000:51) confirms that the audit committee looks to today's internal audit function to provide independence, objectivity assurance and consulting service designed to add value and improve an organisation's operations.
- The internal audit function should consider hiring suitable staff and continuous professional development as a best practice. In this case the internal audit personnel should be recruited on the basis of merit other than on the basis of who knows them. The department must consider doing seminars, workshops and induction as a best practice.

5.5 Recommendations for further study

The researcher proposes that further studies have to be done on the challenges which affect the internal auditors' independency. However the evaluation can be done in a different industrial setting and entity size.

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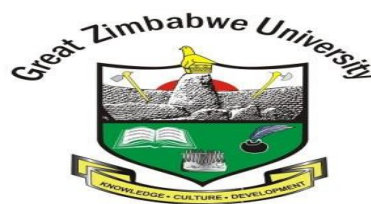
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APPENDIX A

INTRODUCTORY LETTER



Dear Respondent

My name is Yolanda Makaka a final year student at Great Zimbabwe University studying a Masters in Professional Accounting and Corporate Governance. I am carrying out a research entitled “**An investigation of the impacts of internal audit departments in small to medium firms (case study of First Pack Marketing)**”. This research is part of my academic work.

Kindly assist by taking a few minutes of your time to respond to this questionnaire. Your responses will be treated with strict confidentiality and will only be used for the purposes of this study. Please feel free to express your opinions as this questionnaire is for research purposes only and you will under no circumstances be victimized for any responses to this questionnaire. I deeply appreciate your cooperation and support. Please do not write your name.

Thank you for your cooperation and time.

Yours faithfully

Yolanda Makaka

APPENDIX B

QUESTIONNAIRE FOR THE INTERNAL AUDIT STAFF

Instructions

For your answers, you are kindly asked to tick in the box resembling your response or simply fill in the blank spaces indicated.

Position or Appointment

1. Demographic Details:

Gender : Male Female

Age : 20 years or less 21-30 years old 31-40years old
41-50years old more than 50 years old

Please indicate your highest academic qualification attained:

A 'Level [] Diploma [] Undergraduate degree [] Masters [] Please

indicate your area of academic specialization (e.g. accounting, banking)

.....

Please indicate your professional qualifications if any:

ACCA [] CIA [] CIMA [] CISA []

other (please specify)

Please indicate your audit experience:

Less than 1year [] 1-4 years [] 5-7 years [] 8-10years [] more than 10years []

2. The following roles are discharged by the First Pack Marketing internal audit function;

	Strongly Agree	Agree	Uncertain	Disagree	Strongly Disagree
(i) Assurance					
(ii) Oversight					
(iii) Advisory					

3. The internal audit also performs the following professional services;

	Strongly Agree	Agree	Uncertain	Disagree	Strongly Disagree
(i) consultancy					
(ii) Risk assessment					
(iii) conducting fraud investigations					

4. There is a formally documented internal audit policy manual in place

Agree [] Strongly Agree [] Disagree [] Strongly disagree [] Uncertain []

5. The internal audit teams have adequate personnel to perform the audit tasks

Agree [] Strongly Agree [] Disagree [] Strongly disagree [] Uncertain []

6. The internal audit work is properly planned and reports issued in time

Agree [] Strongly Agree [] Disagree [] Strongly disagree [] Uncertain []

7. The audit assignments are completed in time.

Agree [] Strongly Agree [] Disagree [] Strongly disagree [] Uncertain []

8. There is an Audit Committee in place to address audit issues to the management

Agree [] Strongly Agree [] Disagree [] Strongly disagree [] Uncertain []

9. The internal audit function is in compliance with the International Standards on Auditing

Agree [] Strongly Agree [] Disagree [] Strongly disagree [] Uncertain []

10. The internal auditors are exposed to threats to independence when discharging their duties

which are:

	Strongly Agree	Agree	Uncertain	Disagree	Strongly Disagree
(i) intimidation threat					
(ii) self-interest threat					
(iii) familiarity threat					
(iv) self-review threat					
(v) advocate threat					

11. The challenges faced by internal auditors when dealing with clients includes lack of willingness to cooperate, denial access to records or information and resistance in implementing observations

	Strongly Agree	Agree	Uncertain	Disagree	Strongly Disagree
(i) lack of willingness to cooperate					
(ii) denial access to records or Information					
(iii) resist to implement recommendations					

12. The audit policy manual and ISA (International Standards on Auditing) are communicated to the audit staff on regular bases using induction, workshops and seminars

	Strongly Agree	Agree	Uncertain	Disagree	Strongly Disagree
(i) Induction					
(ii) workshops					
(iii) seminars					

13. The controls that the internal audit function implements include reviews at all levels for quality and adequacy, well defined reporting lines and audit committee reviews on internal audit work.

	Strongly Agree	Agree	Uncertain	Disagree	Strongly Disagree

	Agree				Disagree
(i) Reviews for quality and adequacy at all levels					
(ii) Well defined reporting lines					
(iii) Audit committee reviews on the internal audit work					

Your cooperation is greatly appreciated

APPENDIX C

QUESTIONNAIRE FOR THE MANAGEMENT AND AUDITED DEPARTMENTS

Instructions

For your answers, you are kindly asked to tick in the box resembling your response or simply fill in the blank spaces indicated.

Position

Professional Experience (e.g. 3 years).....

1. Demographic Details

Gender : Male Female

Age : 20 years or less 21-30 years old 31-40years old
41-50years old more than 50years old

2. Your department has been subject to an audit before

Agree [] Strongly Agree [] Disagree [] Strongly disagree [] Uncertain []

3. The internal audit reports are understandable, constructive and contribute to the organizational performance

Agree [] Strongly Agree [] Disagree [] Strongly disagree [] Uncertain []

4. Internal auditors demonstrate professionalism in their approach to duty Agree

[] Strongly Agree [] Disagree [] Strongly disagree [] Uncertain []

5. The following difficulties are faced in dealing with the internal auditors;

	Strongly Agree	Agree	Uncertain	Disagree	Strongly Disagree
(i) undue criticism					
(ii) lack of clarity in terms of what information is required					

6. The internal audit function has an adequate budget to discharge its duties successfully
Agree [] Strongly Agree [] Disagree [] Strongly disagree [] Uncertain []

Your cooperation is greatly appreciated

APPENDIX D

INTERVIEW GUIDE FOR THE INTERNAL AUDIT STAFF

1. Is there an internal audit policy manual, and if so how often is it reviewed? How often is the internal audit policy disseminated to staff?

.....
.....

2. Is the Audit Committee managing to address all audit issues with the management and does the committee have better understating in auditing?

Audit issues include independency and objectivity.

.....
.....

3. Is the management implementing internal audit recommendations and to what extent? What determines the degree of implementation and who is mandated to follow up implementation of the internal audit recommendations?

.....
.....

4. Are there established training programs for the existing internal auditors? Are these training programs specifically designed to cater for new internal audit staff and to what extent?

.....
.....

5. Is there use of computer systems to carry out tasks of the internal audit function? In what areas and how many personnel are skilled in use of computer techniques?

.....

.....

6. How often and at what stage is internal audit planning reviewed?

.....

.....