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## Internal Audit: A Government Tool for Corporate Governance in Zimbabwe's Health Parastatals

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### Abstract:

*The research was motivated by a diminishing audit quality in the sphere of corporate governance due to the changes in business processes. Ever since the 2000s the structure and operations of institutions has changed greatly. Agency theory today is cognizant of the fact that stakeholder's theory has expectations on what the agents' fiduciary responsibilities are. Modern day concept of corporate governance is for that reason driven by an agency based theory. It seeks to get the most out of the agency of the personnel that control and guide companies to meet their objectives or the profitability of performance. Only now is it being conceived that Internal Audit as an agent also was quickly becoming a critical tool for institutional performance. It therefore requires them to monitor governance trends in the public sector there where gaps have become pronounced. Failure to recognise Internal Audit as a key governance mechanism had not positioned them to serve as an effective defence mechanism in institutions. Consequently, stakeholders ascribed this expectation gap as Internal Audit (IA) failure to prevent company failure.*

*The study responds to a call by researchers to fill a gap of study in the interrelationships of Internal Audit and institutional administration in developing countries. It is not a secret that many Zimbabwean State Enterprises and Parastatals (SEPs) had failed and made huge losses. This is unlike what had been expected of them given that they were previously ahead to Asian countries. Today the Asian block economies which were once behind Africa have exceeded it in terms of economic classification. Elsewhere, China benefitted from the development of its public sector as 40% of China's GDP came from the performance of its SEPS. This was an indictment on state instituted boards, managements, Internal and External Auditor in state firms in Zimbabwe and other developing nations in Africa. The past supervisory mechanisms of the 1990s and after the 2000s have not been effective. The reports of the Auditor General to Parliament were a manifestation of poor corporate governance in state firms of Zimbabwe. The Auditor-General's Office (AG) 2016 reported issues surrounding the misuse of public funds by government departments and parastatals. This shows that corporate governance gaps were still glaring and needed to be attended to. The main focus of this study was to critically consider whether Internal Audit units had responded to the recommendations of the changed universe of corporate governance (CG) in health parastatals of Zimbabwe. The study examined the components to a study of the IA's contribution to corporate governance. This ranged from the appointment, duties of board such as oversight duties of the Audit Committee and the co-role of External Audit as co-defences in institutions.*

*A mixed study incorporating a questionnaire survey, interviews and a document analysis of sampled institutions was used as its study tools. This was also supported by a wide consultation and in depth review of literature. The study obtained key responses from respondents and investigated other underlying factors in the operations of Internal Audit Auditors. The study triangulated data through a qualitative as well as quantitative research. It was when the researcher noted that there was very little literature on the area under study. This was the major reason why empirical was data sought and obtained from the field of study. A qualitative Grounded Theory Methodology was employed to mine data from institutions. An SPSS software package, MS Word and Excel spread sheets were used to interpret and analyse the data that resulted from the study.*

*The findings revealed that, previously Internal Auditors had not been considered to be an important element of CG. This was supported by the view after the 2000s compared to the one that exists now. As a result of this positioning, IA was far from complying with the recommendation of the changed Corporate Governance Frameworks and Codes (CGFCs). Most Internal Audit Functions' concentration was based on the traditional financial audits and they left other aspects of governance untouched. A challenge of audit scope arose as a result.*

*Though the scope of coverage to IA work plan had expanded, it was far from being covered. Moreover, this scope had not adjusted to incorporate the recommendation of CGFCs ranging from the 19912 to the 2000s. There were issues of IA having not evolved to be effective and in step with developments or changes in business processes and technological changes. Beside this, there were other underlying issues that were prohibiting the effectiveness of Internal Auditors; firstly it was their competencies as well as the environment that they worked in. There were also matters that pertained to objective reporting, audit independence, Audit quality, skills and capacitation and resources for them to meet their objectives. The issue of incorporating CGFC as a framework for governance in firms is bound to improve institutional administration.*

**Keywords:** *Internal audit, external audit, corporate governance, audit committee, management, expectation gap, audit quality, independence, competence, audit oversight, agency theory and resources and lines of defence*

## 1. Introduction and Background

The given changes in business processes today call for Internal Audit to reassess their audit methodologies, prevailing skills and expand their scope. This entails the movement of Internal Audit firmly into the Corporate Governance sphere. Sifile and Munyunguma (2014) instruct Internal Auditors to evolve in their progressions. Such changes affect the Political, Economic, Social, Technology, Legal, Environmental and Geographical of governance (PESTLEG). Internal Audit Functions (IAFs) in institutions should become aware of such factors if they are to be relevant and able to deal with their internal and external environment.

Such changes in business processes impact on Audit quality (AQ) which in turn contributes to the corporate governance of firms.

Secondly, the Audit Committees (ACs) is tasked to exercise oversight of financial reporting and disclosure, controls and risk reviews had no relevant backgrounds. This makes it necessary for Audit Committees themselves to evolve as well. This is needful for them to address changes in their sphere. Their other role is to exercise oversight of regulatory compliance and risk management activities ([www.mediawiki.org](http://www.mediawiki.org)).

Internal Audit (IA) has withstood the greatest burden and strain and scrutiny since the crisis the late 2000s. As part of the four pillars of corporate governance IA also determines the strength of organisations. The four pillars in parastatal governance are namely the Board, Management, Internal and External Audit (Nagy and Cenker 2002). Key arguments about CG are hinged on the understanding of who is a stakeholder (Power 1999 in Gustavson 2015). Eeckloo et al., (2004) expressed reservations on why Corporate Governance models of the private sector were being used to guide the public sector. The private sector and the public sector are diametrically opposed to each other due to their emphasis and individual trajectories. Cadbury Committee Report (1992) defines Corporate Governance (CG) as the means of guiding and controlling companies to meet their objectives.

In the midst of all these, stakeholders of internal audit information and services have registered issues regarding the expectation gap in audit work. This has presented some gaps in modern day Corporate Governance systems. The need to comply with corporate governance codes and frameworks revolutionized an area already challenged. To the contrary, stakeholders want Internal Auditors to do more in terms of fraud detection and risk management.

### 1.1. Statement of the Problem

The Government of Zimbabwe and Institute of Internal Auditors (IIA) developed an effective Internal Auditor for the Public Sector after capacity building initiatives of the 1980s and the 1990s. By that they groomed a highly effective auditor though this was merely a traditional Auditor of the past. With the coming in of the shift in business processes of the early 2000s, that investment could not withstand the changes in corporate governance requirement. Further the government had not prepared the Internal Auditor to operate in a different universe.

The private sector and the public sector had not planned for the Internal Auditor to enter the fray of governance. Hence, it entailed the changing of Internal Audit methodologies and their audit approaches. IndustryWeek (2010) quotes how an IBM survey recognized that global CEOs were worried about the ill preparedness of their organisations in facing the unstable and multifaceted business environment of today. Failure to have a robust defence mechanism of SEPs has created a technical gap in the Public Sector's Corporate Governance.

Endaya and Hanefah (2013) posit that part of the Public Sector's difficulties is that elements leading to the effectiveness of Internal Audit have not been studied reasonably well. This resonates well with the recommendation of Al Matari et al., (2014), that the work of Internal Audit has to be studied in light of institutional performance. Al Matari et al., (2014), Al-Twajjry et al., (2003); Mihret & Yismaw, (2007); Arena & Azzone, (2007, 2009); Yee et al., (2008) and Ahmad et al., (2009) posit that there is a need for that particular research to be conducted.

This is on Internal Audit's effectiveness in light of Corporate Governance issues in developing countries. Lyscom (2014) in The Chartered Institute of Internal Auditors (CIIA) (2016) laments how Corporate Governance failures have negative connotations to IA. A research study is needful to assess Health Related Internal Audit units under the Ministry of Health and Child Care as a tool for assisting in the governance of SEPs. A survey, document analysis and interviews is expected to be adequate tool in studying it. This will tap the responses of participants and investigate other underlying factors in the operations of Internal Auditors.

### 1.2. Research Objectives

The research is motivated by the need to address the expectation value gap which arose as a result of changes in CG frameworks and other business processes.

The objectives of the study are as follows:-

- To determine whether Internal Audit scope and coverage in Health Related Parastatals had responded to the changed universe of Corporate Governance
- To examine to what extent organizational internal controls, standards of accountability, corporate reporting in response to organizational effectiveness
- To explore other underlying factors which prohibit Internal Audit Functions from contributing to Corporate Governance in Health Related Parastatals

- To identify if issues of audit quality impede the effectiveness of IAFs of Health Related Parastatals

### 1.3. Research Questions

Is Internal Audit scope and coverage in Health Related Parastatals effective in supporting the changed universe of Corporate Governance in Zimbabwe?

#### 1.3.1. Sub Questions

- Is Internal Audit scope and coverage in Health Related Parastatals responsive to the changed universe of Corporate Governance?
- Do organizational internal controls, standards of accountability, corporate reporting enhance Health Related Parastatals Audit's effectiveness?
- Are there underlying factors which prohibit Internal Audit Functions from supporting institutional performance in Health Related Parastatals?
- What are the issues of audit quality which hinder the success of IAFs in Health Related Parastatals?

### 1.4. Significance of the Study

The study responds to the recommendation of (Al Matari et al., 2014) to conduct a research study on the interrelationships between internal audit and institutional performance in developing countries. This study is critical because it will deal with the empirical tests which are still unknown. Further, Universities do not adequately cover it to enhance the need for scientific knowledge in Corporate Governance and Internal Audit (Humphrey et al., 2002). Government and its donor partners do not put much reliance of work which has not been monitored or audited by independent assessors. The empirical findings will stimulate interest, discussion and further debate in the field and add to the body of knowledge. Health Administration is a component which concerns people's lives and it should not fail (Abuja Declaration 2001).

### 1.5. Variables of the Study

The variable is a dynamic that depends on other factors that are measured. These variables are expected to change as a result of an experimental manipulation of the independent variable or variables. It is the presumed effect (Penslar and Porter 2010). Trochim (2006) has defined a variable as ANY ENTITY THAT CAN TAKE ON DIFFERENT VALUES. He presents an example where one studies the effects of a new educational program on student achievement. Here the program is considered to be the independent variable and the measures of achievement are the dependent ones. Shuttleworth (2008) considers the independent variable to be one that has been known to be a manipulated variable. This lies at the core of any quantitative experimental design in research.

#### 1.5.1. Dependable Variable

According to Cramer and Howitt (2004) and Penslar and Porter (2010) a variable that depends on other factors that are measured is referred to as dependent variable. This variable is one that is anticipated to change as a result of an experimental manipulation of an independent variable or variables. Generally in research this is referred to as the presumed effect. For the purpose of this research, the responsiveness of the Internal Audit functions to changes in corporate governance framework in parastatals is the dependent variable.

#### 1.5.2. Independent Variable

An Independent Variable is the variable that is stable and unaffected by the other variables being measured. It refers to the condition of an experiment that is systematically manipulated by the investigator. It is the presumed cause (Penslar and Porter 2010). Cramer and Howitt (2004) and Penslar and Porter (2010) posit that an Independent Variable is one which is stable and is not affected by other variables which is measured. This pertains to the condition of an experiment which is systematically influenced by an investigator. In research or in study of variables, it is the presumed cause. For the purposes of this research, corporate governance frameworks and codes (CGFCs) are the independent variable.

### 1.6. Assumption of the Study

The study makes the following philosophical assumptions:-

- Assumption 1:

A problem of Corporate Governance in SEPs is a sign that gaps exist in the key defence mechanism of SEPs. The research seeks to study the processes as well as tap the responses of respondents through a mixed research method. This entails undertaking a survey; interviews and a document analysis further to investigate other underlying factors in the operations of Internal Auditors.

- Assumption 2:

It is assumed further that instances where they may not be understood will be eliminated at the pilot stage. The engagements made with respondents will be highly ethical and will protect the confidentiality of the respondents. A pilot questionnaire will be circulated around and checked for suitability before it is disseminated to final respondents. A

questionnaire will be passed around in total disregard of gender and is expected that participants will respond to the questionnaire honestly.

### 1.7. Scope of the Study

Recommendations were made by Al Matari et al., (2014) to conduct a further research to find the interrelationships between Internal Audit and institutional performance in the public sector of developing countries. The researcher narrowed the field of research into Health Parastatals of Zimbabwe to gather and analyse data.

Data from five Health Parastatals will be obtained namely from, National Pharmaceutical Company of Zimbabwe (NATPHARM), Medicines Control Authority of Zimbabwe (MCAZ), Health Service Board (HSB), Zimbabwe National Family Planning Council (ZNFPC) and National Aids Council (NAC). While there are more than five health related parastatals, the researcher chose the ones that deal closely with Family Planning Services in Harare Metropolitan Province.

### 1.8. Delimitations of the Study

Simon (2011) reminds us that, "The researcher will face some limitations in conducting scholarly research. However, the researcher must manage the limitations so that the objective is met at the end of the day. The above statement sums up the key delimitations in a research area and was considered." Apart from what Simon discusses above, there are other limitations which will be faced by the researcher.

It will not exclude the Provincial and District arms of these parastatals given that their Head Offices are situated far and wide in Harare. Provincial and Districts will be excluded because the sample that will be chosen is deemed to be representative of their levels and grades as well as at their Head Offices. Sample data will represent the viewpoints which will interpret the state inherent in respective parastatals bodies. That the researcher will be able to procure adequate views of participants during the research period

### 1.9. Definitions of Special Terms and Expressions

- Audit Committee –the committee of the Board responsible for audit and risk oversight and guidance to ensure transparent and follow the entity's objectives
- Audit Failure- Internal Audit failure to detect and report of material facts
- Audit Quality- this is the nature of the worthwhile product of auditors
- Corporate Governance – This is the way corporations are guided and controlled to meet their objectives
- Effectiveness -the capacity to obtain results that are consistent with targets objective
- Expectation Gap- audit expectation gap as the difference between what was expected of audit performance and that of users of financial statements
- Internal Audit- An independent, objective assurance and consulting activity designed to add value and improve an organization's operations.

## 2. Literature Review: Literature Mapping in Grounded Theory

Scholars agree that there is a raging debate on the role of literature review in grounded theory research (MacGregor et al., (2007), Walls et al., (2010) and Dunne (2011). This based on the Glaserian (Classic Grounded theorists) and Straussian schools (Straussian Grounded Theory) of thought. According to Wade (2014), one needs to approach their research area already well read in the field.

A middle type of school, Straussian Grounded of Strauss and Corbin (2008) advise us that it can be done at any phase. According to Gorra (2005) Classic Grounded theorists hold that a study of literature review should be avoided. The diagram below depicts the advantage of a literature review

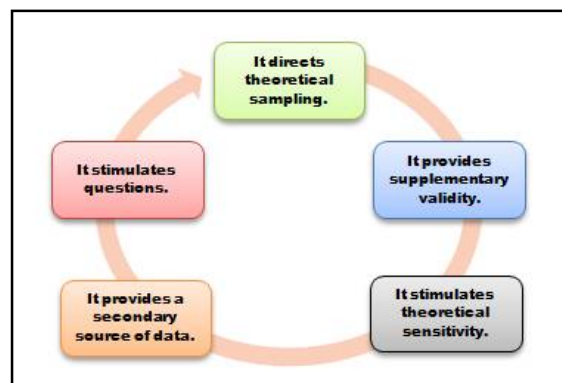


Figure 1: Author's Own Illustration of the Significance for Literature Review in Grounded Theory Methodology (GTM)  
Source: Strauss & Corbin (1990)

2.1. Theoretical Framework

According to Santosh (2011) corporate governance theory is the basis for the guidance of board of directors in restricting what would be the excessive executive power in the hands of management. While useful for this purpose, the Agency Theory provides limited guidance on corporate governance in real life situations which are far more complex.

2.1.1. Other Supporting Theories For Agency Theory

- Institutional Theory-Institutional Theory is a social theory which considers the structures, including schemes, rules and routines which will eventually be adopted as authoritative guidelines for social behaviour (Scott 2004).
- Stakeholder Theory-UKEssays 2013) mourns how the theory triggered a war zone between the conflicting interests of managers and its owners (UKEssays 2013).
- Stewardship Theory-Stewardship theory assumes impossibility of conflict between the agent and principal. Surely reality suggests the opposite of what Johnson (2005) posits.
- Transaction Cost Theory-Fathima (2015) agrees with Johnson (2015) that the costs associated with agency are critical for agents to act in the interest of the principals.

2.2. The Internal and External Environment of Internal Audit as Studied by the Researcher

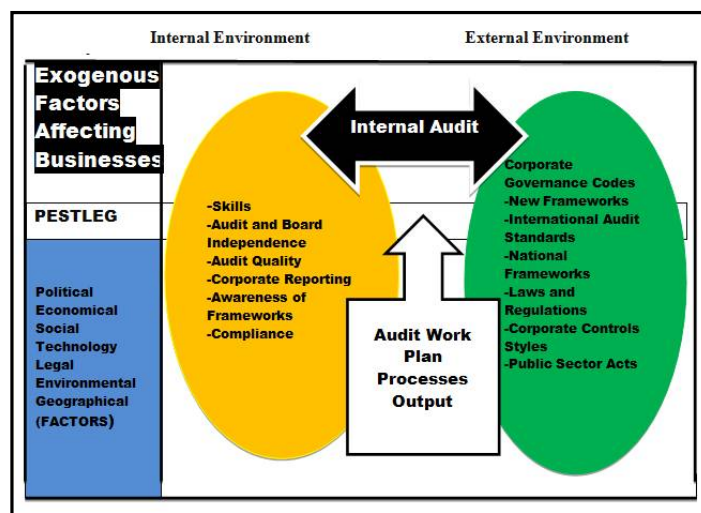


Figure 2: Researcher own Conceptual Framework of the Research

The PESTLEG factors that are depicted in the diagram above have an impact on audit work and the governance aspects of institutions. These should be considered if IAFs and other lines of defence are to adequately guard public sector institutions.

2.3 Conceptual Framework of the Research

The conceptual framework of the research is extracted from the theory of agency which has been deemed to be the key element in corporate governance sphere. It is the agency theory which clarifies the roles of the principal and the agent (Santosh (2011)).

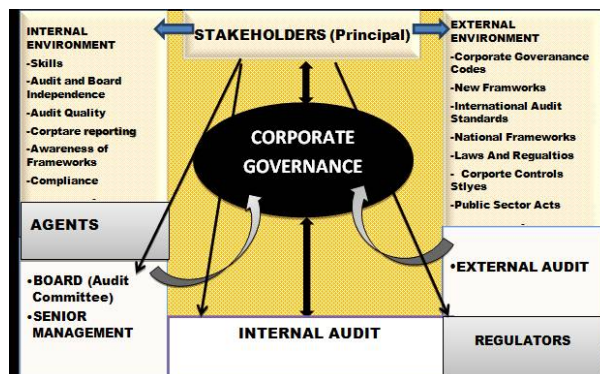


Figure 3: Authors Conceptual Framework showing the players in Corporate Governance within their Environment

Source: Santosh (2011)

### 2.3.1. Major Players in Corporate Governance

- Government as policy makers in Governance area and experts
- Regulators in External Audit or Auditor General
- Institute of Internal Auditors
- Internal Auditors
- External Auditors

### 2.4. Institutional Lines of Defense in Organisations

Little research has been conducted on Global Public Health Sector (Whitfield 2010) and (Jamali et al., 2004). As a result, it is not clear if such Boards are promoting a CG spirit in the firm. Due to PESTLEG factors within the internal and in the external environments of the firm much has to be done to guard it from potential failure. The three defence mechanisms in organisations are namely the Board, Management, Internal and External Audit as in figure 4 below.



Figure 4: Author's Lines of Defence in Organisations  
Source: Vollmer (2015)

### 2.5. The Internal Audit process

Saji (2016) and to Hancox (2014) posit that a variety of audits are carried out to serve several purposes in the accountability process. These follow the process from the planning of an audit, performance, responses, reporting (draft to final) and the follow up exercises.

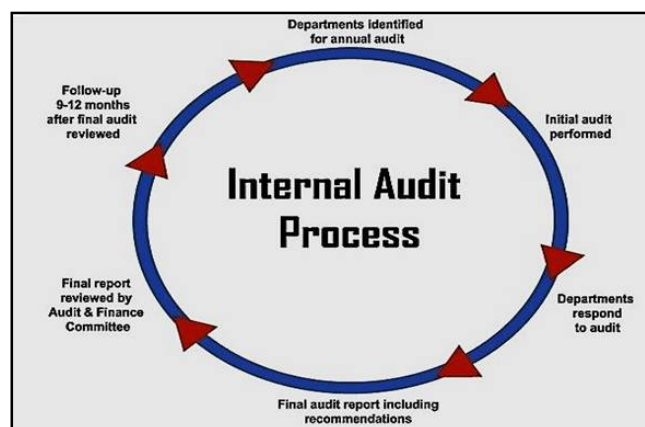


Figure 5: The Internal Audit Process and its stages  
Source: Saji (2016)

- Assisting management in the discharge of its duties
- Reporting to the public on the effectiveness of the activities of government managers
- Reporting to other levels of government on the use of funds provided
- Reporting on the results of operation and financial position of the government

### 2.6. Internal Audit Scope and Coverage in Health Care

This is possible if the company makes a deliberate attempt to assist IA in its audit process. The entity must be prepared to plan, employ methodologies and goals to achieve its objectives (Blair 2011). According to Blair (2011) Internal controls are a first line of defence in the manner that they protect assets and avert and spot errors and fraud.

### 2.7. Functional Audit Quality

When audit expectation falls below what is in turn expected by stakeholders there are signs that its governance may lead to company failure (Hayes et al., 2005). This may affect the going concern concept and render its demise. It is IA's duty to deal with the excesses of the management and report this before it destroys the entity. In the global examples of Zimbabwean cases, Internal Audit was not ethical or they were not allowed to audit the payroll. This is one of the areas often abused in public sector entities.

### 2.8 Realities in the Public and Private Corporate Sector

Goldberg (2011) reports that the IIA Gain Knowledge Report (2009) found that, "Fifty (50) percent of Auditors who responded felt that:-

- Management interference was expected with Internal Audit as their employees and due to their reporting (Aguilar and Barbadillo (2003) in Sifile and Munyanguma (2014).
- IIA's 2015 Global Internal Audit Common Body of Knowledge Survey, submits that 23% of IAs worldwide at least have been asked to suppress an important audit finding.
- Audit units were thinly staffed to meet their objectives in the annual work plan. To the contrary researchers noted how large audits have more benefits (Al -Twaijry et al., 2003).
- 4Resource challenges –staffing and time to do detailed audits. Internal Audit is only as effective as the resources made to it (Chambers 2014).  
Budget cuts across their organization had effected on audit work as a result (Chambers 2014).

### 2.9. Audit Independence in Institutional Performance

- Dual Reporting is a potential mine field for Internal Audit (i.e. administrative and functional reporting) reporting problems (Chambers and Ordar 2015).
- The Independence of the auditor is the foundation rock of auditing (Gastuvson 2015)
- A correlation of the Audit Committee's (AC) independence, financial expertise increased institutional activity (Chien et al., (2010).
- In El-Tahan (2016) noted how Egyptian Internal Audit had a low level of independence.(Sharia Culture that is in the Middle East a factor)
- A corporate culture existed at Toshiba whereby employees /IAFs could not act contrary to the intent of their superiors (Bhattacharyya 2015).

### 2.10. Underlying Factors which impede Internal Audit's Contribution to CG

There are factors which undermine the ability of IAFs in their contribution to CG. These are namely:-

- Internal structure of the entity regarding appointments of Boards and Executive Management
- The theory of agency will not be possible without assistances from what is held by the Theory of delegation (Bendor 2001)
- Boards are not appointed based on competence. Government of SA ought to appoint the right personnel at board level as well as at executive Management level Grootes (2015).
- According to Grootes (2015), "Public Enterprises acting Director General said they're going to propose to changes to cabinet on how people are appointed to parastatals, when government ministers can intervene in them and how they are funded, in a new position paper."
- Pre-assessment of the Skills of Board Composition not meticulously done
- Skill for IAFs and their competences were a factor (Jarvinen 2012)
- The corporate governance codes and frameworks were merely best practices which were not adopted by practitioners (PFMA 2009)
- Mack (2016) strongly suggests that, the regulatory framework and business
- Environment in healthcare has experienced phenomenal changes which has made it more complex with time.

### 2.11. Internal Audit and Expectation Value Gap (IAEVG)

Though there are strenuous efforts which are made by IAFs based on their old methodologies there are some gaps that still remain. These are depicted below to portray the Internal Audit and Value Expectation gap.

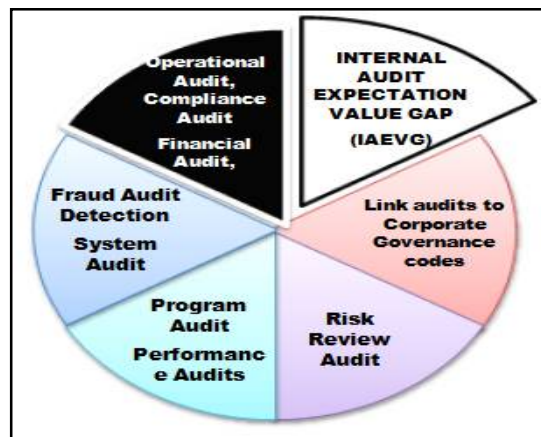


Figure 6: Developed by the Author Depict Gaps within the Role of Internal Audit and Expectation  
 Source; Ridley (2008) Marks (2016) Kassem and Higson (2012)

### 3. Methodology

#### 3.1. Philosophical Underpinnings of the Study

##### 3.1.1. Research Philosophy

UKEssays (2003) posit that a research philosophy is based on a belief about the way in which data about a phenomenon is gathered, analyzed and used. The researcher must determine the research philosophy based on the assumptions and these will be the heart of the strategy that will be used in the research. The assumptions that are open to the researcher are varied in their discipline. In the scope of business studies today there are many subdivisions which fall generally under four main research philosophies:

- Pragmatism
- Positivism/post-positivism
- Realism
- Interpretivism (Interpretivist)

##### 3.1.2. Philosophical Assumptions of the Study



Figure 7: Researcher's own Illustration of the Assumptions of the Study

##### 3.1.3. Post-Positivism Ontological Assumptions

A study of ontology should ask deal with the definition and what it is. Ontology to a realist is the belief that there exists a reality "out there" that is knowable and driven by "immutable natural laws." Reality is probabilistically apprehendable here. Ontology is defined as the nature of reality where the Ontological Assumptions for Post-Positivist are the nature of reality. These are fixed, stable, observable and measurable (Denner et al., 2005).



### 3.1.4. Epistemological Assumptions

The Epistemological Assumptions for Post-Positivist are how knowledge is gained through scientific and experimental research. We gather that knowledge which is objective and quantifiable (Denner et al., 2005). Miller (2011) is convinced that truth can be researched and efforts made to get closer to it. Guba and Lincoln (2005) stress on the importance of epistemology as how we know what we know.

### 3.1.5. Axiological Assumption

Axiology is the role of values in research. Merriam Webster Dictionary defines axiology as the study of the nature, types, and criteria of values and of value judgments especially in ethics. The Axiological Assumptions for Post-Positivist are its role of values. This is where it emphasis is on the objective researcher, value free; subjectivity and bias lead to error (Denner et al., 2005).

## **4. Research Design**

### *4.1. Methodological Pluralism*

Methodology is the methods used in the process of research and is a practical way that we know what we know and by that how we understand our world better (Trochim 2006). Further he states that it is achievable by the ways and the methods that we use to achieve these objectives. In summary Trochim (2006) advances that they are closely related. This is where epistemology relates to the philosophy of how we know things and methodology involve the practice.

### *4.2. Choice of a Mixed Approach - Qualitative and Quantitative Approach*

Researchers not simply agreed on statistical data for interpretation only but on the experiences of participants. Hence agrees that while numbers do a good impression they unfortunately do not reveal much more about the phenomenon being studied. Dick (2005) has a strong belief that grounded theory methodology is concealed in the study data for the researcher to discover. According to Charmaz (2009) Grounded theory is the way that theory is developed or knowledge developed using a set of organized inductive methods in qualitative research studies.

### *4.3. Research Instruments*

#### 4.3.1. The Questionnaire

Patsika and Chitura (2004) encourage the use of open ended and closed ended questions in questionnaire construction. They however, point out the importance of observing that time needs to be minimised in responding to a questionnaire. As a result of the need to minimise time that is required to fill in a questionnaire, they employed the use of closed ended questions. However, the researcher wishes to be flexible and will choose a desired design of an open and closed ended questionnaire approach. The researcher will use the most appropriate question structure as suggested by (Patsika and Chitura 2004). The researcher felt that follow up questions will be ideal as the research involves field officers who are not easily accessible in the office.

#### 4.3.2. Sample Population

- Government policy makers in Governance areas and experts
- Regulators in External Audit or Auditor general
- Institute of Internal Auditors
- Internal Auditors
- External Auditors and various levels that deal closely with audit and governance and reporting in the parastatals will be willing and available for the exercise.
- The researcher will depend on the sufficiency of the chosen sample population and the data thereof.

## **5. Pilot Study**

Sincero (2012) posits that, "A pilot survey is a strategy used to test the questionnaire using a smaller sample compared to the planned sample size." She points out on the need for following the phase of conducting a survey where the questionnaire is administered to a percentage of the total sample population, or in more informal cases just to a convenience sample."

### *5.1. Research Participants- Survey questionnaires*

Sample of 75 Participants designed (Auditors)

#### 5.1.1. Interview Schedule

The interview of Internal Audit and Audit Committee were conducted to get an in-depth understanding of audit processes. In the study undertaken by Sbaraini et al., (2011) the interview designed semi-structured questions based on the

research questions. This was also in order to assess the relationships between Internal Audit and other corporate governance players in SEPs. Stewart and Cash (2009) in Silva (2012) point out that an opening interview is for establishing rapport and present moments for self-introduction. They also posit that these present moments for personal inquiries, small talk. The researcher should also explain purpose, length and how the field notes would be used (Stewart and Cash 2009). Most qualitative researchers undertaking a grounded theory study have noted that frequently little that is 'new' comes out of transcripts after you have interviewed 20 or so people (Green And Thorogood 2009 and 2004;120)."

### 5.1.2. Proposed Research Participants – Under Interviews

The researcher interviewed officer from SERA, Government Office responsible for CG, External Audit, Internal Auditors, Corporate Governance Expert and Institute of Internal Auditors.

## 6. Document Analysis

In Famuyide (2013) view, documents of an institution should be updated to reflect current circumstances and status. In order to identify the documents that are needful Famuyide (2013) states that one has to refer to the documents that contain details of current business processes. Further, the researcher serving as a business analysis needs to identify related information that can help him analyse and appreciate how processes work. The researcher came up with ten (10) documents that would adequately portray policy and other current business processes documents in Internal Audit.

### 6.1. Research Participants –under document analysis

Charmaz (2006) advocates for a social interaction using grounded theory. Her method concentrated on how the researcher interacts and is involved with research participants thereby constructing a theory or building on it. The participants of the study will be drawn from State Enterprises and Parastatals bodies under the MoHCC. Five were chosen namely, Medicines Control Authority of Zimbabwe (MCAZ), Health Service Board (HSB), National Aid Council (NAC), Health Professions Council of Zimbabwe and Medical and Allied Dental Council of Zimbabwe.

POLICY DOCUMENTION FOR HRP INTERNAL AUDIT DEPARTMENTS
1. Internal Audit Charter
2. Audit Plan
3. Internal Audit Standards
4. Enterprise Risk Management Policy
5. Organisation Strategy for the period 2010 or 2017
6. Quarterly Audit reports
7. Annual Report for institution
8. Budget Statement for Audit
9. Internal Audit reports 1990 to 2014
10) Staff And Skills Development Policy

Table 1: Researchers Identified Current Business Process Documents in HRP Internal Audit Units According to Famuyide (2013) Research study's Documents Analysis priorities

### 6.2. Validity and Reliability

There is an unending debate among researchers and writers concerning the trustworthiness of qualitative research. Loh (2013:1) pointed out that, "In any research study, the questions of quality, namely validity, reliability and generalizability crop up." There are some who doubt the sincerity of qualitative narratives. Shenton (2004:63) states that, "In addressing credibility, investigators attempt to demonstrate that a true picture of the phenomenon under scrutiny is being presented." Hence, a methodological pluralism will dispel the issues about the credibility findings of the research.

### 6.3. Data Collection Strategies

According to Webster (2016) a semi-structured interview protocol can take a funnel approach (Ayres (2008); Harrell and Bradley (2009); Lahman and Geist (2008). This is where broad open-ended questions are sequentially trailed by concentrated questions to obtain information (Harrell and Bradley (2009). Webster (2016) agrees with Corbin and Strauss (2008) which allow a participant freedom to articulate their experience openly as motivating enough to mine greater data from interviews.

The empirical findings by Al-Twajry et al. (2004), based on questionnaire and interview responses from internal and external auditors, working in Saudi Arabia, suggests that these external auditors believe that IAF size was an important indicator of its quality.

#### 6.4. Grounded Theory as Data Collection Method

The researcher wishes to use a Grounded Theory Methodology (GTM) because it is especially helpful due to the fact that the current theories about the research area or phenomenon are either inadequate or non-existent (Creswell, 2012). Hence, a broad review of theory or explanations of the process where Internal Audit intersect with corporate governance are really needed. Griffith et al., (2007) advance that interviewing, participant observation, and field notes are the fundamental data collection methods in grounded theory research.

#### 7. Data Analysis

A PricewaterhouseCoopers (PwC) study (2012) found a large gap. There was therefore a need to align the perceptions of players in the governance field.

- Survey questionnaire –through SPSS, MS Word and excel
- Interviews recordings, transcribing.
- Analysis table of findings, coding, categories and theming
- Document Analysis
- Analysis table of findings, coding, categories and theming

Qualitative data can be analyzed through the use of software as SPSS, MS Word and Excel spread sheets. Bailey (2006) believes that there are two methods of coding which is mainly manual or software coding. Charmaz with Gibbs (You Tube) have warned that it is not always that the researcher will produce a theory. However they may expand on knowledge base on a subject after a research using grounded theory methodology.

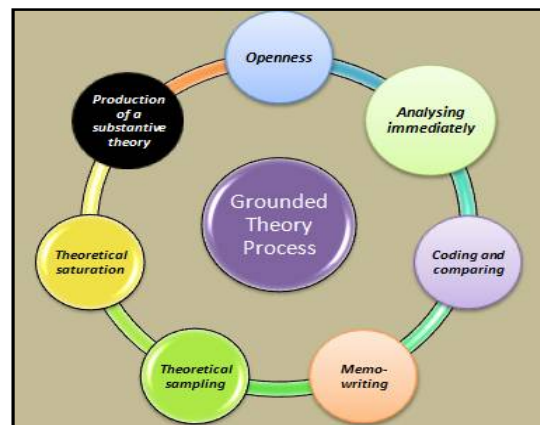


Figure 8: The Researcher's Grounded Theory Process Model after review of Webster (2016) Bryant and Charmaz (2007) Charmaz (2006) and Bailey (2006) contributions

Data will be analysed using open coding, axial coding and selective coding. Charmaz (2006) points out the development of coding to be the essence of grounded theory.

#### 8. Data Presentation

The end of the research stage will create an opportune moment to present the data obtained from the field (<http://metaconnects.org/purpose/glossary#litreview>). Ritchie et al., (2003) disbelieves that labouring more by taking up more data on participant perception may not necessarily lead to more information.

This confirms that the research process will eventually come to an end. The writing up of data or its presentation will normally take the form of the mode with which the audience that one is addressing

#### 9. Data Presentation, Analysis and Discussion of Findings

##### 9.1. Research Findings

The chapter is a presentation of study findings on the responsiveness of Internal Audit Units to the changed universe of Corporate governance in Health related Parastatals. It was based on a mixed research study made up of a survey questionnaire, qualitative grounded theory method and a quantitative research approach. As stated in Chapter 3, a survey, participant interviews as well as a document analysis in the field of study was conducted to triangulate data findings. The survey was carried out where participants (Internal Auditors) responded to the semi-structured questionnaires. As a means of validating the data the survey was supported by interviews.

### 9.2. Background Information of the Participants

A pilot questionnaire was circulated in May 2017. The research period went up until August 2017 so as to cater for the interviews and documentary analysis in institutions. The questionnaire was thoroughly pilot tested before dissemination to uncover flaws and potential causes of confusion, such as misleading questions that could potentially result in invalid responses. A total number of 15 questionnaires were distributed to verify completeness in terms of its objectives and variables of the study. Only ten questionnaires were distributed to mock respondents so they could add their comments and advice. Respondents stressed on the importance of details pertaining to the question of gender because the perception of female respondents may vary from males. Respondents pointed out that age; gender and post of the respondent are requested as perceptions may vary according to age, sex and post one sex needed to be included. Further, respondents felt that this data was crucial for writing the report and classifying the findings from respondents.

### 9.3. Survey Questionnaire

In the survey, the questionnaire sought responses from auditors across the audit field. The surveys used mostly semi-structured closed ended questions and a limited number of open-ended as a means of following up on earlier questions. The participants came from a wide selection of auditors made up of internal auditors. Participants were drawn from the private as well as the private sector.

Research Area	Administered	Returned	Response Rate
North Harare	30	24	80%
South Harare	20	17	85%
Central Harare	15	12	80%
Western Harare	10	9	90%
Total	75	62	82.6%

Table 2: Total Questionnaires Administered  
n=62, 82%

### 9.4. Research Objective Number One

#### 9.4.1. To Determine Whether Internal Audit Scope and Coverage in Health Related Parastatals had Responded to The Changed Universe of Corporate Governance

The following reveals how far Internal Audit Scope and Coverage in Health Related Parastatals fared with regards to the Changed Universe of Corporate Governance

#### 9.4.2. Overall Annual audit coverage

3% felt that the coverage in light of the Annual Audit Plan was excellent. 10% considered it better and 34% good. There were others who felt that the coverage was fair at 34%, 16% poor and 5% considered it to be very poor. It was noted that there were organisations that supported the IAFs' scope and coverage. However these were aggregated to give 47% as compared to 55% who claimed that the coverage was not good. These were almost 50% a piece

#### 9.4.3. Review of Work Plans and Assignments

Of the responses 31% stated that it was the Audit Committee (AC) reviewed work plans and assignments of the Internal Audit Function while 34% showed that management was interfering in the oversight of audit work doing it. External Auditors were also being engaged to review the work plans and assignments at 14%. Yet 20% stated that the exercise was still not being done.

#### 9.4.4. Given that management was controlling the oversight of Internal Audit

Control was shared but the greatest percentage was let by management at 34%. The percentage for the AC and EA were lower at 31% and 14% respectably. Yet a forth group of 21% stated that it was not being done. This was is a sign of gross interference by management in the affairs of IAFs. This was a subtle sign of a board takeover.

### 9.5. Research Objective Number Two

To Examine to What Extent Organizational Internal Controls, Standards of Accountability, Corporate Reporting Responding to Organizational Effectiveness

#### 9.5.1. An examination of the research area noted the following trends

On whether Internal Auditors employs Standards and Guidelines of the Institute of Internal Auditors as best practices, these were the responses

32% strongly agreed. This was followed by 55% who agreed and yet 8% disagreed that the standards were not being followed by auditors. Of the remaining two groups 3% strongly disagreed while 2% stated that they were not sure if these standards were being followed or observing that procedure .8% of the despondence felt that they were not.

#### 9.5.2. Compliance with Corporate Governance Frameworks and Codes (CGFC)

It was reported that 3% of the respondents were quick to get knowledge of the need to comply with corporate governance framework earlier than the year 1990. Those who knew about it between 2000 and 2009 constituted 29% of the respondents. The largest group of 58% of the respondents knew about the existence of corporate governance Frameworks and codes very late, between 2010 and 2017. Lastly 10% were not sure of what this framework was all about and what needed to be done.

#### 9.5.3. In inquiry into the existence of an Enterprise Risk Management Policy

Management of risk was close to a split decision between 48% of those who stated that it was not in place and 52% who disclosed that the document was in place in their organisations.

#### 9.5.4. On Auditor's choice to comply with Corporate Governance Frameworks and Codes (CGFCs) or not

Of those who responded, 38% felt that it was needful while the greater percentage of 62% did not agree that such compliance was needful in their organisations.

#### 9.5.5. Assessment of skills and independence of Board Members and Auditors

Of the respondents, 17% strongly agreed, disagreed and strongly disagreed that the organisation assessed the skills and independence of Board Members and those of Auditors. 22% reported that they were not sure if there was such an assessment. 27% agreed that there was such an assessment. Yet 17% strongly disagreed that organisation assesses the skills and independence of board members and those of auditors.

### *9.6. Research Objective Number Three*

#### 9.6.1. To Explore other Underlying Factors Which Prohibit Internal Audit Functions from Contributing to Corporate Governance in Health Related Parastatals.

An exploration of the research area recognised the following as factors which Prohibit Internal Audit Functions from Contributing to Corporate Governance :-

##### 9.6.1.1. Administrative Reporting protocols to Management

It was pointed out by 52% that sometimes Management requested auditors to adjust their findings to sanitize the findings. Of those 39% had initially responded that it was not happening in their organisations so they thought it was not applicable.

##### 9.6.1.2. Challenges emanating from such Reporting

Of the two responses of yes and no, 64% stated that there were challenges which emanated from their reporting and 36% said there was no challenge.

##### 9.6.1.3. Underlying Factors Prohibiting Internal Audit Efforts

A summary of key issues were identified by participants to be the keys factors affecting the achievement of their objectives, these are:-Issues of independence

Resources – manpower, time and funding for programs

##### 9.6.1.4. Audit Committee concerns over Corporate Governance matters

21% of the participants' management and audit committees had raised the need for auditors to be trained on CG matters. 79% stated that they had not

##### 9.6.1.5. Adequacy of Audit resources

Of the respondents 50% or half reported that they did not believe that the resources were sufficient. Johnson (2005) recounts how managers struggle to use resources for the benefit of the organisation. 23% strongly disagreed, 14% agreed and 13% of the participants were not sure if there were adequate resources for auditors to meet their objectives.

##### 9.6.1.6. Unrestricted access to the Chairperson of the Board and the Audit Committee

A number of respondents tendered in their ratings on access to the Chairperson of the Board and the Audit Committee. Here 9% strongly agreed that there was such access, 29% agreed with that, 39% of the respondents were not sure, 16% disagreed and 7% strongly disagreed.

#### 9.6.1.7. Auditors involvement in operations

44% strongly disagreed that auditors were participating in the operations of the organisation, 44% agreed, 7% were not sure, 13% disagree and 5% strongly disagree that auditors were not involved respectively.

#### 9.6.2. Research Objective Number Four

To Identify if Issues of Audit Quality Impede the Effectiveness of IAFs of Health Related Parastatals The following elements were identified as impeding the realisation of Internal Audit effectiveness:-

#### 9.6.3. Changes in Audit field

8% percent of the respondents strongly agreed that Auditors fail to keep abreast with changes in their field because of a lack staff development. Almost an equal number of protests were registered as 7%. 52 % agreed while 33% strongly disagrees.

- Adjustment of Internal Audit Findings
- Almost half of the auditors which were 46% cited that Management at times requests Auditors to revise or adjust their findings in their favour. The other groping of 54% stated that they did not consider that auditors were at all asked to adjust or amend their observations.
- Frequency of such Audit Findings
- Respondents submitted that 34% was not applicable because those did not agree that management had made such a request. The following group was the greatest and they agreed that such a request had been made. These were more than half of the respondents which was 52%. There were two categories namely 5% who agreed that it was true because management had asked them to adjust the reports when there was a special audit /investigation exercise. This was obviously when they felt that they had something to be protective about. The last group made up of 9% of the respondents agreed that this was happening all the time.
- Mode of Dispatch of draft reports
- In response to the need to use of draft audit reports as a tool to appraise management, 94% reported that draft audit reports are used to procure initiate responses and implementation 6% of the respondents were not effectively using the draft report to communicate with the cost centre before management got the final document.
- Why Draft Reports are not Issued
- Those who responded stated that there were reasons why they did not circulate reports to the management before they were finalized. They cited an internal problem of quality control where audits reports were passed from one auditor to the other and that many alterations delayed the finalization of audits.
- Audit quality as a function of staff competence
- According to desponds 16% strongly agreed that Audit quality is a function of staff competence, scope of services provided, proper planning, execution and communication. 52% agreed while 8% were not sure. 24% disagreed and yet there was no respondent who strongly disagreed.
- Competences to identify and early warning signs of new risks
- In response to competences of the IAs, 21% strongly agreed that they had competences to identify and provide early warning signs of new risks to the organisation. This was followed by 54% who agreed that they merely agreed, 11% were not sure, 7% disagreed while another 7% strongly disagreed that IAs had these competences.
- Identification and prevention of fraud  
16% strongly of the respondents agreed that risk assessment and internal control procedures were in place. The bulk of them agreed at 52% while 8% were not sure if this was in place.

#### 9.6.4. Data Transcription, Coding, Sorting and Categorizing

A presentation of findings relating to interviews data was transcribed, coded and categorized, and formed the field of discussion. The researcher read and did an initial coding exercise until these data reached a final coding stage. Data was then chosen to maintain previously set trajectories in the conceptual framework. The resultant compilation of categories was obtained after sorting these codes which created information that the researcher brought about through a discussion.

Thus a process of coding, sorting and categorizing assisted in narrowing down on the relevant themes. It was gathered that stated that, corporate governance frameworks make IAs a player in the anti-fraud initiatives in organisation. Angers and Machtmes (2005) analysed documents as part of their study to validate and corroborate data obtained during their study.

## **10. Document Analysis**

### *10.1. Document Analysis Findings*

Document analysis refers to the documents, whether public or private records, about the participants in a research study (Creswell, 2002).

A MS Word and Excel documents were opened for every set that was studied. The documents that were to be studied were then listed. The source and the use of that document were listed before the findings were drawn in the last list. It was

from this list that the data was coded manually by MS word, sorted into categories to find theme which were developed into the data that was presented under chapter four.

There were resource challenges which varied from one parastatal to another from the ones that were studied, it was noted that some purely had structures that were close to 75% of government institutions. These were HSB while ZNFPC was a parastatal by its Act and it had more features of government than the other three health parastatals as NATPHARM, MCZA and NAC. The latter three had an advantage based on their solid funding models. The funding models and level of commercialization was more developed in Natpharm, NAC and MCAZ respectively.

### 10.2. Findings from Document Analysis

A document analysis of five Health Parastatals was conducted in which notable differences were noted. Most parastatal documentation had no authors and was management's documentation to assist in administering operations of the entity. The National Corporate Governance Code 2014 was crafted by the government to guide organisations in implementing their mandates. It was surprising that the researcher only got to know of it when one out of five HRP's had one. This document should have been dispatched to Boards, IAs and EAS. They should have been trained on their use through the Justice Ministry and other interested line ministries.

It was noted that there was no oversight by a body that was meant to supervise SEPs from a governance perspective. Line ministries had not been active in their oversight over the performance of parastatal under them. What was particularly interesting was how varied the standards and procedures that were being employed in these institutions. The funding models and the fact that some were cash strapped while other were getting much support from the fiscus as well as their Developed Strategic Business unit. There was no standardisation in the models used to fund and support SEPs.

A document analysis of institutional documents in the five parastatal that were studied revealed some notable findings.

One of the parastatals was having resource challenges and had not yet been given the opportunity to privatize. In their inventory file, it was noted that they had theatre, broadcast studio and HAZ registered catering and hotel rooms yet they were constrained to depend on the fiscus. It was a wonder why it had not been supported to commercialize to raise its own funds. While some were ready to privatize or commercialize somehow they were still yearning for assistance from the Treasury of Zimbabwe. This SEP's infrastructure was instead being used dominantly by the Ministry of Health and Child Care under its social strata.

### 10.3. Policy Framework

Document analysis sought to examine the policy framework as well as other governing literature with regards to the depth of audits work and framework carried out during the years reviewed. It was further to:-

- Compare current practices with Corporate Governance frameworks recommendations
- Check for existence of Enterprise risk management frameworks
- Audit reports
- Audit manuals and coverage are areas worth examining to check the responsiveness of Internal Auditors to the changed universe of Corporate Governance .
- Check whether there has been a Quality Audit Reviews (QAR) exercise over the last five years

### 10.4. Presentation and Discussion of Findings on

#### 10.4.1. Internal Audit: A Government Tool for Corporate Governance in Zimbabwe's Health Related Parastatals

##### 10.4.1.1. Data Transcription, Coding, Sorting and Categorizing

A presentation of findings relating to interviews data was transcribed, coded and categorized, and formed the field of discussion. The researcher read and did an initial coding exercise until these data reached a final coding stage. Data was then chosen to maintain previously set the trajectories in the conceptual framework. The resultant compilation of categories was obtained after sorting these codes which created information that the researcher brought about through a discussion.

Thus a process of coding, sorting and categorizing assisted in narrowing down on the relevant themes. It was gathered that stated that, corporate governance frameworks make IAs a player in the anti-fraud initiatives in organisation. PwC study (2012) noted a gap between the perceptions of Internal Auditors, Audit Committee Chairs, Board Members and Senior Management. Chief Internal Auditors held that 35% of the fraud and ethics risks were not managed well while boards and management though they were managed 55%.further in the PwC's *Boardroom Direct* monthly newsletter Tickner, a U.K. consultant on Corporate Governance and fraud issues, names variances of view over who is responsible for fraud deterrence Screencast-O-Matic.com advances the stages of qualitative data analysis as follows

- Preparation of data-transcriptions
- Data reduction- coding –software
- Displaying data-diagrams and tables

- Verifying – triangulation ; member checking

Angers and Machtmes (2005) analysed documents as part of their study to validate and corroborate data obtained during their study. Unfortunately these researches did not identify the documents which they analysed and even the nature or type of documents as well as the analytical procedure employed. This research identified ten documents which were identified and assessed in the five sampled SEPs.

### 11. Summary, Conclusion and Recommendations

Challenges in business today call for Internal Audit to reassess its audit methodologies, prevailing skills and expand its scope. Growing sentiments indicate that, corporate governance failure in business today is also due to shortfalls of Internal Auditors. Health systems worldwide face a lack of competent management at all levels. Though there was an expectation gap associated with fraud detection as a primary objective of IA, Internal Auditors were reluctant to do fraud audits. Though frameworks had been installed, there was no legal enforcement in institutions of the public sector for users to comply with such frameworks and codes. Further Line Ministries were not effectively supervising boards and managements under them. This causes the gap of supervision to grow as time went by. Hence, Line Ministries should have taken the responsibility for the events under their parastatals. They could have monitored the following aspects under the parastatals which fall under them:-

- Corporate Governance frameworks such as PFMA (2009), Cadbury Report, COSO, SOX Kings I to IV, Greenbury, Turnbull, Smith, Hampel, Zimbabwe Corporate Governance Code 2014 had not been fully utilised by IAs.
- Audit Committees lacked a financial background- they were not qualified to preside over matters such as the scope and coverage of Internal Audit work or the widening expectation gap.
- Resource challenges were limiting the depth of Internal Audit work.
- Audit independence continued to be a subjective area made worse by their dual reporting and low status of Audit.
- Surely, Internal Audit had not responded to the changed universe of corporate governance in HRPs.
- Bovaird and Loeffler (2009) made an uncharacteristic contributions when they called for Internal Audit to be audited or peer reviewed.

### 12. Conclusion

Internal Audit was not detecting frauds in its audit tests as expected by stakeholders. This was due to the fact that fraud detection was more of a secondary objective for Internal Audit and had been a primary objective for the Management. This had changed since the coming in of Corporate Governance Codes and Frameworks. The Public Finance Management Act (2009) for Zimbabwe requires them to detect fraud as a primary internal Audit objective. There was no willingness on the part of users to follow and comply with the dictates of the frameworks. The frameworks were not used but consulted only as best practices to be used when there was a need.

Institutions continued to collapse and fail as what was noted at NET ONE, Grain Marketing Board and National Railways of Zimbabwe. Due to the failure or an effective mechanism for supervising the parastatals they depended on the fiscus for sustenance. Not much was contributed in the form of Gross Domestic Product (GDP) unlike in China where SEPs contribute 40% of their GDP. There was no legal compulsion for users to comply with the published and circulated frameworks.

Greater oversight over parastatal administration was not being effectively exercised by Line Ministries. Audit committees had some shortfalls in proving oversight over Internal and External Audit work as expected. The issues of audit quality were identified as due to scope and coverage which was below par. This was due to issues like underlying factors related to poor audit independence, poor audit coverage, understaffed audit units and even a lower status of the head of Audit in parastatals.

Funding for audit work created problems where only high risk audit were undertaken. Where ever the audit coverage was low meant that the risk assessment and internal controls reviews in those entities were not effectively done. Hence this should have provided the input to the financial controls and corporate reporting. The issues of audit quality pertained to failure to have conducive environments but threats from their internal and external environments.

The appointment of Boards should consider personal diversities and background as Audit and Finance so the work of those professionals can be reviewed by those who have such competences.

Audit Committees were not qualified to preside over matters such as the scope, Audit quality, independence and coverage of internal audit work, or the widening expectation gap. As budgets diminish Boards in place were failing to resource mobilise to bridge the gaps in financing.

### 13. Implication of Findings /Recommendations

The fact that the public sector internal auditing in HRPs has not responded positively because there was lack of supervision by line ministries and Board requires the whole chapter of corporate Governance to be redefined. Corporate governance in Zimbabwe through the eyes of Internal Audit will not be successful if there is lack of resources, Audit independence, Audit quality, capacitation and scope and coverage challenges.

The change in audit methodologies calls upon all Internal Auditors to adjust to the situation if they are to be effective and assists in governance of institutions. They must move from the remote places where they were before the processes in



business transformed. It calls upon them to become and register as IIA members and also register as Public Accountants to enhance audit standards. A high level of retraining and awareness should be promoted so that Internal Audit Independence which is almost impossible in the public sector becomes a reality.

As a governing authority in the Internal Auditing field there is a need to appoint a high ranking official to preside over the work of internal auditors possibly from the Treasury department of Finance ministry of under the Auditor general. Due to the shortfalls in the skills of Internal Auditors in the public sector there is need for greater capacity building exercises to enhance governance.

The structures that are found in the SEPs under the Health Ministry are too small to make a credible difference and should be revised so that per-capita systems could be used to allocate the auditors. This is because auditors are only needful to cover the scope based on the systems in place. As this is attended to the status of the head of audit should also be raised so that it enhances the independence of IAFs.

Researchers saw the need for internal Auditors to be peer reviewed or be audited as well. QAR should be undertaken by appointed reviewers as well as by, The IIA, External Auditors or a designated consultant. The IIA has pegged that these be conducted at least every five years. These strategies are a requisite to address the issue of audit quality. It is necessary for authorities in the public sector to design a model for Board, Management and Audit to follow. This should be legally enforced due to the importance of the mandate of government from the people. The starting point should be based on the model for the private sector which is being used by the public sector. There is need for Government to support in providing IT software and auditing techniques for the future should be. Finally, there is need for a corporate strategy to be developed for the Internal Audit units as put forward by <http://Winston-insights.blogspot.com> pp/[Winston-insights.blogspot.com](http://Winston-insights.blogspot.com).

## 14. Framework of Corporate Governance



Figure 9: Framework of Corporate Strategy for operating effectively

### 14.1. Further Research

The study addressed the research question. However there are some areas that need further exploration and development of literature. These and other areas require intensive debates as they are defining enough to the field and profession of internal Audit. Due to the many changes that have occurred reason calls for further research into the areas that the researcher presents.

What it is clear is that much work should be devoted to exploring means of arresting audit failure in the public sector as well as the private sector. Clearly, researchers have suggested need for studies in Internal Audit failure. Further, researchers need to come up with a weighted average contribution of Internal Audit to Institutional governance needs to be quantified. The role theory of Internal Audit was another gap that needed to be researched on. The work of internal Auditors needs to be defined as this has been noted to be highly distorted. It must also be diagnosed to determine whether Internal Auditors plays a part in the agency problem as well.

The ethical misconduct of the IAFs should also be examined to determine if really the rot is not affecting the defences of the institutions in developing countries. If this is found to be true, then the risks to organisations will increase if not addressed.

### 14.2. Limitations of the Study

The researcher came across some limitations when the questionnaire survey was being circulated. The nature of the work of internal Auditors required them to be field workers; as such there were questionnaires that were not returned because the exercise was completed when they were still in the field. Secondly, due to the nature and protocols of the public sector, there were some Internal Audit units that required the CEO, Head of Audit permission to grant that member to participate in the exercise. Research institutes should continue to educate participants that without research and development there cannot be very limited growth. This was particularly true of developing nations like Zimbabwe.

The participants were apprehensive and stressed that they could only speak in their personal capacities. The research was centred on mainly head offices as the Internal Audit Functions were not decentralised but centralised. The demographics in Internal Audit were so skewed towards males than they were to females. It was not readily available if the findings would have been different if more women had participated more than men.

During the document analysis, Heads of Audit were not so forth coming with their own reports as they were with those of the Auditor General. It revealed the level of trust and ethical level of research views in the public sector. It showed

why doing a research in the public sector could be more difficult in the private sector. The researcher was provided with an idea why less research had focused on the private sector than the public sector.

The research was conducted when the researcher was on another job. Recourses such as time for research were not provided though research was very pertinent to the organistaion of the researcher. The researcher had to depend on taking time off to fill the gap.

#### 14.3. *Improving the Role of Auditors in Public Sector Corporate Governance Playing Field*

As ways of summing up the questionnaire respondents were asked the question, what should be done to improve the role of Auditors in public sector corporate governance playing field? The following is a compilation of their responses and viewpoints. A transcript was made where by memos and notes were made and were coded. The themes which came about were used to report on the response of the participants.

What was gathered from the interviews was that more work was required on the area of capacitation. There was a shortfall on the level that IA was reporting more administratively to the CEO and at the same time to the Audit committee functionally. The level at which auditors reported in their organisations was so low and did not carry the status required of that function.

Participants stated that, "Alternatively the authorities in the public sector should appoint an Internal Auditor General if they desire this area to be effective. They went on to say that, the arrangement worked very well when the Accountant General at the Ministry of Finance used to oversee the activities of government Internal Auditors."

Membership in professional bodies such as IIA units was considered to add value to the internal auditor's organisation to the contrary. Most IAs was not members though they attended the workshops when funds allowed. Most of the participants cited the fact that they could not afford to be members and at the same time be prepared to pay the same amount to attend its individual seminars. They admitted however on the importance of that institute to their role.

On the area of their work, Internal Auditors submitted that they needed to report less to Management and more to the Audit Committee of the Board. This was considered with a view to facilitate their audit. It appears that the IAs admitted that they have been pushed into the deep end do not know how to act in such difficult times. The value of the work of audit was a concern as it was pointed out that they were failing due to issues of resources. The issue of resources was a key element that participants pointed out after ranking it after audit independence. The scope of work was not only determined by the work plan alone but by the resources that fund the idea and notion. On the quality of systems and controls, participants mentioned the importance heeding and implementing the recommendations by management.

Interactions that were held by the researcher and some participants suggested that Internal Auditors should be allocated a training centre such as what was done by ZIPAM before its emphasis changed in the early 2000s.

The fact that auditors are raising red flags about their lack of training and exposure means that they are not well capacitated to fund them themselves. For example this was added on by someone who is between the age group 40-50 and had 14 years in the dept. yet thus person used the research to point out that there was need for them to be developed and trained. Auditors stated that they needed to be capacitated to able to be master in their filed. They noted how it would be helpful if it was done at least thrice a year.

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