Critical Success Factors for Effective Internal Auditing:
A Case of the Office of Auditor General

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Abstract. The primary goal of this research was to look at the key success elements for effective internal auditing. Internal auditing is the foundation of an organization’s internal control system. Although internal auditing in the public sector has problems, there are success criteria for efficient internal auditing. The investigation focused primarily on the case at the Office of the Auditor General, which audits all of Namibia’s public sector offices.

The relevant data for the researcher surveys was obtained from the office’s management team and internal auditors using Google Forms. The study examined empirical literature to establish the important success elements for the Office of Auditor General’s effective internal auditing function. The study’s findings were used to identify and categorise the variables, which were then used to create models. The results of the data analysis were provided in frequency tables and charts. The study’s findings demonstrate that effective internal auditing requires management support and sound management practice, appropriate well-trained and competent internal audit personnel, a functioning board of directors, internal policies, and control. Among the identified criteria, however, managerial support and excellent management practice play a critical role. To improve the efficacy of internal auditing, the research advised that the Office of the Auditor General support internal auditing positions by facilitating internal auditing work and recruiting more trained and qualified internal auditors.

INTRODUCTION

The setting and ratification of the Sustainable Development Goals (SDGs) ensured an improvement in the public sector both internal and external auditing in the developing regions (United Nations Open Working Group, 2017). The determination of internal auditing became vital in the public domain as a mean to provide transparency and public trust, following the outcome of corporate scandals in the Unite State of America and United Kingdom, after the 2007–2008 financial crises (GCGTACC, 2016). Public finance is vital for the effective management of state funds in Africa and governments, and then this can be done through the provision of trusted audit, which is free from unnecessary hindrances over public private partnerships (Africa-America Institute, 2015). In Africa, internal audit became a topic of interest in the recent past (Shailer G, 2004). The rise of corporate failure world over has put into questions the potency of internal auditing as overseers and castigators of irregularities (Economy Watch Namibia, 2017). Dahlan (2010) postulates that external auditors view internal auditors as “watchdogs” charged with detecting critical internal control shortcomings. According to Dahlan, (2010) Internal Audit Function (IAF) views as a catalyst of good governance, aiming to update governors and managers of processes designed to keep the public organization in accordance and help to improve the governments’ systems and processes.

It is necessary to examine the notion of internal audit and its history in order to define internal audit efficiency assessment standards. Internal auditors face a variety of challenges and opportunities in today’s business environment, including increasingly complex and pervasive technology, a need for new skills, rapidly changing organizational structures, demand for a broader range of services, and increased competition and globalization. Internal auditors are devising new ways to tackle these problems, being more proactive, offering a wider range of services, and otherwise altering the internal audit paradigm. Accounting scandals, corporate catastrophes of credibility, loss of business partners, loss of consumers, loss of careers, and many other negative repercussions on the
operations of organisations have put a lot of pressure on businesses to enhance their governance in recent years. It is self-evident that no company can afford the consequences of governance failures. It is evident that establishing a formal corporate governance procedure inside a firm is no longer adequate in today’s world. It is critical to ensure that this procedure runs smoothly.

Notwithstanding the growing attention in internal audit, scholars remain to cry scant literature on the topic and Namibia in not spared from the same challenges (Economy Watch Namibia, 2017). While there are volumes of literature on internal audit, most of the literature focuses on the internal auditors’ independence, and their objectives, without paying attention to what could possibly be effective contributing elements, using the auditors’ perceptions. However, there continuing concern and mistrust in our internal audit that seems to be apparent motivated this investigation seeks to investigate the critical success factors that could improve internal auditing in the public organizations, particularly at the Office of the Audit General, in Namibia.

STATEMENT OF THE PROBLEM

According to the ReSEP (2017), internal audit is fundamental to the effective management of the firms and transparencies. Nevertheless, there is a growing attention in internal audit, aiming to explore internal audit functions, and their independency. According to the Ministry of Finance, 2016, Namibian public organization have received public critics, owing to non-transparency, untruthfulness and misuses. The independent of internal auditing with their functions and objectivity, in consultation for value addition, organizational processes against their effectiveness is vital (Aksoy and Kahyaoglu, 2013:71). However, challenges facing the public organizations funds is coupled with lack of qualified auditors, and management support which motivated the investigation to explore the possible success factors that could influence the quality of auditing in Namibian public organisations. While there are a volume of literatures on internal audit, most of the literature focus on the internal auditors’ independence, and their challenges, without paying attention to what could possibly be the success elements that could possibly contribute to effective internal auditing using the auditors’ perceptions. Thus, this study seeks to explore critical success factors that influence internal auditing in the public organizations, particularly at the Office of the Audit General.

AIMS AND OBJECTIVE OF THE STUDY

The aim of the study was to explore the critical success factors contributing to effective internal auditing at the Office of the Audit General.

The objectives of this study were to:

- Explore the critical factors contributing to effective internal auditing at the Office of the Auditor-General
- Explore the strategies adopted by management to support internal auditing at the Office of the Auditor-General

METHODOLOGY

Case study design approach formed the basis of this research. A case study method used as it allows an exploration of the documentary materials, in a way that acknowledges the value of evidence and the worth of subjectivity. In this study, there was a need to explore the strategies adopted by the management of the Office of the Auditor-General in department of auditing. The method offered an opportunity to gain an understanding of the auditing practical aspects and provide detailed information on the success factors that influence effective auditing, through a systematic approach. Result were collected through a descriptive statistics to give a pictorial view and facilitate the analysis.

Case study analysis was used as means for data collection from the Office of the Audit General. This is because the case study analysis was regarded as one of the suitable sources for qualitative studies, and enables the study to obtain detailed and depth information on the subject under investigation. Additionally, the researcher has also used semi-structured interview for the questionnaire to collect data from the participant in the Office of the Auditor General as large amounts of information was collected from a larger amount of people in a short period.

For qualitative analysis, content analysis used to analyze and summarize successful factors that influence internal auditing at the Office of the Auditor-General. According to Durrheim and Kelly (1999, p. 139) data analysis in qualitative research concerns sifting, labeling, ordering, and reducing of generated data to organise it for presentation and interpretation. In this study, data analyses were done simultaneously with data collection. Therefore, Microsoft word DocTool plug was been used as a tool to organize and categories data into themes for analysis.

LITERATURE REVIEW

This discussion related literature on factors contributing to the success of the Office of the Auditor General as presented by various authors and provided the theories underpinning the study.

Resource-based View Theory

Dwivedi (2005) defines internal audit as a process of financial review to ensure and encourage effective financial management and to detect possible discretionary in the
government spending, so to account public monies which is meant to achieving certain politic and economic objectives.

Wernerfelt’s (1984) resource-based view (RBV) suggests that competitiveness is attained through being inventive and providing higher-ranking value to consumers. The primary premise of the theory is that organisations compete on the basis of their resources and talents. According to resource-based theory, companies have resources that enable them to gain a competitive edge and achieve superior and sustainable performance. Competitive advantage can only be obtained when a firm has significant and unique resources. Such an edge may be sustained over time, allowing the organisation to protect itself from resource shortages, transfer, or substitute (Boxall, 2009).

The resource-based approach stresses that the root of a firm’s competitive advantage is its internal resources, not necessarily its outward location. A company gains a competitive edge by utilising its unique resources and competencies, as well as scanning its external environment for opportunities and dangers (Grant, 2011). When managing strategy in a dynamic corporate environment, enough funding and qualified staff are critical (Wade and Hulland, 2009). An entity with enough resources has a greater effect on the value addition of its products. This theory shows how the resources available to a corporation are crucial for adopting plans.

Kim (2010) suggests that there is much needed public finance management control system amongst the state organization and government agencies. Hence, the internal audit committee should be provided with a supporting environment and setting and allow them to react candidly, and freely elaborate on issues, as they learn from each other’s in their engagements independently. There is a growing demand for quality auditing to ensure good governance and groundbreaking explanations, aiming to achieve the most desired public sustainability at both regional and national level. New notions on improved methods on public sector decisions and allocation of rare sources, contrast the plea for absolute transformation with the passion of incremental approach of mini changes, Hoffman (2011). In finding answers that simplifies and safeguards audit success as an interference approaches in public financial management in state organizations.

Stakeholder Theory

Donaldson 1995 developed this theory; it is a paradigm that directs organisational management by addressing ethical business practises. The stakeholder theory holds that ethics are an important aspect of doing business. The hypothesis raises two issues. First, what is the company’s mission, and second, what responsibilities do managers have to stakeholders? The first question teaches managers on the need of instilling a shared sense of value and insights into stakeholder interests. The second question, on the other hand, encourages managers to describe how they will conduct business, with a particular emphasis on the relationships they must establish with their stakeholders in order to successfully accomplish their targeted outcomes (Freeman, Wicks, et al., 2004). Managers must consequently play a role in building relationships that encourage their stakeholders to give their all in order to produce the required results. The idea provides insights and understanding into the nature of an entity’s engagement with its stakeholders (Mansell 2013). It suggests changing attitudes, structures, and procedures, as well as paying attention to stakeholder interests, in order to achieve the organization’s goals.

Blattberg (2004) critiques stakeholder theory’s idea that competing stakeholder demands can be readily reconciled. Managers must execute organisational plans through processes that not only fulfill the interests of shareholders but also those of other groups like as workers, suppliers, and consumers, among others, who are also involved in the project cycle. Stakeholder mapping allows managers to discover their various stakeholders’ demands and integrate this information into the project for long-term progress. A stakeholder strategy emphasises the necessity of ongoing management of the corporate environment and relationships, as well as encouraging common interests (Scott 2011). Participation of stakeholders in a company’s success helps ensure higher performance.

FEATURES OF THE ANALYSIS

The investigation of the findings was done with data collection concurrently. The analysis of the questionnaires was completed following the collection of data received from the participants to gain an understanding of the findings obtained by means of semi-structured interview questions. The questionnaires scrutiny as received, and the list of topics and clustered similar topics and isolated the themes that presented some dissimilarities were isolated from these that were opposing to the emerging themes. The inappropriate figures to the research topic was excluded and kept applicable findings.

The themes were allocated different grouping and coded into classes. The exercise was functional to equally close ended and open ended questions. All resources fitting to each class of data was gathered and a preliminary finding investigation was thus completed. The total response of participants exposed that most of the participants have good knowledge of internal auditing.

Discussions of Results

The results of the research were done with data collection. The questionnaires were completed and data obtained by mean of semi-structured interview question through google form and answers recorded after each participant.
The data collection from the Office of Auditor General took the researcher 17 days. The majority of the participants were from the age of 45–54, meaning the middle group is dominating the management at the Office of Auditor General. The Gender representations suggest that 65% are female while the remaining 35% are male; this means the previously disadvantaged gender group is leading the Office of Auditor General.

Furthermore, the results also show that 50% of the participants of management are well experienced with 6–10 years of experience. The results on qualification suggested that 50% of the participants have the degree qualification, which shows that the management are well educated staffs and competent staff members for the function of internal auditing.

The research findings show that the critical successful factor to effectiveness of internal auditing is management support. The management supports are positively crucial to the internal auditing effectiveness at the Office of the Auditor General, in terms of providing resources and enough facilities, giving training, introducing new technology and encourage motivates the internal auditing staff members to do best of their abilities. These results were consistent with the work of (Freeman, Wicks, et al., 2004). The author point out that managers therefore have a role to play in developing relationship that inspire their stakeholders to give their best to deliver desired performance. The study also shows that the Management strategies is also contributing factor to the organizational achievement, through its unique resources, such as enough financing and competent employees. These results were reliable with the previous auditing research works of (Wade and Hulland, 2009). According to the author adequate finance and competent employees is significant when managing strategy in a dynamic business environment.

The main objective of this research was to explore the critical factors contributing to effective internal auditing and to explore the strategies adopted by management to support internal auditing at the Office of the Auditor-General. One of the challenges faced during the study was time factor. The participants at the Office of the auditor general were unfamiliar with the google question form. It took them time to respond to the questions. I would recommend that time allocated for technology training and hopefully the research in future will yield results that are more significant. Results may be used to provide information to the organization for future improvement.

A highly recommendation on the study that could be the area of future study would be the use of Information Communication Technology (ICT) to advanced and enhance the value of the organization.

CONCLUSION

Internal audit function is a significant element of internal control of any organization. Therefore its effectiveness renders the internal control of organization effective. Due to the important part it plays for the overall management system internal audit is the enormous tool to ensure good corporate governance. Contributing factors to effective internal auditing such as experiences of management, qualification, accountability and transparency, ethical reporting system and reporting system and last but not least management strategies for internal audit have a positive symbol on the effectiveness of internal control. An internal audit contributes (indirectly) in the achievement of organization objectives and can improve organization’s efficiency.

During the interviews, several remarks were made about the conditions that need to be met in order to make internal auditing successful.

REFERENCES