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PUBLIC SECTOR IN ZAMBIA**



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THE EFFECTIVENESS OF INTERNAL AUDITING IN THE PUBLIC SECTOR IN ZAMBIA

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ABSTRACT

Purpose: This paper aims at examining factors that have an impact on internal audit effectiveness in the public sector. The objective of this study was to devise a model that can be used in the public sector to enhance a sound internal auditing system that will boost financial accountability and quality audit work. The study focused on three independent variables such as management support for internal audit activity, organizational independence on the internal audit work, and the adequate of competent internal audit staff.

Methodology: In order to achieve this, a quantitative survey research design was chosen as the research paradigm underpinning the study using structured questionnaires as data collection tool to a sample of 172 respondents comprising of internal auditors and users of internal audit services who were systematically randomly sampled.

Results: The study findings revealed that both management support and organizational independence were low and that internal audit office of the sampled ministries and parastatals had low technical staff proficiency which limited its capacity to provide effective service. In line with the findings, the study recommended that: (i) the management should appreciate the role of IA by providing the necessary resources and trainings. (ii) Government should ensure that the independence of IA is guaranteed for them to work without fear or interference. (iii) Government should recruit and retain Internal Audit candidates based on their qualifications, experience, training attained and certification by the IIA. The research is limited with the issue of generalizability on other settings; therefore, a similar study can be conducted in the private sector using a mixed method approach.

Keywords: *Internal Auditing, Effectiveness, Public sector, internal control, financial accountability*

1.0 INTRODUCTION AND BACKGROUND

Internal audit is an important component of the governance system in both public and private sectors (Cohen et. al., 2002). As a consequence, internal audit is receiving a lot of attention in many countries including Zambia as an integral part of government financial management. Within the globalized economy, internal auditing is established as a vital means for management of any business economic resources (Wangui, 2012). To this effect, a number of studies have been conducted with an effort to explore factors that impact on effectiveness of internal audit in the public and private sectors (Mupeta, 2017). The reason is that an effective internal audit can positively impact quality of management. The findings of a study in Adamawa state, Nigeria pointed out that non-effectiveness of the internal audit can be attributed to lack of independence and shortage of staff (Modibbo, 2015). Other factors associated with ineffectiveness of internal audit were insufficient internal control systems in the area of authorization, approval, supervision and personnel control.

The Institute of Internal Auditors (2014), describe internal auditing as an independent, objective assurance and consulting activity designed to add value and improve an organization's operations in the following ways; Firstly, it helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. Amongst a plethora of other purposes, internal audit serves to evaluate controls in areas like operational efficiency, data and information security, and financial compliance. It provides assurance that the organization's systems of control are designed properly and operate effectively (Spira and Page 2012). Secondly, it evaluates whether the company's processes, plans and standards are best suited to achieve and serve its objectives and serve its stakeholders in a legal and ethical manner. Thirdly, it examines a company's tolerance for risk, its plans for detecting and mitigating risk and communicating and monitoring risk appropriately. Fourthly, internal audit identifies areas of concern, presents them to management, and advises on the appropriate course of action (Berman, 2017).

Thus, recognising the benefits that accrue to internal auditing, the Zambian government through the Public Finance Management Act No.1 of 2018 of the laws of Zambia recognizes and emphasizes the role of the internal audit department charged with the responsibility of managing and controlling of public funds and auditing of public resources. It is against this background that this study was conducted to analyse the effectiveness of internal auditing in the public sector in the context of Zambia. The study embarked on understanding, through the

effectiveness of internal auditing, why the public sector has a high prominence of financial irregularities.

2.0 STATEMENT OF THE PROBLEM

The Public Finance Management Act No.1 of 2018 of the laws of Zambia provides for the establishment of audit committee for each ministry, department and statutory corporation to ensure sound financial management. There is, therefore, a growing need to ensure that the allocated resources are used for the intended purpose through internal auditing. Under the Ministry of Finance website, the responsibilities of Internal Audit department states that the department is responsible for the management and control of government resource usage and ensures that adequate, effective prudential measures and controls are in place in the process of utilizing the resources. Therefore, the main goal of the department is to promote accountability in all government ministries, spending agencies and statutory bodies and parastatal organizations. With this legal framework in place, it is expected that internal auditing should effectively achieve its objectives in ensuring a sound financial management system and prevent misappropriation and misallocation of resources.

In spite of various pronouncements on internal audit in the Zambian Public Sector, the general opinion according to extant literature is that most of the public enterprises have failed to deliver on the purposes for which they were established. Many people accuse managers of public enterprises in Zambia of ineffectiveness and inefficiency in terms of resource control. They argue that poor application of internal audit principles and procedures leads to blatant diversion of scarce resources with its attendant consequences on the traditional accountability of government to the public. As a result, there is an acute need to ensure that the allocated resources are used for the intended purpose through internal auditing. Hence the purpose of this paper is to examine the public sector internal audit effectiveness in Zambia so as to recommend strategies that can be used to enhance sound internal audit systems which will booster financial accountability and quality audit work.

Further, because these studies are conducted mostly in the developed countries, many developing country contexts such as Zambia are under-researched, limiting generalizability of prior research conclusion (Mupeta, 2017). Thus, the aim of this study is to fill this gap. This is necessary because most of these studies have been undertaken in the developed nation's context leaving a dearth of knowledge in under-researched context of Zambia.

3.0 OBJECTIVES OF THE STUDY

3.1 General objective

The general objective of the research is to device a model that can be used in the public sector to enhance a sound internal auditing system that will boost financial accountability and quality audit work.

3.2 Specific Objectives

In arising from the background and problem statement this study seeks to address the following specific objectives:

1. To find out the extent of top management support on internal audit operations in the public sector.
2. To determine the level of independence of internal audit in the public sector.
3. To assess the level of internal Audit Technical competency and skills in the public sector.

4.0 LITERATURE REVIEW

The objectives of internal audit are unarguably broad but governments differ in their commitment to them. This is why it is generally asserted that the effectiveness of internal audit can only be as good as the commitment of government to pursue these objectives.

According to Unegbu and Obi (2012), internal audit is part of the internal control system put in place by management of an organization to ensure adherence to stipulated work procedure and as aid to management. According to Herdman (2002), an effective internal audit system is considered “crucial to the success of an organization in stemming fraud and abuse, and in the preparation of accurate financial statements”. Annually, the Government of the Republic of Zambia is involved in the collection and expenditure of hundreds of billions of Kwacha through Zambia Revenue Authority and other ministries and agencies, however, there is growing concern among various stakeholders over the abuse of public resources highlighted in the Auditor General’s report (Auditor General’s report, 2020). Owing to the colossal sums involved, this call for the government to put up measures that enhances efficient and effective management of public resources by ensuring that all government entities including ministries and agencies keep accurate and reliable accounting records for the purpose of auditing (Ali et al., 2007).

According to Chambers (2016), Internal audit functions include the following, (i) reviewing accounting systems and related internal controls, (ii) examination of financial and operating information for management, including detailed testing of transactions and balances, (iii) reviewing the reliability and integrity of financial and operating information, and means used to identify measures, classify, and report such information, and (iv) assessing the economy and efficacy. The scope and goal of internal audit may vary based on the given tasks, the size and structure of an institution, and the internal auditor's abilities and experience, but, ultimately internal auditors, give vital information to management for decision making and the proper running of the firm. Therefore, the internal audit discharges its roles of which the most important one is to support senior management's governance responsibility by providing independent and objective assessments of the information used for decision making, risk management and control, as well as reporting on the internal control system (Millichamp 2002).

Reding et al., (2013) states that internal auditing primary function is to bring value to the organization by undertaking assurance and consulting services that are operational, tactical, and strategic in order to improve operations while Pickett (2010) postulates that compliance reviews will be a value-added auditing service for firms in the scandal-ridden industry. Pitt, (2014) classifies internal audit's role in the public sector as centered on efficient and effective use of public money. However, for efficiency and effectiveness to be achieved Internal audit activities should be adequately financed, manned, and trained, with suitable specialized capabilities based on the nature, size, and complexity of an organization's operational environment (Ohja, 2012).

Management is accountable for establishing a robust internal audit unit in order to be effective in improving financial management. In the lack of management support, the internal audit unit will be ineffective (Millichamp, 2002). Millichamp further contends that the function of an internal auditor should be independent in order to review properly internal control systems, regardless of whether they are established by an organization's management, by examining, evaluating, and reporting all adequate information as a contribution to the proper, economic efficiency, and effective use of resources. The accounting officer is responsible for establishing an effective internal audit unit for the evaluation of the internal control system and ensuring that the internal audit is correctly operating.

The public sector is the part of the economy that contains public property, and it includes public companies in the form of autonomous administrations, as well as the patrimony of the central, local, and social security public administrations, as well as a significant portion of

agricultural real estate (Lucan, 2017). According to Fourie and Poggenpoel (2016), Public financial management is an essential instrument that assists the government in managing finances in a systematic, efficient, transparent, and legal manner through three pillars underpinning public financial management as resource allocation, controlled delivery and accountability. In this situation, the public sector should have mechanisms in place to guarantee that its goals are realized economically, efficiently, and effectively, and internal audit is one of the internal control systems that provides assurance on adherence to agreedupon norms and standards. Other systems introduced include the Treasury Single Account (TSA), the Integrated Financial Management Information System (IFMIS), Output Based Budgeting (OBB), and sustainability accounting (Lienert, 2009).

It's not arguable that auditors have a significant role to play in the detection and prevention of financial irregularities because they are not only agents of shareholders and stakeholders but their access to internal and external information makes them efficient monitor (Dyck et al., 2008). The existence and in fact, the high incidence of irregularities in the public sector brings to mind the question of competence, skills, due care and/or diligence, honesty, and integrity of auditors in the public sector. The foregoing qualities are expected to be displayed by an auditor every time and in every circumstance (Olofin, 2005; Agbaje, 2007). Furthermore, Lorsase (2004) noted that when financial irregularities occur in work place, the question asked is "where were accountants and auditors? Therefore, that an auditor has the responsibility for the prevention, detection, and reporting of financial irregularities, and other illegal acts and errors is one of the most controversial issues in auditing, and has been one of the most frequently debated areas amongst auditors, politicians, media, regulators and the public (Gay et al., (2002).

According to Herdman (2002), an effective internal audit system is considered "crucial to the success of an organization in stemming fraud and abuse, and in the preparation of accurate financial statements". Internal audit aids government agencies such as Ministries and parastatals to achieve accountability and enhance implementation of government programs and activities. In addition, internal audit is employed as a tool for monitoring and evaluation of financial activities in government entities (Baharud-din, 2014).

Globally, several studies have identified a number of factors associated with effectiveness of internal audit (Baharud-din, 2014; Krisnamoorthy, 2002; Madibbo, 2015). Specifically, a study in Malaysia reported a significant positive association between competency, auditor's independence, objectivity, management support and effectiveness of internal audit (Baharuddin, 2014). A study conducted in Nigeria attributed lack of independence and

insufficient internal auditors to ineffectiveness of internal audit (Madibbo, 2015). According to the findings of study in Ethiopia, most organizations in Africa are plagued with several problems such as inadequate staff, unqualified staff who may possess inadequate skills and experience (Belay, 2007). A similar study pointed out that management support is critical to the effectiveness of internal audit (Cohen and Sayag, 2010). Management can demonstrate its support for internal audit by emphasizing the value of independent and objective internal auditing in identifying areas for improving performance quality and by implementing the recommendations of internal audit (Dawuda et al., (2017). A study conducted in Ethiopia reported on the impact of management support and commitment on the effectiveness of internal audit office (Aliyi, 2016). Specifically, the findings highlighted the attitude and leadership qualities of the head of the institutions as key issues that can affect success of audit work. A study by Ali et al., (2007) intimated that the internal audit system is liable to fail due to lack of management support and encouragement. This sentiment is also echoed by Ahmad et al., (2009) who stated that insufficient support from senior management leads to ineffectiveness of the internal audit work. Additionally, Baharud-din, et al., (2014) reports a significant positive association among the factors such as auditor competency, auditors

‘independence, objectivity and management support. Independence of Internal Audit according to Chun (1997) is the core of auditing. This entails that; an internal auditor ought to be independent of both the personnel and operational activities of an organization. The primary responsibility of internal audit is the provision of independence over internal control systems in the public sector entities (Internal Audit Guidelines, 2008). Altamonte Springs (1999) has clarified that independence and objectivity are closely related as they involve the guaranteeing freedom to internal auditors as they carry out their functions. It therefore implies that internal auditors should conduct audit work without fear or favor (Aliyi, 2016).

According to Baharud-din (2014), competency influences efficiency of the auditor, effectiveness of the internal audit and the quality of the audit work done in an organization. Competent internal auditors have the ability to conduct a systematic and disciplined audit to enhance the effectiveness of internal audit (Aliyi, 2016). Academic level, experience, skill and continuous professional development are all used to measure competency (Baharud-din, 2014). In fact, competency relates to the capacity of an auditor to execute their responsibility professionally based on traits such as educational level, experience and continuous professional development. Another study was carried out by Mihret and Yismav (2007) on internal audit effectiveness in the Ethiopian public sector. Based on the findings of this study, it was found that the internal audit office of the organizations studied had low technical staff

proficiency and high staff turnover, which limited its capacity to provide effective service to the management. Furthermore, it was also found that most employees had a short-term employment contract and needed to upgrade their competencies to enable them to provide the expected high-quality service. It has been suggested that internal audit offices are more effective in the presence of sufficient staff with requisite competencies (Unegbu & Kida, 2011)

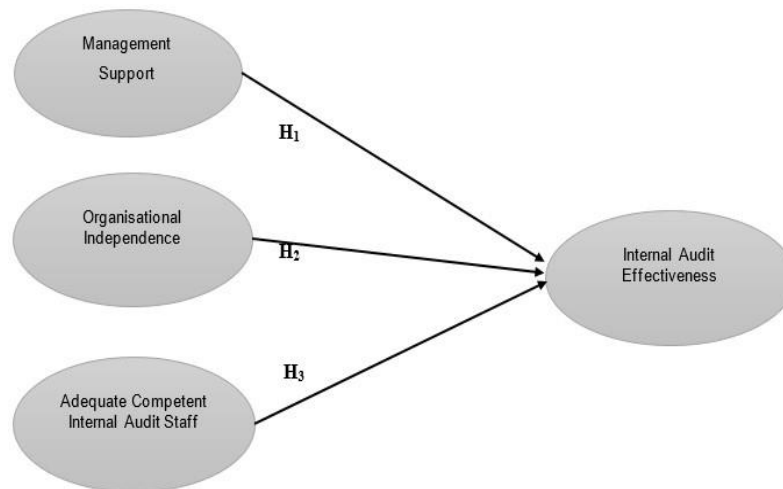
5.0 THEORETICAL AND CONCEPTUAL FRAMEWORK

For this cause, it must be accentuated that it is challenging to establish the existence of any interest discrepancy that may exist between managers and the public at large. Similarly, Watts and Zimmerman (1990) study indicated that neoclassical economics postulates that the organizational phenomena are driven by individuals' pursuit of self-interest maximization. In other words, neoclassical economic theories do not provide sufficient potential to explain the development of internal auditing in different settings (Mihret et al., 2010). The aforementioned views are also criticized by institutional theories that hold that individual behaviour, whether as a product consumer or producer, cannot be separated from the social environment in which it happens. According to Barley and Tolbert (2017), the institutional framework recognizes ethnic and socioeconomic variables as having a considerable effect on decision making (Mihret et al., 2010). Based on this assumption, Mihret et al. (2010) used DiMaggio and Powell's (1983) institutional theory, namely the circuit of industrial capital. Institutional theories primarily serve as the foundation for investigating organizational phenomena in the context of broad social, political, and economic settings. More importantly, they can provide insight into internal auditing processes as a component of organizational systems and provide light on the link between internal auditing and the achievement of the firm's aims (Mihret et al., 2010). Having established the theoretical background, this study seeks to embed the research problem in a theoretical and conceptual framework. The framework emanates from the agency theory, institutional theory, the policeman theory and Resource Based View theory. Hypotheses are then developed and operationalized before concluding this chapter.

A conceptual framework is a set of theories and broad ideas that help a researcher to properly define and identify the problem under investigation. Therefore, the implication of the conceptual framework below is that management support, organizational independence, and adequate competent internal audit staff may have significant effect on internal audit effectiveness. In line with the agency theory and institutional theory, this research was guided by the research conceptual framework in Figure 2.1 below. The Conceptual framework was adapted from Mihret and Yismaw (2017) and Cohen and Sayag (2010) and further modified. It is worth adopted as there has been no literature that has been found on this study undertaken

in the Zambian context and it's repeatedly mentioned by different scholars which emphasizes its significance in the adoption of the effectiveness of Internal Audit.

Figure 1: Conceptual framework



Source: Author 2021

6.0 RESEARCH METHODOLOGY AND DESIGN

This study employed a quantitative survey research design. Instead, the researcher can try to characterize trends in a huge community of people. A survey is a useful method to utilize in this scenario. Survey designs are procedures in quantitative research in which the researcher administers a survey or questionnaire to a small group of people. The study population consisted of 22 government ministries with a total of 270 internal audit members. The study population was calculated by multiplying 22 ministries by the maximum number of internal auditors in each ministry (10*22), yielding 220 internal auditors plus key informants and directors of finance who are important users of the Internal Audit function coming up with study population of 300 respondents. The sample size comprised of 172 respondents; it was scientifically determined using the formula; $n = \frac{N}{1 + N(e^2)}$ where n = the sample size, N = the population size of internal audit staff - 300, e = the acceptable sampling error, *95% confidence level and $p=0.5$ is assumed. Primary data was collected by way of administering a survey questionnaire while secondary data was collected form ministry of finance website and newsletters, Auditors general reports, google scholar and central statistics office. The Statistical Package for Social Sciences (SPSS) and Microsoft Excel were used where data was

scored and coded on a 5-point Likert scale to facilitate data analysis. In respective applications, frequency tables and graphs (charts) were handled. In addition, descriptive statistics was used to summarise the overall trend of tendencies in the data, providing an understanding of how varied the scores might be and provide insight into where one score stands in comparison with others (Saunders, Lewis and Thornhill, 2009)

7.0 DATA ANALYSIS AND INTERPRETATION

The first point of interest was to establish if at all public institutions in the study have audit committees to which 90.7% positively indicated having established and active audit committees and while the remaining 9.3% indicated no or ignorant about the existence of any audit committees.

7.1 Management Support

The findings show that top management support significantly affects the performance of internal audit effectiveness shows that the effect was high, at a composite mean of **3.46976** and standard deviation of **0.9353006**. These findings are compelling enough to reject the first null hypothesis which states that management support has no significant effect on internal audit effectiveness. The hypothesis was tested and verified further using the chi-square test and the results were significant, there were actual differences between the expected and observed results. This leads to reject the null hypothesis.

7.2 Organizational Independence

The findings on the effect of organizational independence on internal audit shows that the effect was high, at a composite mean of **3.4767** and standard deviation of **0.9391**. These findings are compelling enough to reject the second null hypothesis which states that organizational independence has no significant effect on internal audit effectiveness. The hypothesis was tested and verified further using the chi-square test. There were actual differences between the expected and observed results. This leads to the rejection of the null hypothesis.

7.3 Adequate Competent Internal Audit Staff

The study findings revealed the existence of adequate competent internal audit staff has been moderate, at a composite mean of **2.8418** and standard deviation of **1.0071**. The obtained results are not compelling enough to reject the third hypothesis which states that there is no significant level of adequacy of competent internal audit staff in the public sector. Thus, the null hypothesis is accepted. The hypothesis was tested further using the chi-square test. There

were no real differences between the expected and observed results. As such, the null hypothesis is accepted as three items were insignificant except for item two which were statistically significant.

7.4 Discussion of Findings

Objective 1: To find out the extent of management support on internal audit effectiveness.

With the aid of chi-square and descriptive statistics, the findings of the study show that there is low management support towards the function of internal audit in the public sector. This means that internal audit effectiveness can be improved through their support in terms of continuous training for their internal audit staff, ensuring availability of resources that internal audit staff needs and by facilitating access to necessary documents, information and data for audit work. According to the responses, the primary issue confronting the internal audit function was a lack of support and commitment from top management. This finding is concerning because it shows that many internal auditors in the public sector may not receive appropriate assistance from top management to carry out their duties. Inadequate support from top management will impede the internal audit function's ability to fulfill its aims and objectives. This is due to the fact that the recognition and appreciation of an organization's internal audit function is heavily reliant on the support they receive from top management.

In relation to other scholars, the findings are in line with the findings of Bromilow and Berling (2005) and DeZoort (2002) who state that auditors should have adequate support from relevant parties in order to achieve their objectives and be able to function optimally. Additionally, Administrative support includes scheduling of meetings, developing agendas, distributing advance materials before meetings, producing drafts of minutes, and interfacing with members of management as needed to respond to the committee's questions" (Bromilow & Berlin, 2005). Mihret and Yismaw (2007) and Cohen and Sayag (2010) found that top management support was the critical determinants of Internal Audit Effectiveness in audit function and the commitment to strengthen Internal Audit through hiring proficient audit staff, developing career channels for Internal Audit staff and providing Internal Audit work independence. Furthermore, Cohen and Sayag (2010) management support, especially in relation to provision of proficient internal audit staff, career development and independence of internal auditors as vital to the effectiveness of internal audit.

Objective 2: To determine the level of independence of internal audit in the public sector.

The study also found that the level of organizational independence in the public sector was low, with Internal Auditors being interfered with in the performance of their tasks. Environments in which audit professionals feel scared and frustrated, on the other hand, impair the quality of audit reports and result in ineffective audits. Auditors should be sufficiently independent from those they are obliged to audit in order to execute their task without influence and, equally importantly, to be seen to do so. Organizational independence, when combined with objectivity, helps to the correctness of the auditors' work and offers employers confidence that they can rely on the results and the report. (Cohen and Sayag, 2010). The independence of the internal audit activity, which allows them to carry out their job freely and objectively, is accomplished by their organizational standing and objectivity, according to the Institute of Internal Audit (2014). It is also suggested that "internal auditors should have the backing of top management and the board in order to acquire the cooperation of engagement clients and do their work free of interference" (IIA, 2014). Bou-Raad (2000) argued that the strength of an IA department must be assessed with respect to the level of independence it enjoys from management and from operating responsibilities.

Objective 3: To assess the level of internal audit Technical competency and skills in the public sector

In attempting to evaluate the level of adequacy of competent internal audit staff in the public sector, the findings revealed that the internal audit offices of the sampled ministries and parastatals had poor technical staff proficiency, limiting their potential to deliver effective and efficient audits. The vast majority of them were not accredited by the Institute of Internal Auditors. The study findings are consistent with the findings of a study done in Ethiopia by Belay (2017), which demonstrated that most African companies face a variety of issues, including insufficient employees, unqualified staff, and staff with insufficient skills and experience. Furthermore, Ahmad et al. (2009) conducted a research on the efficacy of internal audit in the Malaysian public sector, using a basic percentage as the data analysis tool, it was discovered that a shortage of audit employees was a key hindrance to successful internal auditing.

8.0 CONCLUSIONS AND RECOMMENDATIONS

8.1 Conclusion

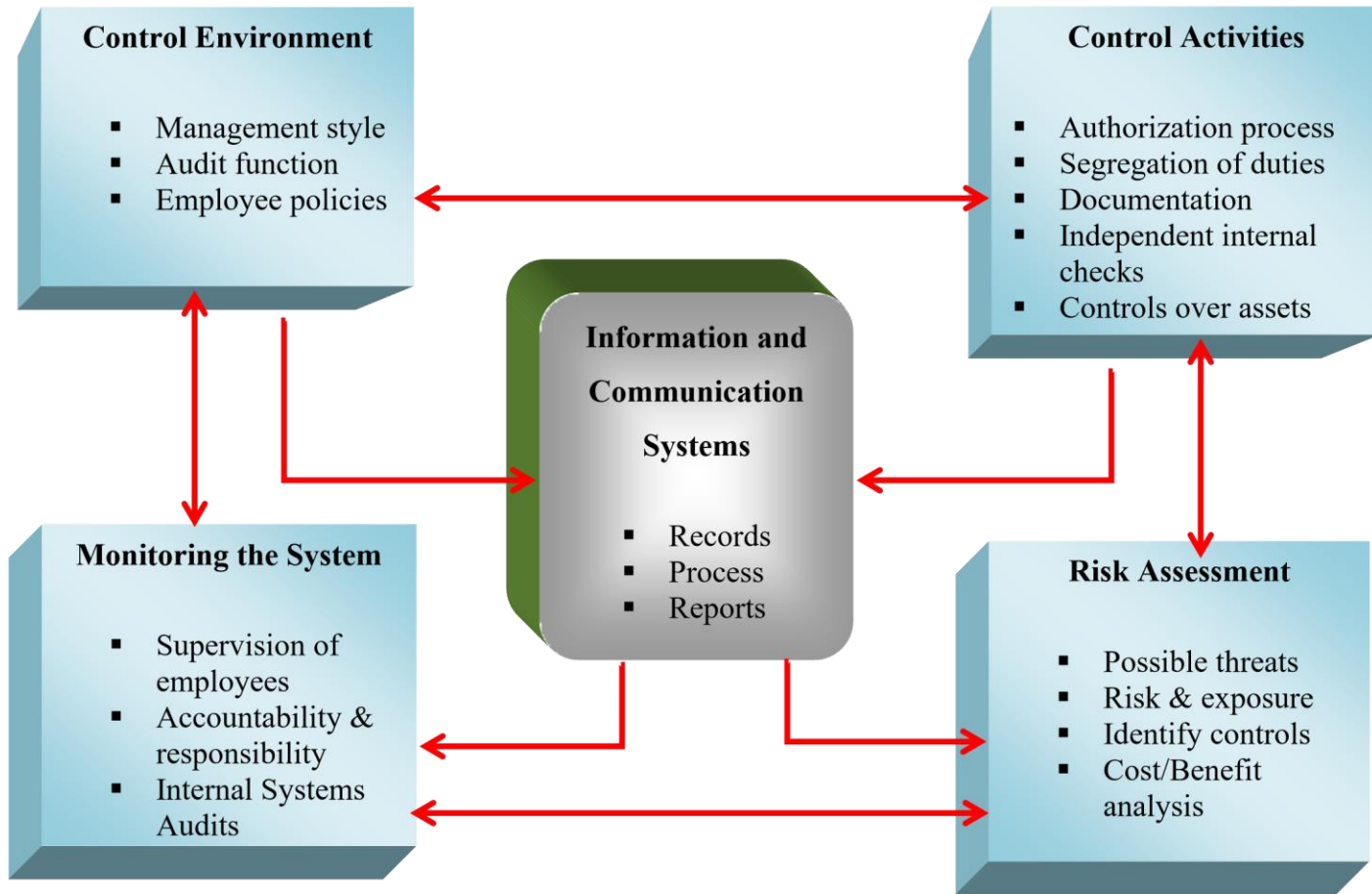
According to the findings and in accordance with the objectives, the study discovered that there was limited support from top management in the public sector, as they did not exhibit

complete support and commitment to the activities of the internal audit unit. Further, the study found that there was low or no organizational independence of internal auditors. The independence of the internal audit activity, which allows them to carry out their job freely and objectively, is accomplished by their organizational standing and objectivity, according to the Institute of Internal Audit (2014). Therefore, internal auditor should have the backing of top management and the board in order to acquire the cooperation of engagement clients to do efficient and effective audits free of interference. It was also discovered that the internal audit offices of the sampled ministries and parastatals had poor technical staff proficiency, limiting their potential to deliver effective management service. The vast majority of them were not accredited by the Institute of Internal Auditors. Finally, the study found all three factors namely; management support, organizational independence, and a lack of adequate competent internal audit staff have significant impact on the effectiveness of internal audit in the public sector:

8.2 Recommendations

Firstly, the researchers propose a Committee of Sponsoring Organizations (COSO) model of internal control in figure 2 below to give a complete framework to aid the operation, reporting, and compliance of the public sector, as well as to strengthen the internal audit system.

Figure 2: Proposed COSO Model



Source: COSO 1992 Model of Internal Control

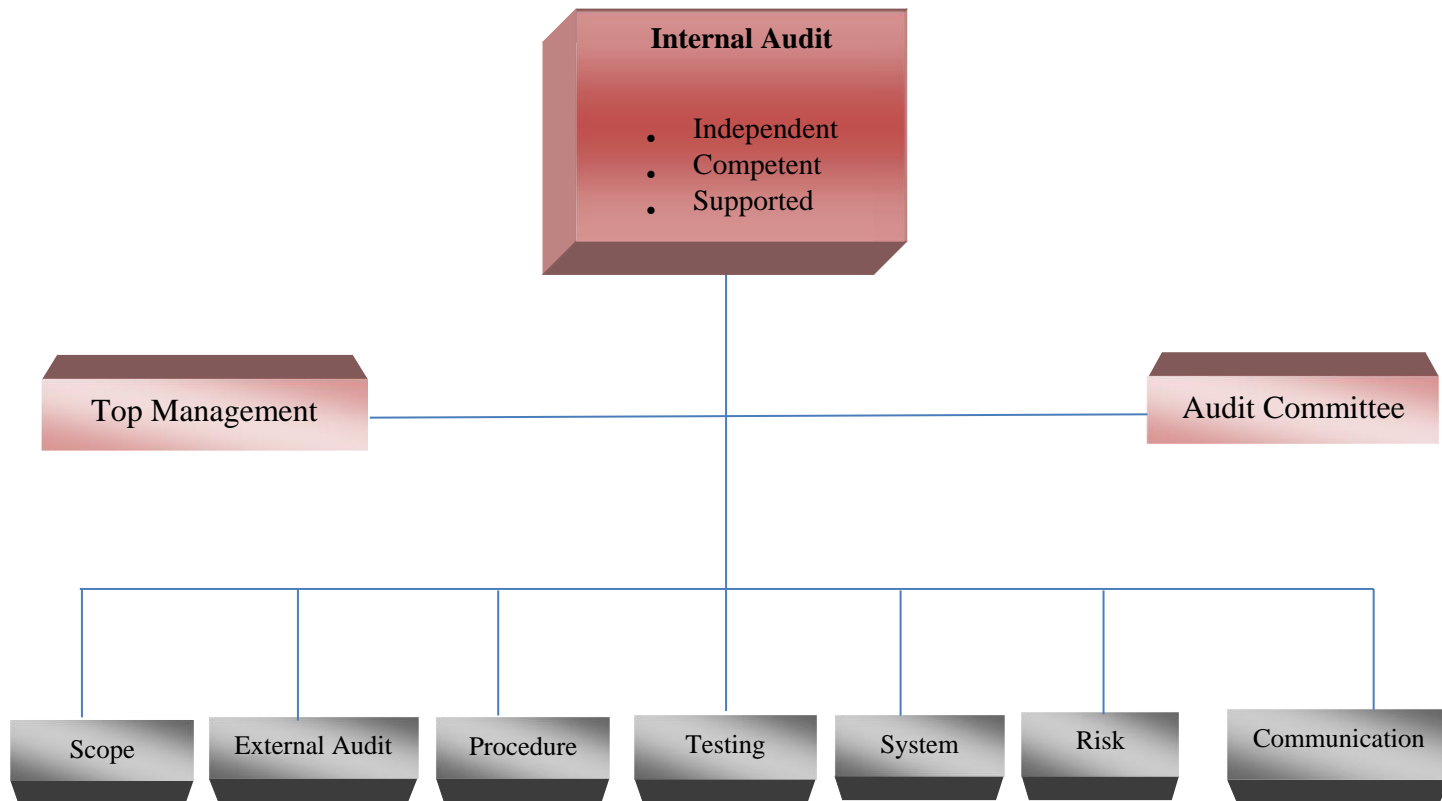
The researchers designed the framework based on the borrowed concepts of the COSO 1992 model of internal control and its guidelines. In the United States, it is a body made up of numerous accounting, auditing, and executive groups. This body conducted a study on internal fraud controls, which has since become widely accepted as a theoretical guideline. The study proposes this framework to drive audit work and quality operations in government ministries and other expenditure bodies. Internal controls will be identified, examined, and tested by auditors during the audit to verify whether these processes achieve their intended purpose and are applied consistently and reliably.

The COSO model is implemented on an internal control system and revolves around five factors: control environment, control activities, risk assessment, information and

communication systems, and monitoring system. The COSO 1992 Framework has acquired widespread and ongoing recognition as a foundation for effectiveness in the auditing field. It provides a valuable framework for planning, implementing, and assessing internal control and audit activities in the public sector. The proposed strategy design for the COSO model, if accepted by the government, will aid in providing a complete framework for monitoring the internal audit system, as well as increasing accountability and audit quality. With this in mind, the ultimate goal is to improve the effectiveness of internal audit in the public sector.

Secondly, the researchers recommend a proposed audit framework in figure two below. The goal is to conceptualize the established internal audit guidelines and to improve the quality of public sector auditing by strengthening the internal audit function within the established internal audit systems and further address the operational and administrative challenges for the effective operation of the internal audit function in the public sector. The model design contains the identification of relevant functional interactions and their cause-effect relationships which are a key element to achieve the strategic goal of effective and efficient internal audit. The key focus on adoption and implementation should be the ability to tailor the framework to the current and future needs of the public sector internal audit. Further, it must establish the current state of affairs in as far as the public sector internal audit performance is concerned. Once the current state and desired end state have been established, the next phase of implementation should be to conduct a gap analysis, identifying the key audit assignments and key performance indicators required to close the gap between current and the desired end state. The resultant should be a robust and effective internal audit system.

Figure 3: Proposed Audit Framework



Source: Author 2021

Components of Proposed Internal Audit Framework

Internal audit: should be a primary source of information on the performance of public sector operations for both the Audit Committee and top management. As a result, it is critical that they are independent, capable, and equipped with the tools they need to do their duties. Internal audit should have the backing of management and the Audit Committee in order to acquire the cooperation of the audit client and complete its task without hindrance.

Top Management: The management system, culture, and set of values meant to guarantee that government ministries are managed efficiently and effectively with suitable policies and procedures that foster the attainment of the government's overall goals and objectives.

The Audit Committee: should be involved in assessing the scope on a regular basis to ensure that it is kept up to date. It serves as a communication hub for management, internal audit, and external audit. As a result, they examine the performance of internal audit.

Audit Scope: This serves to offer assurance to the Audit Committee about the controls applied by management. It should include an investigation and assessment of the adequacy and efficacy of the government's internal control system, as well as the quality of performance in carrying out assigned obligations.

External Audit: If the Audit Committee and Internal Audit have a solid connection with external audit, they will have crucial data of the efficacy of the government's risk, control, financial reporting, and legal framework. This will also make it easier for external audit to depend on internal audit's information and reports.

Procedure: Internal audit should help the government accomplish its goals by holding people accountable and evaluating the procedures that lead to those goals being met.

Systems: It is the responsibility of appropriate top management to operate internal control systems. Internal audit should analyze the adequacy and efficacy of current controls, analyzing changes in the possibility of any risk materializing, and making recommendations for their improvement.

Communication: Because internal audit is a source of information for both management and the Audit Committee, it is critical that open channels of communication be created and maintained between internal audit and the Audit Committee. Internal audit should properly explain the outcomes of their work so that the Audit Committee and management can comprehend them.

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