

Analysis of the Challenges of Internal Auditing in Strengthening Corporate Governance in Public Sector Organizations in Zambia

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Abstract

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations (Kahn, 2005). According to Marxist theory, internal auditing is viewed as an independent assurance activity designed to protect the integrity of and contribute to the expansion of the circuit of industrial capital so that the surplus value in products might be fully realized through their sale and that capital might not go to waste, which helps an organisation accomplish its objectives by bringing a systematic approach to evaluating and improving the effectiveness of its risk management, control, and governance processes (Marx, 1981). This study's aim was to analyze the challenges of internal auditing in strengthening internal controls in public sector organizations in Zambia: A case study of the Ministry of Education. The specific objectives of the study were to examine the role of internal auditors in strengthening internal corporate governance in the public sector in Zambia, to determine factors that pose challenges in corporate governance in the public sector in Zambia, and to assess the independence and competence of internal auditors in strengthening corporate of public sector in Zambia. The researcher adopted a mixed approach and employed qualitative and quantitative research designs. Stratified simple random sampling is suitable for the quantitative phase because the Zambia MoE workforce is heterogeneous, consisting of multiple positions, departments, and stations. Stratification ensures that all key subgroups such as customer care, teaching department, accounts, logistics, and general duties staff are adequately represented in the sample. The research comprised questionnaires and interview schedules. The questionnaires were used because they are the main means of collecting quantitative primary data. The questionnaires enabled quantitative data collected in a standardized manner to ensure the data is consistent and coherent for the analysis. From the findings, the study concludes there are significant concerns regarding the independence of internal auditors from internal pressure within the Ministry of Education. A substantial proportion of respondents, 35.4%, indicated that internal auditors are perceived to experience internal pressure that may influence their audit work, findings, and recommendations. Furthermore, findings indicate that a majority of respondents (63.4%) perceive internal auditors as capable of using control assessment and risk analysis techniques, with 46.2% agreeing and 17.2% strongly agreeing. Furthermore, the mean score of 3.64 and a median/mode of 4 reflect an overall positive perception of the auditors' competencies. Pearson correlation analysis between internal auditors' knowledge of modern technologies and their access to records and information showed a very weak positive correlation ($r = 0.081$, $p = 0.112$), which was not statistically significant. This indicates that technology knowledge is not significantly associated with cooperation or access to information in this context." Pearson correlation analysis between internal auditors' knowledge of modern technologies and the adequacy of the internal audit department's staffing revealed a very weak positive correlation ($r = 0.039$, $p = 0.447$), which was not statistically significant. This suggests that auditors' technology skills are not associated with the number of employees in the department." It depicts a very strong, statistically significant positive correlation between the availability of necessary resources for auditing activities and the consideration of internal auditors' reports in management decision-making and internal controls ($r = 0.904$, $p < 0.01$). This indicates that better resourced auditors are more likely to have their reports taken seriously by management.

Keywords: Internal Auditing, Corporate Governance, Ministry of Education, Public Sector

1. Introduction

Internal Auditing is defined as an independent, objective assurance and checking activity designed to add value and advance an organization's operations involving an independent examination of records and systems to evaluate the effectiveness and adequacy of internal control systems in an organization (Sawyer, 2003). This means that the key factor of internal auditing includes its effectiveness whose importance is to make an organization achieve its objectives such as proper accountability of funds.

To achieve effectiveness demands independence of the internal auditors, good relationship between management and the internal auditors, as well as management support. (Beelde and Sarens, 2007) This means that for the internal auditors to effectively add value to the organisation's operations, they should have the necessary freedom to discharge their duties without interference or influence. They should also be able to interact and communicate well with management on matters to do with internal audits. Management should be able to make it possible for the internal auditors to discharge their duties with ease. The assessment of the effectiveness of internal auditing is based on internal auditors' achievement of the audit objectives via identification of risks, risk assessment and mitigation of the risks identified through internal control systems recommendations. According to Savage and Cohen, some authors have associated the quality of internal auditing department to sufficient training and competence of the officers that man the internal audit department (Sayag and Cohen, 2010) This means how well trained and experienced the internal auditors are affect how effectiveness of the internal audits. According to (Mupeta,2017), historically internal auditing was perceived as being confined to merely ensuring that the accounting and underlying records to an organisation's transactions were properly maintained and asset management system was in place to safeguard the assets and to see whether policies and procedures were in place and duly complied with. The major concern of internal audits was mainly with moneys and assets. Until the mid-20th century internal auditors were primarily concerned with checking accounting records and detection of financial errors and irregularities. Internal auditing was developed in the years between 1900 to1950, however it was not until the late thirties and early forties that it became widely utilized.

Over the past years many business organizations have rapidly assumed complexity resulting to remarkable reliance on the internal audit function and management has a wider range area of control. But despite the existence of the internal audit function in organizations, it is often argued that the rate of misappropriation, misapplication and errors are still on the increase particularly in the public sector organizations. Ghazali, Rahim, Ali, and Abidin (2014), point out that internal auditors should be given the authority to handle their tasks and it is vital that they are independent of management to carry out their duties without fear or favour.

However, despite the existence of internal audit departments in public sector, there are cases of errors and fraudulent activities in the Zambian public sector. For example, the Auditor's General 2023 reviewed that there was misuse of public funds amounting to K 300,000.00 at the ministry of education. The same report for the financial year ended 2015 found a high incidence were an amount totalling K15, 648, 435 was funded to cater for Bursaries for Orphans and Vulnerable Children (OVCs) by way of sponsoring them in Secondary Schools, unfortunately the funds were applied on activities not related to the purpose for which the funds were released.

According to the auditor's report, Contrary to the Appropriation Act of 2014, amounts totalling K500,000 meant for school feeding and requisites for free primary education under the Primary Education program were used to pay advances to four (4) teachers unions, an activity not related to the purpose for which the funds were appropriated.

The Ministry of education engaged Hua Jiang Ltd to construct twenty-eight (28) schools and colleges in various parts of the country during the period 2008 to 2012. The Ministry however did not honour its obligation to pay the Contractor within 28 days of the date of certification.

As a result, the Contractor invoked article 43.1 of the contract agreement which stated that "the client shall pay the contractor the amounts certified by the Project Manager within twenty-eight (28) days of the date of each certificate. If the client makes a late payment, the contractor shall be paid interest on the late payment, in the next payment, and interest shall be calculated from the date when late payment is made at the Bank of Zambia prevailing interest rate plus 2% for each of the currency in which payment is made".

Consequently, in Contrary to the Appropriation Act of 2020, four (4) stations that received school grants in amounts totalling K1,118,993 for Early Childhood and Primary School programmes misapplied the grants on activities such as general operational expenses and payment of subsistence allowances. (Auditor General's Report 2020).

1.2 Research Objectives

The impact of globalization in the world regarding issues like cultural background and customers' needs has critically affected the audit performance. In developing economies, like Zambia, public sector represents one of the most dominant economic forces; perhaps because government constitutes the largest single business entity and her pattern of expenditure through its various ministries, agencies and departments stimulate a lot of economic activities.

The public sector, therefore, sets the economic agenda for the nation. This implies that a robust system of internal checks needs to be put in place to provide assurances that government funds are used for purposes they were meant for. One major way of achieving this is the institution of internal audit. In the absence of effective internal audit, individuals with questionable character may exploit inherent internal controls weakness to their advantage. It is argued that the historically centralized and hierarchical structure of the public sector with its complex bureaucratic procedures tend to provide some level of comfort to those entrusted with the disbursement of public funds. Consequent upon some layers of control embedded in the public sector, those responsible do not often see the need for another institutional layer (internal audit) to strengthen public assurance of accountability.

According to Belay (2007), in his study on Effective Implementation of Internal Audit function to promote good corporate governance in public sector he reveals that existing internal audit function in public sector has less satisfactory involvement to assess the effectiveness of governance structure due to lack of resources, poor leadership for internal audit function, absence of appropriate framework to measure internal audit function performance. Oseni, 2004 states the following as

challenges affecting internal auditing: unavailability of adequate accounting system, independence of the auditor, inadequate observation, influence of audit opinion through threats and gifts.

The Auditor General's report every year refers to financial scandals where huge public funds are lost and misused. This is not withstanding the existence of internal auditors in the government ministries whose mandate includes enforcement of control systems that ensures among other things curtailing of misapplication and misappropriation of public funds.

In the 2015 report of the auditor General, during the period from January to September 2015, the Ministry of Education headquarters was funded amounts totalling K15, 648,435 to cater for Bursaries for Orphans and Vulnerable Children (OVCs) by way of sponsoring them in Secondary Schools. The funds were to be remitted to Provincial Education Offices (PEOs), District Education Board (DEB) offices, Skills Training Centres, Secondary Schools, and Churches. However, the funds were applied on activities not related to the purpose for which the funds were released. Consequently, as of August 2016, the funds had not been remitted to the intended beneficiaries. Additionally in 2024, The Ministry of Education irregularly facilitated the engagement of Alliance Procurement and Capacity Building Limited (APCBL), a private limited company, for the provision of consulting services to public schools, colleges and universities in financial and records management, e-GP, risk management among others without subjecting the process to any form of procurement procedure. The total expected value of the participation fees was K25,692,700. In this regard, selected schools contributed amounts totalling K2,808,504 as participation fees. However, the payments to APCBL by the schools lacked appropriate supporting documents such as invoices and proof of performance. This study will seek to analyze the challenges of internal auditing in strengthening corporate governance in public sector organizations in Zambia.

2. Literature Review

2.1 Previous Studies

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations (Kahn, 2005). According to the Marxist theory, internal auditing is viewed as an independent assurance activity designed to protect the integrity of and contribute to the expansion of the circuit of industrial capital so that the surplus-value in products might be fully realized through their sale and that capital might not go to waste which helps an organisation accomplish its objectives by bringing a systematic approach to evaluating and improving the effectiveness of its risk management, control, and governance processes (Marx, 1981). The objective in assessing the internal audit function is to evaluate its effectiveness by considering the organisational independence and objectivity that allows the internal audit activity to fulfil the nature and scope of its work program and the procedures for communicating results unencumbered from external interference. Arguments by Kahn (2007) indicate that internal audit mechanism evaluates the effectiveness and independence by considering: (i) the nature and scope of work programs and past audits; and (ii) the existence of audit oversight, preferably in the form of an independent audit committee or similar board committee.

2.2 Historical Background of Internal Auditing

Historically, the origin of auditing goes back to times scarcely less remote than that of accounting. According to Brown (1905) whenever the advance of civilization brought about the necessity of one man being entrusted to some extent with the property of another, the advisability of some kind of check upon the fidelity of the former would become apparent.

As far back as 4000 B.C., historians believe, formal record-keeping systems were first instituted by organised businesses and governments in the Near East to allay their concerns about correctly accounting for receipts, disbursements and collecting taxes. Similar developments occurred with respect to the Zhao dynasty in China (1122-256 B.C.).

The need for and indications of audits can also be traced back to public finance systems in Babylonia, Greece, the Roman Empire and the City States of Italy, all of which developed a detailed system of checks and counterchecks. Specifically, these governments were worried about incompetent officials prone to making bookkeeping errors and inaccuracies as well as corrupt officials who were motivated to perpetrate fraud whenever the opportunity arose. In Canon 1284, the Bible in John chapter 12: 7-8 also contains examples of internal controls such as the dangers of lack of honest employees and dual custody of assets. The need for competent and honest employees, restricted access, and segregation of duties (O'Reilly et al., 1998). Then, the emergence of double-entry bookkeeping in circa 1494 A.D. can be directly traced to the critical need for exercising stewardship and control.

Around the turn of the 20th century, the establishment of a formal internal audit function to which these responsibilities could be delegated was seen as the logical answer. In due course, the internal audit function became responsible for "careful collection and interpretive reporting of selected business facts" to enable management to keep track of significant business developments, activities, and results from diverse and voluminous transactions (Mautz, 1964). Companies in the railroad, defence, and retail industries had long recognised the value of internal audit services, going far beyond financial statement auditing and devoted to furnishing reliable operating reports containing nonfinancial data such as "quantities of parts in short supply, adherence to schedules, and quality of the product" (Whittington and Pany, 1998 organisations).

2.3 Modernisation of Internal Auditing

In trying to come up with more controls, there came in internal auditing as a measure of controls. Expert practice of internal auditing was born around 1941. Two important benchmarks that transpired during that year were the publication

of the first internal auditing book, Victor Z. Brink's *Modern Internal Auditing* (Brink, 1988), and the formation of the Institute of Internal Auditors (IIA) (Gay and Simnett, 2007, p.687). Since 1941 the IIA, for its part, had done much to enhance the professional stature of internal auditors, by undertaking actions and programmes such as approving and issuing a statement of responsibilities, researching and developing a common body of knowledge, setting up continuing education and professional certification programmes, making and adopting standards for the professional practice of internal audit and establishing a code of ethics (Brink, 1988). In sum, the collective effect of growing transaction complexity and volume, the owner's, manager's or principal's remoteness from the source of transactions and potential bias of research opportunities in internal auditing (Stewart and Subramanian, 2008).

The Institute of Internal Auditors Research Foundation reporting parties, technical expertise required to review and summarise business activities in a meaningful way, need for organisational status to ensure independence and objectivity, as well as the procedural discipline necessary for being the "eyes and ears" of management all contributed to the creation of an internal audit department within business (Mutchler, 2003). It can therefore be argued from the above that many activities are being undertaken to enhance professionalism among internal auditors which does not preclude those in government ministries or even provinces and spending agencies in Zambia.

2.4 Internal Auditing in Zambia

In Zambia the internal auditing departments in Ministries, Provinces and Spending Agencies is superintendent by the department of the Controller of Internal Audit based at Ministry of Finance. This 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. The main goal of the Department is to promote accountability in all Government Ministries, Spending Agencies and statutory bodies. In appreciating the role that internal audit plays in Zambia a number of reforms and changes have notably been experienced including the formulation of the Public Finance Management Act of 2018 and the upgrading of the position of Controller of Internal Audit to that of the Permanent Secretary giving the position more authority, powers and a senior status. Elevating the position also meant ensuring that financial control measures were strengthened so that irregularities were nipped in the bud before they bloom into the worrisome figures in the audit reports. This stemmed from observable mismanagement of public funds in some Ministries parastatal bodies and other statutory institutions by respective controlling officers which are exposed and condemned by well-meaning citizens' every year.

Over the past years, the Auditor General's reports also reveal grave financial irregularities and sometimes embezzlement by individuals entrusted with the responsibility to ensure taxpayers' money is used for intended purposes and lifts the poor out of poverty. For example, the Auditor General's report, released over the years indicated an increase in misapplication of funds. Admittedly, misapplication does not mean embezzlement but rather spending on something that may not have been budgeted for. Indeed, some controlling officers find themselves in difficult situations because of inadequate funding of their ministries or institutions, but it ought to be known that one cannot redirect resources without approval from the Ministry of Finance. Among many demands from the public and other concerned stakeholders has been the need to ensure that controlling officers spend according to well-stated financial regulations. Government has also been awake to the fact that, in order to achieve this, as well as to seal all existing loopholes, measures ought to be put in place to proactively deal with the problem in terms of preventive rather than reactive strategies against misapplication and embezzlement of public funds.

However, as regards oversight role of internal auditors, there is no independent audit oversight arrangements in Zambia. Auditors in Zambia are regulated by the Zambia Institute of Chartered Accountants (ZICA). ZICA was established under the Accountants Act of 1982 that was subsequently repealed and replaced by the Accountants Act of 2008. According to the Act, ZICA is responsible for setting corporate auditing standards, establishing initial and continuing professional development requirements and accrediting tertiary education providers, setting ethical requirements, carrying out quality assurance reviews for its practicing members, maintaining a registry of its registered and practicing members and establishing an investigative and disciplinary system for its members as part of public interest considerations.

In order to provide auditing services to the general public, individuals must hold the Chartered Accountant (CA) designation, apply for ZICA membership, and then be issued a registration certificate. Once registered as CA, individuals must apply for an audit practicing certificate. Practitioners must renew their certificates on an annual basis.

In addition, financial sector regulators set additional requirements for auditors that provide services for entities under their supervision. For example, the Insurance Act stipulates that annual audit must be conducted by an independent auditor that is registered and holding a ZICA practicing certificate and approved by the Pensions and Insurance Authority. The Bank of Zambia also approves appointments of auditors for banks and will only approve auditors who are registered, possess practicing licenses, and have the capacity to audit the particular bank. The Bank also requires the rotation of engagement partners for every three years and limits the engagement period to ten years. Lastly, the Securities Act of 2016 and Lusaka Stock Exchange Listing Rules require auditors of listed companies to be practicing members of ZICA. This does not suggest that internal auditors have to undergo this process but applies to those who would want to set up their own audit firm. However, it is also important to mention that due to the dynamic nature of the auditing environment qualification such as that above including ACCA, CIMA and other related qualifications is important (ZICA, 2016)

In addition to ZICA regulations, the Institute of Internal Auditors Zambia (IIA Zambia) was registered in Zambia under the Societies Act of 1998 and currently chaired by the Controller of Internal Audit. IIA Zambia is an affiliate of The

Institute of Internal Auditors. The Institute has over 300 members in both the public and private sectors, with potential to grow exponentially over the next five years. Established in 1941, The IIA is the global voice, recognised authority, acknowledged leader, chief advocate, principal educator, and standard-setter for the internal auditing profession worldwide with more than 180,000 members in more than 170 countries and territories whose mission is to provide dynamic leadership for the country's profession of internal auditing (IIA, 2014).

Objectives in support of this mission include providing exceptional service to IIA members and not limited to being recognised as the global voice for the internal audit profession. It also includes developing and sustaining the internal audit profession at the local, regional and international levels, advocating and promoting the value that internal audit professionals add to their organisations. Further, it includes providing comprehensive professional education and development opportunities, standards and other professional practice guidance and certification programs, researching, disseminating, promoting practitioners and stakeholders' knowledge concerning internal auditing and its appropriate role in control, risk management, governance and educating practitioners and other relevant audiences on best practices in internal auditing. Furthermore, it includes bringing together internal auditors from all countries to share information and experiences.

Public Finance Act No. 15 of 2004 provided for the formation of Audit Committees in all ministries, provinces, and spending agencies (MPSAs). However, though formed in the MPSAs, most of the Audit Committees have not been operational.

Therefore, the Audit Committees have not provided the required oversight to enhance Corporate Governance in the MPSAs. The common internal control weakness observed in most MPSAs include failure to collect revenue due to government, failure to undertake projects for which contractors were paid for, floating of procurement procedures, deceased officers from the payroll, and misapplication of funds among others. The responsibilities for effective internal auditing normally rest on with the internal auditors who in turn rely a great deal on the soundness and effectiveness of internal control system.

Although there have been some improvements in financial management in the MPSAs because of measures the government has put in place, weak internal controls were observed in certain operations in the MPSAs (Auditor's general report 2021). Retired workers have emerged on the government payroll, misappropriation of revenue from sale of government houses, late payment of workers' salaries resulting in industrial unrest just to mention a few, has been a result of weak internal controls.

Effective management of public funds can be achieved in government ministries and departments if internal controls are strengthened. The Chartered Institute of Public Finance and Accountancy (CIPFA) "statement on the role and objectives of Internal Auditors" defined internal control as "the system of control and methods, both financial and otherwise, which are established by management to safeguard its assets, ensure reliability of records, promote operational efficiency, and monitor adherence to policies and directives (CIPFA 1979).

During the years 2014-2016 internal control systems in the government ministries and other spending agencies have been so ineffective as evidenced by numerous financial irregularities lapses instances; misappropriation and misapplication of public funds, petty and general irregularities, unauthorized expenditure, reported by the Auditor General Reports (2014-2016).

2.5 Corporate Governance

Good corporate governance is well-defined by Forum for Corporate Governance, Indonesia (FCGI) as a set of guidelines that govern relations between stakeholders, company management, the government, creditors, employees, interior and exterior parties linked to rights, in more direct terms, a system that panels the corporation. According to Mulyani et al. (2021), strong corporate governance is a system that maintains fair production and distribution to all stakeholders who have an impact on firm success. Several variables that contribute to the effectiveness of the process of implementing excellent corporate governance promote its implementation. The effectiveness of excellent corporate governance is dependent on internal audit, moral leadership, and effective information systems. (Mulyani et. al, 2021).

2.6 Theoretical Framework

The Agency Theory

The study was directed and anchored by the following theories: agency theory, stakeholders' theory and stewardship theory. Meckling and Jensen (1976) studied the concept of a corporation and explained that the agency relationship is a contract whereby people engage other individuals in order to perform different service on their behalf. The scholars who proposed explicitly, for this theory to were Stephen Ross and Barry Mitnick stating that management support and independence for a company can be effective.

Ross is the scholar responsible for coining the economic theory of agency, meanwhile Mitnick pioneered the institutional theory of agency. Ross was the first to introduce the study of agency regarding complications of compensation contracting. Mitnick (2006), defined the awareness in which companies form around agency, and that the companies also grow and change to deal with agency which responds to the indispensable failures relating to agency relationships. The conduct will not occur because even if it is preferred by the principal but it does not pay to make it perfect. People form institutions and provisions which sort out the different types of imperfections by way of managing or buffering them, adapting them, or being distorted the imperfections. Therefore, to entirely comprehend agency, we need both the incentives and the

institutional structures (Mitnick, 2006). From an agency perspective, the importance of robust governance arises from the need to align the interests of management with other shareholders in the firm to reduce agency costs and increase the internal audit department effectiveness.

In order to enhance corporate governance, several methods can be established to gauge managements' commitment and these include instituting an independent board of directors, an independent chairperson to the board, and an effective audit function. Davidson, Goodwin-Stewart and Kent, (2005) define the multifaceted relations between these governance mechanisms as the corporation governance montage.

Stakeholders Theory

Stakeholder theory featured in the management discipline of the 1970's. It was later advanced by Freeman (1984) who incorporated corporate accountability and responsibility to different stakeholders. Wheeler et al, (2002) arguments on stakeholders' theory coined combinations of sociological and structural elements. Stakeholders' theory is however more of a wide researcher theory. This is because it incorporates philosophy, ethics and political theory. It also includes other disciplines like organizational science.

According to Freeman (1999), a stakeholder is any group directly attributable to a certain organization's achievements. It is unlike agency theory where managers work and serve stakeholders. Stakeholder theorists propose that all companies have a well laid out network of stakeholders to serve including merchants, employee personnel and other business partners. He also explained that the group of networks is crucial other than ownership-management-employee relationship which is in the agency theory.

According to Ansoff (1965), set goals might be attained through harmonizing the contradictory welfares of the several stakeholders. Hence, a central facet of stakeholder theory is to recognize that other parties besides the shareholders of a company are also important and that the organization owes them a fiduciary duty to maximize their interests as well. All stakeholders are pertinent if their outlay has been subjected to any form of risk through the business operation (Clarkson, 1995). Therefore, the ethical viewpoint of stakeholder theory is that all stakeholders have a right to fair treatment, and that managements' main objective should be to maximize stakeholder value by minimizing costs at Zambia Breweries through internal audit, enhancing employee satisfaction and contributing to the wellbeing of the society from which it draws its resources. (Deegan, 2004).

2.7 Conceptual Framework

This section provides the framework or model of relations between the internal audit and good corporate governance.

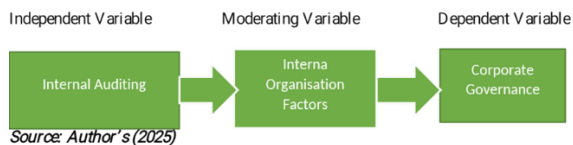


Figure 1: Conceptual Framework

Operationalization of Variables (Conceptual Framework)

This study is anchored on the relationship between Internal Auditing Practices (Independent Variable) and Enhancing Corporate Governance (Dependent Variable) within the Ministry of Education (MoE). The framework integrates theoretical insights from Agency Theory to Stakeholders Theory in which Agency Theory explains why Internal Auditing arises while Stakeholders Theory explains how main objective should be to maximize stakeholder value by minimizing costs at MoE in Lusaka through internal audit, enhancing employee satisfaction and contributing to the wellbeing of the society from which it draws its resources.

Independent Variable (IV): Internal Auditing Practices

The Institute of Internal Auditors (2020) explains internal audit as a liberated consultant practices and impartial aimed to uplift the importance and advance an entity's operations. These practices include:

- Risk management, – Aimed at risk governance procedures control sufficiency Sutawikara et al. (2021).
- Moral leadership -The effectiveness of excellent corporate governance is dependent on internal audit, moral leadership, accountability (Mulyani et. al, 2021).
- Effective information systems- The effectiveness of excellent corporate governance is dependent on effective information systems (Mulyani et. al, 2021).

Dependent Variable (DV): Corporate Governance

Good corporate governance is well-defined by Forum for Corporate Governance, Indonesia (FCGI) as a set of guidelines that govern relations between stakeholders, company management, the government, creditors, employees, interior and exterior parties linked to rights, in more direct terms, a system that panels the corporation. According to Mulyani et al. (2021), strong corporate governance is a system that maintains fair production and distribution to all stakeholders who have an impact on firm success.

Moderating Variables

The influence of Internal Audit practices on corporate governance is shaped by key internal organisational factors:

- Leadership Support / Adaptive Leadership – Leaders facilitate or hinder IA strategies based on their willingness to encourage innovation, learning, and decentralised decision-making (Heifetz et al., 2020; Uhl-Bien & Arena, 2021).
- Organisational Culture – Flexible, learning-oriented cultures strengthen IA practices, while rigid, hierarchical cultures suppress them (Argote & Miron-Spektor, 2022).
- Resource Availability – The presence of logistical and human resources determines whether IA practices can be sustained and translated into improved outcomes.

3 Research Methodology

The research design for this study adopted a convergent parallel mixed-methods approach, which is well suited for examining the role of internal auditing in strengthening internal controls in public sector organizations; case of ministry of education in Lusaka District. Mixed-methods designs are particularly valuable when a single data type cannot fully capture the complexity of organisational behaviour and performance (Creswell & Creswell, 2018). Under this design, quantitative and qualitative data was collected concurrently, enabling the researcher to examine relationships and patterns while also exploring the meanings and experiences behind them. The quantitative component using structured questionnaires measured the prevalence and perceived role of Internal Auditing practices and their association with organisational performance. The study population for this study is Ministry of Education as an organisation within Lusaka district with about 15,656 employees according to information obtained from human resource office, 2025. The Yamane formula, developed by Taro Yamane, is a method for calculating sample size, particularly useful when dealing with finite populations according to some sources. It helps determine the appropriate sample size needed for a study based on the total population size and a desired margin of error.

Formula:

The formula is: $n = N / (1 + N * e^2)$.

Where: $n=15,656 / (1+15,656(0.05)^2)$

390 heterogenous samples

n: represents the required sample size according to some researchers.

N: represents the total population size says a statistics website.

e: represents the desired margin of error (usually expressed as a decimal, e.g., 0.05 for 5%). Stratified simple random sampling is suitable for the quantitative phase because the Zambia MoE workforce is heterogeneous, consisting of multiple positions, departments, and stations. Stratification ensures that all key subgroups such as customer care, teaching department, accounts, logistics and general duties staff are adequately represented in the sample (Saunders et al., 2019).

Quantitative data from the questionnaires will first be coded and entered into statistical software such as SPSS version 26 or Stata for eloigning and analysis, Descriptive statistics (frequencies, means. and percentages) summarised respondents characteristics and key variables, while inferential techniques such as correlation and regression tested relationships between internal audit and corporate governance outcomes (Saunders et al., 2019; Creswell & Creswell, 2018). This approach enables objective measurement of trends and patterns within the Ministry of Education.

Qualitative data obtained from key informant interviews was transcribed verbatim and analysed through thematic analysis. This involved familiarisation with the transcripts, coding, categorizing similar ideas, and developing overarching themes that reflect participants' perceptions of change practices, implementation challenges, and effects on service delivery (Braun & Clarke, 2019). Thematic analysis is particularly suitable for capturing complex organisational experiences and meanings.

4 Findings

4.1 What is the role of internal auditors in strengthening corporate governance of public sector organizations in Zambia?

The findings indicate that a majority of respondents (63.4%) perceive internal auditors as capable of using control assessment and risk analysis techniques, with 46.2% agreeing and 17.2% strongly agreeing. Furthermore, the mean score of 3.64 and a median/mode of 4 reflect an overall positive perception of the auditors' competencies. The slight negative skew (-0.381) indicates that more respondents tended toward agreement rather than disagreement. Furthermore, the study found that internal auditors have no the appropriate educational qualification, the results indicate that a majority of respondents (59.7%) were neutral regarding whether internal auditors possess the appropriate educational qualifications. The mean score of 2.68 and median/mode of 3 suggest that, on average, respondents lean slightly toward neutrality or disagreement regarding educational adequacy. The positive skew (0.500) indicates that more respondents lean toward disagreement than strong agreement. These findings agree with previous researchers who found that internal audit division requires qualified employees who collectively have the education, experience, training, and professional

credentials required to carry out the full range of audits required by its mandate. Huong (2018) agreed that a high degree of education is necessary for auditors to be considered valuable and effective human resources. An internal audit function is deemed competent, as stated by Abbott et al. (2016), when it employs internal auditors with adequate knowledge, experience, and skills. Lai and Liu (2018) stated that more competent internal leaders whom they refer to as with higher educational level are in a position to acquire and analyses relevant information. According to Bananuka et al. (2018), an internal audit becomes competent once it has the ability to assess the efficacy of internal controls and engage in risk management.

The results led the author to conclude that the internal audit function is non-functional if internal auditing staff are not competent, independent, and compliant with professional standards. In fact, the study fits into the relationship as illustrated by the conceptual framework that that effective IA is positively correlated with corporate success Abudulaziz (2022).

4.2 What are the challenges internal auditors face in strengthening corporate governance in public sector organizations in Zambia?

The study found a significant proportion (24.9%) indicating that there is no necessary resources (facilities) that help to perform auditing activities as needed, suggesting some gaps in resource availability. Furthermore, the study found that majority of respondents (41.3% disagree and 41.8% neutral) indicate that management does not consistently provide sufficient training for auditors. The mean of 2.69, which is below the neutral midpoint (3), suggests that overall perception of training support is low. The positive skewness shows that while most responses are clustered around disagreement/neutral, a few respondents perceive strong support. These findings agree with themes arising from interview schedules that insufficient resources in Zambia's Ministry of Education severely undermine internal auditing effectiveness. Limited budgets restrict staffing, training, and technological tools needed for comprehensive audits. This leads to infrequent or superficial reviews, reducing accountability and increasing risks of mismanagement or fraud. Inadequate resource allocation also hampers the audit function's ability to monitor school-level spending on materials. Other themes shows that lack of training and support significantly undermines the effectiveness of internal auditing in Zambia's Ministry of Education. Despite auditors possessing requisite qualifications, insufficient ongoing training limits their ability to keep pace with evolving audit standards, financial regulations, and technological tools. Limited access to audit technologies and financial resources further hampers their operational efficiency. Past researchers such as Agung (2015) have observed that the three challenges of ineffective internal control systems are opportunity, pressure from colleagues or managers, and rationalization among parties involved in illicit behavior. It further provided a different perspective of challenges of internal control implementation and emphasized that non-existent or weak internal control is due to; lack of employees' honesty and integrity, unachievable employee financial goals, employees' personal financial problems and industry in which the company is apart has history or tradition of occurrence of fraud.

4.3 How independent is internal auditing in strengthening corporate governance of public sector organizations in Zambia?

The findings reveal significant concerns regarding the independence of internal auditors from internal pressure within the Ministry of Education. A substantial proportion of respondents 35.4% indicated that internal auditors are perceived to experience internal pressure that may influence their audit work, findings, and recommendations. More notably, the largest proportion of respondents (59.7%) remained neutral, suggesting uncertainty, lack of awareness, or reluctance to express views on the independence of internal auditors. This high neutral response may reflect fear of reprisal, sensitivity of the subject, or limited transparency regarding internal audit operations, which are common challenges in public sector environments. The descriptive statistics reinforce these findings. The mean score of 2.68, which is below the neutral point of 3.00, indicates a general tendency toward disagreement. The median and mode of 3.00 suggest that neutrality dominated responses. The positive skewness (0.500) shows that responses were skewed toward the lower end of the scale, further implying scepticism regarding internal auditing independence. The results thus indicate weak perceived independence of internal auditors within the Ministry of Education. More than one-third of respondents (35.4%) either disagreed or strongly disagreed that internal auditors conduct audits and issue findings and recommendations without internal pressure. Furthermore, the findings suggest that the independence and authority of internal auditors are not adequately protected within the Ministry of Education. A combined 35.4% of respondents either disagreed (29.5%) or strongly disagreed (5.9%) that sufficient safeguards exist to protect internal auditors' independence and authority. These findings agree with a study by Mohammadi et.al (2021) who indicated that internal auditors who act independently, with the necessary financial expertise and the size of the internal audit team has a significant impact on corporate social responsibility thereby ensuring good corporate governance. Tossin et.al (2021) noted that internal audit which uses independent measures, professional skills, scope of work, implementation of investigation, internal audit management simultaneously ensures good corporate governance. Furthermore, the study fits into the agency theory that suggests that in order to enhance corporate governance, several methods can be established to gauge management's commitment and these include instituting an independent board of directors, an independent chairperson to the board, and an effective audit function. Davidson, Goodwin-Stewart and Kent, (2005) define the multifaceted relations between these governance mechanisms as the corporation governance.

4.4 Inferential Statistics

Pearson correlation analysis between internal auditors’ knowledge of modern technologies and their access to records and information showed a very weak positive correlation ($r = 0.081, p = 0.112$), which was not statistically significant. This indicates that technology knowledge is not significantly associated with cooperation or access to information in this context.”

Pearson correlation analysis between internal auditors’ knowledge of modern technologies and the adequacy of the internal audit department’s staffing revealed a very weak positive correlation ($r = 0.039, p = 0.447$), which was not statistically significant. This suggests that auditors’ technology skills are not associated with the number of employees in the department.” It depicts a very strong, statistically significant positive correlation between the availability of necessary resources for auditing activities and the consideration of internal auditors’ reports in management decision-making and internal controls ($r = 0.904, p < 0.01$). This indicates that better resourced auditors are more likely to have their reports taken seriously by management.”

Pearson correlation shows a very weak but statistically significant positive correlation between the protection of internal auditors’ independence and authority and the full cooperation they receive in accessing records and information ($r = 0.100, p = 0.048$). This indicates that ensuring auditor independence slightly improves cooperation, though the effect is minimal.” The study further finds a weak to moderate negative correlation between internal auditors’ audits on top management activities and their ability to analyse the ministry’s processes ($r = -0.258, p < 0.01$). This suggests that increased focus on top management audits is associated with a slight decrease in the ability to analyse broader ministry processes.” Data displayed under tables 1,2,3.4.5. and 6 below.

Pearson correlation finds a very weak and statistically insignificant negative correlation between internal auditors’ educational qualifications and their ability to carry out audits on operations, information, or financial records ($r = -0.051, p = 0.315$). This indicates that educational qualification alone does not appear to influence audit performance in this context.”

Table 1 below shows a Pearson correlation analysis between internal auditors’ knowledge of modern technologies and their access to records and information showed a very weak positive correlation ($r = 0.081, p = 0.112$), which was not statistically significant. This indicates that technology knowledge is not significantly associated with cooperation or access to information in this context.”

Table 1: Pearson correlation analysis between internal auditors’ knowledge of modern technologies.
Correlations

		Internal auditors know how to use modern technologies and technology-based audit techniques.	Internal auditors can use control assessment and risk analysis techniques
Internal auditors know how to use modern technologies and technology-based audit techniques.	Pearson Correlation	1	-.051
	Sig. (2-tailed)		.317
	N	390	390
Internal auditors can use control assessment and risk analysis techniques	Pearson Correlation	-.051	1
	Sig. (2-tailed)	.317	
	N	390	390

Table 2 below shows A Pearson correlation analysis between internal auditors’ knowledge of modern technologies and the adequacy of the internal audit department’s staffing revealed a very weak positive correlation ($r = 0.039, p = 0.447$), which was not statistically significant. This suggests that auditors’ technology skills are not associated with the number of employees in the department.”

Table 2 below shows Pearson correlation analysis between internal auditors’ knowledge of modern technologies and the adequacy of the internal audit department’s staffing.

Correlations

		Internal auditors know how to use modern technologies and technology-based audit techniques.	full cooperation, access to records and information
Internal auditors know how to use modern technologies and technology-based audit techniques.	Pearson Correlation	1	.081
	Sig. (2-tailed)		.112
	N	390	390
full cooperation, access to records and information	Pearson Correlation	.081	1
	Sig. (2-tailed)	.112	
	N	390	390

Table 3 below depicts a very strong, statistically significant positive correlation between the availability of necessary

resources for auditing activities and the consideration of internal auditors' reports in management decision-making and internal controls ($r = 0.904, p < 0.01$). This indicates that better resourced auditors are more likely to have their reports taken seriously by management."

Table 3: shows depicts a very strong, statistically significant positive correlation between the availability of necessary resources for auditing activities.

Correlations

		Necessary resources (facilities) that help me to perform auditing activities as needed.	The internal auditors' reports are highly considered for decision making and internal controls by management
Necessary resources (facilities) that help me to perform auditing activities as needed.	Pearson Correlation	1	.904**
	Sig. (2-tailed)		.000
	N	390	390
The internal auditors' reports are highly considered for decision making and internal controls by management	Pearson Correlation	.904**	1
	Sig. (2-tailed)	.000	
	N	390	390

** . Correlation is significant at the 0.01 level (2-tailed).

Table 4 below shows a very weak but statistically significant positive correlation between the protection of internal auditors' independence and authority and the full cooperation they receive in accessing records and information ($r = 0.100, p = 0.048$). This indicates that ensuring auditor independence slightly improves cooperation, though the effect is minimal."

Table 4: shows a very weak but statistically significant positive correlation between the protection of internal auditors' independence and authority.

Correlations

		The independence and authority of internal auditors are adequately protected.	full cooperation, access to records and information
The independence and authority of internal auditors are adequately protected.	Pearson Correlation	1	.100*
	Sig. (2-tailed)		.048
	N	390	390
full cooperation, access to records and information	Pearson Correlation	.100*	1
	Sig. (2-tailed)	.048	
	N	390	390

*. Correlation is significant at the 0.05 level (2-tailed).

Table 5 below finds a weak to moderate negative correlation between internal auditors' audits on top management activities and their ability to analyse the ministry's processes ($r = -0.258, p < 0.01$). This suggests that increased focus on top management audits is associated with a slight decrease in the ability to analyse broader ministry processes."

Table 5 finds a weak to moderate negative correlation between internal auditors' audits on top management activities.

Correlations

		Internal auditors carry out audits on activities and operations undertaken by the top management	Internal auditors can analyse the ministry's processes
Internal auditors carry out audits on activities and operations undertaken by the top management	Pearson Correlation	1	-.258**
	Sig. (2-tailed)		.000
	N	390	390
Internal auditors can analyse the ministry's processes	Pearson Correlation	-.258**	1
	Sig. (2-tailed)	.000	
	N	390	390

** . Correlation is significant at the 0.01 level (2-tailed).

Table 6 finds a very weak and statistically insignificant negative correlation between internal auditors' educational qualifications and their ability to carry out audits on operations, information, or financial records ($r = -0.051, p = 0.315$). This indicates that educational qualification alone does not appear to influence audit performance in this context."

Table 6 finds a very weak and statistically insignificant negative correlation between internal auditors’ educational qualifications.

Correlations

		Internal auditors can carry out audits on operations, information, or financial records	Internal auditors have the appropriate educational qualification
Internal auditors can carry out audits on operations, information, or financial records	Pearson Correlation	1	-.051
	Sig. (2-tailed)		.315
	N	390	390
Internal auditors have the appropriate educational qualification	Pearson Correlation	-.051	1
	Sig. (2-tailed)	.315	
	N	390	390

Table 7 finds a weak and statistically insignificant positive relationship between internal auditors’ freedom from internal pressure and their access to records and information ($r = 0.081$, $p = 0.112$). This suggests that access to information does not necessarily translate into greater independence of internal auditors within the Ministry of Education.”

Table 7 below finds a weak and statistically insignificant positive relationship between internal auditors’ freedom from internal pressure.

4.5 Thematic Analysis

A total of 30 Ministry of Education workers within Lusaka were interviewed to determine the role of IA, its adoption and challenges faced in implementing IA. Through thematic analysis, the responses gave out insights into the role and of IA, how its implemented and challenges faced during by the MoE in carrying out IA. Using the open-ended questions, the respondents were asked to assess the role of internal audit in the Ministry of Education. According to thematic analysis, the following themes were detected;

- Reviews of policies. It conducts independent reviews of policies, procedures, and governance frameworks across the ministry’s headquarters and sub-organizations. By assessing compliance with regulations and evaluating risk management practices, internal audit strengthens control systems and supports evidence-based decision-making. Its role is critical in enhancing public sector performance and ensuring effective use of resources.
- Risk management. The respondents acknowledged the need for a structured risk management framework to address implementation challenges. Although studies exist on risk management in similar institutions such as Copperbelt University School of Medicine and SMEs the direct evaluation of the Ministry’s practices remains underexplored. A robust framework should include risk identification, assessment, mitigation strategies, and continuous monitoring. Establishing such a system would enhance policy delivery, financial accountability, and educational service quality across the country.
- Fraud prevention and protection. The participants indicated that the Ministry of Education in Zambia is encouraged to strengthen fraud prevention through policy integration, staff training, and digital monitoring systems. Recommendations highlight the need for transparent procurement processes, regular audits, and whistleblower protection mechanisms. Emphasis is also placed on safeguarding public funds and ensuring accountability. While specific practices are not fully detailed in available sources, broader government initiatives suggest alignment with national strategies against corruption and cybercrime, including measures to combat online fraud and identity theft.

The respondents were asked to discuss how internal auditing is implement and about its independence. According to thematic analysis, the following themes were detected;

- Internal auditors often face organizational pressures. Internal auditing in Zambia's Ministry of Education is designed to provide independent, objective assurance to enhance operations and governance. However, themes indicated that challenges remain in ensuring full independence, as internal auditors often face organizational pressures that may compromise their objectivity.
- Auditors lack adequate independence. Despite the established framework for internal audit functions, major themes indicate that auditors lack adequate independence, affecting their ability to operate without bias. Effective implementation requires clear reporting lines ideally directly to the board or senior management ensuring autonomy. Strengthening institutional support, legal backing, and professional training can improve both the effectiveness and independence of internal audits within the ministry.

Respondents were asked to highlight the challenges affecting the internal auditing in the ministry of education. According to thematic analysis, the following themes were detected;

- Insufficient Resources. Insufficient resources in Zambia's Ministry of Education severely undermine internal auditing effectiveness. Limited budgets restrict staffing, training, and technological tools needed for comprehensive audits.
- This leads to infrequent or superficial reviews, reducing accountability and increasing risks of mismanagement or fraud. Inadequate resource allocation also hampers the audit function’s ability to monitor school-level spending on

materials, as seen in primary schools in Kapiri Mposhi, where poor oversight affects education quality. Without proper funding and support, internal auditors cannot fulfil their mandate, weakening governance and transparency across the education sector.

- The lack of training and support. The lack of training and support significantly undermines the effectiveness of internal auditing in Zambia's Ministry of Education. Despite auditors possessing requisite qualifications, insufficient ongoing training limits their ability to keep pace with evolving audit standards, financial regulations, and technological tools. Limited access to audit technologies and financial resources further hampers their operational efficiency. Without proper institutional support, auditors struggle to perform comprehensive assessments, leading to weakened accountability, reduced detection of fraud, and diminished credibility of audit outcomes. This compromises the ministry's governance framework and impedes policy implementation and public trust.

5 Conclusions and Recommendations

In line with the first objective, the study concludes that the role of IA at MoE is to conduct independent reviews of policies, procedures, and governance frameworks across the ministry's headquarters and sub-organizations. By assessing compliance with regulations and evaluating risk management practices, internal audit strengthens control systems and supports evidence-based decision-making. Its role is critical in enhancing public sector performance and ensuring effective use of resources.

In line with the second objective, the second concludes insufficient resources in Zambia's Ministry of Education severely undermine internal auditing effectiveness. Limited budgets restrict staffing, training, and technological tools needed for comprehensive audits. This leads to infrequent or superficial reviews, reducing accountability and increasing risks of mismanagement or fraud.

In line with objective three, the study concludes that the lack of training and support significantly undermines the effectiveness of internal auditing in Zambia's Ministry of Education. Despite auditors possessing requisite qualifications, insufficient ongoing training limits their ability to keep pace with evolving audit standards, financial regulations, and technological tools. Limited access to audit technologies and financial resources further hampers their operational efficiency.

Recommendations

- In line with objective one, the study recommends that the MoE may consider designing appropriate educational in order to equip the Internal Auditors with appropriate skills needed for the purposes of carrying out internal auditing competently.
- In line with objective two, the study recommends that the MoE may consider to create an independent auditing team free from internal pressure that could influence their audit work, findings, and recommendations.
- In line with objective three, the study recommends that the MoE may consider sourcing funds from the central government and other stakeholders in order to allocate enough resources on internal audit practices.

Declaration of Competing Interests

The authors declare that they are not aware of any competing financial interests or personal relationships that may have influenced the work described in this document.

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Ethical considerations

The article followed all ethical standards appropriate for this kind of research.

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