

An Assessment of the Challenges of Internal Audit Unit at Sekondi --- Takoradi Metropolitan Assembly (S.T.M.A)

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Abstract

This research presents challenges of the internal audit unit at the office of the Sekondi – Takoradi Metropolitan Assembly (STMA). The main objective was to assess the practices and procedures of the internal audit unit of STMA. The nature of data employed were primary and qualitative in nature and were collected with questionnaire designed for the purpose. The study employed the non – experimental research design. It also made use of the purposive or judgmental sampling technique. The data were coded and analyzed using SPSS. The results evince that the degree of independence is high to some extent. However, certain factors may impair this level of independence and objectivity. It also revealed among other things that management implement recommendations of audit report, internal auditors have regular access to documents for evaluation exercise, the internal audit unit is adequately resourced in terms of number of personnel who have adequate training in Accounting, Auditing and other Business oriented programmes; and the internal auditors incorporate adequate quality control measures into their activities. It finally concludes that to a high extent, the internal auditing practices at STMA are in line with the practices and procedures enshrined in the IIA standards and code of ethics. However, certain challenges may serve as impediments to the effective functioning of the unit. These include, among other things, lack of access to regular fresher courses, establishment of audit committee by management, accountability of the head of internal audit unit to management, and hostile attitude of management towards audit report. Finally, the study recommends among other things that regular refresher courses should be organize for personnel of the internal audit unit. Also, management should undergo regular re – training programmes and workshops to aid improve their skills and knowledge.

Keywords: Internal Audit, Institute of Internal Auditors (IIA), the Sekondi – Takoradi Metropolitan Assembly (STMA).

1. Introduction

Internal auditing has its roots in external auditing. The main objective of external auditors is to express an opinion with respect to the fair presentation of an organization's financial statements, whilst the need of the organization has been perceived to have escalated beyond the service rendered by external auditors.

According to Sawyer et al. (2003), the relationship between the internal auditor and the auditee was initially labelled as adversarial in nature. Current trends have revealed a rather improved relationship to the level where auditing serves as a guide to improve operations while maintaining friendly working atmosphere or relationship between client and auditee.

It has been contended, by Barlow et al. (1997), that the focus of internal auditing has drifted away from only assessing financial statements to reviewing performances in all aspects of business, ranging from marketing to production activities, and from personnel to industrial relations. He explained further that internal auditors have embraced a participatory approach to auditing in order to facilitate the expansion of the scope of internal auditing. The complexities of modern business, eminent with rapid economic development that lead to high production volumes, require that the organization should know whether the financial systems employed could be relied upon for effective decision – making and whether the acquired assets of the organization are safeguarded. Since the external auditing function could not guarantee the needed assurance with regard to the performance of the organization's financial systems and activities, the organization found it a need to establish internal audit functions.

Sawyer et al. (2003) noted that the evolution of modern internal auditing began in 1941 which marks the founding period of the Institute of Internal Auditors (IIA). McNamee and Georges (1998) added further that the scope of internal auditing has expanded, since the inception of the IIA, to include the appraisal of all operations of the enterprise. Internal auditing has witnessed the practice of shifting from an accounting – oriented craft to management – oriented profession. It has also moved away from attesting to the accuracy of financial related transactions to providing services that comprise examination and appraisal of both controls and performances through public and private entities.

According to Barlow et al. (1997), the participatory approach by internal auditors has been motivated by the complex systems of individual business. This implies the existence of a partnership to ensure that managers assist the internal auditors to establish a clear and unambiguous comprehension of the nature of the business and its risk areas, and also obtain commitment to the auditing process. Organizational growth is

associated with increased volumes and the complexity that impact on the operations, create managerial problems and put new pressure on higher – level management. New ways to respond to this pressure must be devised by the managerial executive and it was quite natural that management acknowledged the possibility of better utilization of the services of internal auditors. Over time, these factors as explained by Brink and Witt (1982), necessitated the change in the approach to the internal auditing function.

By making reference to the submissions of McNamee and Georges (1998), management observed internal auditors moving through the organization in various departments and in various geographical areas and seized the opportunity to ensure that the activities of the internal auditors should improve upon the value chain of the organization with relatively little increase in cost. Simultaneously, the internal auditors took advantage of the opportunities to initiate new types of services. The character of the internal auditor was therefore transformed gradually to become more management – oriented. They established that since the internal auditing function was initially accounting – oriented, this remarkable change was first felt in the areas of accounting and financial control, and eventually extended to cover the non – financial areas.

Engel (2005) also contended that the simplification of management risk will depend on the assumption of risk assessment of the organization. According to Angel, risk is measured in terms of likelihood and impact, where likelihood implies management’s estimate of the probability of an event occurring, for instance, in cases where a new competitor enters the market. Impact on the other hand, refers to the adverse consequences of financial, strategic and operational processes that accompany an event. A case in point can be traced to the cost of developing a new product line for a rapidly changing market.

The above discussions show how internal auditing has evolved from external auditing over the years. It is the improvement state of internal auditing in today’s modern corporate world which has metamorphosed strategically over the years that have motivated the researchers to investigate into how far the practices of internal auditing at the Office of the Sekondi – Takoradi Metropolitan Assembly has migrated to abreast with current standards and State of the Art practices.

Misappropriation and misallocation of resources, defalcation, falsification and other fraudulent practices have become the order of the day in most institutions and organizations, especially those in the public sector. The above coupled with non – compliance to rules and regulations, proper procedure or format for executing financial transactions or organizational activities and a whole lot of illegal practices prevent reputable public sector organizations from achieving their organizational objectives and goals. Consequently, most of such public sector institutions and organizations end up incurring losses which has eventually led to their folding up.

Many writers in the field of auditing have advanced numerous evidence in favour of the fact that high profile level of fraud and other organizational malpractices are the results of weakness in internal control and that effective internal auditing function will expose such risks which might have originated from weakness in internal control. Initially, the relationship between the auditor and the auditee was labelled as adversarial. However, current trend has revealed a rather improved relationship to the extent where auditing serves as a guide to improve organizational operations while maintaining a friendly working atmosphere between client and auditee.

The Institute of Internal Auditors (IIA) has prescribed code of ethics and standards that will ensure modern best practices of the internal auditing function. The researchers are accordingly challenged to assess the practices of the internal audit unit at the Office of the Sekondi – Takoradi Metropolitan Assembly (STMA) so as to ascertain the level of compliance to the new standards of the IIA.

The main objective is to assess the practices and procedures of the internal audit unit of STMA. To achieve this main objective, the study will also explore the following specific objectives:

- To identify the challenges of the internal audit unit at STMA
- To ascertain the perception of employees and management on the role of the internal auditing function.
- To assess the degree of compliance of the internal audit unit of STMA to the standards of AII.
- To evaluate the degree of independence of the internal audit unit of STMA.
- To assess the future existence of the internal audit unit of STMA.

The study will be significant because it will provide useful information on internal auditing unit and its function which will assist management to be on their wake and develop a positive attitude toward the execution of the function of the internal audit unit by internal auditors. It will also come out with useful recommendations to help STMA stream line or regularize the activities of the internal audit units in instances where certain challenges may likely impair the effectiveness and efficiency of the performance of the unit. Furthermore, it can help empower the internal audit of STMA (as well as all other public organizations in Ghana) in terms of resources and the needed security so as to boost its effectiveness and efficiency and consolidate its perpetual existence. This will continue to add value to all of organizations and help in the achievement of organizational goals and objectives. Finally, the information, findings and recommendations will serve as bases for further researches in the area of internal auditing.

2. Materials and Methods

This section explores the methodology used throughout the entire research process. It also describes explicitly, statistical method employed in the study. Topics to be discussed include data collection, describes the relevant features of the data and the methodologies employed for its collection.

2.1 Data Collection

Under this section, we describe in details relevant technicalities as well as features of the data used the research. It will look at a brief history of STMA, the population of STMA, the research design, sampling technique, sample size, sources of data and data collection techniques.

Like most Local authorities in the world SAEMA started from the humble beginning as the Sekondi Town Council on 1st October, 1993 by a proclamation made in the then Gold Coast Colony. On 1st March 1954, the Town Council was elevated to Municipality status under the municipality Council Ordinance 1953. On Friday 18th April 1958 the then Minister of Local Government Hon A. E.A Ofori –Atta officially commissioned the council's new building, which is currently used as head office of the Metropolitan Assembly. On 25th June 1962, Sekondi –Takoradi was elevated to City status through Executive Instrument No. 7 of 9th January 1965. Following the promulgation of PNDC Law 207, the Sekondi –Takoradi City Council was elevated to a new status as Metropolitan Assembly with the official name as Sekondi –Takoradi Metropolitan Assembly (STMA). To achieve the objectives of this research, the researchers described the population to comprise all the workers of STMA. Thus, the population for this research is 400 workers. The rationale behind this is that only the workers of STMA can give vivid information about the existence of the internal audit unit and its function thereof.

2.2 The Research Design

Considering the purpose of this research, the subject involved (workers of STMA) and the nature of enquiry, the researchers employed the use of non-experimental design (qualitative or exploratory design), which is a research design in which experimental variable is not introduced by the researcher. The rationale for choosing this design for the research is that the subject (employees) cannot be treated as experimental variables. It also allowed the researchers to carry out their work in the natural settings with little or no difficulties and granted them the control over who or what to measure, when to measure and what questions to ask. Through this design adequate information was gathered for the research.

The researchers made use of purposive sampling technique, which is a non-probability sampling technique that relies on the judgement of the researcher. The rationale for using this method was that it is very convenient for a small sample size and allows the researcher to focus on particular characteristics (ability to read) that pertains to the employees of STMA. The population was divided into two sub-groups namely, non-internal auditors and internal auditors. The purposive sampling was then applied to each sub-group to select the sample. The population was so divided to enable the researchers obtain information from employees who are not internal auditors so as to assess their level of knowledge on the existence of the second group (the internal auditors) will enable the researchers to assess the challenges of the internal audit unit.

In respect of the purpose of this research, the total sample size is 50 employees, who comprises 40 non-internal auditors and 5 employees from the internal audit unit. The internal audit unit has only five officers performing the function of internal auditors. The source of data for this research was mainly primary. Primary data can be defined as any data that has been originally collected by the researcher. It is a first-hand information and the researcher has some degree of control of what and how to measure, time to measure and what questions to ask. The rationale for using primary data for this research project is that it is a qualitative or exploratory research which requires certain qualitative data which do not readily exist. Hence, only primary source will guarantee that appropriate data are gathered.

The research employed the questionnaire technique- a sub technique under the survey method. By definition, questionnaire technique refers to a data collection method that employs set of written questioning as the principal tool of data collection. In this work, the researchers designed a questionnaire consisting of 32 questions. Workers who are in the units or departments other than the internal audit units were required to answer questions one (1) through to seventeen (17). However, employees in the internal audit are mandated to answer all questions. The researchers made necessary clarifications to respondents who sought for same. The statistical method used in analyzing the data included simple bar chart, pie chart and tables and percentages.

3. Results and Discussions

This section presents the analyses of data and the findings thereof. The presentation follows the order below:

First, it briefly analyzes the background data of the respondents after which it explores the perception of respondents on the function of the internal audit unit. The third presentation explores the independent nature of the internal audit of STMA. In the fourth and fifth it analyzes the attitude of management towards reports after assessment by the internal auditors; and the resources of the internal audit unit of STMA respectively. Finally, it

explores and analyzes some other challenges of the internal audit unit.

3.1 Background Information of Respondents

Figure 1 shows that about 60% of the respondents were male whilst the remaining 40% were females.

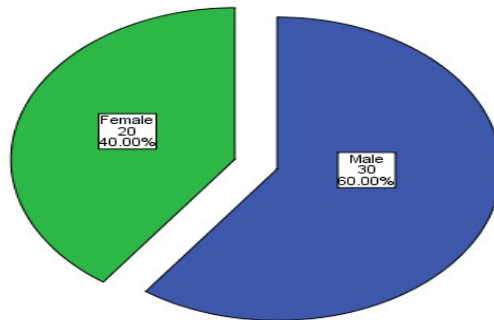


Figure 1: Gender Distribution of Respondents

Thus the male population formed the majority of the respondents.

Majority of the respondents (46%) were within the age group 21 – 30. This is followed by 31 – 40, which also constituted 26%. Next, we have the age group 41 – 50 which also pulled 18% and finally, about 10% of the respondents fall within the age group 50+ (see figure 2). This shows that the age distribution of workers at STMA varies inversely proportional to age.

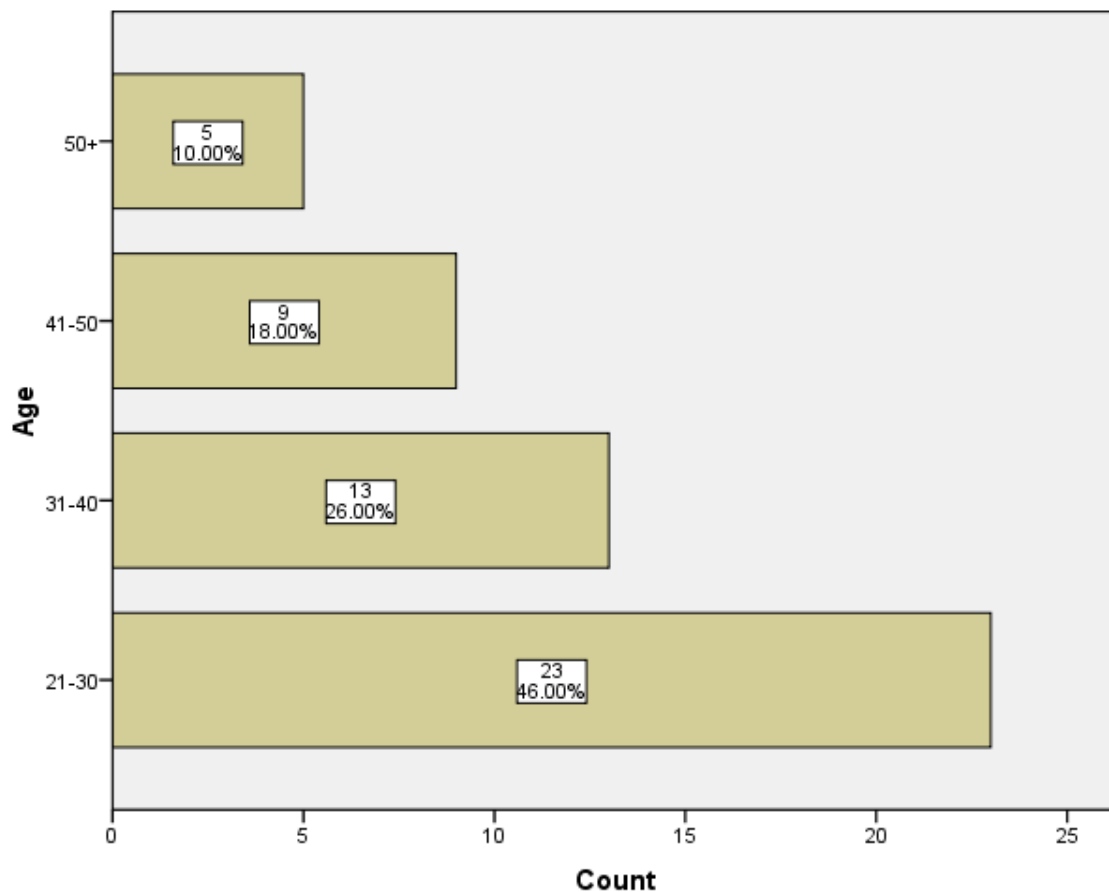


Figure 2: Age Distribution of Respondents

Table 1 indicates that employees with bachelor degree constituted the majority (42%) of the respondents. This is preceded by employees with secondary school education (20%). Employees with diploma constituted the third highest (18%) followed by those with basic education (10%). The other category of education forms 8% of the respondents whilst those with no education constitute only 2% of the respondents. This justifies the fact that employees of STMA have the required education needed to occupy the respective offices.

Table 1: Educational Background of Respondents

Level	Frequency	Percent	Valid Percent	Cumulative Percent
None	1	2.0	2.0	2.0
Basic	5	10.0	10.0	12.0
Secondary	10	20.0	20.0	32.0
Diploma	9	18.0	18.0	50.0
Bachelor Degree	21	42.0	42.0	92.0
Others (Specify)	4	8.0	8.0	100.0
Total	50	100.0	100.0	

Source: SPSS Results from analysis of data, June, 2015

Majority of the respondents (56%) are senior officers. Followed by the junior officers, who constituted 24% of the respondents. Supervisors and top management each constitute 10% of the respondents (infer from Table 2).

Table 2: Position of Employees at STMA

	Frequency	Percent	Valid Percent	Cumulative Percent
Junior officer	12	24.0	24.0	24.0
Senior officer	28	56.0	56.0	80.0
Supervisor	5	10.0	10.0	90.0
Top Management	5	10.0	10.0	100.0
Total	50	100.0	100.0	

Source: SPSS Results from analysis of data, June, 2015

It can be seen from table 3 that majority of the respondents, 43 out of 50 or 86%, strongly agreed or agreed to the fact that the internal audit function is necessary for the effective and efficient running of STMA. Ten (10) percent disagreed or strongly disagreed that the internal audit function is necessary for the effective and efficient running of STMA whilst the remaining four (4) percent, which constitute the minority, were not sure on same issue.

Also, with regard to management's perception on the internal audits unit's role of adding value to the organization (STMA), the minority of the respondents, (4%), disagreed or strongly disagreed. The second highest percentage of the respondents (8%) were not sure whilst the majority (86%) of the respondent strongly agreed or agreed (observe from Table 3). Thus both the employees and management have positive perception towards the function of the internal audit unit.

Table 3: Perception of Employees of STMA on the Function of the Internal Audit Unit

	RATINGS					
	SA/A		NS		SD/D	
	Number	Percentage	Number	Percentage	Number	Percentage
I recognize the internal audit function as necessary for efficient and effective running of the organization	43	86	2	4	5	10
Management recognizes the function of the internal audit unit as one that adds value to the organization.	43	86	4	8	2	4
N	50		100			

Source: SPSS Results from analysis of data, June, 2015

NB: SA = Strongly Agreed, A = Agreed, NS = Not Sure, D = Disagreed & SD= Strongly Disagreed

3.2 The Independence Nature of Internal Audit

This section deals with the exploration of the independent nature of internal audit unit at STMA. It explores practices and procedures that makes the unit operates independently of management.

Table 4 indicates that majority of the respondents (74%) disagreed or strongly disagreed, 16% which

constitute the second highest were not sure whilst the minority 10% strongly agreed or agreed respectively to the fact that an officer of the audit unit is a direct or indirect business officer dealing with management. Majority of the respondents (72%) strongly agreed or agreed that the head of internal audit is placed at top management whilst the second highest (16%) were not sure. The minority which constituted 12% disagreed or strongly disagreed that the head of internal audit is placed at top management. With respect to the issue of management making conscious effort to ensure that the internal audit unit operates independently, 76% of the respondents strongly agreed or agreed, 16% were not sure but the least 8% of the respondents disagreed or strongly disagreed. 80% of the respondents strongly agreed that management is the final recipient of internal audit report.

Majority of the respondents (78%) strongly agreed or agreed that the head of internal audit is accountable to management.

Table 4: The Independence Nature of Internal Audit

	RATINGS					
	SA/A		NS		SD/D	
	Number	Percentage	Number	Percentage	Number	Percentage
An officer of the audit unit is a direct or indirect business officer dealing with management.	5	10	8	16	37	74
The head of internal audit is placed at top management.	36	72	8	16	6	12
Management has made conscious effort to ensure that internal audit operates independently.	38	76	8	16	4	8
Management is the final recipient of internal audit report.	40	80	7	14	3	6
An audit committee has been established in the organization.	38	76	5	10	7	14
The audit committee is set up by management.	37	74	5	10	8	16
The audit is committee easily accessible by the head of internal audit.	44	88	4	8	2	4
The head of internal audit is accountable to management.	39	78	6	12	5	10
The hiring and dismissal of internal auditors occur without the blessing of directors and audit committee.	20	40	12	24	18	36
Top management is always audited	40	80	10	20	0	0
N	50		100%			

Source: SPSS Results from analysis of data, June, 2015

The second highest (12%) were not sure whilst the least 10% disagreed or strongly disagreed that the head of internal audit is accountable to management. Majority of the respondents (40%) strongly agreed or agreed that the hiring and dismissal of internal auditors occur without the blessing of directors and audit committee but 36% disagreed or strongly disagreed. The remaining 24% were not sure. 80% of the respondents strongly agreed or agreed that top management is always audited, 20% were not sure but no respondent disagreed or strongly disagreed.

3.3 Attitude and Action of Management towards Report

For internal audit unit to function effectively, management must act in a way that does not impede the operation of the unit. This section investigates the attitude and behaviour of management towards internal audit report at STMA. It can be perceived from Table 5 that 60% of the respondents strongly agreed or agreed to the fact that management's attitude towards report or findings after internal audit assignment whilst those that were not sure and disagreed or strongly disagreed each constitute 20% of the respondents. 80% Of the respondents strongly agreed or agreed that management always implement recommendations after internal auditing assignment but 20% disagreed or strongly disagreed. No respondent was found not to be sure about same. With regard to repeated violation of previous internal audit report, 100% of the respondents strongly agreed or agreed. No respondent was found not to be sure about or disagreed/strongly disagreed to same. Also, 100% of the respondents strongly agreed or agreed to the fact that violation of recommendations of in reports affects the output of the audit unit in one way or the other. Majority of the respondents (40%) strongly agreed or agreed that getting documents to audit is very easy at STMA. Those who disagreed/strongly disagreed or were not sure constitute 20% each. In respect of the regular release of documents as per the internal audit statutes of STMA, 100% of the respondents strongly agreed or agreed. Majority of the respondents (80%) disagreed or strongly disagreed that certain financial records are treated special and the audit unit is not allowed to audit them but the remaining 20% of the respondents strongly agreed or agreed. No respondent was identified not to be sure about the specialties of certain financial records which do not allow them for auditing. In fact 100% of the respondents disagreed to the fact that easy access could have been made to those special financial records if the head of internal audit unit happens to be a very senior officer of STMA.

Table 5: Attitude and Action of Management on Report after Internal Auditing

	RATINGS					
	SA/A		NS		SD/D	
	Number	Percentage	Number	Percentage	Number	Percentage
Management attitude towards report or findings after internal audit assignment is hostile.	3	60	1	20	1	20
Management always implements your recommendations.	4	80	0	0	1	20
There have been instances of repeated violations of previous report.	5	100	0	0	0	0
Violation of report affects our output in one way or the other.	5	100	0	0	0	0
It is very easy to get document to audit as a unit.	2	40	1	20	2	40
Documents are released for audit on regular basis in respect of the organization statutes on internal audit.	5	100	0	0	0	0
Some financial records are treated special and the audit unit is not allowed to audit them.	1	20	0	0	4	80
I think the audit unit could have had access to the above records if the head was a very senior officer in the organization.	0	0	0	0	5	100
N	5		100%			

Source: SPSS Results from analysis of data, June, 2015

3.4 Resources of the Internal Audit Unit of STMA

The effective performance of the function of the internal audit unit depends on the number of personnel and the kind of training, technical education and qualification of the personnel. Current standard of assessment demand that internal auditors must have adequate training in Accounting and Auditing (See Table 6). 80% of the respondents which forms the majority strongly agreed or agreed that the audit unit of STMA is adequately resourced in terms of number of personnel. The remaining 20% of the respondents were not sure about same. Also, 60% strongly agreed or agreed that personnel of the audit unit have adequate training in accounting and auditing but 20% disagreed or strongly disagreed. The remaining 20% of the respondents were not sure that personnel of the audit unit have adequate training in accounting and auditing. Majority of the respondents (80%) disagreed or strongly disagreed that personnel of the audit unit have access to regular refresher courses to abreast them with modern best practices whilst the remaining 20% strongly agreed or agreed. 80% the respondents strongly agreed or agreed that adequate quality control measures are incorporated into their audit activities whilst the remaining 20% were not sure about the incorporation of adequate quality control measures into the audit activities of the audit unit of STMA (see Table

Table 6: Resources of the Internal Audit Unit of STMA

	RATINGS					
	SA/A		NS		SD/D	
	Number	Percentage	Number	Percentage	Number	Percentage
The unit is adequately resourced in terms of number of personnel	4	80	1	20	0	0
Personnel of the audit unit have adequate training in Accounting and Auditing	3	60	1	20	1	20
Personnel of the audit unit have access to regular refresher courses to abreast the with modern best practices	1	20	0	0	4	80
We incorporate adequate quality control measures into our activities	4	80	1	20	0	0
N			5			100

Source: SPSS Results from analysis of data, June, 2015

3.5 Challenges of the Internal Audit Unit of STMA

Table 7 explores other challenging areas of internal auditing function of STMA. 80% of the respondents disagreed or strongly disagreed whilst 20% strongly agreed or agreed that designing, installation and operating systems form part of their auditing function at STMA. Majority of the respondents (60%) strongly agreed or agreed that fraud detection and prevention are primary responsibilities of the audit unit but 20% were not sure. The remaining 20% of the respondents disagreed or strongly disagreed that fraud detection and prevention are primary responsibilities of the audit unit.

Table 7: Challenges of the Internal Audit Unit of STMA

	RATINGS					
	SA/A		NS		SD/D	
	Number	Percentage	Number	Percentage	Number	Percentage
Designing, installation and operating systems form part of the auditing function in this organization	1	20	0	0	4	80
Fraud detection and prevention are primary responsibilities of the internal audit unit	3	60	1	20	1	20
Coverage is part of the challenges faced by internal auditors in the execution of their duties	1	20	2	40	2	40
There are adequate mechanisms in place to solve the above challenge	4	80	1	20	0	0
N	50				100	

Source: SPSS results from analysis of data, June, 2015

Also, the groups of respondents who were not sure; or disagreed or strongly disagreed that coverage is part of the challenges faced by internal auditors of STMA in the execution of their duties constitute 40% each. The remaining 20% of the respondents strongly agreed or disagreed that coverage is part of the challenges faced by internal auditors in the execution of their duties at STMA. 80% of the respondents strongly agreed that adequate mechanisms are in place to solve the above challenge but 20% are not sure about the existence of these mechanisms.

5. Conclusions

It can be observed from the findings that majority of the employees of STMA are of the perception that internal audit function is necessary for the effective and efficient running of an organization. It can also be inferred from the findings that management perceive the function of the internal audit unit as one that adds value to the organization. This positive perception of management about the function of the internal audit unit has been well acknowledge by majority of the employees. The advantage associated with this positive attitude of management and employees will ensure effective performance in the future, elevate the internal auditing profession and subsequently ensure its future existence.

An important feature of the nature of internal audit function is its independence and objectivity. We noted from our findings that no officer of the internal audit unit deals directly or indirectly with management. This, to a high degree, helps to ensure independence. The findings support the fact that management of STMA has made conscious effort in its quest of ensuring that the internal audit unit operates independently. The findings further evinced that the head of internal audit unit is placed at top management. This however, should not have been the case. Venables and Impey (2008) concluded that objectivity could be risked if internal auditor holds authority of responsibility for an activity he is required to audit. Accordingly, placing the head of internal audit of STMA is likely to impair objectivity of the internal audit function. Majority of the employees confirmed that an audit committee has been established in STMA. This practice is in line with the requirement of IIA standard. The standard demands that auditors report to board of directors or the audit committee so as to ensure the sustainability of independence. However, the fact that the audit committee is established by management is in contrary to modern best practice which requires that the audit committee be set up by the board of directors. We note an important aspect where the audit committee is accessible to the head of internal audit. The audit committee will serve as mediator between the internal audit and management. This is in agreement with the findings that management of STMA is the final recipient of internal audit report. The findings also revealed that

the head of internal audit is accountable to management. This revelation is also a contradiction. Modern best practices of internal audit requires the internal auditor to have adequate authority so as to function independently. Internal auditors are not in any way to subordinate their judgement on audit matters to that of others (Barlow et al., 2003). An instance where top management of STMA is always audited has been witnessed. Furthermore, it has been revealed that the appointment and dismissal of internal auditors cannot occur without the blessings of the board of directors and the audit committee. The internal audit function at STMA is thus independent of management. It is worthy to mention by way of concluding that most of the internal audit practices of STMA with regard to independence are in sync with the requirements of the IIA standards which sets up the requirement for modern best practices of internal auditing. Few other practices such as head of internal audit being placed at top management and head of internal audit accountable to management are not in agreement with the demands of the IIA standards.

The study also explores the attitude of management towards report on findings after internal auditing assignment. It has been revealed that the attitude of management towards report of findings after internal audit assessment and evaluation is hostile. However, majority of the employees confirmed that management implements recommendations of the internal auditors after they have evaluated or assessed an activity. It has been confirmed that instances of repeated violation of audit recommendations exist. The internal auditors accepted the fact that such violations could adversely affect their output since it sometimes drives down their working spirit and morale. The findings also revealed that getting document to audit as a unit is a not a problem for the internal audit unit at STMA. The internal auditors confirmed the regular release of document for audit as prescribed by the organizations' status on internal audit. All the internal auditors testified that no financial record has ever evaded internal auditors' assessment or evaluation exercise. For effective function of the internal audit unit of every organization, it is required in addition to other factors that personnel of the unit have adequate training in Accounting, Auditing, and other business related programmes. The research also explored the resources (in terms of number of personnel) and their educational training. It can be observed that the internal audit unit at STMA is adequately resourced in terms of number of personnel. 60% of the internal auditors confirmed that they have adequate training in Accounting, Auditing and other Business oriented Programmes. It is however unfortunate that personnel of the internal audit unit do not have access to regular refresher course which will abreast them with modern best internal auditing practices. This lack of regular refresher courses is not in sync with the recommendation of Barlow et al. (1997) which advocated for regular refresher courses for internal auditors. Barlow et al. contended that technical education training does not equip personnel with knowledge and skills that will make them effective since the focus of this technical education is on human relations. On the aspect of human resources, it is also evident that sufficient quality control measures such as review of marking papers and the use of audit plan or programme are integrated into the internal audit activities at STMA. This practice will elevate the internal auditing function and consequently, its existence in the future as lauded by Marais (2003). According to Marais, the purpose of quality control in internal auditing activity is to add value. He therefore emphasized the need for the internal audit professional body to motivate internal auditing function to exercise quality control in accordance with internal auditing standards.

As a final stop, the research also looked at some other areas that could be considered challenges of the internal audit unit at STMA. It examined the extent of clarity in the definition of roles or duties and coverage. The results showed that designing, installation and operating systems do not constitute part of the auditing roles. Sawyer et al. (2003) explained how the performance of such activities could impair the objective nature of the internal auditing function. About 60% of the internal auditors claimed that fraud detection and prevention are primary responsibilities of the audit unit. Pacini and Brody (2005) contended that effective performance of internal auditing function could expose fraud. This position is also amplified by the fact that the internal audit function is expected by the organization to perform fraud detection exercise (Brink and Witt, 1982). However on the contrary, Barlow et al. (1997) contended that since fraud may prevent unit managers from achieving their objectives, they are primarily responsible for fraud detection and prevention. The position of the internal audit unit at STMA is not different from that outdated custom where managers disregard fraud detection and prevention as their primary responsibilities but ascribe responsibilities to internal auditors. Barlow et al. however advocated for development in managers skills which can correct this perception. With regard to coverage as part of the challenges of the internal auditing function, the results reveal that majority of the auditors do not regard same as a challenge or cannot even be sure if coverage has ever exposed them to any formidable draw backs. They made it clear that even if such challenge exists, they believe adequate mechanisms are in place to handle the situation. Information gathered from the unit revealed that they always stay within scope and address specific focus which is often brought to conclusion in a timely manner. They document all other issues identified, which are then executed in an organized and prioritized manner. This practice of handling the challenges posed by coverage at STMA is in consonance with the requirement of the IIA standards.

It is eminent that the work of internal auditors be assessed to determine the level of competence and objectivity of the internal audit staff and director. This investigation and evaluation of internal audit work also

provides clear cut criteria for determining the degree to which external auditors should limit their audit procedures. The assessment or evaluation of the work of internal auditors are based on organizational status, scope of function and technical competence. The findings and analysis of this research can be subsumed under this broad categories. The research makes the following conclusions based on the findings:

The internal audit unit at STMA is adequately resourced in terms of number of personnel who have adequate training in Accounting, Auditing and other Business oriented programmes. However, personnel of the unit do not have access to regular fresher courses to acquaint them with modern best practices. The audit unit also integrate adequate quality control measures such as review of marking papers and the application of audit plan or programme into their activities. This quality control measures will elevate the internal auditing function, consequently lead to its existence in the future and add value to STMA.

Both management and employees have positive perception towards the role of the internal audit unit. They perceive the roles of the internal audit unit as one that will add value to the organization.

The degree of independence is high since there exists an audit committee which is accessible to the head of internal audit, management is the final recipient of internal audit report, top management is always audited; and appointment and dismissal of internal auditors cannot occur unless with the approval of directors and the audit committee. However certain factors will impair the independence and the objectivity nature of the internal audit unit at STMA. In one direction, practices such as the institution of the audit committee by top management and the head of internal audit unit being accountable to management is likely to impair the independence of the unit. On the other direction, the establishment of the audit committee by management could seriously impair objectivity of the internal audit unit.

Management implements recommendations of audit report after evaluation exercise by internal auditors, though there have been instances of violation. Internal auditors have regular access to document for their assessment exercise. There is no financial record or any activity whatsoever that has ever evaded evaluation or assessment exercise.

Definition of roles and scope of coverage are clear to a high degree. However, fraud detection and prevention are still regarded as responsibilities of internal auditors.

Finally, we wrap up that to a high extent, the internal auditing practices at STMA are in line with the practices and procedures enshrined in the IIA standards and code of ethics. However, certain challenges may serve as impediments to the effective functioning of the unit. They include lack of access to regular fresher courses, the establishment of audit committee by management, accountability of the head of internal audit unit to management, placement of the head of internal audit at top management, hostile attitude of management towards audit report, instances of violation of audit report by management and management responsibility of fraud detection and prevention being ascribed to the internal auditors.

The study makes the following recommendations base on the findings and conclusions:

Refresher courses should be organized for internal auditors on regular bases so as to familiarize them with modern state of the art procedures and practices of internal auditing.

The role of management in establishing the audit committee should be redefined with the primary focus of re – directing such a role to the board of directors as this will help improve independence of the audit unit. Also, internal auditors should not be accountable to management. They should report to those responsible for governance probably, the audit committee or the board of directors.

Management should also undergo regular re – training programmes and workshops to aid improve their skills and knowledge. This will assist to abreast them with modern procedures and practices. By so doing, they can draw distinction between which activities form part of their key responsibilities and which activities do not. This will aid managers to act or discharge their activities in ways that will not conflict with that of the internal auditors.

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