

# The Impact of Independence of Internal Audit Function on Transparency and Accountability Case of Zimbabwe Local Authorities

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## Abstract

The study aimed at examining the impact of Internal Audit Function independence on Transparency & Accountability. The study adopted independence as the independent variable and transparency & accountability as the dependent variable, measured by management perception, organization policy, auditees' cooperation and risk exposure of the organization. Survey data was collected from local authorities in Zimbabwe using semi structured questionnaires. Correlation and regression analysis were used to test the hypothesis that the existence of an independent internal audit function in an organization is positively associated with transparency and accountability. Study findings revealed that the existence of an independent internal audit function in an organization is positively associated with transparency and accountability. The findings concur with results from previous studies which concluded that an independent internal audit function plays a monitoring role, therefore contributing towards promoting good corporate governance practices, supporting the applicability of the Agency Theory and the Theory of Inspired Confidence in internal audit research

**Keywords:** Internal Audit Function, Independence, Transparency & Accountability

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## 1. Introduction

Literature on public sector internal audit remains scant (Hutchinson & Zain, 2009; Al-Matari, et al., 2014; Roussy & Brivot, 2016), regardless of recent improved attention towards the sector (Neu, et al., 2013; Vinnari & Skaebaek, 2014; Everett & Tremblay, 2014; Roussy, 2015) and the profession (Shabnan, et al., 2014; Regoliosi & D'eri, 2014; Coetzee & Lubbe, 2014; Trotman & Trotman, 2015; Pizzini, et al., 2015). Though not extensively covered in audit literature, the concept of internal audit quality in the public sector is topical, and issues surrounding the subject attracts attention of every stakeholder, including the general citizenry (Neu, et al., 2013; Roussy & Brivot, 2016), particularly given the enhanced role scope of internal audit and its potential to influence corporate governance practices (IIA, 2016).

The Zimbabwe public sector corporate governance structures and practices are guided by a number of statutes, including the Constitution of Zimbabwe Amendment (No 20), Chapter 9. The Public Entities Corporate Governance Act (Chapter 10:31), the Public Finance Management Act (Chapter 22:19), and the Urban Councils Act (29:15) outlines the role of internal audit, hence the function is deemed important in enhancing public sector accountability. Notwithstanding availability of these legal pronouncements supporting internal audit, which clearly demonstrates the value of the function in promoting good corporate governance practices, and the availability of resident internal audit functions in almost all public sector institutions, stakeholders are concerned with increasing reports on the sector's poor corporate governance practices. These practices involve, but not limited to, mismanagement of public funds, fraud and corruption. This moral decay has been blamed for the prevailing state of poor service delivery within the public sector (Chatiza, 2008; Mapuwa, 2011; CHRA, 2014).

With the presence of statutory pronouncements supporting good corporate governance practices and resident internal audit functions within respective public sector organizations, these problems are not expected to prevail, as they can be avoided through enforced accountability (Erasmus & Coetzee, 2018). As such, the quality of Zimbabwe public sector internal audit becomes questionable. In this light, the current study explores how internal audit function independence as one of the function's main quality dimensions (Cohen & Sayag, 2010; Mihret, et al., 2010; Abu-Azza, 2012; Al-Shabail & Turki, 2017) impacts transparency and accountability in the public sector. Auditor independence can be understood as the capacity and ability of an audit practitioner to avoid circumstances that have an objectivity impairment potential (Christopher, et al., 2009), so as to enhance unbiased personal judgment (Kimotho, 2014). Independence enhances the ability of an auditor to make honest and impartial conclusions. The concept of auditor independence has been taken as the foundation for the audit profession, since it is the basis upon which the public derive its trust that the function is capable of effectively executing its engagements (Caswell & Allen, 2001; Holt & DeZoort, 2009; Kimotho, 2014).

Critics against the ability of internal auditors to maintain independence, point to the inevitable nature of relationships developing over time (Venasco, 1994), which tend to undermine the capacity for internal auditors

to be independent. It is also argued that, since internal auditors are employees of the organization, their behavior may easily be influenced by incentives, as established by DeZoort & Reisch (2000), in their study on incentive compensation based on company performance (DeZoort, et al., 2001). A related finding by Schneider (2003) established that if incentives are related to the company's share price, internal auditors are less likely to report violations (Schneider, 2003). This also supports conclusions by Vinten (1999), who opined that since internal auditors are on payroll of the companies they serve, that alone is enough to establish that their independence cannot be guaranteed (Vinten, 1999). However, Schneider (2010) challenged this belief, leading to the conclusion that salary compensation is a controversial measure of independence (Schneider, 2010). The independence of an internal audit function is dominantly determined by three main factors, thus the reporting structure (chain of command) whether the audit function reports directly to the audit committee (Holt & DeZoort, 2009; Christopher, et al., 2009; Stewart & Subramaniam, 2010). Secondly, whether the audit committee plays a leading role in the appointment of the Chief Audit Executive (Christopher, et al., 2009; Stewart & Subramaniam, 2010), and thirdly whether it is the sole responsibility of the audit committee to evaluate the internal audit function's performance (Jiang, et al., 2014).

Literature notes that the existence of a healthy working relationship between an internal audit function and the audit committee guarantees independence and objectivity (Goodwin & Yeo, 2001; Arena & Azzone, 2009; Roussy & Brivot, 2016). Contrary to this conclusion, some scholars argue that when the head of internal audit reports directly to the audit committee, there is always potential for unexpected and adverse implications (Norman, et al., 2010), this threat to independence was blamed on the need for the chief audit executive to safeguard his carrier and reputation, mainly noted in environments where internal audit serve as a training ground for future management candidates (Christopher, et al., 2009). The negative implications will be a result of the overreaction by audit committee and retaliation by management (Norman, et al., 2010). In the context of Zimbabwean public sector, this however has been hedged against as the Public Entities Corporate Governance Act (Chapter 10:31) of 2018, section 352, has introduced strict restrictions on the appointment of auditors into management positions. With reference to prior studies on internal audit independence and corporate governance, a positive relationship between the independence of an internal audit function and its effectiveness in enhancing transparency and accountability is expected from this study.

## 2. Statement of the problem

Independence in the context of internal audit functions has not received much attention from prior research as more attention was centered on external audit (Cohen & Sayag, 2010; Mihret, et al., 2010). Of the few studies that focused on internal audit independence and corporate governance, majority of them were in the context of developed economies, as compared to their developing counterparts (Hutchinson & Zain, 2009). A handful of previous studies concur to the existence of a relationship between internal audit independence and the perceived effectiveness of an internal audit function in influencing management decisions within respective organizations (Cohen & Sayag, 2010; Abu-Azza, 2012). However, amongst these studies none has focused specifically on how internal audit function independence impact public sector transparency and accountability in the context of developing nations. More so, some scholars argue on the ambiguity of expecting internal auditors to be independent of a management team they serve (Stewart & Subramaniam, 2010; Al-Shabail & Turki, 2017). This current study will contribute to existing literature by trying to empirically establish the impact of internal audit function independence on enhancing transparency and accountability of the local government sub-sector in the context of Zimbabwe, a developing nation.

## 3. Literature review

### 3.1. The Agency Theory

The Agency theory is a very useful economic theory of accountability, which helps to explain the development and importance of audit. An organization is a web of relationships, defined by a nexus of contracts used as a means of aligning the diversified individual interests of the parties towards a common goal of maximizing the value for the organization (Adams, 1994; Evans, 2003; Ekanayake, 2004). The agency theory points to the special relationship that exists between owners of resources within the organization who are the principals and those employed to manage such resources for a reward, being the agents (Salehi, 2011). The agency theory points to a conflict that emanates from lack of trust between the principal and the agent, which is a result of information asymmetry and differences in motives between the two parties. The nature of this relationship has defined the development as well as justifying the usefulness and purpose of audit.

The agency theory has not been widely applied to internal audit research; however, it is a useful basis for understanding the need and varying nature of internal audit functions (Adams, 1994). The Internal audit function in an organization is meant to reduce agency costs (Yeoh & Jubb, 2001; Kauzya & Balogun, 2005; Sarens & De Beelde, 2006), and therefore, the agency theory serves as the framework to explain the existence and scope of internal audit functions (Goodwin-Stewart & Kent, 2006). However, this notion is contrary to findings by Carey

et al (2000), whose study established that the existence of an internal audit function is not associated with agency variables. Instead, they perceived the monitoring role of internal audit as substituting rather than complementing external audit. It can be established however that the study by Carey et al (2000) was centered on a small family business setup, and this can be a major limiting factor as the results cannot be generalized across large public sector organizations considering the differences in the scope of the study. The agency theory has however been used in a number of empirical studies, to explain why some organizations outsource internal audit services (Caplan & Kirschenheiter, 2000); to demystify the moral hazards facing management in organizations (Evans, 2003; Ekanayake, 2004); to define the varying nature of internal audit functions and their relationships with management (Van Peursem, 2005); and to justify the relationship between characteristics of an internal audit function and firm performance (Al-Matari, et al., 2014).

Some scholars agree against the use of the agency theory in internal audit literature as they refer to it as insufficient in the context of developing economies (Al-Shabail & Turki, 2017), and its applicability in the context of public sector organizations, pointing out that the principal cannot be clearly defined in the sense that the public may not have a single united interest (Reed, 2002; Mihret, et al., 2010; Al-Shabail & Turki, 2017). However, a review of the theory helps significantly towards understanding the position and role of an internal audit function within an organization's governance framework. The Agency theory supports the existence of an independent internal audit function as a mechanism that promotes transparency and accountability. The main objective of the agency theory is to explain how contracting parties design contracts to minimize the costs associated with the problems of adverse selection and moral hazard. Following the 'complete contract' theory, agency theory assumes that the existence of market and institutional mechanisms can reduce these problems (Jensen & Meckling, 1976).

### 3.2. The Theory of Inspired Confidence

The theory of inspired confidence which is also referred to as the theory of rational expectations was developed by Theodore Limperg during the 1920s (Hayes et al, 2005). It asserts that the need for audit is driven by the involvement of external stakeholders in the affairs of the organization. Stakeholders who contribute resources towards the existence and survival of the organization demand accountability from those responsible for administering the day to day operations of the organization. There is an inherent risk that the information about the affairs of the organization availed by management might not honestly present the state of affairs, due to possible conflicting interests between management and stakeholders, hence such information should be subjected to some independent scrutiny. During such independent check, the auditor should use all the resources at his/her disposal to ensure that the expectations of stakeholders are met through the provision of an expected level of assurance (Carmichael, 2004).

The theory of inspired confidence explains the faith that the society has in the ability of the auditor to positively impact on reliability of information from management (Limperg institute, 1985), thus fostering quality accountability. Limperg describe the auditor's responsibility as follows; "The auditor-confidential agent derives his general function in society from the need for an expert and independent examination and the need for expert and independent opinion based on that examination. The function is rooted in the confidence society places in the effectiveness of the audit and the opinion of the accountant. This confidence is consequently a condition for the existence of that function; if the confidence is betrayed, the function too is destroyed, since it becomes useless". The theory emphasizes on the need for an auditor, when confronted with a situation, to be always on the look for societal expectations aroused as a result, and act judiciously to the satisfaction of such expectation in order to retain confidence (Carmichael, 2004). Changes in the expectation of society calls for changes in the auditors' role and approach to work, hence this explain the changes in audit function attributes.

Though not widely used in internal auditing literature, the theory of inspired confidence helps in understanding how internal auditors' practices are impacted by the environment. Internal auditors make use of their understanding of social relationships and societal expectations to align their objectives to those of the organization. This notion is supported by findings from a survey by Holt & DeZoort (2009), which confirmed that external stakeholders' confidence in company financial statements is determined by their perceived quality of the firm's internal audit function (Holt & DeZoort, 2009). In the context of what stakeholders expect from a modern internal audit function and the prevailing corporate governance environment in the Zimbabwean public sector, the quality of public sector internal audit functions deserves to be brought to scrutiny. The current state of corporate governance in Zimbabwe public institutions, particularly local authorities, and in line with what has been concluded by a number of studies (Deloitte, 2010; IIA., 2014; PwC, 2014; GrantThornton, 2015), the existence of a consistently widening expectation gap between internal audit and its stakeholders cannot be ruled out. The role of independence of internal audit, as a major quality dimension of the function is supported by the Theory of Inspired Confidence. An internal audit function should have the capacity to gain trust from stakeholders for it to be capable of being perceived as impartial and this is possible through the function proving it is independent enough to have the capacity to execute its engagements in an unbiased and impartial manner.

### 3.3. Internal Audit Function Independence

The importance of internal audit independence has been emphasized by standard setters and well documented in International Standards for the Professional Practice of Internal Auditing. Studies on audit independence pointed to the reporting line or the chain of command of the internal audit function (Gramlin, et al., 2004; Archambeault, et al., 2008; Prawitt, et al., 2009; Holt & DeZoort, 2009; Christopher, et al., 2009; Stewart & Subramaniam, 2010), the role of audit committee in the employment of the head of internal audit and the role of the audit committee in the evaluation of the internal audit function as being the main factors used to evaluate independency of an internal audit function (Messier & Schneider, 1988; Jiang, et al., 2014). Internal audit independence is an important factor in assessing the role of the function on enhancing corporate governance practices. It is very easy for an internal audit function to fail in fulfilling its mandate if its independence is being threatened by other factors such as conflicting interests (Al-Twajjry, et al., 2003).

Prior studies on internal audit function effectiveness established a positive association between internal audit independence and the function's effectiveness, hence improved corporate governance (Mihret, et al., 2010; Cohen & Sayag, 2010; Abu-Azza, 2012). In a related study, conducted in Australia, Christopher et al, (2009) established that independence of internal audit was significantly threatened and hence lack of objectivity. This was a result of the appointment of the head of the internal audit function being the sole responsibility of senior management as opposed to the audit committee (Christopher, et al., 2009). More so, the fact that some internal audit personnel will later be promoted into senior management roles significantly threatening objectivity of the sitting individuals who will be perceiving themselves as potential candidates for senior management positions (Christopher, et al., 2009; Norman, et al., 2010). This study expects to establish the impact of internal audit function independence in promoting transparency and accountability in Zimbabwe local authorities.

### 3.4. Corporate Governance in Zimbabwe Local Government Sub-sector

The main structure of the Zimbabwe local government sub-sector includes a ministry, a provincial layer and local authorities. The ministry's function entails leading the development and management of the sector, and representing its interests at national and sub-national levels, in relation to other arms of the government. Local authorities are the closest to citizens within the local government structure. Currently there are sixty rural and thirty-two urban local authorities in Zimbabwe (Chatiza, 2008; CHRA, 2014). Of late, reports of poor corporate governance practices have been wide spread in Zimbabwe local authorities. Since the introduction of the multi-currency system in Zimbabwe in 2009, there have been reports of unprecedented levels of corruption, rent seeking tendencies, salary scandals, and other malfeasances that seem to be eating away the moral fabric of the Zimbabwean public sector. It is of concern however that these incidences have been taking place notwithstanding the presence of resident audit functions within respective local authorities. It is a presumed role of internal audit, to bring on board a systematic and discipline approach to evaluate and improve the effectiveness of risk management, control and governance, in a bid to help organizations to realize their objectives (IIA, 2016). Corporate governance within local authorities is of great concern, considering their proximity to the grass roots communities, and also their closest ties with the government, which can make them pillars of strength in the fight against poverty.

Civil society organizations such as residents' associations have been so influential lately, confronting local authorities advocating for improved service delivery and transparent accountability. Civil society organizations are organizations that are formed by citizens to pursue their social, political and economic interests (Clayton, et al., 2000; Mapuwa, 2011). In 2018, the Zimbabwe government, after being awakened on the decay of corporate governance systems in the country's public sector, went on to legislate public sector corporate governance through the promulgation of the Public Entities Corporate Governance Act (10:13), which is in line with constitutional requirements. This study is confined in its scope of evidence to the perceptions and beliefs of internal auditors and management personnel employed by local authorities in Zimbabwe.

## 4. Conceptual Framework

The conceptual framework was developed from a critical analysis of previous studies on internal audit and corporate governance. Prior studies reveal that the availability of a resident audit function within an organization has a positive implication on performance (Gabrini, 2013). This notion motivates the current study, and therefore it hypothesizes that internal audit function independence is positively associated with enhanced transparency and accountability. The relationship between the independent variable – internal audit function independence and the dependent variable transparency & accountability is illustrated in Fig 1 below;

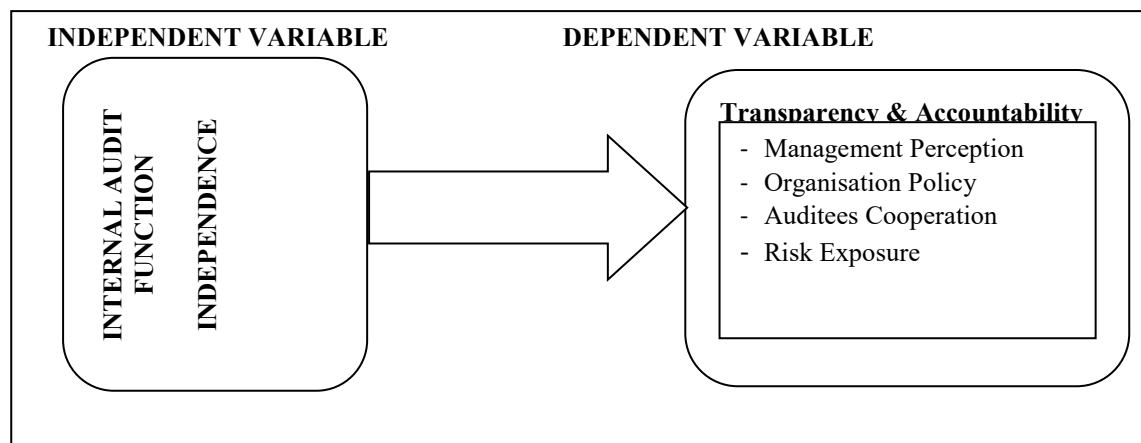


Figure 1. Study Conceptual Framework  
 Source: Researcher conceptualization, 2019

#### 4.1. Independent Variable

##### 4.1.1. Independence

Independence, as an internal audit function quality dimension will be measured using the internal audit practitioners' views on a series of questions pertaining to the internal audit function's reporting structure (Holt & DeZoort, 2009; Christopher, 2014); Strand Norman et al, 2010), appointment of the chief audit executive and internal audit function performance evaluation (Jiang, et al., 2014). The table below summaries measures of the independent variable.

Table 1: Independent Variable Measures

Variable	Measurement	Reference
Independence	Reporting Structure	Messsier & Schneider, (1998); Abbott, (2007) as quotted by Jiang et al (2014); Alzeban&Gwilliam, (2012); Christopher, (2010)
	Appointment of the chief audit executive	
	Internal audit function performance evaluation	

Source: Researcher, 2019

The independent variable will be assessed through a questionnaire that will be 5-point Likert-type scaled, ranging from "Strongly Agree" to "Strongly Disagree" or "Always" to "Never" depending on the nature of the items for each dimension. Internal audit practitioners (both the chief audit executive and internal audit staff) will be asked to indicate their opinions about internal audit independence attributes in their local authorities.

#### 4.2. Measuring Internal Audit Effectiveness in Enhancing Transparency and Accountability

Internal audit effectiveness in enhancing transparency and accountability for the purpose of this study will be assessed through a 5-point Likert-type scale questionnaire on management's perceptions on specific items about internal auditors' role within their respective local authorities. The questionnaire will also assess the extent to which management implement internal audit recommendations. Literature points to the difficulties of measuring internal audit effectiveness in upholding governance processes and the absence of a generally agreed approach for measurement (Arena & Azzone, 2009; Noble, 2010; Erasmus & Coetzee, 2018). However, as Arena and Azzone (2009) pointed out, the use of internal audit recommendation by management as an outcome measure (Roussy & Brivot, 2016; Erasmus & Coetzee, 2018) and the level of implementation of internal audit recommendations can be used as some of the objective measures of internal audit effectiveness (Sawyer, 1995; Van Gansberhe, 2005; Mihret & Yismaw, 2007; Arena & Azzone, 2009). The use and level of application of audit recommendation reflects on management support of the internal audit function. Internal audit literature points to the criticalness of management support in determining effectiveness of internal audit functions (Gramlin, et al., 2004; Sarens & De Beelde, 2006a; Mihret & Yismaw, 2007; Christopher, et al., 2009; Halimah, et al., 2009; Cohen & Sayag, 2010). Management perceptions on internal auditor's role in transparency and accountability will be sought in terms of perceived risk exposure and management's action on internal audit recommendations (Cooper, et al., 1994; Arena & Azzone, 2009; Mihret, et al., 2010; Aziz, 2013).

#### 5. Research methodology

Three sets of data collection instruments were employed as depicted in the table below:

Table 2: Data Collection Instruments

Instrument set	Instrument form	Targeted class of respondents
Instrument set (i)	Questionnaire	Internal Audit Practitioners(Chief Audit Executives and Audit Staff)
Instrument set (ii)	Questionnaire	Senior Management
Instrument set (iii)	Document review guide	Secondary Data

Source: Researcher, 2019

Instrument set (i) is a questionnaire for internal audit personnel. Items are grouped under subheadings to assist participants gain easy grasp of questions being asked (Zikmund, 2003). Under the first part, perceptions were sought about organization policy, auditees' cooperation and risk exposure of their respective organizations. In the second part, participants were asked about their perception towards their functions' independence as internal audit practitioners. The final part contains questions on the respondents' profile. Instrument set (ii) is a questionnaire for collecting data on the views and perceptions of management on the role of internal audit in promoting transparency and accountability. Management's views can provide a better picture on corporate governance and internal audit practices and influences thereof (Cooper, et al., 1994). To this end, this questionnaire was aimed at obtaining the views and opinions of senior management on some aspects of internal audit practice and its influence on transparency and accountability. Management's views instead, as opposed to those of councilors who happen to be the policy makers were used for the purpose of this study. This is because management is responsible for the day to day operations of local authorities.

Management personnel possess knowledge of several dimensions of corporate governance due to the nature of their jobs, and internal audit operations due to their close working relationships with internal auditors. The councilors on the other hand represent board members who are appointment based on political merit and not on academic or professional competency (Kurebwa, 2015). As such, poor judgment and their lack of knowledge concerning corporate governance issues cannot be ruled out. Councilors by nature are not fulltime employees of the local authorities, their main role is to provide interface between the local authority and the communities they serve, performing policy overview and scrutiny, executive decision making, providing political leadership, determining planning implications and community representation. As such, they may lack requisite knowledge of internal audit operations. Therefore, the use of management personnel's views in this study helped in generating relevant data which is within the scope of research objectives. Instrument set (iii) is a document review checklist that guided the gathering of secondary data from various documentary sources. It specifies the documents that were reviewed and objectives of the review.

### 5.1. Research Hypothesis

The study hypothesis was formulated on the basis of the need for internal audit practitioners to observe independence as emphasized by statutes, corporate governance codes and professional practice requirements of the profession, so as to safeguard compromises during audit assignments (IIA, 2016), and to keep the audit function on track towards the fulfillment of its objectives (Al-Twajjry, et al., 2003). It therefore aims to establish the relationship between internal audit function independence and transparency & accountability. Studies on audit independence pointed to the reporting line or the chain of command of the internal audit function, the role of audit committee in the employment of the head of internal audit and the role of the audit committee in the evaluation of the internal audit function as being the main factors used to evaluate the degree of independence of an internal audit function (Messier & Schneider, 1988; Jiang, et al., 2014). Internal audit independence is an important factor in assessing the role of the function on corporate governance practices. It is very easy for the internal audit function to fail in fulfilling its mandate if independence is being threatened by other factors such as conflicting interests (Al-Twajjry, et al., 2003). In a bid to establish how internal audit function independence influences corporate governance practices, as assessed through its influence on transparency and accountability, the study hypothesis was stated as:

**H1: The existence of an independent internal audit function in an organization is positively associated with transparency and accountability.**

Hypothesis one has other four sub-hypotheses stated here under:

**H1<sub>a</sub>: The independence of an internal audit function positively influences how management perceives internal auditors' capacity to impact on corporate governance processes.**

**H1<sub>b</sub>: The independence of an internal audit function is positively associated with the existence of an organization policy authorizing internal audit.**

**H1<sub>c</sub>: The independence of an internal audit function is positively associated with management cooperation.**

**H1<sub>d</sub>: The existence of an independent internal audit function is positively associated with the extent to which an organization is safeguarded against risk exposure.**

## 6. Research findings

### 6.1. Categorization of respondents

Table 3 below shows the source of respondents and their percentage representation. A greater representation of participants was from Rural District Councils, representing 60.99 % of participants. The level of participation is representative as it was relative to the pro-rated distribution of questionnaires. In Zimbabwe there are 92 local authorities, categorized in to 60 Rural District Councils (RDCs), 7 City Councils, 8 Municipalities, 13 Town Councils and 4 Local Boards. As such, the sample of the study is capable of yielding results which are representative of the population and therefore findings can be deemed reliable.

Table 3: Categorization and representation of respondents

Local Authority Status	Respondents	Distributed
City Council	18 (9.89%)	21 (7.78%)
Municipality	21 (11.54%)	24 (8.89%)
Town Council	20 (10.99%)	33 (12.22%)
Local Board	12 (6.59%)	12 (4.44%)
Rural District Council	111 (60.99%)	180 (66.67%)

Source: Researcher, 2019

### 6.2. Reliability and Validity

The current study used items measured on a Likert scale; therefore, reliability was assessed using Cronbach's Alpha to assess internal consistency. Table 4 below shows the overall Cronbach's Alpha of 0.837 which is above the recommended threshold of 0.7. This generally renders the instrument reliable for the study.

Table 4: Reliability Statistics (a)

Reliability Statistics		
Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
0.837	0.867	43

Source: Researcher, 2019

Table 5 below indicates Cronbach's Alpha for individual constructs. Independence as an independent construct had a Cronbach's Alpha of 0.835, being above the recommended 0.7. All the other dimensions for transparency and accountability had constructs slightly below the recommended 0.7, being Management Perception towards internal audit (MP) 0.668, Organization Policy authorizing internal audit (OP) 0.651, Auditee Cooperation (OC) 0.633, and Risk Exposure of the organization (RE) 0.621. Although slightly below the 0.7 threshold, they are still deemed satisfactory for an exploratory research (Hair, et al., 2010). This therefore reveals that all the constructs considered for the purpose of this study are internally consistent, hence reliable.

Table 5: Reliability Statistics (b)

Constructs	Reliability Statistics		
	Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
Management Perception Towards Internal Audit	0.668	0.735	24
Organizational Policy authorizing Internal Audit	0.651	0.666	4
Auditee Cooperation	0.633	0.635	3
Risk Exposure of the organization	0.621	0.66	5
Independence	0.835	0.818	7

Source: Researcher, 2019

### 6.3. Kendall's Coefficient of Concordance

The Kendall's coefficient of concordance established that there is a high degree of agreement within responses on items explaining management perception towards internal audit and independence, this being significant at 0.05. However, for organization policy authorizing internal audit and auditees' cooperation, there was weak trend of agreement within responses.

Table 6: Kendall's Coefficient of Concordance Table

Constructs	Kendall's Wa	Chi-Square	Df	Asymp. Sig.
Management Perspective	0.178	890.708	23	0.00
Organizational Policy	0.003	2.238	3	0.52
Auditee Cooperation	0.005	2.006	2	0.37
Risk Exposure	0.204	177.68	4	0.00
Independence	0.093	122.224	6	0.00

Source: Researcher, 2019

#### 6.4. T-test of Mean Differences

One of the major assumptions tested under the study is that all the constructs are the same, particularly determining transparency and accountability, hence the need to prove that they are not depending on each other. An assessment of mean differences Table 7, probability values corresponding to t being significant at 0.05 shows that the assumption does not hold true, therefore, we conclude that the constructs are different so they have to be treated differently in the organization, since their influence cannot be the same.

Table 7: Assessment of Mean Differences

Test Value = 0	t	Df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Management perspective	178.848	217	0.00	97.87	96.79	98.95
Organizational policy	129.308	217	0.00	17.65	17.38	17.92
Auditee Cooperation	127.382	217	0.00	13.29	13.09	13.50
Risk Exposure	94.9	217	0.00	20.29	19.87	20.72
Independence	64.697	217	0.00	25.95	25.16	26.74

Source: Researcher, 2019

#### 6.5. Hypothesis testing

We test the relationship between independence and transparent & accountability by using the Pearson correlation analysis and regression analysis. We re-state the hypothesis hereunder

**H1: The existence of an independent internal audit function in an organization is negatively associated with transparency and accountability.**

We also test the sub-hypotheses re- stated here under

**H1<sub>a</sub>: The independence of an internal audit function negatively influences how management perceives internal auditors' capacity to impact on corporate governance processes.**

**H1<sub>b</sub>: The independence of an internal audit function is negatively associated with the existence of an organization policy authorizing internal audit.**

**H1<sub>c</sub>: The independence of an internal audit function is negatively associated which management cooperation.**

**H1<sub>d</sub>: The existence of an independent internal audit function is negatively associated with the extent to which an organization is safeguarded against risk exposure.**

#### 6.6. Correlation Analysis

Correlation analysis is performed Table 8 to show the relationship between independence (as independent variable) and transparent and accountability as dependent variable measured by management perception towards internal audit, organisational policy, auditees cooperation, and risk exposure of the organisation. The results indicate that there is a significant positive correlation between independence and management perception of 0.216. We therefore reject the null sub-hypothesis (H1<sub>a</sub>: The independence of an internal audit function negatively influences how management perceives internal auditors' capacity to impact corporate governance processes), and conclude that the independence of an internal audit function positively influences how management perceives internal auditors' capacity to impact corporate governance practices.

Correlation analysis between independence and organization policy show that there is a significant positive correlation between independence of an internal audit function and organization policy authorizing internal audit of 0.167, with a significant level of 0.05. We therefore reject the null sub-hypothesis (H1<sub>b</sub>: The independence of an internal audit function is negatively associated with the existence of an organization policy authorizing internal audit), and conclude that the independence of an internal audit function is positively associated with an organizational policy authorizing internal audit. Results show that there is a significant positive correlation between independence of an internal audit function and auditees cooperation of 0.23. The correlation is significant at 0.05. We therefore reject the null sub-hypothesis (H1<sub>c</sub>: The independence of an internal audit



function is negatively associated with the extent to which management cooperates with internal auditors), and conclude that the independence of an internal audit function is positively associated with the extent to which management cooperates with internal auditors; hence motivating the implementation of audit recommendations.

Results also show that there is a significant positive correlation between independence of an internal audit function and risk exposure of the organization of 0.653, the correlation being significant at 0.05. We therefore reject the null sub-hypothesis (H1<sub>d</sub>: The existence of an independent internal audit function is negatively associated with the extent to which an organization is safeguarded against risk exposure), and conclude that the existence of an independent internal audit function is positively associated the extent to which an organization is safeguarded against risk exposure. We can therefore conclude that the existence of independent internal audit functions is positively associated with transparency and accountability in Zimbabwe local authorities (H1), as measured by management perception towards internal audit, organisational policy authorising internal audit, auditees' cooperation, and risk exposure of the organisation.

Table 8: Correlation between Independence and Transparency & Accountability

Correlations		Management perspective	Organizational policy	Auditee Cooperation	Risk Exposure	Independence
Management perspective	Pearson Correlation	1.00	.428**	.391**	.419**	.216**
	Sig. (2-tailed)		0.00	0.00	0.00	0.00
Organizational policy	Pearson Correlation	.428**	1.00	.609**	.501**	.167*
	Sig. (2-tailed)	0.00		0.00	0.00	0.01
Auditee Cooperation	Pearson Correlation	.391**	.609**	1.00	.530**	.203**
	Sig. (2-tailed)	0.00	0.00		0.00	0.00
Risk Exposure	Pearson Correlation	.419**	.501**	.530**	1.00	.653**
	Sig. (2-tailed)	0.00	0.00	0.00		0.00
Independence	Pearson Correlation	.216**	.167*	.203**	.653**	1.00
	Sig. (2-tailed)	0.00	0.01	0.00	0.00	

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

Source: Researcher, 2019

### 6.7. Regression Analysis

Table 9 below explains the results of the regression analysis that determines the long-term relationship between independence and transparency & accountability. The results on table 9 below model 1a show that there is a significant positive relationship at 0.05 between independence and how management perceives internal auditors' capacity to influence corporate governance practices in Zimbabwe local authorities; a significant positive relationship between independence and organization policy authorizing internal audit. The relationship is significant at 0.05. The table also shows the existence of a positive relationship between independence and auditees cooperation, and a significant positive relationship between independence and risk exposure of the organization, meaning that the greater the degree of internal audit independence, the higher the chances that the organization is safeguarded against risks exposure.

Table 9: Regression analysis

Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1a	(Constant)	90.224	2.412		37.403	0
	Independence	0.295	0.091	0.216	3.25	0.001
1b	(Constant)	16.174	0.608		26.62	0
	Independence	0.057	0.023	0.167	2.493	0.013
1c	(Constant)	11.922	0.461		25.843	0
	Independence	0.053	0.017	0.203	3.049	0.003
1d	(Constant)	11.26	0.731		15.399	0
	Independence	0.348	0.027	0.653	12.669	0
a Dependent Variable: Management Perspective						
b Dependent Variable: Organizational Policy						
c Dependent Variable: Auditee Cooperation						
d Dependent Variable: Risk Exposure						

Source: Researcher, 2019

From the regression analyses, we therefore conclude that there is a significant positive relationship between independence and transparent and accountability in Zimbabwe local authorities.

## 7. Discussion

The Zimbabwean government has been awakened on the importance and criticalness of the country's state of public sector corporate governance, which saw the enactment of the Public Entities Corporate Governance Act (Chapter 10:31) in 2018. This follows an outcry by stakeholders on the worrying continuously declining quality of service delivery (Mapuwa, 2011; CHRA, 2014). Since this state of affairs was being blamed on poor corporate governance practices, this study explores how the poor corporate governance practices could possibly be a result of questionable quality attributes of our internal audit functions within public sector organizations, whose role among others should be to help organizations improve in governance processes. The study explored how internal audit function independence as a major quality dimension for internal audit functions influences transparency and accountability in Zimbabwe local authorities.

The study findings reveal that there is a statistically significant relationship between independence of internal audit function and transparency and accountability. The extent to which internal audit can influence transparency and accountability was assessed through four different constructs, being management perception towards internal audit, organization policy, auditees cooperation and risk exposure of the organization. All these constructs show strong correlation and a significant positive relationship with independence. The study results concur with existing literature that point to the importance of internal audit function quality in promoting good corporate governance (Mihret, et al., 2010; Abu-Azza, 2012). The study findings confirm the applicability of the Agency Theory in internal auditing research, confirming that the existence of an independent internal audit function can assist improving corporate governance practices, through the elimination of the agency problems, supporting conclusions by Al-Twajry et al 2003. The study results also confirm applicability of the Theory of Inspired Confidence as independent internal audit functions are capable of providing an expected level of assurance to stakeholders (Carmichael, 2004), by reducing the inherent risk that the information availed by management about the affairs of the organization might not honestly represent the state of affairs, this also confirms results established by Holt & Dezoort 2009.

The current study has some scope limitations, as it focused primarily on local authorities in Zimbabwe, thus the findings may not perfectly fit for generalization in other public sector players. However, there is no reason why we should expect a significant difference considering that the whole Zimbabwe public sector fall under the same regulatory environment. The study also has some limitations in the context of measures of the independent variable. In line with existing literature, reporting structure, appointment of the chief audit executive and the responsibility for performance evaluation of the function are important measures on internal audit function independence (Christopher, et al., 2009; Jiang, et al., 2014) these measures were also used in the current study. Literature associates internal audit functions reporting to the audit committee, whose performance evaluation is the responsibility of the audit committee and the responsibility for appointment of the chief audit executive being sorely with the audit committee, as independent enough to conduct their engagements effectively. An interesting observation in the context of Zimbabwe local authorities is the composition and operating procedures of audit committees.

In some local authorities in Zimbabwe, management personnel are members of the audit committees. Regardless of specific pronouncements in the Urban Councils Act (29:15) Section 97, restricting attendance in

audit committee meetings by management and members of the executive committee; in majority of cases the executive committee and members of management always attend audit committee meetings. More so, the audit committee membership and its chairing are as a matter of policy by elected councilors. These councilors are elected into office by virtue of political millage and not academic or professional merit, thus there is no minimum or basic academic or professional qualification required for one to contest for election as a councillor in Zimbabwe. To qualify to be elected as a councillor in Zimbabwe, as provided by Section 28 of the Rural District Councils Act (29:13), one only needs to be a resident of Zimbabwe, a registered voter and above 18 years of age (Kurebwa, 2015), this therefore means that majority of audit committee members have little knowledge of either internal audit operations or corporate governance processes, if not illiterate. In usual cases, the chief audit executive will be technically the one directing the audit committee. In this light, an investigation into other public sector organizations other than local authorities may bring us to a different conclusion. This may therefore require a further exploration into how the composition of audit committees and their operating procedures in Zimbabwe local authorities affects the execution of their mandates, and how this in turn affects corporate governance practices.

## 8. Conclusion

The study investigated the impact of independence of internal audit function on transparency and accountability in Zimbabwe local government sub-sector. The study established that there is a significant positive relationship between the independence of an internal audit function and transparency & accountability. Local authorities in Zimbabwe need to emphasize the importance of internal audit independence so as to enhance the level of transparency and accountability. The study did not explore ways of strengthening and improving independence of internal audit functions, thus the study therefore recommends further research into ways of strengthening internal audit function independence in Zimbabwe local authorities.

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