The Impact of Poor Corporate Governance on the Effectiveness of Internal Audit at the Road Development Agency (RDA) in Zambia

Anderson Mwape

Graduate School of Business, The University of Zambia, Lusaka, Zambia
Email: andersonmwape@yahoo.com

Abstract

Various research findings on the collapse of Enron Corporation in 2001 reveal that despite having structures and mechanisms for good corporate governance, everybody at the company disregarded these rules and regulations. Like Enron, the RDA has laid down regulatory provisions that specify the governance structures and processes including the Internal Audit function at the institution. However, these guidelines and principles are either circumvented or manipulated, resulting in poor performance and wastage of resources, thereby adversely affecting the effectiveness of the Internal Audit function at the institution. Therefore, research was conducted using a cross-sectional descriptive study design with both qualitative and quantitative methods to ascertain the impact of poor corporate governance on the effectiveness of Internal Audit at the RDA. The objectives of the study were to evaluate the corporate governance practices and ascertain whether or not there was control circumvention, distortion, and manipulation of these structures and mechanisms resulting in challenges for the Internal Audit activity at the institution with a view to coming up with measures to enhance or strengthen existing corporate governance structures in the Road Sector in general and the RDA in particular. Poor corporate governance practices affect the efficiency and effectiveness of operation for not only the institution but also the internal audit activity in an organization and lead to failure to achieve organizational objectives. Factors that contribute to poor corporate governance at the RDA, included, making appointments to the Board and Audit Committee outside the provisions of the statutes and without regard to specified qualifications. The results showed a direct and significant relationship between poor corporate governance and the effectiveness of the Internal Audit activity at the RDA. To strengthen the supervision and oversight role of the board, mem-

How to cite this paper: Mwape, A. (2022). The Impact of Poor Corporate Governance on the Effectiveness of Internal Audit at the Road Development Agency (RDA) in Zambia. Open Journal of Business and Management, 10, 2325-2365. https://doi.org/10.4236/ojbm.2022.105116

Received: July 3, 2022
Accepted: August 30, 2022
Published: September 2, 2022

Copyright © 2022 by author(s) and Scientific Research Publishing Inc. This work is licensed under the Creative Commons Attribution International License (CC BY 4.0).
http://creativecommons.org/licenses/by/4.0/
bers should be appointed in line with the statutes and taking into account, skills, and competencies.

**Keywords**

Corporate Governance, Shareholder Model, Internal Audit, Dysfunctional Board, Audit Committee

---

**1. Structure of the Article**

The paper is structured in such a way that the next section gives an overview, background, and objectives including the rationale and significance of the study. The problem statement, research questions, hypothesis, and conceptual definitions are also covered in this paragraph. Paragraph 3 covers the literature reviewed during the study while the Methodology is covered in paragraph 4 and explains the research design, target population, sampling basis, and sample size. Paragraph 5 deals with the data collection methods used in the study while Paragraph 6 covers data analysis of descriptive and inferential statistics including the interpretation of results and discussion. Paragraph 7 concludes the article with recommendations.

**2. Introduction**

The causes of corporate failures which have been revealed over time by business and industry include: fraud, corruption, negligence, ineffective Internal Audit, unethical management, ill-qualified board members, and lack of accountability. It has further been established that omissions and commissions like: lack of control, strategic misalignment, and financial scandals have also led to subdued business growth, poor reputation, and high levels of misuse and wastage of resources including unending complaints from stakeholders. These lapses and failures are all consequences of poor corporate governance. Different studies have concluded that poor corporate governance practices have adverse effects not only on the achievement of organizational goals but also contribute to the avoidable challenges faced by the Internal Audit activity in an organization. However, even where corporate governance structures are well formulated and established, non-adherence and/or circumvention of these systems, processes, and procedures will always spell doom and result in poor performance.

**2.1. Background of the Study**

Documented financial scandals and high-profile corporate failures of recent times have brought into sharp focus the role of Internal Audit in good corporate governance due to its special position to provide assurance on the operational activities of an organization. However, Internal Audit would only be effective if
it is objective, responsive, and well-resourced while its activities are aligned with organizational strategies. However, Internal Audit can only play an effective and constructive role, when it is independent and free from undue influence including pressure both from internal and external forces. In the current dynamic and ever-changing business environment, the challenges of Internal Audit are not only reduced but also moderated by good corporate governance structures and practices. This study therefore compared corporate governance practices in theory and what actually was on the ground at the Road Development Agency (RDA) in Zambia. The study also evaluated the effect of poor corporate governance practices on the Internal Audit activity in organizations and especially, public institutions.

2.2. Rationale and Significance of the Study

Good corporate governance practices are critical to reducing investor risk, attracting investment, and improving the performance of companies and organizations. Extensive studies on corporate governance as it relates to the private sector have been undertaken especially since the financial scandal in 2001 involving Enron, an innovative energy corporation in the United States. Some of these studies have greatly improved the efficiency and effectiveness of management and benefited the private sector, especially when it comes to managing and controlling those organizations (Healy & Palepu, 2003). However, over the years, attention has shifted worldwide to corporate governance in the public sector because it has been acknowledged that, when applied judiciously, the tenets of good corporate governance, guarantee the same benefits as enjoyed by the private sector (Ryan & Ng, 2000). The results of this study, therefore, will supplement the body of knowledge on the topic and will prove invaluable to board members, managers, practitioners, and academicians including clients of the Internal Audit activity. In addition to providing clarity on how to enhance and strengthen the existing corporate governance practices in the public sector in general, and the RDA in particular, the results also brought to the fore the significance of corporate governance and its effect on the Internal Audit function in an organization.

2.3. Problem Statement

Many researchers including Nguyen (2011) attribute the collapse of Enron to the Board of Directors who failed to fulfill their fiduciary responsibilities to the shareholders and the greediness of the company’s top executives who acted in their self-interest in addition to outsourcing the company’s Internal Audit function to external service providers. Therefore, despite having structures and mechanisms for good corporate governance, everybody at Enron flouted instead of flaunting these rules and regulations. At the RDA, although the law provides the modalities for the appointment of the Board, members are appointed from indi-
viduals whole are politically aligned to the governing party. Additionally, although the budgets relating to human capital, financial and other resources for Internal Audit are approved by the board through the audit committee at the beginning of each financial year, the management and disbursements of these resources during the year are authorized by the CEO. Similarly, the Agenda of the Audit Committee is cleared by the CEO in advance of the meeting and despite laid down procedures on when to respond to draft audit reports, these guidelines are not adhered to by senior management resulting in many audit findings not being presented to the board for appropriate action. Therefore, although the audit plan is approved on paper by the board, its implementation is dependent on the whim and benevolence of the CEO. Hence, like Enron, although the RDA has laid down regulatory provisions that specify the governance structures and processes including the Internal Audit function at the institution, these guidelines and principles are circumvented, distorted, or manipulated resulting in poor performance, wastage of resources, and adversely affecting the effectiveness of the Internal Audit function of the organization (AGO, 2010; Njenga, 2017).

Although substantial work and research have been undertaken generally on corporate governance, there have been paltry studies specifically on the effect of non-adherence to good corporate governance practices on the Internal Audit activity in an organization.

2.4. Objectives and Research Questions

The objectives of the study were to evaluate the corporate governance practices and ascertain whether or not there is control circumvention, distortion, and manipulation of the corporate governance structures and mechanisms which adversely affect the performance of the Internal Audit activity at the RDA. The objectives were achieved by answering the following research questions:

1) How adequate are the corporate governance structures at the RDA?
2) Is the composition of the Audit Committee at the RDA independent enough, to provide the necessary supervision and oversight on behalf of the Board?
3) What is the role of Internal Audit in corporate governance at RDA?
4) Can the challenges of Internal Audit at RDA be attributed to the poor corporate governance practices at the institution?

2.5. Research Hypothesis

In response to the overall research objective, it was important to ascertain the relationship between poor corporate governance and the performance of the Internal Audit function at the organization. Therefore the following hypotheses were formulated

1) Null Hypothesis, \( H_0 \)—There is no significant relationship between poor corporate governance practices and the effectiveness of the Internal Audit func-
tion at the RDA

2) Hypothesis, H₁—There is a significant relationship between poor corporate governance practices and the effectiveness of the Internal Audit function at the RDA.

2.6. Conceptual and Operational Definitions

Bailey et al. (2002) posited that defining terms conceptually is important in research because it removes ambiguity in addition to helping the reader understand the intentions of the researcher including comprehension of terms or concepts that may have different connotations or that may be conflicting. Defining terms also helps the researcher ground the discussion and provide clarity by removing any inconsistencies and misconceptions. Therefore, for this research, four terms have conceptually been defined; the Road Development Agency, corporate governance, Internal Auditing, and Kaizen.

2.6.1. Road Development Agency (RDA)

In Zambia, there are private companies, state-owned enterprises, public companies, and corporations including what are termed spending agencies. Spending agencies are not-for-profit public institutions that provide goods and services to the public on behalf of the government. The RDA is a spending agency created by an Act of parliament and is responsible for the maintenance, rehabilitation, and construction of public roads and bridges in Zambia. The source of funding for the operations of the institution is a grant from the government which is approved and appropriated by parliament each year. It has a governing board appointed by the Minister for infrastructure, housing, and urban development.

2.6.2. Corporate Governance

Many scholars and experts have defined the concept of corporate governance differently because it covers a whole range of activities. However, generally, the definition of the concept is either narrower or broader. The emphasis of the narrower definitions is on the control of management by the owners, while the focus of the broader definitions is on the role(s) of all stakeholders involved in making and implementing strategic decisions for the organization. This study adopted and adapted the wider definition of corporate governance from the Organisation for Economic Co-operation and Development (OECD), which is more encompassing and covers not only private companies and corporations, but also non-governmental organizations and not-for-profit government institutions like the RDA. According to the OECD (2005), corporate governance refers to all laws, regulations, and practices by which an organization is managed and controlled. It determines the rights, obligations, and responsibilities of all active stakeholders within and outside an organization including employees, the management board, and the owners; in the process attracting capital and enhancing internal efficiency which in the long run, provides economic value to all stakeholders.
2.6.3. Internal Audit

The effectiveness of Internal Audit is undoubtedly guaranteed by strong management and board support. A robust, responsive, and well-resourced Internal Audit activity in an organization can be a critical resource to support sound corporate governance practices. Therefore, for this study, the definition provided by the Institute of Internal Auditors (IIA) was adopted, which states that:

Internal Auditing is an independent, objective assurance and consulting activity designed to add value to and improve an organization’s operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to [evaluating] and [improving] the effectiveness of risk management, control, and governance processes.

3. Literature Review

The term “corporate governance”, is a buzzword that was hardly mentioned before the 1990s. It is now universally used and has gained traction whenever business management and finance are discussed in academia, countless research articles, conferences, and consultancies. However, since the term “corporate governance”, like, “entrepreneurship”, “small and medium enterprises”, “business”, is just a concept, there are different meanings ascribed to it by different stakeholders (Keasey, 2007). Therefore, the literature review did not delve into the alternative perspectives on corporate governance, the background to the reforms on corporate governance, and the current thinking on the subject, especially after 2001. Instead, the review provided an overview of corporate governance, and a brief outline of the theories underpinning the concept including the challenges and role of Internal Audit in good corporate governance as shown below.

3.1. Overview of Corporate Governance

In 1992, the Financial Aspects of Corporate Governance Committee (Cadbury Committee), notably defined corporate governance as, “the system by which companies are directed and controlled.” (Ward et al., 2013). While this definition is widely accepted, it should be noted that the Cadbury Committee was set up by the London Stock Exchange in the UK in response to misgivings about the apparent low level of confidence not only in financial reporting but also in the capacity of auditors to provide assurances and protections to stakeholders (Cadbury, 1992). Moreover, there are diverse understandings and applications of corporate governance in different countries which has led to varied systems in different jurisdictions, depending on which stakeholder interested in the operations of the company is given prominence. However, regardless of the country or jurisdiction, the basic tenets of corporate governance relating to integrity, transparency, and accountability are ever-present in any model of corporate governance. Therefore, instead of dwelling on the different definitions and perspectives, this paper adopted the “concept model” when discussing corporate gover-
nance in the public sector.

3.2. Theoretical Aspects of Corporate Governance

According to Reeves et al. (2008), the theoretical framework guides a researcher on how to raise questions relating to what the experts in the field have hypothesized about the underlying causes of observed phenomena. The review of the theories assists a researcher to identify the existing abstract ideas that can be used to investigate and understand one’s research problem and what a researcher should be looking for in the data to answer the research question(s) according to the theories. Various theories have taken prominence in describing the relationships and various elements of corporate governance which have been propounded by scholars and experts. These include; the agency theory, the stewardship theory, the stakeholder theory, and the political theory among others. However, this paper considered two theoretic frameworks only; the agency theory and the political theory. Researchers including Pande & Ansari (2014), have argued that although there is no umbrella theory to unify all thoughts around corporate governance, the agency theory is the most widely used framework in corporate governance research because other theories are rooted in it. On the other hand, the political theory was briefly included in this study because it would be folly to ignore the role that political influence plays in the corporate governance of public institutions.

3.2.1. Agency Theory

Agency theory holds a central role in corporate governance literature because it explains the relationship between the owners of the company (principals) and the people employed to run the company on their behalf (Agents). The key feature of this theory, therefore, relates to the difference between proprietorship and control. It has long been held that the separation of ownership from control is fundamental to the agency problems which confront companies since agents may make decisions that are beneficial to them and not the principals. This may include minimizing effort in managing the company and maximizing their job security. Without forward-looking compensation, the managers may not put in their best since they feel that after all, it is the owner who benefits more. Similarly, given a choice to make a decision where there is a large probability of high returns but with high risk, and one with a smaller return but with low risk, the manager will pick the second choice (Berle & Means, 1991; Jensen & Meckling, 1976; Mansfield et al., 2002). However, the author of this paper argues that the principal-agent problem is good for business as long as the agent’s interests are aligned with those of the principal by good corporate governance structures which allow for monitoring and control. This reasoning is supported by Donaldson (1990) who opined that there is no relation between characteristics of the board of directors and corporate performance and that the findings of the earlier corporate governance studies did not take into account the dynamic na-
ture of corporate governance and therefore may be affected by bias.

3.2.2. Political Theory
One of the many definitions of corporate governance alludes to the system of laws, regulations, listing rules, codes, and deliberate private sector practices by which companies are regulated and controlled (Mastrodascio, 2021). The government cannot be divorced from these systems and procedures because the government makes laws affecting both the private and public sectors. For this reason, political theory is important when discussing the corporate governance of a public institution like the RDA. This theory is concerned with the political influence and how power and ownership are distributed in the governance structure of the organization which is shown by the involvement of the government in the capital of companies or through the formulation of appropriate laws which will protect the rights of the owners. The role of political theory in the running of the public institution especially in a command economy, therefore, cannot be downplayed (Achim et al., 2015).

3.3. Models of Corporate Governance
Many scholars and experts including Magnier (2017) have identified three main models of leadership on which the corporate governance theory is based: the Anglo-Saxon, the Continental, and the Japanese model. The main feature of the Anglo-Saxon model is that it gives priority to the interests of shareholders and relies on the capital market, as the mechanism to control the company, while the continental model which is practiced by German and other European countries recognizes the value and interests of other stakeholders in the company like workers, managers, suppliers, customers, and the community. In this model, shareholders are considered just as one among other interest groups in the company, and therefore profit is not the main goal (Pillay, 2013). Although considered an outlier of the three models, the Japanese model of corporate governance, on the other hand, is generally a hybrid of the Anglo-Saxon and the continental models except for the fact that there are two groups with dominant legal relationships in this model (Ross, 2021):

One [group] is between shareholders, customers, suppliers, creditors, and employee unions; the other [group] is between administrators, managers, and shareholders. There is a sense of joint responsibility and balance in the Japanese model. Given the interrelationship and concentration of power among the many Japanese corporations and banks, it is also not surprising that… individual investors are seen as less important than business entities, the government, and union groups.

3.4. Elements Corporate Governance
The divergence in the adoption of corporate governance models is a result of
different markets and national legal systems despite globalization which has contributed both to the loosening of government controls on capital flows and a more efficient allocation of resources (Márza et al., 2018). Despite the different corporate governance models Shirwa & Onuk (2020) postulated that the emphasis of all the variations of these models is either, shareholder or stakeholder dominance but the basic elements are almost the same. The ultimate objective of corporate governance is to boost shareholders’ value and protect the interests of other stakeholders by improving corporate performance and accountability. Corporate governance has various specific elements but it is generally accepted that all of them emphasize the need for creating and maintaining the direction of the organization by generating value and promoting goodwill with all stakeholders. The corporate governance shelter accommodates tenets of governance which include, an effective board, which is properly constituted, fair, transparent, and accountable to all stakeholders. The Board and management should abide by internal codes of conduct, policies, and procedures that are anchored on an appropriate legal and regulatory framework and supported by a robust and responsive organizational structure with clear hierarchical responsibilities and spans of control as shown in Figure 1 below.

![Figure 1. Elements of corporate governance, Source: Adapted from Homayoun and Abdul Rahman (2010).](image_url)

### 3.5. Corporate Governance Structures at RDA

The RDA has a Board that is appointed by the Minister in line with the Public Roads Act No. 12 of 2002. There are fifteen (15) members of the Board out of which, twelve (12) members are drawn from the public sector while only three...
(3) are from the private sector. The Board has four committees; the Technical Committee, the Human Capital and Administration Committee, the Finance Committee, and, the Audit Committee. Apart from the Audit Committee whose membership is prescribed by the Public Finance and Management Act of 2018, members of the other committees are drawn from among Board members including outside members who are coopted where necessary. In addition, the RDA is headed by a Chief Executive Officer who is supported by ten (10) Directorates; Construction and Rehabilitation, Road Maintenance, Planning and Design, Commercial and Technical Services, Audit and Risk Assurance, Legal Services, Communications, and Corporate Affairs, Finance and Procurement.

**Evaluation of Corporate Governance at RDA**

The President of the Republic of Zambia appoints the Minister responsible for infrastructure, housing, and urban development who in turn is supposed to appoint the Chairman of the Board (Public Roads Act of 2002). However, between 2011 and 2017 the Chairmen of the Board were first appointed by the Republican President from the members of the Central Committee of the governing political party while other members of the board who were again, politically connected or aligned to the governing party, were subsequently appointed by the Minister (Zambian Online, 2012; Shabongo, 2013; Kasonde, 2017). From 2018 to 2021, both the Chairman and the members of the Board have been appointed by the minister in line with the Public Roads Act of 2002 but most of these members were also connected or aligned to the governing political party (Mwila, 2021). It is noteworthy that the role of the board is to provide policy direction and oversight to technocrats managing public institutions. However, appointing board members who are politically connected or aligned negates this important role of the board and compromises the tenets of good corporate governance because the whole process is susceptible to political interference and manipulation.

**3.6. The Internal Audit Activity**

Internal Audit is a vital activity in an organization because it provides assurance by assessing and reporting on the effectiveness of governance, risk management, and control processes designed to help the organization achieve its strategic, operational, financial, and compliance objectives (IIA 2015). Internal Auditing methods have evolved over the years gaining recognition from executives and organization leaders and changing the focus of Internal Audit efforts to respond to the ever-changing needs of the global environment. The processes of Internal Auditing have also evolved progressively over the years and were enhanced by the introduction of the International Professional Practices Framework (IPPF) by the Institute of Internal Auditors as shown below.

**3.6.1. Evolution of Internal Auditing Methods**

Prior to the 1980s, control-based auditing was the standard approach to auditing
and is basically an extension of external auditing procedures. It consists primarily of providing assurance on the validity of various account balances and other financial details. The focus of the audit was on understanding the laws, regulations policies, and procedures and then identifying and correcting exceptions and errors. During the 1980s, process-based auditing was developed to address some of the challenges and flaws of control-based-based auditing. This approach appraises the processes as a whole and evaluates their design, efficiency, and effectiveness. According to Arter (2006) process-based auditing requires an in-depth understanding of the business and control processes of the organization before the audit starts and the audit results must be presented in a form that promotes Kaizen. Between 1990 and 1995, risk-based auditing was introduced because the control and process-based auditing did not answer all the challenges of Internal Auditing which included the risk of coming up with an inaccurate opinion on the operations of a company. The risk-based Internal Auditing methodology links Internal Auditing to an organization’s overall risk management framework and the purpose was to limit the audit engagement to significant risks starting by developing a thorough understanding of the organization and its risks (IIA, 2018). Later, due to the changing dynamics of the business environment, many companies graduated to the organization-wide use of Enterprise Risk Management (ERM) which is a holistic risk-based assessment and decision-making methodology. The evolution and development of the Internal Auditing role are shown in Figure 2 below.

3.6.2. Misconceptions about Internal Audit
Although the Internal Audit function has developed and evolved over the years, the profession is shrouded in several myths and misunderstandings and the first misconception comes from one of the key stakeholders in Internal Audit - Management, who expects Internal Audit to provide assurance that key controls
and risks have been identified and managed effectively. However, increasingly, management expectations extend beyond this core assurance role in search of greater value to justify the organization’s investment in Internal Audit (Hatherell, n.d.). Being first in the line of defense against fraud, management would want Internal Audit to play a reasonable role in the prevention and detection of fraud. However, the role of Internal Audit is not to stop fraud, but to encourage management to create a corporate culture that fosters ethics, honesty, and integrity and by effectively evaluating internal controls employed for preventing and detecting fraud (Petrușcu & Tieanu, 2014).

According to the Burton et al. (2014), at the heart of several misconceptions about Internal Auditors is the fallacy that auditors are nitpickers and fault-finders in the process ruining the reputations of the people who perform the “real work”. This school of thought views the auditors as the group who kills the wounded with bayonets after the battle is over, sidetracking management from more important responsibilities. However, this assertion is far from the truth because the focus of Internal Audit is on major risks rather than on nit-picking the details. Audit resources are limited, and when auditors focus too much attention on minor issues, the time available for addressing the major risks and controls that are at the heart of Internal Audit is constrained.

Another misconception is stereotyping Internal Audit as a “policeman” or “watchdog activity”. In fact, Burton et al. (2012) confirmed that other business and finance mavens are unwilling to join the Internal Audit profession because they have negative stereotypes of Internal Auditing. This myth was closer to reality in the earlier years of the profession than it is today because, although Internal Audit is the first in the line of corporate defense, the practice of a modern Internal Auditor is not supposed to be accusing or aggressive. Instead, auditees should be treated as partners working for the same organizational goals. Therefore, audit findings should be treated as an opportunity to improve operations and help accomplish the objectives of the organization (Audit Beacon, 2021).

### 3.6.3. Challenges of Internal Audit

Apart from misconceptions about Internal Audit in an organization, the function also faces many challenges and ethical dilemmas one of which comes from the predicament brought about by its dual reporting role. The IIA (2022) recommends that to enhance independence and objectivity, the Chief Audit Executive (CAE) should report functionally to the Board through the Audit Committee and administratively to the CEO. This dual reporting structure can however cause challenges. Critics of it say that since the CEO holds the strings on pay raise, and promotions and also facilitates Internal Audit logistical requisites, CAEs are less likely to want to “rock the boat” so to speak, and raise matters that could cast the CEO in a poor light. There have been instances where resources have not been released timely for Internal Audit activities despite board approval just to put spanners in the works of Internal Audit. Greater education and effective communication between the CEO and the CAE would close the gap in this
Another challenge faced by Internal Audit identified by many practitioners including Sheridan (2016), has to do with management pressure and may take forms sometimes direct and in most cases indirect. Direct management pressure includes requests to change some aspects of unfavourable audit reports to the Audit Committee. Indirect pressure will arise from management not responding to draft audit reports in time thereby delaying the audit process. In some cases administrative authority for the release of funds for several Internal Audit activities is not given as and when it is required derailing the activities of Internal Audit. Sometimes Internal Auditors are under continuous pressure to support management in operational functions like assisting in tender evaluations, employee recruitment processes, and disciplinary committees which activities compromise the independence and objectivity of Internal Audit.

A report by Larry Rittenberg from the Institute of Internal Auditors (IIA) stressed that, although Internal Audit practitioners often face ethical challenges, how they handle these challenges determines both their value and that of their organizations. According to this report, more than 14,500 practitioners in 166 countries were surveyed and the results indicated that 20 percent of Internal Auditors were pressured by the CEO or other Executives to “occasionally or frequently” alter audit findings. 14 percent of the respondents declined to answer the question on pressure from Executives. The report, therefore, concluded that the 14 percent failed to answer the question due to “intimidation”. (Sheridan (2016). Pressures from management can be mitigated by a good relationship between the CAE and Audit Committee Chairperson including abiding by the professional code of ethics. However, it should be noted that a good relationship with management works well only when the Audit Committee is truly independent in both substance and form. Note the word “truly”, because Audit Committees may not want to hear the bad stuff, or maybe the audit Committee gets swamped by the chairperson who is not completely independent.

### 3.7. Internal Audit and Corporate Governance

Lenz & Jeppesen (2022) coined the phrase; “Internal Auditing, gardener of governance” when explaining the future of the profession due to the important role it played in appraising the activities of an organization. Like the literal gardener, Internal Auditing helps the organization grow and thrive by “monitoring the health of all plants and trees while maintaining the landscape of the garden” as it were. Therefore in addition to being a custodian of governance, Internal Audit should also be gardeners by identifying control weaknesses and providing assurance on risk management and compliance. In fact, OECD (2022) posited that, although risk management and compliance are manned separately from the Internal Audit activities, these elements together with internal controls, reside within the realms of governance which Internal Audit assesses and evaluates constantly as shown in Figure 3.
Figure 3. Relationship between internal control, risk management and governance systems—Source: OECD (2022).

In addition to the relationships between governance, internal controls, and risk management, effective corporate governance requires a clear understanding of the respective roles of the board, management, and shareholders, including how these linkages interface with other corporate stakeholders. According to Cohen et al. (2002), Internal Auditing is an integral part of the corporate governance mosaic in both the public and private sectors which was strengthened by the Sarbanes-Oxley Act 2002, which was passed following the various financial scandals and large-scale corporate failures like that of WorldCom, Enron, Tyco, which scandals brought various accountability provisions for both management and auditors. The Sarbanes-Oxley extended the duties of auditors to audit the adequacy of internal controls over financial reporting including controls relating to the Internal Audit activity (Smeliauskas et al., 2007). The contribution of Internal Auditing to corporate governance can be shown by delineating the relationship between Internal Audit and two other key elements of corporate governance as shown below.

3.7.1. Audit Committees
The Board is ultimately responsible for the entity’s accomplishment of its objectives while the role of Internal Audit is to provide information to the Board through the Audit Committee. According to Business Round Table (BR, 2016), the role of the Audit Committee of the board includes managing the relationship with the external auditor, superintending over the company’s financial statements audit, and ensuring internal controls over financial reporting, while at the same time overseeing the company’s risk management and compliance programs.

In addition, the role of Internal Audit is crucial to assisting the Board of Directors in its governance self-assessment. To maintain objectivity and independence, the Audit Committee must be composed of independent non-executive
members. The Audit Committee should also be able to provide effective supervision and guidance to the Internal Audit activity in an organization from which the committee obtains most of the information for oversight, monitoring, and control. There should be complete trust and confidence between Internal Audit and the audit committee and this is achieved by the reporting mechanisms with clear roles and responsibilities supported by an adequate budget and resources coupled with the philosophy of Kaizen throughout the structures. The audit plan approved by the audit committee should also be comprehensive enough to cover the risk management regime including the operations of the organization. Figure 4 shows a model adapted from Price Waterhouse Coopers for relationships and oversight of Internal Audit by the audit committee.

Figure 4. Model for effective oversight of internal audit by the audit committee—Source: Cogniview (2013).

3.7.2. Senior Management
The responsibility of the executive management headed by the CEO is to set, manage, and execute the strategies of the organization, including the day-to-day operations of the organization under the supervision of the board in addition to keeping the board informed on the status of the organization’s operations. An effective management team ensures that there is proper financial reporting, risk management, and strategic planning with emphasis on the long term while managing the short-term goals of the organization. In today’s business environment, the role of Internal Auditors is to provide management with a far broader range of information concerning the organization’s financial, operational, and compliance activities to improve all facets of management performance and activities which include economy, efficiency, and effectiveness (BR, 2016). The Internal Audit function, therefore, is a critical control and assurance tool for assessing and reporting on the effectiveness of management’s actions relating to
governance, risk management, and control processes which are designed to help the organization achieve objectives (IIA, 2015).

3.8. Internal Audit and Corporate Governance Structures at RDA

In order to maintain financial and functional independence, the head of the Internal Audit function at the RDA is supposed to be appointed by the Board on the recommendation of the Audit Committee and should report functionally to the Board and administratively to the CEO. The Audit Committee is appointed by the Board in line with the provisions of the Public Finance Management Act of 2018 which stipulates that three members should come from outside the organization; that is, Law Association of Zambia (LAZ), Zambia Institute of Chartered Accountants (ZICA), Zambia Institute of Internal Auditors (ZIIA) and any relevant professional body. The Chairman of the Audit Committee is picked from the members of the Board. At the time of this study, instead of five members, the Audit Committee had only two members. Additionally, the Chairman of the Audit Committee was the Permanent Secretary of the Ministry of Infrastructure, Housing, and Urban Development under which is the controlling ministry of the RDA falls.

3.9. Knowledge Gap

Much has been written on corporate governance in general but there is either very little literature or rudimentary findings on the effect of poor corporate governance practices on the Internal Audit function of a public sector entity. Therefore, the literature reviewed in this article strived to bridge this knowledge gap and provided material for scholars to undertake further specific and targeted research in this area.

4. Methodology

The study employed a cross-sectional descriptive study design with both qualitative and quantitative methods. However, in order to develop a comprehensive understanding of the findings and test the validity of information from different sources of data, triangulation was used as a research method since multiple data sources were used (Heale & Forbes, 2013). This research design was appropriate because it made it possible to report on the way research questions were answered by respondents without manipulating any variables in addition to collecting comprehensive and diverse data.

4.1. Research Design

The research was conducted in two distinct parts, with the first part comprising a comprehensive review and analysis of the literature to have a fair understanding and appreciation of the body of knowledge on corporate governance and Internal Audit. The second part was a survey with members of staff at the three public institutions in the Zambian Road Sector that is; National Road Fund
Agency (NRFA), Road Transport and Safety Agency (RTSA) and the RDA (Appendix I). Structured interviews were held with officers in the three institutions in addition to the survey questionnaire (Appendix II). However, for completeness and to avoid potential biases arising from the use of a single methodology, the findings from the structured interviews were compared with those from the survey questionnaires shown in Appendices A and B and arrive at reasonable conclusions.

4.1.1. Dummy Variables
Since the data collected had various independent and dependent variables and in order to use one single regression equation to represent multiple groups, it was decided to encode all independent variables as dummy variables which represented subgroups for easier interpretation and calculation of odds which enhanced the stability and significance of the coefficients (Trochim, n.d.). Therefore, to ascertain the impact of poor corporate governance on the effectiveness of the Internal Audit activity at the RDA, a total of five independent dummy variables were identified to measure good and poor corporate governance. Similarly, to measure Internal Audit effectiveness, two variables were also recognized as shown in Table 1. These variables were then used as input to run, a multivariate multiple regression model represented by the formula;

\[ Y = a + b_1X_1 + b_2X_2 + \cdots + b_nX_n \]

where \( Y \) is the dependent variable while \( X_1, \ldots, X_n \) are the \( n \) independent variables; the regression coefficients which represent the value at which the dependent variable changes when the independent variable changes (Wagner et al., 2006).

Table 1. Dummy variables.

| Variables                                      | Poor Corporate Governance (Independent) | Good Corporate Governance (Independent) |
|------------------------------------------------|----------------------------------------|----------------------------------------|
| No.                                            |                                        |                                        |
| 1. Access to all records and personnel          | Appointment of Board and Audit Committee members outside the provisions of the statutes | Availability of the Board Charter |
| 2. CAE appointment and remuneration sanctioned by the board | Appointment of Board members without regard to qualifications, skills, and competencies | Availability of Code of Ethics |
| 3. Clearance of the Audit Committee Agenda and varying the budget and Internal audit activities by the CEO without board authority | Permanent Secretary as Chairman of the Audit Committee |                                        |

Table 1. Dummy variables.
4.2. Target Population

A research population is generally a large collection of subjects or objects having common observable characteristics in which the researcher is interested and is the main focus of a scientific query. Therefore, for valid, reliable, and accurate results, it is important that the characteristics of the target population and any subgroups are described in explicit terms so that it is possible to draw correct and reasonable conclusions from any study conducted. However, because of time and resource constraints, it may not be practicable to study the whole population, hence, this research relied on the sampling technique. The target population for the study was 1283 drawn from the following six categories; Chief Executive Officers (CEO), Chief Audit Executives (CAE), Senior and Middle Management including Internal Auditors and other staff. Out of 453 RDA employees 82 were sampled. Similarly, for NRFA and RTSA, the population was 150 and 680 while 30 and 103 were sampled respectively as shown in Table 2.

Table 2. Target population and sample size.

| Sample Frame                  | Population | Sample Size |
|-------------------------------|------------|-------------|
| CEOs                          | 3          | 3           |
| CAEs                          | 3          | 3           |
| Senior Management             | 25         | 25          |
| Middle Management             | 71         | 71          |
| Internal Auditors             | 16         | 16          |
| Other Category of Staff       | 1165       | 282         |
| Total                         | 1283       | 400         |

Source: Field data 2021.

4.3. Sampling Basis and Sample Size

This was a descriptive study, therefore, in order to choose subjects who are well versed in the industry and the topic of corporate governance including Internal Audit, purposive sampling was used. This method which is also referred to as judgmental or subjective sampling is a non-random technique where the researcher decides what needs to be known and sets out to find respondents who can and are willing to provide the information because of their special knowledge, skill or experience (Palinkas, 2013). Purposive sampling was used in this study because the technique focuses on particular characteristics of a population that are of interest to the study and assisted in answering the research questions.

The three institutions in the road sector, NRFA, RDA and, RTSA have a combined labour force of one thousand two hundred and eighty-three (1283). The Yamane (1967) formula was used to determine the sample size as follows:

\[ n = \frac{N}{1 + Ne^2}, \]
where \( n \) = sample size, \( N \) = population size of the study and \( e \) = margin of error (assumed to be 5%) in the calculation. Applying this formula, a sample size of 400 was arrived at. Since there was a total of 118 employees in the management category (Senior and Middle Management including Internal Audits), it was decided to target and interview all employees in this category. Another critical decision had to be made regarding how many of the 1165 other employees who were not in management were to be sampled. Since the sample size was 400, out of which 118 were in Management it was found reasonable to interview the balance of 282 participants from the other category of employees.

To identify the study population in a consistent, reliable, and objective way, participants from the target population who could neither read nor write were excluded from the sample. Similarly, participants with little knowledge and comprehension of corporate governance and Internal Audit like; junior administrative and clerical staff including weighbridge operators were excluded from the study. As a result, out of 282 other staff targeted, only 116 were sampled as shown in Table 3.

### Table 3. Breakdown of target population and sample size.

| Sample Frame      | RDA Staff | NRFA Staff | RTSA Staff |
|-------------------|-----------|------------|------------|
|                   | Target    | Sample     | Target     | Sample     | Target    | Sample     |
| CEO               | 1         | 1          | 1          | 1          | 1         | 1          |
| CAE               | 1         | 1          | 1          | 1          | 1         | 1          |
| Snr. Management   | 10        | 10         | 5          | 5          | 10        | 10         |
| Mid. Management   | 30        | 22         | 11         | 8          | 30        | 22         |
| Internal Auditors | 8         | 8          | 2          | 2          | 6         | 6          |
| Other Staff       | 403       | 40         | 130        | 13         | 632       | 63         |
| TOTAL             | 453       | 82         | 150        | 30         | 680       | 103        |

Source: Field data 2021.

### 5. Data Collection Methods

Although research conducted in different fields of study can be different in methodology, every research is based on data that is analyzed and interpreted to get information. This study was no exception and therefore made extensive use of both primary and secondary sources of information obtained from the three institutions including the Ministry of Transport and Communications. Due to their anonymity, simplicity, versatility, and ability to collect a vast amount of data from different participants with varying characteristics, survey questionnaires were used in the study. Additionally, to obtain information that otherwise could not be obtained from the structured questionnaire, an interview guide with both structured and unstructured questions were employed. The question-
6. Data Analysis

Since questionnaires had background information of respondents, like demographic factors, educational levels, and institutional or external factors including legal and regulatory considerations, the data was initially analyzed using these factors. Data analysis involving the computation of descriptive statistical data was evaluated and analyzed using the Statistical Package for the Social Sciences (SPSS) software. After describing the characteristics of descriptive data obtained from all the participants in the three institutions, the SPSS was then used to determine whether there is a correlation between various variables. Similarly, data were statistically analyzed using measures of central tendency to determine the impact of corporate governance on productivity and efficiency of operations at the three institutions. Inferential statistics were used to show the extent to which a dysfunctional board can affect the operations of Internal Audit in an organization.

6.1. Descriptive Statistics

Descriptive statistics were summarized and presented in a table, graphic, or pictorial form and in this regard, the first part of the categorization presents the respondents’ characteristics which included; occupation, area of competence, corporate governance knowledge, and experience in the public sector as shown in Table 4 below.

| Sample Frame       | Members of Staff |          |          |
|--------------------|------------------|----------|----------|
|                    | Population       | Sample Size | Respondents |
| CEOs               | 3                | 3         | 2         |
| CAEs               | 3                | 3         | 3         |
| Senior Management  | 25               | 25        | 15        |
| Middle Management  | 71               | 52        | 28        |
| Internal Auditors  | 16               | 16        | 14        |
| Other Staff        | 1165             | 116       | 40        |
| Total              | 1283             | 215       | 102       |

Source: Author’s compilation based on questionnaire.

The response rate was slightly over 47% of the targeted sample while all interviewees were chosen for their relevance to the conceptual questions rather than their representativeness. Table 5 shows the categories of respondents per institution.
Table 5. Category of respondents per institution.

| Occupation                        | Institution     | Total |
|-----------------------------------|-----------------|-------|
|                                   | RDA | NRFA | RTSA |
| Head /Senior Manager              | 8   | 5    | 7    |
| Manager/Principal Officer         | 13  | 6    | 9    |
| Internal Auditor                  | 8   | 2    | 4    |
| Other (Specify)                   | 23  | 6    | 11   |
| **Total**                         | 52  | 19   | 31   | 102 |

Source: Author’s compilation based on questionnaire.

90% of respondents were at the minimum, good at corporate governance knowledge. The distribution of corporate governance knowledge in the three road sector institutions is shown in Table 6 below.

Table 6. Corporate governance knowledge in institutions.

| Institution | Total | RDA | NRFA | RTSA |
|-------------|-------|-----|------|------|
| Very Good   | 17    | 8   | 10   | 35   |
| Good        | 29    | 10  | 18   | 57   |
| Fair        | 6     | 1   | 3    | 10   |
| **Total**   | 52    | 19  | 31   | 102  |

Source: Author’s compilation based on questionnaire.

Table 7 shows respondents from the three institutions with different orientations, expertise, and competencies.

Table 7. Respondents’ competencies.

| Area of Competence | Institution     | Total |
|--------------------|-----------------|-------|
|                    | RDA | NRFA | RTSA |
| Business/Finance/Auditing | 15  | 10   | 11   |
| Engineering/Information Technology | 16  | 2    | 5    |
| Procurement/Administration/HR Other (Specify) | 9   | 5    | 9    |
| Other (Specify)    | 12  | 2    | 6    |
| **Total**          | 52  | 19   | 31   | 102 |

Source: Author’s compilation based on questionnaire.

Out of the 102 respondents, 61 (60%) had over ten years of work experience in their areas of competence, while 37 (36%) had work experience of between 5 and 10 years, and only 4 (4%) respondents had work experience of up to 5 years in their respective competencies as shown in Figure 5.
6.2. Inferential Statistics

Inferential statistics and deductive analysis were used to determine relationships between the various variables that were relevant to answering the four research questions and drawing conclusions from the collected data. In this study, 30 variables were identified during the research and included in the questionnaires. Twelve of these variables were selected and grouped into two categories for analysis purposes. The first category was concerned with those variables which account for good corporate governance and the other category was for variables that made the Internal Audit activity in an organization independent and effective. The two categories were then compared and analyzed using deductive and inferential statistics as shown below.

6.2.1. Variables for Good Corporate Governance

On the chairmanship and membership of the board, respondents were required to state whether or not the chairman and board members were appointed in accordance with the statutes. The responses based on participants’ knowledge of corporate governance are shown in Table 8 below.

Table 8. Is appointment of the chairman and member of the board in accordance with the statutes?

| Corporate Governance Knowledge | Very Good | Good | Fair | Total |
|-------------------------------|-----------|------|------|-------|
| Chairman and Board Members    |           |      |      |       |
| Appointed According to Statutes |         |      |      |       |
| Strongly Agree                | 1         | 5    | 1    | 7     |
| Agree                         | 13        | 26   | 5    | 44    |
| Strongly Disagree             | 6         | 0    | 0    | 6     |
| Disagree                      | 15        | 21   | 4    | 40    |
| Neutral                       | 0         | 5    | 0    | 5     |
| Total                         | 35        | 57   | 10   | 102   |

Source: Author’s compilation from SPSS.
Respondents who at least agreed that members of the board are properly appointed were 51 (50%) while those who at least disagreed with the statement were, 46 (45%) and 5 (5%) were indifferent to the question. Out of the 51 who agreed with the statement, 45 (88%) had at least good knowledge of corporate governance. Out of the 46 who disagreed with the statement, 42 (91%) had at least good knowledge of corporate governance and out of the 35 respondents with very good knowledge of corporate governance, 14 (40%) agreed while 31 (60%) disagreed with the statement.

Another question relating to the board required respondents to state whether or not qualifications, skills, and competencies were considered for the appointment of board members. The results are shown in Table 9 below.

Table 9. Are qualifications, skills, and competencies considered when appointing board members?

| Skills, Competencies Considered for Board Member’s Appointment | Total |
|---------------------------------------------------------------|-------|
| Strongly Agree                                               | 7     |
| Agree                                                        | 16    |
| Strongly Disagree                                            | 13    |
| Disagree                                                     | 52    |
| Neutral                                                      | 14    |
| Total                                                        | 102   |

Out of 102 respondents, 65 (64%) did not agree at least with the statement while 23 (22%) agreed at least with the statement.

The participants were also required to state whether or not their respective institutions had a board charter and whether or not a code of ethics would improve corporate governance. The results are shown in Figure 6 below.
On the board charter, 97 (96%) agreed at least that their institutions had the board charter while all respondents (102) agreed that having a code of ethics improves corporate governance. It was therefore inferred that all the three institutions had a board charter and code of ethics.

6.2.2. Variables on Audit Committee and Internal Audit

Respondents were asked to state whether the Audit Committees in their respective institutions were appointed in accordance with the statutes, and the results are shown in Table 10 below.

| Audit Committee Appointed in Accordance with the Statutes? | RDA | NRFA | RTSA | Total |
|------------------------------------------------------------|-----|------|------|-------|
| Yes                                                        | 11  | 12   | 17   | 40    |
| No                                                         | 41  | 7    | 14   | 62    |
| Total                                                      | 52  | 19   | 31   | 102   |

Source: Author’s compilation from SPSS.

Out of the 102 respondents, 40 (39%) agreed with the statement that the Audit Committees were appointed in accordance with the statutes while 62 (61%) disagreed with the statement.

Respondents were asked whether or not the Permanent Secretary should be the Chairperson for the Audit Committee of any institution under his/her ministry. The responses from the three institutions are shown in Table 11.

| Permanent Secretary Should Chairman of the Audit Committee | RDA | NRFA | RTSA | Total |
|-----------------------------------------------------------|-----|------|------|-------|
| Strongly Agree                                            | 1   | 1.9  | 0    | 0     | 1     | 1.0  |
| Agree                                                    | 1   | 1.9  | 0    | 0.0   | 3.2   | 2    | 2.0  |
| Strongly Disagree                                         | 37  | 71.2 | 17   | 89.5  | 23    | 74.2 | 77   | 75.5 |
| Neutral                                                  | 13  | 25.0 | 2    | 10.5  | 7     | 22.6 | 22   | 21.6 |
| Total                                                    | 52  | 100.0| 19   | 100.0 | 31    | 100.0| 102  | 100.0 |

Source: Author’s compilation based on questionnaire.

Out of 102 respondents, 76% strongly disagreed, and only 2% agreed at least while 22% were indifferent to the question.

Respondents were asked whether or not the Audit Committees were independent enough to provide assurance and oversight on behalf of the board. The responses are shown in Table 12.
Table 12. Audit committee independent enough to provide assurance and oversight on behalf of the board?

| Institution | Total |
|-------------|-------|
| RDA | NRFA | RTSA |
| Strongly Agree | 0 | 1 | 2 | 3 |
| Agree | 8 | 8 | 13 | 29 |
| Strongly Disagree | 7 | 1 | 2 | 10 |
| Disagree | 32 | 7 | 10 | 49 |
| Neutral | 5 | 2 | 4 | 11 |
| Total | 52 | 19 | 31 | 102 |

Source: Author’s compilation from SPSS.

Out of 102 respondents, 59 (58%), did not at the very least agree that the Audit Committees in their respective institutions were independent enough to provide assurance and oversight on behalf of the board.

Respondents were asked to state whether or not the appointment and remuneration of the CAE were determined by the board. Respondents were further asked to state whether or not the CAE has unhindered access to the Board and the Audit Committee. Table 13 and Table 14 below show the results.

Table 13. Is appointment and remuneration of the CEO done by the board?

| Institution | Total |
|-------------|-------|
| RDA | NRFA | RTSA |
| Strongly Agree | 31 | 13 | 14 | 58 |
| Agree | 20 | 4 | 12 | 36 |
| Neutral | 1 | 2 | 5 | 8 |
| Total | 52 | 19 | 31 | 102 |

Table 14. The CAE has unhindered access to the board and audit committee.

| Institution | Total |
|-------------|-------|
| RDA | NRFA | RTSA |
| Strongly agree | 26 | 13 | 12 | 51 |
| Agree | 18 | 4 | 14 | 36 |
| Disagree | 6 | 2 | 4 | 12 |
| Neutral | 2 | 0 | 1 | 3 |
| Total | 52 | 19 | 31 | 102 |

Source: Author’s compilation from SPSS.
Out of 102 respondents, 94 (92%) agreed at the very least that the appointment and remuneration of the CAE are determined by the Board. Similarly, 87 (85%) agreed at the very least that the CAE has free access to the Board and Audit Committee. It was therefore deduced that, the appointment and remuneration of the CAE are determined by the board and that the CAE has unhindered access to the Board and Audit Committee in all the three institutions.

Related to the above questions, respondents were also asked to state whether or not Internal Audit has unhindered access to all records and personnel in the institutions and whether or not Internal Audit should evaluate controls and provide assurance to the Board. The results are shown in Figure 7 and Table 15 below.

![Figure 7](Image)

**Figure 7.** Internal audit has unhindered access to all the records and personnel? (Source: Author's compilation based on the questionnaire).

**Table 15.** Evaluation of controls by internal audit.

| Institution | Total |
|-------------|-------|
| RDA | NRFA | RTSA |
| **Internal Audit Should Evaluate Controls and Provide Assurance** | Strongly Agree | 50 | 19 | 29 | 98 |
| | Agree | 2 | 0 | 2 | 4 |
| **Total** | | 52 | 19 | 31 | 102 |

Source: Author’s compilation from SPSS.

98% of respondents agreed at the very least that Internal Audit had unhindered access to all records and personnel of the organization while 2% were indifferent. It was therefore inferred that Internal Audit has unhindered access to all records and personnel of the three institutions. In addition, out of 102 respondents, 98 (96%) agreed that Internal Audit should evaluate controls and provide assurance to the board. The inference from the results was therefore that, Internal Audit should evaluate controls and provide assurance on operations in
an organization.

Respondents were further requested to state whether or not there should be an interaction between corporate governance structures and Internal Audit. The results are shown in Figure 8 below.

Out of 102 respondents, 101 (99%) agreed at least that there should be an interaction between corporate governance structures and the Internal Audit.

Participants were requested to respond to the question of whether or not the CAE should clear the Agenda of the Audit Committee with the CEO and whether or not, varying the approved Internal Audit budget and activities by the CEO without recourse to the board is poor corporate governance. Answers are shown in Table 16.

![Figure 8. Interaction between corporate governance structures and internal audit. (Source: Author’s compilation from SPSS)](image)

**Table 16.** Clearance of AC agenda and internal audit budget is poor corporate governance.

| CAE should Clear the Agenda of the Audit Committee with the CEO | Total |
|---------------------------------------------------------------|-------|
| Agree | Strongly Agree | Agree | Neutral | |
| Agree | 3 | 3 | 0 | 51 |
| Strongly Disagree | 43 | 48 | 1 | 46 |
| Disagree | 1 | 1 | 0 | 2 |
| Neutral | 0 | 0 | 3 | 3 |
| Total | 47 | 51 | 4 | 102 |

Source: Author’s compilation from SPSS.
Out of 102 respondents, 97 (95%), disagreed at the very least that the CAE should clear the Agenda of the Audit Committee with the CEO, while 98 (96%) agreed at the very least that clearance of agenda and budget by the CEO is poor corporate governance while. It was therefore deduced that the CEO should not clear the Agenda of the Audit Committee including the budget of Internal Audit without the prior authorization of the board because that would be poor governance practice.

Respondents were further asked if the appointment of non-independent Board and Audit Committee members was poor corporate governance which affects the effectiveness of Internal Audit. Results are shown in Table 1 below.

Table 1. Effect of poor corporate governance on internal audit.

| Poor corporate governance affects Internal Audit effectiveness | Total |
|---------------------------------------------------------------|-------|
| Strongly Agree                                               |       |
| Agree                                                        |       |
| Disagree                                                     |       |
| Total                                                        |       |

| Is the appointment of non-independent Board and AC members, poor corporate governance? | Strongly Agree | Agree | Disagree | Total |
|----------------------------------------------------------------------------------------|----------------|-------|----------|-------|
| Strongly Agree                                                                         | 20             | 26    | 2        | 48    |
| Agree                                                                                  | 21             | 27    | 3        | 51    |
| Disagree                                                                                | 1              | 2     | 0        | 3     |
| Total                                                                                  | 42             | 55    | 5        | 102   |

Source: Author’s compilation from SPSS.

When respondents were asked if the appointment of non-independent Audit Committee members is poor corporate governance, 99% at the least agreed while 97% of the respondents who answered the question of whether or not poor corporate governance affects the effectiveness of Internal Audit in an organization, also agreed that, poor corporate governance affects Internal Audit.

Respondents were also asked to state whether or not their institutions had adequate and documented internal control. The results are shown in Table 18 below.

Table 18. Adequacy of internal controls.

| Institution | RDA | NRFA | RTSA | Total |
|-------------|-----|------|------|-------|
| The institution has Adequate and Documented Internal Controls |       |       |       |       |
| Strongly Agree | 18  | 11   | 12   | 41    |
| Agree         | 9   | 4    | 15   | 28    |
| Disagree      | 1   | 0    | 0    | 1     |
| Neutral       | 24  | 4    | 4    | 32    |
| Total         | 52  | 19   | 31   | 102   |

Source: Author’s compilation from SPSS.
69 (68%) of respondents agreed at the very least that the institution had adequate and documented internal controls while only 1 (1%) respondent from the RDA disagreed. Although there were 24 (23%), indifferent respondents, from the RDA, it was deduced that the institutions had adequate and documented internal control.

On poor corporate governance, respondents were, first asked to comment on two variables; appointment of non-independent Board and Audit Committee (AC) members and clearance of the AC Agenda and Internal Audit budget by the CEO without recourse to the Board. The results are shown in Table 19 and Figure 9 below.

Table 19. Poor corporate governance.

| Is the Appointment of Non-independent Board and AC members Poor Corporate Governance? | Total |
|--------------------------------------------------------------------------------------|-------|
| Strongly Agree | Agree | Strongly Disagree |
| Is clearance of the AC Agenda and Budget of Internal Audit by the CEO, poor corporate governance? |        |
| Strongly Agree | 46 | 1 | 0 | 47 |
| Agree | 2 | 46 | 3 | 51 |
| Neutral | 0 | 4 | 0 | 4 |
| Total | 48 | 51 | 3 | 102 |

Source: Author’s compilation from SPSS.

Figure 9. Does poor corporate governance affect internal audit effectiveness? (Source: Author’s compilation from SPSS)

Out of 102 respondents, 98 (96%) agreed at least that appointment of non-independent Board and AC members is poor governance while 99 (97%) of
respondents agreed at least that clearance of the AC agenda and budget of Internal Audit without recourse to the Board is poor corporate governance.

Secondly, to determine the effect of corporate governance on Internal Audit, respondents were asked to state the effect of poor corporate governance on the effectiveness of Internal Audit in an institution, and the results are shown in Figure 9 below.

Out of 102 respondents, 71 (70%) agree at least that poor corporate governance affects the effectiveness of Internal Audit.

6.3. Interpretation of Results and Discussion

Having deduced that poor corporate governance affects Internal Audit effectiveness, interpretation of results was undertaken to confirm whether or not the data collected and analyzed were able to answer the research questions and met the objectives of the research with the view to determining if the results were consistent with the research hypotheses. Therefore, in order to draw correct inferences and deduce broader meaning from the findings, the results of the research were grouped into sub-paragraphs based on the research questions which were supplemented by discussion and appropriate commentary. The discussion was anchored on previous research findings in corporate governance research with special emphasis on the RDA.

6.3.1. Adequacy of Corporate Governance Structures at RDA

To answer the research questions regarding the adequacy of the corporate governance structures especially as they related to the effectiveness of Internal Audit at the RDA, seven questions relating to the Board, Audit Committee, qualifications of board members, Board Charter, and Code of Ethics, Access to all records and person including the Permanent Secretary being Chairman of the Audit Committee were included in the questionnaires whose results are summarized in Table 20 below:

Table 20. Results on the adequacy of corporate governance structures at RDA.

| No. | Questions | Responses (At least) | Institutions % | RDA % |
|-----|-----------|---------------------|----------------|-------|
| 1.  | Is Appointment of the Chairman and Members of the Board in accordance with the Statutes? | Agree | 50 | 41 |
|     | | Disagree | 45 | 63 |
| 2.  | Are Qualifications, Skills, and Competencies Considered When Appointing Board Members? | Agree | 23 | 30 |
|     | | Disagree | 64 | 60 |
| 3.  | Does Internal Audit have Unhindered Access to all documents and Personnel? | Agree | 85 | 85 |
|     | | Disagree | 12 | 12 |
Continued

4. Clearance of AC agenda and Internal Audit budget by CEO poor governance?
   Agree 95 95
   Disagree 2 2

5. Does the Institution have a Board Charter and Code of Ethics?
   Agree 96 97
   Disagree 2 1

6. Appointment and Remuneration of CAE is authorized by the Board
   Agree 92 94
   Disagree 2 1

7. Permanent Secretary should be the Chairman of the Audit Committee
   Agree 3 1
   Disagree 78 73

However, since the survey involved different groups with different categorical representations of value levels, dummy variables were derived from the seven variables shown in Table 1 and Table 20 to allow for one multiple regression equation to represent various groups. Therefore, to ascertain the impact of corporate governance on the effectiveness of the Internal Audit activity at the RDA, a total of five independent and two dependent dummy variables were identified to measure good and poor corporate governance as shown below.

6.3.2. Good Corporate Governance and Effectiveness of Internal Audit

According to the research design, good corporate governance was measured by the presence of the board charter and code of ethics (independent variables) while the effectiveness of Internal Audit was measured by any one of the following three dependent variables; 1) Internal Audit having authority to access all records and personnel 2) CAE appointment and remuneration sanctioned by the board; and 3) The CEO not clearance the agenda of the Audit Committee and varying the budget and Internal audit activities without board authority (Table 1). Therefore multiple regression analysis was run using one dependent variable (authority for Internal Audit to access all records and personnel) against the two dependent variables and the results are shown in Table 21 and Table 22 below.

Table 21. Combined descriptive statistics and correlations.

|                          | Mean | SD  | Access = S/Agree | Code = Yes | Code = No | Charter = S/Agree | Charter = Agree | Charter = Disagree | Charter = Neutral |
|--------------------------|------|-----|------------------|------------|-----------|------------------|-----------------|-------------------|------------------|
| Access = S/Agree         | 0.92 | 0.270 | 1.000          | −0.029     | 0.029     | 0.234            | −0.112          | 0.041             | −0.381           |
| Code = Yes               | 0.99 | 0.099 | −0.029         | 1.000      | −1.000    | 0.080            | −0.088          | 0.014             | 0.017            |
| Code = No                | 0.01 | 0.099 | 0.029          | −1.000     | 1.000     | −0.080           | 0.088           | −0.014            | −0.017           |
| Charter = S/Agree        | 0.39 | 0.491 | 0.234          | 0.080      | −0.080    | 1.000            | −0.904          | −0.114            | −0.140           |
| Charter = Agree          | 0.56 | 0.499 | −0.112         | −0.088     | 0.088     | −0.904           | 1.000           | −0.159            | −0.196           |

DOI: 10.4236/ojbm.2022.105116 2355 Open Journal of Business and Management
The results showed an inverse, moderate, and statistically highly significant relationship between good corporate governance and Internal Audit effectiveness.

**6.3.3. Poor Corporate Governance and Effectiveness of Internal Audit**

Similarly, poor corporate governance was measured by the following independent variables; appointment of Board and Audit Committee members outside the provisions of the statutes and appointment of Board members without regard to qualifications, skills, and competencies including the Permanent Secretary being Chairman of the Audit Committee (Table 1). A multiple regression analysis was run using these three independent variables against one dependent variable; clearance of the Audit Committee Agenda by the CEO and the results are shown in Table 23 and Table 24.

**Table 23. Combined descriptive statistics and correlations.**

|                          | Mean | SD  | CEO_Agenda = S/Disagree | PS_Chairman = S/Disagree | B/Members = Disagree | B/Members = Agree |
|--------------------------|------|-----|--------------------------|--------------------------|---------------------|------------------|
| CAE_Agenda = S/Disagree  | 0.45 | 0.50| 1.000                    | 0.025                    | −0.136              | 0.441            |
| Governance = S/Disagree  | 0.06 | 0.236| 0.025                    | 1.000                    | 0.078               | 0.000            |
| B/Members = Disagree     | 0.51 | 0.502| −0.136                   | 0.078                    | 1.000               | −0.456           |
| B/Members = Agree        | 0.17 | 0.375| 0.441                    | 0.000                    | −0.456              | 1.000            |

Source: Author’s compilation from SPSS.
Table 2. Coefficients.

| Model          | Unstandardized Coefficients | Standardized Coefficients | T       | Sig.  | 95.0% Confidence Interval for B |
|----------------|----------------------------|---------------------------|---------|-------|-------------------------------|
|                | B             | Std. Error | Beta  |       | Lower Bound | Upper Bound                |
| (Constant)     | 0.302         | 0.079      |       | 3.808 | <0.001       | 0.145 | 0.459                       |
| Governance = S/Disagree | 0.039 | 0.192      | 0.018 | 0.202 | 0.840       | −0.342 | 0.420                       |
| B/Members = Disagree   | 0.080      | 0.101      | 0.080 | 0.786 | 0.434       | −0.122 | 0.281                       |
| B/Members = Agree      | 0.637      | 0.136      | 0.477 | 4.695 | <0.001      | 0.368 | 0.906                       |

Source: Author’s compilation from SPSS. a. Dependent Variable: CEO Clearing AC Agenda=Strongly Disagree. 1. \( R^2_{adj.} = 0.175 \) (N = 102, \( p < 0.001 \)) Confidence Level for B.

The results showed an inverse, moderate, and statistically highly significant relationship between good corporate governance and Internal Audit effectiveness.

Therefore, since in both cases of governance (good and poor) \( r \), the correlation coefficient which is a measure of the relationship between two variables was more than the standard 0.05, the results were inconsistent with the null hypothesis which stated that there is no significant relationship between poor corporate governance practices and the effectiveness of the Internal Audit function at the RDA. The results, however, lend support to the alternative hypothesis which stated that there is a significant positive relationship between poor corporate governance practices and the effectiveness of the Internal Audit function at the RDA.

6.4. Limitations of the Study

While every attempt was made to explain the role of corporate governance in the operations of a public sector entity and the effect on the attainment of organizational goals, the study did not provide an exhaustive review nor explore some of the subtleties of theory and practice of corporate governance in relation to Internal Audit effectiveness. In addition, 30 variables on corporate governance and Internal Audit effectiveness were studied but only 7 were considered in evaluating the relationship between the dependent and independent variables (Table 1). The results are therefore specific to the RDA derived from data obtained in 2021 for the period 2015 to 2019 thus, may not be generalized to what was subsisting at the institution after that period or to other public sector institutions. However, the results are not only comprehensive but a judicious and conscientious diagnosis of the poor corporate governance symptoms which should be avoided to make the Internal Audit activity effective at any public sector entity or organization.

7. Conclusion and Recommendations

Corporate Governance defines the methods, structure and processes of a com-
pany and how the company is managed and directed. Good corporate governance practices are vital in reducing risk for investors, attracting investment, and improving the performance of companies. The findings of this study showed that internal auditing is an integral part of the corporate governance structures in both the public and the private sectors. Therefore, poor corporate governance practices affect the efficiency and effectiveness of operation for not only the institution but also the internal audit activity in an organization and lead to the organization not achieving its objectives. There are many factors that contribute to poor corporate in an organization. In the case of the RDA however, the factors that contributed to poor corporate government included: appointing the Chairman and members of the board including the Audit Committee outside the provisions of the statutes and without regard to qualifications, skills, and Competencies. This situation was exacerbated by the CEO clearing the agenda of the Audit Committee including varying the budget and activities of Internal Audit without recourse to the board. The results of the study concluded that poor corporate governance has an impact on the effectiveness of the Internal Audit function at the RDA.

**Recommendations**

Arising from the findings of the study and in order to enhance good corporate governance practices, the following recommendations are made:

1) To strengthen the supervision and oversight role of the board, the chairman and members of the board should be appointed in line with the statutes and taking into account qualifications, skills, and competencies.

2) To enhance the objectivity and independence of the AC, the chairman and members should be appointed in accordance with statutes and laid down procedures. The Permanent Secretary in whose ministry the institution resides should not be the Chairman of the AC. Further, the agenda of the Audit Committee meeting should not be cleared first by the CEO.

3) Since the CEO is the chief auditee as responsible for administration of controls including risk management and operations, s/he should therefore not cancel or vary any activity on the internal audit plan. In addition, resources should be released for audit assignments as approved by the board.

4) Despite statutes and laid down procedures on board appointments, these are usually ignored or circumvented in practice. Therefore, further research is required to determine the causes and effects of dysfunctional boards and committees due to poor appointments. Another area requiring further research in the public sector is the effect of political appointments of CEOs on the operations of public institutions in Zambia.

**Acknowledgements**

I would like to thank Dr. K. M. Kayombo, Deputy Vice-Chancellor at the Zambia Centre for Accountancy Studies (ZCAS) University whose valuable input,
support, and guidance made the task of completing the study not only enjoyable but also relatively easier.

**Conflicts of Interest**

The author declares no conflicts of interest regarding the publication of this paper.

**References**

Achim, M.-V., Borlea, S.-N., & Mare, C. (2015). Corporate Governance and Business Performance: Evidence for the Romanian Economy. *Journal of Business Economics and Management, 17*, 458-474. [https://doi.org/10.3846/16111699.2013.834841](https://doi.org/10.3846/16111699.2013.834841)

AGO (2010). *Report of the Auditor-General on the Road Development Agency for the Period January 2006 to December 2009*. [https://www.ago.gov.zm/?wpfb_dl=109](https://www.ago.gov.zm/?wpfb_dl=109)

Arter, R. D. (2006). *Process-Based Auditing*. [http://www.asq614.org/speakers/pba1.pdf](http://www.asq614.org/speakers/pba1.pdf)

Audit Beacon (2021). *Why Do They Think Internal Auditors Are Looking for Problems?* [https://www.richardchambers.com/why-do-they-think-internal-auditors-are-looking-for-problems/](https://www.richardchambers.com/why-do-they-think-internal-auditors-are-looking-for-problems/)

Bailey, C., Froggatt, K., Field, D., & Krishnasamy, M. (2002). The Nursing Contribution to Qualitative Research in Palliative Care 1990-1999: A Critical Evaluation. *Journal of Advanced Nursing, 40*, 48-60. [https://doi.org/10.1046/j.1365-2648.2002.02339.x](https://doi.org/10.1046/j.1365-2648.2002.02339.x)

Berle, A. A., & Means, G. C. (1991). *The Modern Corporation and Private Property*. Transaction Publishers.

BR (2016). *Principles of Corporate Governance*. [https://s3.amazonaws.com/brt.org/archive/Principles-of-Corporate-Governance-2016.pdf](https://s3.amazonaws.com/brt.org/archive/Principles-of-Corporate-Governance-2016.pdf)

Burton, F. G., Starliper, M. W., Summers, S. L., & Wood, D. A. (2012). Recruiting Internal Auditors: The Effects of Using the Internal Audit Function as a Management Training Ground and Performing Consulting Services. *SSRN Electronic Journal*. [https://doi.org/10.2139/ssrn.2162611](https://doi.org/10.2139/ssrn.2162611)

Burton, F. G., Starliper, M. W., Summers, S. L., & Wood, D. A. (2014). The Effects of Using the Internal Audit Function as a Management Training Ground Or As a Consulting Services Provider in Enhancing the Recruitment of Internal Auditors. *Accounting Horizons, 29*, 115-140. [https://doi.org/10.2308/acch-50925](https://doi.org/10.2308/acch-50925)

Cadbury, A. (1992). *Report of the Committee on the Financial Aspects of Corporate Governance*. Gee and Co., Ltd.

Cogniview (2013). *Excel the Tool for Internal Auditors*. [https://www.cogniview.com/blog/excel-the-tool-for-internal-auditors/](https://www.cogniview.com/blog/excel-the-tool-for-internal-auditors/)

Cohen, J., Krishnamoorthy, G., & Wright, A. M. (2002). Corporate Governance and the Audit Process. *Contemporary Accounting Research, 19*, 573-594. [https://doi.org/10.1506/983m-expg-4y8r-j9yk](https://doi.org/10.1506/983m-expg-4y8r-j9yk)

Donaldson, L. (1990). The Ethereal Hand: Organizational Economics and Management Theory. *Academy of Management Review, 15*, 369-381. [https://doi.org/10.5465/amr.1990.4308806](https://doi.org/10.5465/amr.1990.4308806)

Heale, R., & Forbes, D. (2013). Understanding Triangulation in Research. *Evidence Based Nursing, 16*, 98-98. [https://doi.org/10.1113/eb-2013-101494](https://doi.org/10.1113/eb-2013-101494)

Healy, P. M., & Palepu, K. G. (2003). The Fall of Enron. *Journal of Economic Perspec-
tives, 17, 3-26. https://doi.org/10.1257/089533003765888403

Homayoun, S., & Abdul Rahman, R. (2010). Determinants of Web-Based Corporate Reporting among Top Public Listed Companies in Malaysia, International Journal of Arts and Sciences, 3, 187-212.

IIA (2015). What Is Internal Audit? https://www.theiia.org/en/about-us/about-internal-audit/

IIA (2018). International Standards for the Professional Practice of Internal Auditing. https://na.theiia.org/standards-guidance/Public%20Documents/IPPF-Standards-2017.pdf

IIA (2022). How Does Internal Audit Maintain Independence and Objectivity? https://www.theiia.org/en/about-us/advocacy/about-the-profession/faq/IIA

Jensen, M. C., & Meckling, W. H. (1976). Theory of the Firm: Managerial Behaviour, Agency Costs and Ownership Structure. Journal of Financial Economics, 3, 305-360. https://doi.org/10.1016/0304-405X(76)90026-X

Kasonde, K. (2017). RDA Board Dissolved. http://www.times.co.zm/?p=92048

Keasey, K. (2007). Corporate Governance: Accountability, Enterprise, and International Comparisons. Wiley.

Lenz, R., & Jeppesen, K. K. (2022). The Future of Internal Auditing: Gardener of Governance. EDPACS, 1-21. https://doi.org/10.1080/07366981.2022.2036314

Magnier, V. (2017). Worldwide Adoption of Corporate Governance Models. In Comparative Corporate Governance (pp. 40-60). Edward Elgar. https://doi.org/10.4337/9781784713560.00009

Mansfield, E., Allen, B., Doherty, N., & Weigelt, K. (2002). Managerial Economics: Theory, Applications, and Cases (5th ed.). W.W. Norton.

Mârza, B., Mărcuţă, A., & Mărcuţă, L. (2018). Role of Corporate Governance in the Context of Globalization. In S. Mărginean, C. Oğrean, & R. Orăștean (Eds.), Emerging Issues in the Global Economy. Springer Proceedings in Business and Economics (pp. 229-236). Springer. https://doi.org/10.1007/978-3-319-71876-7_21

Mastrodascio, M. (2021). Origins and Definitions of Corporate Governance. Corporate Governance Models: A Critical Assessment (pp. 4-59). Routledge. https://doi.org/10.4324/9781003225805-1

Mwila, P. (2021). PF-RDA Board Dissolved. http://www.daily-mail.co.zm/pf-led-rda-board-dissolved/

Nguyen, H. C. (2011). Factors Causing Enron’s Collapse: An Investigation into Corporate Governance and Company Culture. Corporate Ownership and Control, 8, 585-593. https://doi.org/10.22495/cocv8i3c6p2

Njenga F. M. (2017). Auditor General Exposes RDA Fraud. https://diggers.news/local/2017/04/06/auditor-general-exposes-rda-fraud/

OECD (2022). Auditing for More Robust Internal Control and Risk Management Systems. https://www.oecd-ilibrary.org/sites/9789264279254-7-en/index.html?itemId=/content/component/9789264279254-7-en

Palinkas, L. A., Horwitz, S. M., Green, C. A., Wisdom, J. P., Duan, N., & Hoagwood, K. (2013). Purposeful Sampling for Qualitative Data Collection and Analysis in Mixed Method Implementation Research. Administration and Policy in Mental Health and Mental Health Services Research, 42, 533-544.
Pande, S., & Ansari, V. A. (2014). A Theoretical Framework for Corporate Governance. *Indian Journal of Corporate Governance, 7*, 56-72. [https://doi.org/10.1177/0974686220140104](https://doi.org/10.1177/0974686220140104)

Petraşcu, D., & Tieanu, A. (2014). The Role of Internal Audit in Fraud Prevention and Detection. *Procedia Economics and Finance, 16*, 489-497. [https://doi.org/10.1016/S2212-5671(14)00829-6](https://doi.org/10.1016/S2212-5671(14)00829-6)

Pillay, R. G. (2013) Anglo-American Model versus Continental European Model. In S. O. Idowu, N. Capaldi, L. Zu, & A. D. Gupta (Eds.), *Encyclopedia of Corporate Social Responsibility* (pp. 100-105). Springer. [https://doi.org/10.1007/978-3-642-28036-8_479](https://doi.org/10.1007/978-3-642-28036-8_479)

Reeves, S., Albert, M., Kuper, A., & Hodges, B. D. (2008). Why Use Theories in Qualitative Research? *BMJ, 337*, a949. [https://doi.org/10.1136/bmj.a949](https://doi.org/10.1136/bmj.a949)

Ross, S. (2021). *What Are Some Examples of Different Corporate Governance Systems?* [https://www.investopedia.com/ask/answers/051115/what-are-some-examples-different-corporate-governance-systems-across-world.asp](https://www.investopedia.com/ask/answers/051115/what-are-some-examples-different-corporate-governance-systems-across-world.asp)

Ryan, C., & Ng, C. (2000). Public Sector Corporate Governance Disclosures: An Examination of Annual Reporting Practices in Queensland. *Australian Journal of Public Administration, 59*, 11-23. [https://doi.org/10.1111/1467-8500.00148](https://doi.org/10.1111/1467-8500.00148)

Shabongo, N. (2013). Zambia: Government Unveils RDA Board. [https://allafrica.com/stories/201401140295.html](https://allafrica.com/stories/201401140295.html)

Sheridan, T. (2016). *Internal Auditors Continue to Face Ethical Dilemmas.* [https://www.accountingweb.com/aa/auditing/internal-auditors-continue-to-face-ethical-dilemmas](https://www.accountingweb.com/aa/auditing/internal-auditors-continue-to-face-ethical-dilemmas)

Shirwa, H. A., & Onuk, M. (2020). Corporate Governance Models and the Possibility of Future Convergence. *Journal of Corporate Governance Research, 4*, 18-34. [https://doi.org/10.5296/jcgr.v4i1.17057](https://doi.org/10.5296/jcgr.v4i1.17057)

Smeliauskas, W., Bewley, K., & Robertson, J. C. (2007). *Auditing: An International Approach.* Toronto: McGraw-Hill Ryerson.

Wagner, M. M., Moore, A. W., & Aryel, R. M. (2006). *Handbook of Biosurveillance.* Academic Press.

Ward, A. M., Judith, W., & Hamill, P. (2013). Evolution of Corporate Governance Reports in the UK and Ireland. In S. O. Idowu, N. Capaldi, L. Zu, & A. D. Gupta (Eds.), *Encyclopedia of Corporate Social Responsibility* (pp. 1111-1120). Springer. [https://doi.org/10.1007/978-3-642-28036-8_661](https://doi.org/10.1007/978-3-642-28036-8_661)

Yamane, T. (1967). *Statistics: An Introductory Analysis* (2nd Edition). New York: Harper and Row.

Zambian Online (2012). *Sata Appoints Nsanda RDA Chairman, Transfers Keith Mukata.* [https://zambia.co.zm/news/headlines/2012/10/08/sata-appoints-nsanda-rda-chairman-transfers-keith-mukata/](https://zambia.co.zm/news/headlines/2012/10/08/sata-appoints-nsanda-rda-chairman-transfers-keith-mukata/)
Appendix I: Questionnaire on Corporate Governance and Internal Audit

My name is Anderson Mwape. I am currently studying for Doctorate Degree in Business and Management at the University of Zambia. I am conducting research on Corporate Governance and the Challenges of Internal Audit in the Zambian Road Sector.

The questionnaire comprises twenty-five questions and will take no longer than ten minutes to complete. Your participation in this interview will be highly appreciated as it will assist in coming up with measures to enhance or strengthen existing corporate governance structures in the Road Sector in general and the Road Development Agency in particular. All responses will remain anonymous and strictly confidential. Therefore you should not indicate your name anywhere on this form.

Please specify by ticking in the box provided, you consent to be part of the research ☐

SECTION ONE: BRIEF DETAILS ABOUT YOURSELF

A) Occupation
1) Head of Department/Unit☐
2) Manager☐
3) Internal Auditor☐
4) Other (Specify)

B) Area of Competence
1) Business/Finance/Auditing☐
2) Engineering/Information Technology☐
3) Procurement/Administration/HR☐
4) Other (Specify)

C) Knowledge about Corporate Governance: Very Good☐ Good☐ Fair☐

D) Work Experience in the Public Sector
1) Less than five years☐
2) Between five and ten years☐
3) Above ten years☐

SECTION TWO: CORPORATE GOVERNANCE STRUCTURES

A) Name of Your Institution/Organization

B) Corporate Governance Structures of Your Institution/Organization
1) The Chairman and Members of the Board are appointed in line with statutes and laid down procedures.

   Strongly Agree☐ Agree☐ Strongly disagree☐ Disagree☐ Neutral☐

2) The Chairman and Members of the Board are appointed taking into account, skills, competencies, professional qualifications and work experience.

   Strongly Agree☐ Agree☐ Strongly disagree☐ Disagree☐ Neutral☐

3) The institution/organization has a board charter which is a policy document that clearly defines the respective roles, responsibilities and authorities of
the board of directors and management in setting the direction, management and the control of the organisation.

**Strongly Agree☐ Agree☐ Strongly disagree☐ Disagree☐ Neutral☐**

4) The ultimate accountability for corporate governance lies with:
- Appointing Authority (Minister)☐
- Permanent Secretary☐
- Board☐
- CEO and Senior Management☐

5) Do you believe that having a code of ethics that applies to everyone in your institution/organisation (including Directors, Management and Vendors) would help promote good corporate governance?
- Yes☐
- No☐
- Not sure☐

6) Is administrative clearance of the approved Budget of Internal audit and Agenda of the Audit Committee and poor corporate governance?

**Strongly Agree☐ Agree☐ Strongly disagree☐ Disagree☐ Neutral☐**

7) Is appointment of non-independent Board and Audit Committee members poor corporate governance?

**Strongly Agree☐ Agree☐ Strongly disagree☐ Disagree☐ Neutral☐**

C) Is the composition of the Audit Committee at your organisation independent enough to provide the necessary supervision and oversight on behalf of the Board?

1) The institution/organization has an Audit Committee whose role and relationship with the Board of Directors is clear in ensuring that proper internal controls are maintained, risks are managed and that the institution/organization is in compliance with all relevant laws and regulations.

**Strongly Agree☐ Agree☐ Strongly disagree☐ Disagree☐ Neutral☐**

2) Is the Audit Committee in your institution/organization appointed in accordance with the statutes and laid down procedures? **Yes☐ No☐**

3) The Permanent Secretary is the Controlling Officer under which the Institution/Organization falls. Therefore s/he should be the Chairman of the Audit Committee to enhance supervision and ensure that policy directions to the institution/organization through the CEO are implemented

**Strongly Agree☐ Agree☐ Strongly disagree☐ Disagree☐ Neutral☐**

4) The institution/organization has adequate internal controls in place which are properly documented and periodically reviewed.

**Strongly Agree☐ Agree☐ Strongly disagree☐ Disagree☐ Neutral☐**

**SECTION THREE: ROLE OF INTERNAL AUDIT**

A) The role of internal audit in corporate governance

1) Internal auditing is an integral part of the corporate governance structure in both the public and the private sectors. Therefore, poor corporate governance practices affect the efficient and effective operation of the internal audit activity
in an organization.

Strongly Agree☐ Agree☐ Strongly disagree☐ Disagree☐ Neutral☐

2) The Institution/Organization has an Internal Audit Charter which is a formal document that defines the internal audit activities, purpose, authority and responsibility.

Strongly Agree☐ Agree☐ Strongly disagree☐ Disagree☐ Neutral☐

3) The Internal Audit Charter authorizes access to all records, reports, documents, personnel and physical properties relevant to the performance of engagements and defines the scope of the internal audit activities.

Strongly Agree☐ Agree☐ Strongly disagree☐ Disagree☐ Neutral☐

4) The internal audit activity should evaluate and contribute to the improvement of risk management, control and governance processes while at the same time providing assurance and consulting role to management and the board.

Strongly Agree☐ Agree☐ Strongly disagree☐ Disagree☐ Neutral☐

5) Effective interaction of corporate governance structures and internal auditing improves performance, and is a source of competitive advantage.

Strongly Agree☐ Agree☐ Strongly disagree☐ Disagree☐ Neutral☐

B) Appointment and Reporting Lines of Internal Audit

1) The Head of Internal Audit is appointed, disappointed remunerated and appraised by the Board and functionally reports to it through the Audit Committee and administratively to the CEO

Strongly Agree☐ Agree☐ Strongly disagree☐ Disagree☐ Neutral☐

2) The Head of Internal Audit has free access to the Board or the Audit Committee.

Strongly Agree☐ Agree☐ Strongly disagree☐ Disagree☐ Neutral☐

3) The Chairman of the Audit Committee should discuss with the CEO the agenda and matters to be presented to the Committee before the meeting.

Strongly Agree☐ Agree☐ Strongly disagree☐ Disagree☐ Neutral☐

SECTION FOUR: CHALLENGES OF INTERNAL AUDIT

1) Audit units face a constant competition for resources, as well as a demand for cost cutting and keeping the number of employees down. Organisations consider Internal Audit to be one of the first areas when considering cost rationalization

Strongly Agree☐ Agree☐ Strongly disagree☐ Disagree☐ Neutral☐

2) Although the Head of Internal audit reports functionally to the Board the administrative reporting to the CEO could affect the operations of internal audit if the CEO does not authorise the release of funds as and when required.

Strongly Agree☐ Agree☐ Strongly disagree☐ Disagree☐ Neutral☐

3) The Head of Internal Audit should clear the Agenda of the Audit Committee meeting with the CEO before the meeting of the Audit Committee.

Strongly Agree☐ Agree☐ Strongly disagree☐ Disagree☐ Neutral☐

4) The Board approves the Annual Audit Plan. However, depending on prevailing financial or other unforeseen circumstances, Management can cancel,
vary, or reschedule audit activities in the approved plan

Strongly Agree☐ Agree☐ Strongly disagree☐ Disagree☐ Neutral☐

5) Poor corporate governance affects performance of the organisation in general and internal audit in particular

Strongly Agree☐ Agree☐ Strongly disagree☐ Disagree☐ Neutral☐

Appendix II: Interview Guide for Chief Executive Officers

1) The Public Finance and Management Act stipulates the composition of the Audit Committee; should be members from professional bodies like ZICA, EIZ, ZNFU or IIA be nominated by these bodies; or as long as one is a member of these bodies then the Minister can appoint such a person regardless of whether or not one is nominated by that professional body, what is your opinion?

2) Allow me to push you against the wall Sir/Madam; should political affiliations be taken into account when appointing board members? In short, I am saying, should former ministers and/or politicians from the governing party be appointed as members of the Board of your institution?

3) The Permanent Secretary is by law the controlling officer of your institution and I know that from time to time you receive instructions, and/or policy guidelines and directions from him/her on the operations of your institution. Should the Controlling Officer also be the Chairperson of the Audit Committee for oversight and supervision purposes; what is your opinion? Please give reasons why you feel the Controlling Officer should or should not be the Chairperson of the Audit Committee.

4) Since you are by law the Secretary of the Board; does the preparation and calling of the Board meetings enable the participation of all Directors of the Board (sufficient notice; agenda and supporting materials; proposing agenda items; participation personally or through proxy; the right to ask questions; dissemination of the results of the meeting)?

5) As a follow-up to the question above since by law you are the secretary of the Board, should you also be the secretary of the Audit Committee? Please give reasons

6) In what circumstance (if any) can you vary, suspend or cancel an activity approved by the Board in the annual audit Plan?

7) Do you believe that having a code of ethics that applies to everyone in your institution/organization (including Directors, Management, and Vendors) would help promote good corporate governance; if so why?