Internal Audit Effectiveness in Public Sector Organisations: A Rwandan Multiple Case Study

By

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Thesis Submitted for the Degree of Doctor of Business Administration

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04\textsuperscript{th} April 2018
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Dedication

I dedicated my life to Christ, and this thesis is no exceptional, my redeemer, Jesus Christ, for His love and mercy. Glory is His, now and always.

To my parents, I remain compelled to be bound to your guidance that never fades. RIP Daddy.

To my family, relatives, friends and my country Rwanda — if I have seen further it’s by standing on the shoulders of the giants.

(SIR ISAAC NEWTON)

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<tbody>
<tr>
<td>AC</td>
<td>Audit committee</td>
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<tr>
<td>ACCA</td>
<td>Association of Chartered Certified Accountants</td>
</tr>
<tr>
<td>CAE</td>
<td>Chief Audit Executive</td>
</tr>
<tr>
<td>CEO</td>
<td>Chief Executive Officer</td>
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<tr>
<td>ECORYS</td>
<td>Economic Research &amp; Consultancy Foundation</td>
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<tr>
<td>OCIA</td>
<td>Office of the Chief Internal Auditor</td>
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<tr>
<td>GOR</td>
<td>Government of Rwanda</td>
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<td>IA</td>
<td>Internal auditing</td>
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<td>IAD</td>
<td>Internal Audit Department</td>
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<td>IAE</td>
<td>Internal audit effectiveness</td>
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<td>IAF</td>
<td>Internal audit function</td>
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<td>IIA</td>
<td>Institute of Internal Auditors</td>
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<td>IPPF</td>
<td>International Professional Practice Framework</td>
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<tr>
<td>ISPPIA</td>
<td>International Standards for Professional Practice of Internal Auditing</td>
</tr>
<tr>
<td>ITIA</td>
<td>Information Technology Internal Auditor</td>
</tr>
<tr>
<td>MDA</td>
<td>Ministries, districts and agencies</td>
</tr>
<tr>
<td>MINALOC</td>
<td>Ministry of Local Government</td>
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<tr>
<td>MINECOFIN</td>
<td>Ministry of Finance and Economic Planning</td>
</tr>
<tr>
<td>NMES</td>
<td>National Monitoring and Evaluation System</td>
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<td>OAG</td>
<td>Office of the Auditor General</td>
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<tr>
<td>Abbreviation</td>
<td>Full Form</td>
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<tr>
<td>OBM</td>
<td>Ombudsman</td>
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<tr>
<td>PFM</td>
<td>Public finance management</td>
</tr>
<tr>
<td>PS</td>
<td>Permanent Secretary</td>
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<td>PSO</td>
<td>Public sector organisation</td>
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<td>PwC</td>
<td>PricewaterhouseCoopers</td>
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<tr>
<td>RBPM</td>
<td>Results-based performance management</td>
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<tr>
<td>RPPA</td>
<td>Rwanda Public Procurement Authority</td>
</tr>
<tr>
<td>SOX</td>
<td>Sarbanes-Oxley Act</td>
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<td>TIR</td>
<td>Transparency International—Rwanda</td>
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Abstract

Evaluations of internal audit effectiveness (IAE) have consistently shown the significant role played by internal auditing (IA) activities in helping organisations to achieve their goals. However, IA practitioners continue to debate about IAE along with the literature showing that internal audit function (IAF) is not always effective. This dilemma spawns the current study with acumen that examiners of IAF and organisational practices seem to have underestimated the impact of the institutional influence on organisational setting and their effect on IA performance. Yet, this approach creates gaps that prevent the real-life experiences of internal auditors from being captured. The present study aimed at understanding IAE through the lens of stakeholders’ perceptions of IAF and the factors that influence IAE in the public sector institutional setting. The literature shows that the institutional environment is dominated by isomorphic pressures and complexities that are generated by relational and interactional requirements. This does not change the essence of the IA profession, but factors behind the variations within the organisational circumstances cannot be understood without a clear appreciative of the institutional environment.

The process of organisational response to institutional requirements generates challenges that threaten the consistency of the organisation’s circumstances and the identity of IAF. This study examined multiple cases in the public institutional environment of Rwanda to understand IAE in public sector organisations (PSOs). Examining stakeholders’ perceptions of IA performance in multiple cases shows that there are variations in IAE in PSOs. Findings of the study show that understanding IAE in PSOs could not underestimate the influence of the institutional requirements that determine the trend of organisational circumstances to remain relevant within the institutional setting. There is significant contribution made by IAF when organisations desire to achieve their goals. The organisational significance to the public sector setting and steadiness of the IA uniqueness are displayed to help in employing strategies that facilitate IAF to achieve its objectives hence perceived as effective. While institutional requirements push organisations to remain relevant to the institutional norms, IAF aims to meet stakeholders’ expectations and effectively safeguards its identity which this study designates as achieving effectiveness.
Chapter 1: Introduction

1.1 Background

Internal auditing (IA), which has its roots in accounting (Reynolds 2000; Reynolds & Francis 2000) and linked to the economic, political, social and cultural realities of the context in which organisations function (Toms 2005), operates principally to help organisations to achieve their goals, of providing social services to the public (Vijayakumar & Nagaraja 2012) in the public sector institutional setting. Regulatory requirements within the public-sector setting indicate that there is growing recognition of IA, which is often reflected in a mandatory requirement to establish an IA activity (Stick, Bouckaert & Scheers 2005). However, the public is a broad concept in which the economy, politics and social relations are embedded (Holzman 2012). Political and social patterns therefore, create an economic system through which resources and goods are allocated to individuals through organisational values and institutional regulations (Polanyi 2001). The operationalisation of such goals through public sector organisations (PSOs) in a modern world economy is a fundamental part of society (Dequech 2007; Nippel 2005). As such, the link between organisations and the institutional setting govern legal and resource provisions for organisations (Baum & Oliver 1992; Meyer & Scott 1983; Tolbert 1985; Zucker 1987). Hence, this link exhibits a form of interrelation and dependence to follow the prescribed legitimate norms in the sector in which they are embedded, thereby exhibiting continuity (DiMaggio & Powell 1983; Frumkin, Frank & Jackson 2004; Meyer & Rowan 1977; Mihret 2010).

PSOs therefore strive to achieve national objectives within embedded social links (Polanyi & Polanyi 2001; Vijayakumar & Nagaraja 2012). These social links, which determine legal and resource provisions (Baum & Oliver 1992; Meyer & Scott 1983; Tolbert 1985; Zucker 1987), influence functions and result in challenges caused by institutional uncertainties (Bertels & Lawrence 2016; Greenwood et al. 2011; Thornton 2004). The governance of PSOs emphasises the need for improved accountability, which is achieved, *inter-alia*, through IA activities (Normanton 1966; Sterck, Bouckaert & Scheers 2005). The IA role therefore, is to ensure that PSOs operate within the budgetary provisions, expenditures comply with the set instructions
and procedures and IAF provides assurance that these organisations possess effective systems for managing and accounting for the assets that belong to these organisations.

An independent, objective assurance and consulting activity designed to add value and improve an organization’s operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes (The IIA 2017).

This definition demonstrates the fundamental purpose, nature and scope of IA and why it has received the recognition and attention of regulators in PSOs. This notion has led to the belief that IAF is a value-adding tool towards modern organisational goals, which is supported by the IA literature. For instance, Dittenhofer (2001) uses value addition as a characteristic of, and evidence for, internal audit effectiveness (IAE). Dittenhofer’s perception is influenced by the IA definition, which states that an effective IAF helps organisations to achieve their objectives. Al-Twajiry, Brierley and Gwilliam (2003), Bou-Raad (2000) and Yee et al. (2008) supplement Dittenhofer’s suggestion that an effective IAF improves organisations’ operations. Ussahawanitchakit and Intakhan (2011) agree, stating that a program is effective if its outcome aligns with its objectives. However, the arrangement of PSOs’ objectives varies, and the arrangements can be affected. In turn, the arrangements can affect affiliated departments’ activities because of organisational responses to the pressures created by institutional uncertainties. For instance, Uddin and Hopper (2001) and Wickramasinghe and Hopper (2005) argue that country-specific dynamics influence accounting. This argument is based on the perception that public is a social setting with a broad concept in which economy, politics, religion and social relations are embedded (Polanyi 2001).

The literature on IA also notes that there are factors that influence IA activities at the government (Al-Twajiry, Brierley & Gwilliam 2003; Yee et al. 2008) and organisation levels (Arena, Arnaboldi & Azzone 2006; Mihret & Woldeyohannis 2008; Mihret, James & Mula 2010). Stewart and Subramaniam (2010) consider IAF a cornerstone of corporate governance, but they contend that differences in national culture influence corporate governance mechanisms. This argument is similarly repeated by Zain and Subramaniam (2007), who single out the component of communication and argue that
national culture can influence the way in which IAF communicates about senior management to the board of directors. However, research has shown that only an effective IAF can serve a value-adding role in modern organisational goals.

Value addition to organisational goals is achieved by establishing appropriate mechanisms for achieving IAE (Lenz & Hahn 2015). An effective IAF can be useful in PSOs as a corporate governance monitoring tool. Prior studies have considered IAE in various economies. Nevertheless, there is no unanimously agreed framework for understanding IAE (Endaya & Hanefah 2013). IAE remains a neglected area of research, and it has never been studied in some economies. The IA profession and the nature of its activities need to be explored further (Gendron & Bédard 2006; Roussy 2014). Researchers have called for further studies on IAE to determine its progress in varying aspects (Endaya & Hanefah 2013; Roussy 2014). In recognition of such contextual effects, Ruud (2003) advocates for researchers to examine national differences in the role of IA, while others (e.g., Anderson 2003) call for researchers to ascertain the organisational traits that influence IA activities. Given that PSOs are consistently dependent on social links for legal and resource provisions (Polanyi & Polanyi 2001; Vijayakumar & Nagaraja 2012), an understanding of IAE can be achieved by exploring the direct and indirect effects of social links from the institutional setting. This why this study employed the stakeholders’ lenses to examine their perception towards IAF in PSOs.

1.2 Overview of the IAF Literature

Since the nineteenth century, firms have become larger and more geographically dispersed, and there is therefore limited managerial ability to monitor all operations. As a result, IA was initiated as a monitoring function in addition to management supervision and controlling functions (Swinkels 2012). The development of IA as a profession began with the establishment of the IIA in 1941. This led to the establishment of the IAF as a unique function within organisations (Subramaniam et al. 2011a, 2011b). The uniqueness of the IAF is evident in the literature, which shows that IA is a value-adding function in modern organisations (Al-Twajry, Brierley & Gwilliam 2003; Bou-Raad 2000; Roth 2000; Ruud 2003). Al-Twajry, Brierley and Gwilliam (2004) argue that the value addition of IAF is demonstrated by the extent to which organisations achieve their goals.
1.3 Statement of the Problem and Purpose of the Study

This study examines how IA achieves stakeholders’ expectations hence IAE given the institutional environment of the public sector. IAF has consistently emerged as a powerful force in the internal control systems, risk management and corporate governance of an organisation (Hermanson & Rittenberg 2003; Hermanson, Ivancevich & Ivancevich 2008; Subramaniam et al. 2011b). The literature confirms this argument by demonstrating IA’s involvement in reviewing and monitoring operations of the organisation. Hence, playing a key role in monitoring organisations’ risk profile and determining areas that require intervention for risk management purposes (Goodwin 2004; Goodwin-Stewart & Kent 2006). For instance, there has been a change in the IA approach from a compliance type of system to a risk-based approach to enhance the transformation of risk management mechanisms in the arena (Spira & Page 2003). Such reforms in the profession are sought to ensure that its involvement in the controls, risk management and corporate governance practices of an organisation becomes significant and evident through value addition (Mihret & Zemenu Woldeyohannis 2008) and enhancing its effectiveness (Lenz & Hahn 2015; Mihret & Grant 2015; Roussy 2014; Saidin 2013). The literature also shows that an effective IAF as a risk management and corporate governance mechanism can improve organisations’ operations (Claessens & Yurtoglu 2013; Spira & Page 2003). This response has drawn the attention of many to the call for IAF review, to exhibit its effectiveness and value proposition in an organisation (Lenz & Hahn 2015).

Several studies have investigated and evaluated aspects of IAF and its effectiveness of different economies. For example, Mihret and Yismaw (2007) studied IAE, and Mihret and Woldeyohannis (2008) studied the value-added role of IA in the Ethiopian public sector. Other researchers have studied IAE in Israel (Cohen & Sayag 2010), Libya (Abu-Azza 2012), Malaysia (Fadzil, Haron & Jantan 2005) and Saudi Arabia (Al-Twaijry, Brierley & Gwilliam 2003). Further, Yee et al. (2008) studied the perception of Singaporean internal audit customers regarding the role and effectiveness of IA. However, previous research has paid little attention to the potentially important role of IA’s institutional environment, instead focusing on organisation-level determinants of IAE. Admittedly, IA activities directly relate to organisational processes that are designed to coordinate activities directed at achieving goals (Raelin 2011b).
Nevertheless, in the public-sector setting, organisation-level controls tend to be influenced by internal factors and external institutional forces (Baum & Oliver 1992; DiMaggio & Powell 1983; Fombrun 1986), and they may sometimes be contrary to organisations’ operational circumstances (Vermeulen et al. 2016; Bertels & Lawrence 2016). Thus, the literature suggests that the social setting of the institution upholds pressures and institutional uncertainties (Bertels & Lawrence 2016; Greenwood et al. 2011; Thornton 2004). It is important to imagine what goes on within the IAF when the organisation it serves is under the influence of institutional forces. The IAF needs to move in line with the changes taking place in the organisation to remain relevant and effective. The changing shape of organisational processes require attention to risk management therefore, creates both opportunities and threats (Spira & Page 2003). The IAF needs to facilitate the organisation in such a situation with proactive discussions about managing risks that an organisation is facing or may face (Barac, Coetzee & Van Staden 2016; Endaya & Hanefah 2013). IA stakeholders expect the IAF to create a platform that facilitates and influences others especially organisation’s leaders to build an effective culture of controls throughout their organisation (Pizzini, Lin & Ziegenfuss 2014).

However, despite the changing shape of organisational processes in risk management and the integration of the risk-based IA approach, studies on IA have shown that an IAF is not always effective (Al-Twajiry, Brierley & Gwilliam 2003; Cohen, Krishnamoorthy & Wright 2004; Mihret 2010). Experiences that demonstrate IAE have not been sufficiently explored. There is a need for further research to explore the drivers needed to achieve IAE and reverse the dilemma between experience and literature about IA and (Barac, Coetzee & Van Staden 2016; Endaya & Hanefah 2013). An interrelationship exists in the form of dependence between functions within an organisation and within other organisations in the same setting, where embeddedness is required to survive and obtain resources (DiMaggio & Powell 1983; Frumkin, Frank & Jackson 2004; Meyer & Rowan 1977; Mihret 2010). Given that previous studies on IA and IAE have approached the topic from the perspective of the organisational setting, the present study aims to understand IAE in PSOs from the institutional setting perspective by:

1. evaluating the effectiveness of the IAF in achieving stakeholders’ expectations
2. Determining the factors that influence IAE in PSOs.

Thus, this study examines how IA practices seeks and create change in PSOs with or without help to achieve IAE.

1.4 Rwandan Public-Sector Setting

This section provides background information about the history of the Rwandan public sector setting to show what compels the current state of affairs. It first discusses the pre-colonial period, followed by the period in which Rwanda was under German and Belgian control. Second, this section discusses Rwanda’s independence, which was followed by genocide and its aftermath, including how Rwanda has since moved forward. It then outlines the reforms that enhanced the restructuring in the management of public resources and the establishment of an IAF in PSOs.

1.4.1 Pre-colonial Rwanda

Rwanda is populated by three ethnic groups. The dominant is a Hutu ethnic group who are believed to have settled in the area between fifth and eleventh centuries finding the Twa who are the initial settlers. Then, the Tutsi whose historical appraisal emphasises that they migrated from the north, with the emergence of a small nuclear kingdom in the central region and settled in Rwanda at the beginning of the fourteenth century. The Tutsi traditions trace the birth of the Rwanda as a kingdom to the miraculous feats of its founding hero, Gihanga, whose arrival in Rwanda is said to coincide with the advent of civilisation. This kingdom was ruled by the Tutsi minority until the arrival of Europeans in the nineteenth century. As a result, Rwanda differs from most countries in sub-Saharan Africa because its general boundaries were not drawn by European powers, but reflect the fully established nation-state that existed until the introduction of German rule (Encyclopaedia Britannia Online 2017).

1.4.2 Rwanda Under German and Belgian Control

Rwanda was a monarchy under the Tutsi as the ruling tribe. It was initially colonised by Germany but later handed over to Belgium administered authority under the mandates system of the League of Nations. By the end of World War II, a growing number of colonial civil servants and missionaries had come to recognise the
legitimacy of Hutu claims against the ruling Tutsi minority. Belgians facilitated the Hutu and started a peasant revolt in 1959 which led to Rwanda declaring itself a republic in 1961 and forced its king into exile (Britannica 2010). What began as a peasant eventually transformed itself into an organised political movement aimed at the overthrow of the monarchy and the vesting of full political power in Hutu hands. Under the leadership of Grégoire Kayibanda, Rwanda’s first president, the Party for Hutu Emancipation (*Parti du Mouvement de l’Emancipation du Peuple Hutu*) emerged as the spearhead of the revolution. Communal elections were held resulting in a massive transfer of power to Hutu elements at the local level and an all-Hutu provisional government came into being. Independence was proclaimed in July 1962, when the revolution had already run its course and thousands of Tutsis began fleeing Rwanda, (Britannica 2007, 2010; Domres & Mang 1997).

When the Tutsi were eliminated from the political arena, north–south regional competition among Hutu politicians arose, reflecting the comparatively privileged position of those from the central and southern regions within the party, the government and the administration. Regional tensions started 1973 and a group of army officers from the north overthrew the government and installed a northerner, Maj. Gen. Juvénal Habyarimana who ruled for 21 years (Encyclopaedia Britannia Online 2017). Rwandans who fled the country amidst these revolutionaries flared in 1990, led by the Rwandan Patriotic Front (RPF) rebels invading from Uganda. Cease-fire negotiations between the RPF and the government began in 1992. The negotiations led to revisions to the 1978 constitution, and the new document, allowing multiparty participation in the government, was promulgated. An agreement between the government and the RPF was signed in August 1993 at Arusha, Tanzania, that called for the creation of a broad-based transition government. The meant to include the RPF which angered the Hutu extremists who were strongly opposed to this plan (Encyclopaedia Britannia Online 2017).

1.4.3 Genocide and Aftermath

On his way back from Arusha Tanzania, on 6 April 1994, the then president of Rwanda was shot down in a plane over Kigali and the ensuing crash killed everyone on board. The then Prime Minister of Rwanda was assassinated the following day subsequent were the murders to eliminate moderate Hutu or Tutsi politicians, with the goal of
creating a political vacuum. The vacuum led to formation of an interim government of Hutu extremists that was inaugurated on 9 April 1994 which officiated massive killing of Tutsis and moderated Hutus. Over the next several months, the wave of anarchy and mass killings continued, in which the army and Hutu militia groups known as the Interahamwe (‘those who attack together’) and Impuzamugambi (‘those who have the same goal’) played a central role. The RPF responded by resuming their fight and was successful in securing most of the country by early July 1994 (Britannica 2007, 2010; Domres & Mang 1997).

1.4.4 Moving Forward

In July 1994, a transitional government was established, a new president and vice president were sworn in. A new constitution aimed at preventing further ethnic strife in the country was promulgated in 2003. Prevention of ethnic strife led the government to implement a significant administrative reorganisation, replacing the previous 12 prefectures with five larger multiethnic provinces that aimed to promote effective administration (see Figure 1.1). Reform and decentralisation were started and involved rebuilding the nation from scratch including the public sector and all the government structures. The country’s economy, which was adversely affected but recovered gradually (Encyclopaedia Britannia Online 2017). It is not the purpose of this study to re-tell the most important achievements of the people of Rwanda through their leadership in rebuilding the country and re-establishing its growth. However, it is indispensable for a proper understanding of current conditions of the PSOs from where data for this research were collected.
1.4.5 Reforms in Public Resources Management in Rwanda

The need for efficient and effective use of organisations’ resources led to the establishment of the Public Finance Management (PFM) policy in 2006, which involved changing from a typical francophone custom of centralised administration and decentralisation practices. As there were no existing administrative structures to build on, government reform programs in this sector had to create new structures to shape a strong society with a reliable PFM system. The government then introduced an Anglophone system of checks and balances based on parliamentary authority (Klingebiel & Mahn 2011). The Rwandan Constitution, which was approved in a national referendum and adopted in Parliament on 4 June 2003, defines the principles and overall legal framework for the management of public finances in the country (Republic of Rwanda [ROR] 2003). The constitution and the organic law determine that the major PFM institutions in Rwanda are the Parliament, Cabinet, Ministry of Finance and Economic Planning (MINECOFIN) and Office of the Auditor General (OAG) (ROR 2006). Further, they define the roles of each institution in the management of public finances.

Figure 1.1: Map of Rwanda.
The process of public sector restructuring in the Rwandan government embraced rebuilding the entire governance system and establishing anti-corruption institutions. These mechanisms enhanced corporate governance and PFM and strengthened the legal and institutional frameworks. Institutions and policies established for this purpose included the OAG (for state finances), Rwanda Public Procurement Authority (RPPA), Office of the Ombudsman, National Prosecutor General Authority and the results-based performance management (RBPM) policy. Further, the Rwanda National Police was strengthened with structures that focused on corruption. These institutions and policies were designed to facilitate the implementation of effective PFM processes and spearhead the fight against corruption in their varying scopes of operation (BBC News 2010; Hitchen 2013; Mwai 2013; The East African 2016; Transparency International 2010, 2011, 2013, 2014; Worldwide Governance Indicators 2011). However, it was difficult to end malpractices in Rwandan public-sector institutions, and the struggle to enhance effective PFM continued.

1.4.6 Establishment of IAF in PSOs

The commitment to achieve the highest standards of accountability and transparency in public fiscal management, which was exemplified in the strong will of the state to create a corruption-free society, led to the establishment of the office of the Chief Internal Auditor (OCIA). This was in accordance with the organic law on state finances and property and the ministerial order on financial regulations to ensure adequate internal audit arrangements in government organisations. This office is based in the Ministry of Finance and is responsible for helping ministries, districts, provinces and government parastatals meet their statutory and fiduciary responsibilities. The IAF in the respective organisations is also responsible for helping them ensure that public resources are efficiently and effectively managed (GOR 2007). Several mechanisms have been created to standardise the IAF in government organisations. A procedure manual was established as Ministerial Order N° 2/09/10/GP/A of 12/02/2009, revised in 2016, to legalise the execution of IAF in Rwandan government organisations. This ministerial order is also used as the IA manual, which contains procedures to be followed by government internal auditors. The office of the OCIA helps government organisations make informed decisions, as well as efficiently and effectively use resources and satisfy their respective statutory and fiduciary responsibilities. Overall,
the office of the OCIA is responsible for strengthening, guiding and supporting all IAF activities in PSOs (MINECOFINE 2016).

1.5 Motivation of the Study

IA literature has shown the significance of the IAF in modern organisations (Al-Twaijry, Brierley & Gwilliam 2003; Bou-Raad 2000; Endaya & Hanefah 2013; IIA 2009; Yee et al. 2008) to achieve the set goals. This significance is demonstrated through the involvement of IA in the internal control systems, risk management and corporate governance of an organisation (Goodwin 2004; Hermanson & Rittenberg 2003; Hermanson, Ivancevich & Ivancevich 2008; Subramaniam et al. 2011b). The involvement of IAF that explains its significance is to achieve stakeholders’ expectations and demonstrate the effectiveness of IA. This is largely pronounced by the literature that has shown how the changing shape of organisational processes has created unique opportunities (Spira & Page 2003) for the IAF. The IAF has emerged as a key player in monitoring organisations’ risk profiles and determining areas that require intervention for risk management purposes (Goodwin 2004; Goodwin-Stewart & Kent 2006).

Yet, Spira and Page (2003) point out that the changing shape of organisational processes develop with in challenges. This argument is supported by the literature, which shows that PSOs are required to comply with regulations and survive on perceptive environmental elements to achieve acceptability and support (Pfeffer & Salancik 2003). These requirements tend to create pressures and institutional uncertainties (Bertels & Lawrence 2016; Greenwood et al. 2011; Thornton 2004). Requirements that are sometimes not coherent to organisational circumstances and hence threaten performance. In this regard, the process of organisational response to institutional pressures affects functional areas because of interrelationships within the organisation and the embeddedness of the institutional framework (Pfeffer and Salancik 2003). Yet, IA research has not considered the effect of institutional pressure on the IAF when organisations they serve focus on addressing multiple institutional requirements. The literature on IA and IAE has focused on factors around the IAF and organisations. Yet, when there is lack of coherence when required to satisfy one demand it may require forfeiting others (Pfeffer & Salancik 2003). The current study pursues this area that had not been tackled in IA research to examine the internal
auditors experience in such situations. The investigations in such a situation desired to identify what happens if the forfeited demands relate to the IAF. This examination would identify the continuity of IA activities. This is because if continuity of IA activities would be jeopardised, it would in turn be difficult to achieve IA stakeholders’ expectations hence IA ineffectiveness. In addition to the notion that the IAF does not operate in isolation (Arena & Azzone 2009), it is not clear how IA and interdependence on other organisational functions influences IA activities during the constraining situations describe earlier. In general, IA literature has not provided how organisations respond to institutional pressures that have impact on IAE.

1.6 Contribution of the Study

This study seeks to understand the factors that influence IAE in PSOs in an institutional setting using multiple case studies, and it makes a major contribution to the literature regarding the context and perception of IAE in PSOs. This study provides a new understanding of IAE by focusing on contextual factors that influence IAE within the institutional setting rather than the IAF in the organisational setting. Despite the need to validate the results in similar studies conducted in different settings, this study makes several useful contributions to IA literature. This contribution involves multiple cases being studied and examining IAE from an institutional setting perspective. Previous studies have mainly used institutional theory to explain IA development at the organisational level and outlined patterns of IA implementation at the functional level. The insights generated from the theoretical perspective of the current study can help IA professionals and practitioners to manage their IA environment. These insights also can help legislators to pay attention to priority areas to achieve high levels of effectiveness. Assessing the institutional setting will help all actors involved to develop an improved perspective of what impedes the IA performance that could be the response as to why IAF is not always effective.

1.7 Scope of the Study and Limitation

This study focuses on IAE in Rwandan PSOs by examining relational influences in the institutional setting. It aims to explore how the IAF meets stakeholders’ expectations of IAE from a holistic perspective. Previous studies on IA and IAE have examined characteristics at the organisation and function levels; however, this has not informed
the objective of the current study. This study employs the case study method; five PSOs are selected based on the availability of the IAF in the organisations and their willingness to participate in the study. Examining all aspects of such a social system is unattainable in the current study and is satisfied using approximations. The five cases selected are representative of Rwanda’s public sector institutional setting.

1.8 Organisation of the Thesis

This thesis comprises seven chapters. Chapter one presents the introduction, including the background, scope and limitation of the study. Chapter two presents the literature review, which discusses other research on the same subject and the approaches employed by other researchers. Chapter three outlines the theoretical framework designed for this study. Chapter four discusses the research design and methodology used in this study, as well as justifications for their suitability. Chapter five presents the case study analysis, and Chapter six discusses the findings. Chapter seven presents the conclusion and discusses the study’s limitations and implications, as well as areas for future research.

1.9 Chapter Summary

The awareness and perception of IAE have largely been based on IA and IAE literature generated from a review of the IAF at the organisational level. This study considers the dynamic circumstances through which IA activities are conducted, which shape the varying experiences of internal auditors in PSOs. Although an IAF is required to comply with the International Standards for Professional Practice of Internal Auditors (ISPPIA) (Al-Twaijry, Brierley & Gwilliam 2003; Spraakman 1997), achieving IAE varies across settings and cannot be examined by singling out components. Understanding IAE requires considering organisational circumstances which determine the relationship and the level of interaction between actors within the entire setting to determine the IA approach. Chapter two presents a literature review of IA and IAE.
Chapter 2: Literature Review

This study notes that diverse organisational responses to institutional dynamics (Greenwood et al. 2011) can have impact on IAE. IA studies have not sufficiently examined the effect of institutional factors on the IAF. It is not clear how diverse organisational responses to institutional dynamics (Greenwood et al. 2011) affect IA activities given that PSOs are embedded in the institutional setting. Although most studies suggest that IA adds value in modern organisations (Al-Twajiry, Brierley & Gwilliam 2000, 2003; Roth 2000; Yee et al. 2008) and helps them to achieve their objectives (Gramling et al. 2004; IIA 2009), it would be naivety to assume that achieving such expectations can be automatic. This is because, given organisational responses to institutional dynamics (Greenwood et al. 2011), there is a likelihood of interrupting functional programs in an embedded institutional field. Therefore, this study contends that IAE in the public sector should be examined at the institutional level rather than the organisational and/or IA operational levels. This chapter conducts a literature review of IA and IAE and focuses on organisational and institutional considerations to understand IA processes in PSOs. It begins by establishing the theoretical perspective upon which the conceptual framework for this study is grounded.

2.1 Theoretical Perspectives

Concern to intertextual coherence considered previous studies on IA research, which examined IAE using different approaches. For instance, Twajry et al. (2003) used ISPPIA as a parameter to explore and determine IAE. Mihret and Yismaw (2007) and Arena and Azzone (2009) established their own models to study IAE. Few studies have employed economics-based theories in IA research. Mihret (2010) combined institutional theory and Marx’s theory of the circuit of industrial capital to study the antecedents and organisational performance implications of IAE. Bryer (1999a, 1999b, 2006b) introduced Marx’s theory to accounting to explore the link between IAE and company performance. Agency theory (Adams 1994), transaction cost theory (Sprakman 1997) and Foucault theory (Mihret & Grant 2017) provide conceptual foundations of the role of IA in corporate governance. Further, communication theory (Davidson 1991) expresses how internal auditors should be effective communicators.
Nevertheless, previous research has not provided generally agreed theories or approaches to the study of IAE.

To systematically interpret previous research on IAE and contextualise it to PSOs, it is worth exploring the theoretical lenses they employed. For example, agency theory was established by Ross and Stephen (1973), who believed that there must be two parties for any contract to be a successful transaction. It holds that shareholders are the owners of the firm, while the management is an agent. Agency theory, which was first employed by Adams (1994), cannot fully inform the current study because it does not sufficiently address both direct and indirect features within the public-sector setting. For instance, agency theory cannot inform this study to understanding how IA processes are affected by the institutional setting. Employing agency theory cannot help this study to explain how IAF meets stakeholders’ expectations when organisations they serve are constrained by institutional complexities, and the factors that influence IAF effectiveness in constrained circumstances.

Transaction cost theory, which was employed by Spraakman (1997), was built on assumption that IA provides useful information to managers. Based on this assumption, Spraakman (1997) argued that transaction cost theory provides a comprehensive perspective for economising because a series of activities is linked to transactions. IA is an economics-driven response to risk (Knechel et al. 2012). In this study, transaction cost theory is limited to conceptualising the perception of IAE because Spraakman (1997) focused on the bounded rationality of management and the limitations of human ability and perception. The operational dimensions that Spraakman (1997) assumed would positively facilitate IA efforts because of in-house production perceptions but can be contradicted by institutional uncertainties. Mihret, James and Mula (2010) used Marx’s theory of the ‘circuit of industrial capital’, which explains capitalist production as an increasing capital by continuously generating surplus value (profit). Marx presents the production process in a circuit of industrial capital, which is irrelevant to the research questions in this study and the current research motive.

Another theory employed by previous studies is Davidson’s (1991) communication theory, which explains how internal auditors should be effective communicators. The study suggests that an IAF needs to possess superior communication skills to be
effective. Further, internal auditors should keep abreast of current communication concepts and endeavour to evaluate, improve and apply their communication skills (Davidson 1991). Effective communication is an appropriate feature for an IAF because it involves understanding the audience, keeping messages clear and simple, presenting ideas in a straightforward manner, having clear objectives and persevering despite disappointments (Davidson 1991; Endaya & Hanefah 2013). However, achieving IAE in an embedded setting involves more than just communication. Given that the current study focuses on an environment that is unstable and unpredictable, communication theory is insufficient.

Mihret and Grant (2015) employed Foucault’s theory in IA research. However, its view of governmentality, which is the study of the autonomy of individuals’ capacity for self-control and its links to forms of political rule and economic exploitation, does not enable comparisons (Foucault et al. 1991). Foucault’s theory does not examine the relationship between experiences and rationalities, which would help this study to generate insights from organisations to answer the research question. The current study focuses on institutional and organisational considerations by establishing a theoretical platform from the perspective of the institutional setting to facilitate an understanding of IAE in PSOs.

### 2.1.1 Institutional Theory

Institutional theory, which was employed by Mihret, James and Mula (2010), states that organisational structures and practices are designed through changes induced by institutional pressures, which are caused by institutional uncertainties (Thornton 2004; Greenwood et al. 2011; Bertels & Lawrence 2016). Therefore, organisations are considered members of an institutional field that comprises several organisations that are interrelated in some way (Mihret, James & Mula 2010). This interrelation is exhibited in the form of a relationship of dependence, which leads some organisations to influence others. The philosophy behind this influence is that institutional linkages determine legality, acceptance and resource provisions of organisations (Baum & Oliver 1992; Meyer & Scott 1983; Tolbert 1985; Zucker 1987), hence the complexity of PSOs being embedded in an institutional cage. This embeddedness results from the fact that PSOs are largely concerned with service delivery and beneficial outcomes of social service to the public rather than the commercial motivation of profit.
maximisation (Vijayakumar & Nagaraja 2012). Nevertheless, the process of meeting the desired objectives faces several types of internal and external risks.

The institutional linkage perspective encouraged the current study to employ institutional theory. This is particularly relevant to IA research in the public sector because it is founded on the principle that organisations function by conforming to expectations to achieve legitimacy (Meyer & Rowan 1977) within the same setting. This principle validates the literature, which shows that organisations tend to follow the legitimacy of the sectors in which they are embedded to survive and obtain resources (DiMaggio & Powell 1983; Meyer & Rowan 1977; Mihret 2010). The literature also shows that organisations facing similar circumstances share a common institutional context and tend to use similar structures, forms and processes which common in bureaucratic systems. This attribute aligns with the principle that a bureaucratic structural framework places expectation on organisations, which is the legitimacy with which institutional theory seemingly relates. However, Lawrence, Suddaby and Leca (2009) argued that results of legitimacy assumed in institutional theory are not connected to reality but a ceremonial display, yet operations of PSOs are a practical phenomenon. As theorised by Weber (1978), PSOs operate under bureaucratic controls which makes institutional theory suitable for this study.

Frumkin (2004) compared the effects of institutional pressures on public, private and non-profit organisations. The study by Frumkin (2004) found that PSOs are more susceptible because of institutional pressures which express bureaucratic controls as a system of organisational control. Susceptibility of PSOs is attributed to the bureaucratic system of organisational control. The effects that results from the institutional setting, and this kind of organisational control system is a common practice by most countries. Frumkin’s (2004) findings provide a platform to employ institutional theory for this study because it can generate a conceptual framework for understanding IAE in PSOs. The element of susceptibility of PSOs spawned by the bureaucratic system of organisational control provides the framework for institutional embeddedness besides institutional theory for this study.
2.1.2 Institutional Embeddedness

The literature defines institutional embeddedness as the interconnections between a population and its institutional environment (DiMaggio 1988; Fombrun 1986). Thus, in this study, institutional embeddedness demonstrates the institutional field from which PSOs operate. It expresses the level of collaboration between organisations, functions and personnel (Baum & Oliver 1992; DiMaggio & Powell 1983; Fombrun 1986). This concept is relevant to the theoretical perspective because it conforms to similar circumstances and the use of similar structures, forms and processes in service delivery. According to Baum and Oliver (1992), institutional embeddedness is operationalised as relational density. This description encouraged the current study to define it as an environment in which members of institutions must comply with formal obligations. The element of embeddedness is strengthened by the organisational control system. The nature of embeddedness is evident in its status, roles and responsibilities in observing rules, processes and procedures within its setting.

Given the dynamics of the nature of the service, organisations and their IAFs in the public-sector setting must observe government requirements. The difference here is that the IAF observes institutional requirements indirectly through the organisation it serves. The IAF must observe the hierarchical obligations within the organisation. Thus, this suggests that IA studies should not underestimate the tension between organisational managers when they are trying to achieve organisational objectives and examine the effects of this tension on IA activities. Further, Dobbin (2009) pointed out that PSOs sometimes operate in an environment with strong organisational control mechanisms. Thus, it is important to identify the factors that influence IAE by examining the IAF and the organisations it serves regarding the complexities generated by institutional demands.

The literature shows that IAF is not a sole player (Arena & Azzone 2009; Mihret & Zemenu Woldeyohannis 2008), and that the IAF in the public sector interacts with different actors to achieve the desired outcomes. Success is dependent on the effective mechanisms of the IAF responding to, and managing, uncertainties within the operational framework. Understanding IAE in PSOs examining the capacity of the IAF whether it can apply practices that interrupt institutional pressures and complexities to
meet organisations’ objectives. Figure 2.1 demonstrates the position of IA and the institutional environment.

**Figure 2.1: Internal audit environment in the public setting.**

Figure 2.1 shows that the IAF is established in the institutional setting (in this case, the public-sector setting). Further, it shows the setting of public sector institutions to validate the effect of such a setting on IA activities. This implies that operations are based on the trust demonstrated by these organisations, which consistently conforms to communal expectations to achieve correctness (Meyer & Rowan 1977). This is consistent with the fact that PSOs are established and driven by the concern of service delivery to provide beneficial social service outcomes to the public. The literature points out that some organisational control mechanisms do not allow operational managers to exercise their will (Dobbin 2009). The suggestion made in the literature about the lack of flexibility to exercise their strength of character (will) provides evidence of bureaucracy in PSOs.

### 2.1.3 Bureaucracy

Bureaucracy uses its characteristics to measure the reality that makes institutions successful. Characteristics considered in this study include rules and regulations and the hierarchy of authority (Holton 2013; Raelin 2011a, 2011b; Schibler 2012; Weber 1978; Yasuyuki & Olejniczak 2014). Rules and regulations are put in place by the principle owners of the organisation to help workers perform tasks required in a guided
and more professional manner. They help to create uniformity and may come from higher levels of administration, but the main purpose is to ensure smooth functioning of the bureaucracy system. The relevance of these characteristics in the public-sector setting is emphasised to ensure that national goals are achieved in a timely manner (Nippel 2005; Weber 1947, 1954, 1978).

The hierarchy of authority principle is drawn from the organisational structure that places one individual or office in charge of another and operates on superior and subordinate relationships. The authority of a position in the organisational structure increases with each higher level of a person or organisation (Nippel 2005; Weber 1947, 1954, 1978). This means that the decision-making power in bureaucratic system moves from top levels of administration down to lower levels of employees. Despite the clear path of decision-making, the process is not convenient for operationalisation at the organisational level. The principle goes beyond the organisational level and generates dependences. The links create embeddedness within the institutional field and breed institutional isomorphism.

### 2.1.4 Institutional Isomorphism

The philosophy behind characteristics of bureaucracy within institutional linkages leads to institutional isomorphism, which is an effort to achieve rationality, with uncertainty and constraint leading to homogeneity of structure (DiMaggio & Powell 1983). According to DiMaggio and Powell (1983), organisations exist in a field of other organisations. Management of pressures and institutional uncertainties within the social setting of a public sector, which sustains interrelations and exhibits dependence (DiMaggio & Powell 1983; Frumkin & Galaskiewicz 2004; Frumkin, Frank & Jackson 2004; Meyer & Rowan 1977; Mihret 2010), is a choice that must be made among the alternatives to condense their risk. Sustainability under this setting exposes some organisations to mechanisms of institutional isomorphic challenges. These mechanisms include coercive isomorphism, mimetic processes and normative pressures (DiMaggio & Powell 1983) (see Sections 3.3 and 3.4). However, it is important to acknowledge that organisational structures are arranged in such a way that they convene to a legitimate, desirable and appropriate socially constructed system of standards, values, beliefs and characteristics (Deephouse & Suchman 2008). This is
supplemented by Scott (1995, p. 132), who argued that organisations exist in an environment of institutions that exert some degree of pressure on them.

Institutional environments are characterised by the elaboration of rules and requirements to which individual organisations must conform if they are to receive support and legitimacy (Scott 1995; Scott & Meyer 1994; Spencer 1970). Their interaction therefore creates the institutional field of a social structure. The prescribed relations are achieved when a high probability exists that a significant number of actors in such a context will conform to the agreed behaviour and with the same norms. This conforms to the principle of authority, which determines the relationship between two or more actors in which the commands of certain actors are treated as binding by the others (Weber 1954). Given this notion, this study seeks to understand the effect of operationalisation from the institutional embeddedness perspective given that achieving desired expectations necessitates survival mechanisms (Meyer & Rowan 1977; Scott & Meyer 1983) to ensure consistency with institutional service delivery to society (Vijayakumar & Nagaraja 2012). A survival mechanism for organisations or functions in such an environment is institutional entrepreneurship (Child, Lu & Tsai 2007; Fligstein 2001b; Garud, Hardy & Maguire 2007; Greenwood & Suddaby 2006; Levy & Scully 2007; Misangyi, Weaver & Elms 2008; Wijen & Ansari 2007). However, IA researchers have not considered how the IAF in the public sector will use its unique position and employ institutional entrepreneurship as a transformation approach to achieve the desired objectives.

2.1.5 Institutional Entrepreneurship

Understanding the institutional entrepreneurship concept requires to explain them considering their two different perceptions - institutions and entrepreneurship. Institution has got several definitions provided by varying dictionaries but all dwell on “an established official organization having an important role in a society” (Oxford Living Dictionaries). Literatures suggests that institutions are commonly defined as “rules, norms, and beliefs that describe reality for the organization, explaining what is and is not, what can be acted upon and what cannot” (Hoffman, 1999: 351). From these perspectives, institutions are considered to have “stable designs for habitually repeated activity sequences,” (Epperson, 1991: 145) thus nonconformities would lead to sanctions.
Entrepreneurship has been defined as a mechanism for economic growth (Schumpeter 1942). This mechanism is employed by individuals or people who can exploit the opportunities (Kirzner, 1997; Shane and Venkataraman, 2000). Garud and Karnøe (2001) argue from a sociological perspective of change linked to entrepreneurship and suggests that it indicates deviations from ordinary standards. (Garud and Karnøe, 2001). Garud, Hardy & Maguire (2007) suggest that it is unlikely that activities of entrepreneurship may be accepted by people who are consistent with traditional standards in certain field. Thus, commonly emerging with threats to some people involved whereas others may embrace the change as an opportunity to create acceptability.

Merging institution and entrepreneurship perspectives into a single concept provides a platform that considers how and why different people or groups collaborate and get things done. Literature suggests that whereas institutions have traditionally focused on continuity yet with increased awareness of change entrepreneurship emphasise on change (Garud, Hardy & Maguire 2007).

Several authors have described institutional entrepreneurs as agents of change that pursue certain interests and act purposefully (Child, Lu & Tsai 2007; Fligstein 2001b; Garud, Hardy & Maguire 2007; Greenwood & Suddaby 2006; Levy & Scully 2007; Misangyi, Weaver & Elms 2008; Wijen & Ansari 2007). This description is relevant to actors in the IA environment to achieve IAE not necessarily the drastic change of the processes to form a new organisation but conduct activities with interest institutional arrangements that pull resources to transform the traditional norms (Maguire, Hardy and Lawrence, 2004: 657). The literature shows that despite institutional pressures and complexities (Bertels & Lawrence 2016; Greenwood et al. 2011; Thornton 2004), organisational actors with grounded transformational approaches, such as institutional entrepreneurs’ perceptions, create a positive breakthrough which IAF does to achieve IA stakeholders’ expectations. The assurance of IAF in transformational approaches focus on innovation, creativity and problem solving regarding the difficulty to accomplish or achieve the desired objectives. Individuals or a group of people with institutional entrepreneurship perspective operate with courage and still find opportunities to penetrate the institutional field.
without interruption, and they encourage others to adopt and accept them (Garud, Hardy & Maguire 2007).

The conceptualisation of this perspective to understand IAE in PSOs shows how the IAF acts as an agent of change in an institutional field of embeddedness. This view is supplemented by Garud, Hardy and Maguire (2007) and Garud and Karnøe (2003), who suggested that institutional entrepreneurs are knowledgeable agents with the capacity to reflect and act in ways other than those prescribed or taken for granted as social rules and technological artefacts. Given the emerging challenges of being marginalised, the process of IA performing as a tool for risk management within the institutional field of embeddedness (IIA 2013; Lenz & Hahn 2015; PwC 2013) needs to demonstrate its potential as able and significant to the institution. Given that other functional areas seek advice and support from IA, it is possible to obtain other people’s consent into institutional entrepreneurship, hence social experts (Fligstein 2001, pp. 106).

This is relevant to several authors on institutional entrepreneurship, who appreciate its component of mobilising resources to conduct material actions (Battilana, Leca & Boxenbaum 2009; Garud, Hardy & Maguire 2007; Misangyi, Weaver & Elms 2008). Fligstein’s argument was escalated and improved by the literature, which provides that institutional entrepreneurs control the prevailing circumstances and use social expertise to mobilise IA stakeholders to the same purpose (Misangyi, Weaver & Elms 2008; Perkmann & Spicer 2007; Rao & Giorgi 2006). Suddaby and Greenwood (2005) noted the other characteristic of institutional entrepreneurs, arguing that they create meaning. The descriptions provided above and by Beckert (1999), Perkmann and Spicer (2007), Rao and Giorgi (2006) and Zilber (2007), which point out that institutional entrepreneurs are leaders, visionaries or reflexive agents (Beckert 1999; Greenwood & Suddaby 2006; Mutch 2007), plays a major role in demonstrating more recognition of the concept in this study. While seeking information that would help the study to answer the research questions, using institutional entrepreneurship to improve IAE in PSOs is appropriate.
2.2 Internal Audit Effectiveness

Building on the intertextual coherence of literature on IA shows that IAE has been an essential subject (Arena & Azzone 2007, 2009; Christopher, Sarens & Leung 2009; Dittenhofer 2001; Paape, Scheffe & Snoep 2003), and the importance of IAE has been shown (Cohen & Sayag 2010; Sarens 2009; Subramaniam et al. 2011b). Most researchers use the context generated from the IA definition suggesting that an effective IA is expected to support organisations to achieve their goals. This is specifically perceived from the way the IA definition describes its purpose, nature and scope. Yet, the description of the IA definition does not guarantee submission to the stated requirements by all IAFs in PSOs. The current study therefore, examined IA effectiveness considering the effect of institutional influences on PSOs.

Al-Twaijry et al. (2003), Gwilliam (2003), Bou-Raad (2000) and Yee et al. (2008) supplemented Dittenhofer’s suggestion using value addition as a characteristic and/or evidence for IAE. The suggestion was confirmed by Ussahawanitchakit and Intakhan (2011), who stated that a program is effective if its outcome aligns with its objectives. This is also in agreement with the international professional IIA, which defines IAE ‘as the degree (including quality) to which established objectives are achieved’ (IIA 2010). Agreeably, this notion is important and lays favourable grounds for this study to generate valuable insights that this study builds upon. However, despite the exposure of indispensable characteristics of the IAE and evidence of its importance in modern PSOs, more research is needed on the same subject because several concerns have not been addressed. For instance, there were questions concerning consequences of institutional–organisational relationship towards IA activities and IAE in the public sector. This is because arguments exist regarding the institutional dynamics within the IA environment in various literature. No studies on IA or IAE had examined the institutional pressures in PSOs, and the literature had not explained how organisational responses towards institutional demands affect IA performance.

Further, no studies have shown how the IAF responds to unfavourable circumstances to achieve stakeholders’ expectations hence IAE, which is the rationale of this study. However, IAE in practice has been continually debated (Deloitte 2010; Ernst & Young 2006, 2008; KPMG 2009; PwC 2009, 2010). This dilemma is enforced in IA literature by academic researchers who show some support for the debate, thereby suggesting
that the IAF is not always effective and may lack self-sufficiency (Al-Twaijry, Brierley & Gwilliam 2003; Arena & Azzone 2009; Cohen, Krishnamoorthy & Wright 2004; Mihret & Wondim Yismaw 2007; Zain, Subramaniam & Stewart 2006). This conception therefore lays the foundation for the current study. Table 2.1 provides a summary of IA major studies relating to the role and effectiveness of IA. However, most of these studies were conducted in the private sector, which is a different setting from the current study. This implies that there is need to conduct a study in a relevant setting. Further, this study is different from existing studies because it incorporates the institutional setting and employs an approach that will generate more insights.

2.2.1 Defining IAE in PSOs

Defining IAE in PSOs requires an understanding of institutional circumstances that generally provide acceptable conditions and standards of IAE. It requires an understanding of what is required to be effective. Given the nature of IAE in PSOs (see Section 2.2.2), the perspective of IAE (see Section 2.2.3) and organisational controls, it is important to assess the conditions to determine the extent to which IAF is effective. The institutional setting helped this study to explore the basis of the IAF through the organisational set-up, which helped the study to comprehend IA experiences. Understanding that IA is not independent from the organisation it serves, is an implication that internal audit independence should not be assumed based on stipulations made in the IA definition.

The context in which the IA role is demonstrated does not guarantee the IA independence in the operational environment. Instead, the relationship of IAF and its organisation portrays that internal auditing has limitations that originate from its position. It is a function that must comply with hierarchical demands within the organisation and embedded within the institutional setting. This suggests that defining IAE is required to consider the true identify of IA and its approach that affects the achievement of IAE. The IA approach is intended to examine the foundation of IA activities that enhance fairness in the IA process and outcomes. Thus, this study defines IAE as the achievement of stakeholders’ expectations when prevailing circumstances within IA activities in the environment have been considered. This implies that the quality of IA work is essential (Sarens & De Beelde 2006a) and the expectations of IA stakeholders will be realised. However, the definition provided in
this study aims at stimulating a scholarly interchange of understanding of IAE and the
design of the IA profession. Reactions with alternative proposals from other
researchers are welcome.

2.2.2 Internal Auditing Effectiveness and Its Awareness in PSOs

Given the definition of IAE generated by this study, as provided in chapter 2
subsection 2.2.1, understanding IAE in PSOs cannot be isolated from its contribution
towards organisational goals. The above statement implies therefore, that it is this
contribution that paves way to IA awareness. This study approached this aspect with a
basic question: How can IAE in a PSO be defined? However, the question was
extended because, prior to defining IAE, it is necessary to understand the public-sector
setting. Although there is no sufficient literature with this concept, a glimpse of it still
appears. Spira and Page (2003) stated that evolution that enhanced the IA shift was
emphasised by institutional influences. Therefore, in the public setting, institutional
influences emanate from organisational control mechanisms created by the
government while prescribing logic or rendering services to the people. Generating a
definition for IAE in public sector setting and understanding IA awareness in PSOs
requires considering institutional rationalities that prescribe the organisational
behaviour. This is because institutional prescriptions are sometimes contrary to reality,
and this generates pressure and complexities (Bertels & Lawrence 2016; Greenwood
et al. 2011; Thornton 2004). In such circumstances, organisational responses at the
organisational operational level tend to determine the direction of operations in
functional areas in order to remain relevant within the institutional setting.

For instance, Arena, Arnaboldi and Azzone (2006) argued that the pressures imposed
on organisations tend to dictate the direction that IA should take in the execution of its
activities. This was confirmed by Mihret, James and Mula (2010), who pointed out
that increased complexity and regulations may mean greater demands from the IAF,
including the revision of the IA approach to suit the control systems of organisations.
The synopsis of the notion generated from institutional pressures and complexities,
organisational responses and their effect on functional areas show that there is a link
between institutional circumstances and IAE. Being a public-sector setting, the power
in the regulatory framework that determines the establishment, administration and
control of these organisations should not be underestimated when seeking to understand how the IAF achieves stakeholders’ expectations hence IAE.
Table 2.1: Summary of Relevant Literature on IA and IAE

<table>
<thead>
<tr>
<th>Study</th>
<th>Method</th>
<th>Sample</th>
<th>Scope</th>
<th>Study focus and findings/conclusions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Albrecht, Howe and Schuler (1988)</td>
<td>Multiple case studies</td>
<td>13 organisations</td>
<td></td>
<td>The study aimed to identify the factors that enable IAF to be perceived as effective. It concluded that a good corporate environment, top management support, quality of internal auditors and quality of internal audit work characterises IAE.</td>
</tr>
<tr>
<td>Dittenhofer (2001)</td>
<td>Literature review</td>
<td>N/A</td>
<td>N/A</td>
<td>The study assessed the IAE. The findings showed that IAE should be based on the examination of IA results.</td>
</tr>
<tr>
<td>Al-Twajry, Brierley and Gwilliam (2003)</td>
<td>Questionnaire survey and interviews</td>
<td>145 companies</td>
<td>Private ownership</td>
<td>The study surveyed IA in Saudi Arabian companies listed on the Saudi Stock Exchange. Interviews were conducted with organisations’ managers and external auditors. The study examined compliance with ISPPIA as an indicator of IA effectiveness and concluded that IA in Saudi Arabia intensively complies with ISPPIA. It acknowledged the positive contribution made by the government to the development of the IAF and the involvement of the IIA’s Saudi Arabian chapter.</td>
</tr>
<tr>
<td>Goodwin (2004)</td>
<td>Questionnaire survey</td>
<td>120 organisations</td>
<td>Private ownership</td>
<td>The study identified the differences between IA in private and PSOs in Australia and New Zealand. It reported that IA status and the tendency to outsource IA services are higher in the public sector. Few differences were found in IA activities and the extent of IA collaboration with external auditors. Resemblances in the IA practices of the two sectors were attributed to the similarity of their contexts, which resulted from public sector reforms in the two countries.</td>
</tr>
<tr>
<td>Arena, Arnaboldi and Azzone (2006)</td>
<td>Multiple case studies</td>
<td>6 companies</td>
<td>Private ownership</td>
<td>The study examined the attributes of internal audit departments of companies listed on stock exchanges with different characteristics. It concluded that the characteristics of the stock exchange on which companies are listed determine the orientation of IA.</td>
</tr>
<tr>
<td>Abdulmohammadi and Burnaby (2006)</td>
<td>Literature review</td>
<td>N/A</td>
<td>N/A</td>
<td>The study reviewed US IA literature and concluded that IA in the US has generally positioned itself as a value-addition orientation, but with emphasis on compliance because of the issuance of the Sarbanes–Oxley Act (2002).</td>
</tr>
<tr>
<td>Study</td>
<td>Method</td>
<td>Sample</td>
<td>Scope</td>
<td>Study focus and findings/conclusions</td>
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<tr>
<td>Mihret and Yismaw (2007)</td>
<td>Case study</td>
<td>1 organisation</td>
<td>Public sector</td>
<td>The study evaluated IAE in Ethiopian PSOs to identify the factors that determine the level of effectiveness. The study concluded that management support to IA and IA quality are the major determinants of IAE.</td>
</tr>
<tr>
<td>Yee et al. (2007)</td>
<td>Questionnaire survey</td>
<td>83 managers</td>
<td>Private ownership</td>
<td>The study conducted a survey to identify the perceptions of Singaporean managers on IA services. It concluded that Singapore managers consider IA a business partner and attributed the value-adding orientation of IA in Singapore to its Westernised business environment, involvement of the IIA’s Saudi Arabian chapter and the existence of a well-developed external audit profession.</td>
</tr>
<tr>
<td>Arena and Azone (2007)</td>
<td>In-depth case study and questionnaire survey</td>
<td>230 companies</td>
<td>Private ownership</td>
<td>The study identified the adoption and characteristics of IA in Italian companies in the context of changes in the politico-economic setting. The results supported the diffusion of IA practices induced by isomorphic pressures.</td>
</tr>
<tr>
<td>Mihret and Woldeyohannis (2008)</td>
<td>Case study</td>
<td>1 organisation</td>
<td>Public sector</td>
<td>The study identified the factors that determine the value-adding attributes of IA in an Ethiopian state-owned enterprise. The findings concluded that organisational goals and strategies and the level of risk exposure of organisations could shape the dominant focus of IA as either assurance or consulting.</td>
</tr>
<tr>
<td>Arena and Azone (2009)</td>
<td>Questionnaire survey</td>
<td>153 companies</td>
<td>Private ownership</td>
<td>The study examined IA in Italian companies to identify the determinants of IAE. They found that IAE is influenced by (a) IA characteristics, (b) IA processes and activities and (c) organisational links.</td>
</tr>
<tr>
<td>Cohen and Sayag (2010)</td>
<td>Survey</td>
<td>108</td>
<td>Private and public ownership</td>
<td>The study explores the effectiveness of IA in Israel organisations. The findings showed that support from top management is the main determinant of IAE, and that the organisational independence of IA also has an effect. The effect of the predictors was consistent between the public and private sectors.</td>
</tr>
<tr>
<td>Christopher, Sarens and Leung (2009)</td>
<td>Questionnaire</td>
<td>206</td>
<td>Corporate sector</td>
<td>The study conducted critical analysis of the independence of the IAF through its relationship with management and the audit committee. The findings showed that with respect to the IA relationship with management, there is a possibility of using the IAF as a stepping stone to other positions by having the chief executive officer (CEO) or chief</td>
</tr>
<tr>
<td>Study</td>
<td>Method</td>
<td>Sample</td>
<td>Scope</td>
<td>Study focus and findings/conclusions</td>
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<tr>
<td>Sayag (2010)</td>
<td>Survey</td>
<td>47</td>
<td>Public ownership</td>
<td>The study explored IAE in Israel's local authorities. The findings revealed good psychometric properties for the scale developed in this study. Correlation and regression analyses showed that support from top management is the main determinant of IAE, with some effect also found regarding the organisational independence of IA.</td>
</tr>
<tr>
<td></td>
<td>Questionnaire</td>
<td>206</td>
<td>Corporate sector</td>
<td>The study conducted critical analysis of the independence of the IAF through its relationship with management and the audit committee. The findings showed that with respect to the IA relationship with management, there is a possibility of using the IAF as a stepping stone to other positions; having the chief executive officer or chief finance officer approve the IA budget and provide input for the IA plan; and considering the internal auditor to be a ‘partner’, especially when combined with other indirect threats. With respect to the relationship with the audit committee, significant threats identified include CAEs not reporting functionally to the audit committee; the audit committee not having sole responsibility for appointing, dismissing and evaluating the CAE; and not having all audit committee members or at least one member qualified in accounting.</td>
</tr>
<tr>
<td>Vijayakumar and Nagaraja (2012)</td>
<td>Questionnaire survey</td>
<td>24 enterprises</td>
<td>Public sector</td>
<td>This study focused on identifying the effectiveness of AI as a tool of internal control systems on public sector enterprises of Karnataka. Findings show that an effective IA system helps to achieve improved performance and prevents loss of resources.</td>
</tr>
<tr>
<td>Endaya and Hanefah (2013)</td>
<td>Literature review</td>
<td>N/A</td>
<td>N/A</td>
<td>The study identified that there is no consensus among researchers about the factors influencing IA and how it can be measured, or the best framework for IAE. The study extended the literature of IA and its originality, and the argument that it could serve as an approach to build a theoretical framework of IAE. The study argued that IAE is directly</td>
</tr>
<tr>
<td>Study</td>
<td>Method</td>
<td>Sample</td>
<td>Scope</td>
<td>Study focus and findings/conclusions</td>
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</tr>
<tr>
<td>Alzeban and Gwilliam (2014)</td>
<td>Survey</td>
<td>442 questionnaires</td>
<td>Public sector</td>
<td>The study assessed factors influencing IAE in Saudi Arabia and provided evidence relating to the ways in which competence, size of the Internal Audit Department (IAD), relationship between internal and external auditors, independence of IA and extent of management support for the internal audit function contribute to perceived effectiveness of the IAF in the Saudi public sector.</td>
</tr>
<tr>
<td>Lenz and Hahn (2015)</td>
<td>Literature review</td>
<td>N/A</td>
<td>N/A</td>
<td>The study provided a synopsis of the views of academic literature on IAE. It provided a new set of research questions to help bring out the best of IA. It also identified common themes in the empirical literature and synthesised the main threads into a model comprising macro and micro factors that influence IAE. The paper identified an ‘outside-in’ perspective that indicated a disposition to stakeholders’ disappointment in IA. The study argued that IA is either running the risk of marginalisation (IIA 2013; PwC 2013) or must embrace the challenge to emerge as a recognised and stronger profession.</td>
</tr>
<tr>
<td>Mihret and Grant (2017)</td>
<td>Literature review</td>
<td>N/A</td>
<td>N/A</td>
<td>The study discussed the conceptual foundations of the role of IA in corporate governance by drawing on Foucault’s concept of governmentality. The paper developed an initial conceptual formulation of IA as: ex post assurance about the execution of economic activities within management’s pre-conceived frameworks and ex ante advisory services to enhance the rationality of economic activities and accompanying controls.</td>
</tr>
</tbody>
</table>
Table 2.1 shows that the notion of IAE has been perceived from varying assumptions because of the dynamic circumstances through which IA activities are practiced. For instance, Spraakman (1997), Al-Twajjry et al. (2003) and Fadzil, Haron and Jantan (2005) reflected on compliance with the ISPPIA as the extent to which IAE should be perceived. Compliance with the ISPPIA offers a good approach to assess the existence and performance of the IAF because ‘IA is conducted in diverse legal and cultural environments; for organizations that vary in purpose, size, complexity, and structure; and by persons within or outside the organization’ (IIA 2017). The ISPPIA provides guidelines for uniformity of how IA should function. However, considering compliance with the ISPPIA alone for IAE would imply positioning the IAF as a sole player in the IA environment; however, other factors require attention on this matter.

Another study that positioned the IAF as a non-solo player was conducted by Mihret and Woldeyohannis (2008), who compared IA reports of two periods to identify IA findings that were not repeated. Their approach considered that IAE should be viewed from the level at which IA findings are implemented; however, the IAF is not responsible for implementing IA recommendations. Arena and Azzone (2009) reached a similar conclusion using a four-point scale. Unfortunately, the two studies that used it have contentions that evoke a minimum level of confidence. Arena and Azzone (2009) criticised this approach, arguing that it did not consider the type and quality of IA services provided, while Mihret and Woldeyohannis (2008) argued that the approach has conceptual merit of considering IA customers. Regardless of Mihret and Woldeyohannis’s (2008) argument of customer orientations, where IA customers are practically involved in implementing IA recommendations, Arena and Azzone (2009) contended that basing on implementation of IA recommendations cannot be operationalised given the diverse backgrounds and experiences of IA customers and the IA environment itself. These two studies leave room for researchers to identify the appropriate approach to examine IAE.

A study was conducted by Albrecht, Howe and Schuler (1988) to identify the factors that make managers, IA directors, boards of directors and external auditors recognise the IAF as effective. The study involved 13 of the best internal audit departments in
the US as identified by the IIA. The outcome of the study indicated that organisational culture, management support, internal auditors’ competency and the IA quality of work portrayed IAE. However, given that the literature on organisations shows that organisations encounter pressures that must follow a legitimate trend, Albercht, Howe and Schuler (1988) did not explain how IAE would be achieved in case of contentions from the normal trend. This approach also leaves room to understand how the IAF can achieve IA stakeholders’ expectations hence IAE in PSOs. Mihret and Yismaw (2007) used the case study of a government-owned organisation in Ethiopia to identify the factors that influence IAE in state-owned organisations. The findings showed that management support and internal audit quality are the major determinants of IAE. However, these results seem to underestimate the power and influence of the institutional setting given Arena, Arnaboldi and Azzone’s (2006) findings, which pointed out that institutional pressure on organisations can influence IA activities. Arena, Arnaboldi and Azzone (2006) derived this notion after applying the institutional theory to Italian companies and focusing on the pressures of stock exchange regulations in the development of IAF.

Arena, Arnaboldi and Azzone (2006) compared Italian stock exchange circumstances to the development of corporate governance requirements for listed companies in the UK and the US. They illustrated the requirements of the Italian stock exchange for the establishment of the SOX of the US and the Turnbull Guidance/Report of the UK. The study used the circumstances in different institutional settings to determine the kind of response the management of organisations use within these settings and the effect of the management response on IA activities. This notion generated an insight that understanding IAE can be associated with the institutional setting. Other studies by Arena, Arnaboldi and Azzone (2006) and Mihret and Yismaw (2007) demonstrated that management support and internal audit quality cannot be determinants of IAE where pressures from institutional settings prevail. Arena, Arnaboldi and Azzone (2006) confirmed perceptions that institutional pressure on organisations influences the trend of IA activities. This notion motivates significant consideration of the institutional setting when seeking to understand IAE in the public-sector setting. Studies have shown that PSOs are crowded with several institutional requirements, and the process of organisational compliance to these requirements determines the
level of IA involvement in the internal control system, risk management and corporate governance practices.

The importance of the scope of IA operation in determining IAE was pointed out by Alzeban and Gwillian (2014), who suggested that determining IAE requires an assessment of those dimensions of business activity that the internal audit observes and has the capacity to influence, including corporate performance. This can be closely linked to the study by Pungas (2003), which argued that the objectives of an IAF for every organisation are subject to the goals of the organisation as determined by the management of the organisation. Punga’s argument implied that whatever the IAF does in every organisation is in the interest of helping the organisation it serves. Punga’s argument also implied that the objectives of the IAF are to meet organisation’s objectives, measuring IAE therefore, should consider the environment in which the organisation is structured. Therefore, suggestions provided in studies by Alzeban and Gwillian (2014) and Pungas (2003) for determining IAE according the degree to which the expectations of the organisational objectives are met would be appropriate. However, this requires an understanding of the dynamics in the IA environment that can influence IAE, as pointed out in a study by Mihret, James and Mula (2010). Unfortunately, these dynamics have received little attention in the IA literature.

Yee et al. (2008) studied the role of IA and its effectiveness in Singapore. Their approach focused on the perception of managers regarding IA practice. The study found three main characteristics that facilitate the role of IAF and can be attributed to its effectiveness: (1) the scope of IA activities covers all operational areas of the organisation, (2) well-developed corporate sector and strong external auditing profession and (3) competent internal auditors and experience. Yee et al. (2008) ‘uphold that IAF helps the management to meet its accountability obligations to investors’. These three characteristics indicate the requirement to examine the IA environment while seeking to understand IAE. Nevertheless, although this perception is supported by other research (Al-Twajry, Brierley & Gwilliam 2003; Arena, Arnaboldi & Azzone 2006) and appears to be consistent with the IIA’s definition of IA, the characteristics identified in Yee et al. (2008) need to be tested in organisations in various settings. This is because evidence from the literature also suggests that IAE is influenced by the circumstances in which IA operates (Mihet 2010). This perception
is supported by Sarens, De Beelde and Everaert (2009) in agreement with Burnaby et al. (2007), showing that IA practices in Anglo-Saxon countries perform differently from other countries.

IA environment is dynamic (Mihret, James & Mula 2010), and other studies have noted that there are organisational factors that influence IAF (Al-Twajiry et al. 2003; Cohen et al. 2004; Zain, Subramaniam & Stewart 2006; Mihret & Yismaw 2007; Anderson 2003). Therefore, it is important to consider that the institutional setting plays a significant role in achieving IAE. The twist in these arguments and suggestions in the literature shows that organisations are always confronted through institutional requirements. For instance, PSOs are confronted with contrary pressures from the government bearing multiple institutional requirements (Vermeulen et al. 2016; Bertels & Lawrence 2016; Djelic & Quack 2007; Kraatz & Block 2008; Pache & Santos 2010). If organisations are confronted, it becomes vital for researchers to examine factors beyond functional and organisational settings. This is confirmed by the literature, which states that structures can shape actors’ practices (Mihret, James & Mula 2010). This facilitates an understanding of the dynamic IA environment, identifies how the IAF meets stakeholders’ expectations in the institutional setting and examines factors that influence IAE in PSOs.

2.2.4 IAE and Organisational Control Mechanisms in PSOs

The government maintains authority for the organisational control of PSOs for effective monitoring of national programs. Organisational control is proposed to lessen the ambiguity that could emanate from spontaneous behaviours of organisational members. The prime objective of the government is to direct efforts towards the attainment of organisational objectives (Raelin 2011a, 2011b; Schibler 2012; Yasuyuki & Olejniczak 2014). Most PSOs are bureaucratically controlled as a form of control mechanism to measure, assess and reward the performance and behaviours of organisational members. The assessment of performance in the bureaucratic mode of control is based on the formal exchange of information and written documentation such as standards, operating procedures and status reports (Raelin 2011a, 2011b; Schibler 2012; Yasuyuki & Olejniczak 2014). Rewards and sanctions in the bureaucratic mode of control take a formal procedure that involves payments with additional bonuses, promotions and/or demotions based on following the prescribed
behaviours or achieving predefined targets (Raelin 2011a, 2011b; Schibler 2012; Yasuyuki & Olejniczak 2014).

Roles and relationships among organisational members in the bureaucratic mode of organisational control are principally hierarchical. There is a superior–subordinate relationship where the main characteristic mode of control is formalised by a word of caution for its operationalisation (Raelin 2011a, 2011b; Schibler 2012; Yasuyuki & Olejniczak 2014). Given the summary of organisational circumstances and their effect on functional areas, this implies that it affects how organisations are controlled. Hence, it is evident that IAE is impeded because rules create inflexibility and the process leads to rigidity and slow decision-making, or even impossibilities when facing unusual cases, hence delaying change and evolution (Raelin 2011a, 2011b; Schibler 2012; Yasuyuki & Olejniczak 2014).

2.2.5 Dual Reporting Channels for IAF

Expectations of the achievements of the IAF are rooted in IA pronouncements that show that the IAF must comply with the International Professional Practice Framework (IPPF) of IA (Standards, 1321). For example, the IAF must have organisational independence by reporting to a level within the organisation that allows the internal audit activity to fulfil its responsibilities (Standard, 1110). Further, IA has direct communication with the board of directors (Standard, 1111) and has an obligation to conform to the Code of Ethics (Standards, 1321). Expectations and outcomes of IA activities depend on varying factors within and beyond their control.

The IIA Research Foundation (2003) shows that the evolution of the IAF, which led to the current definition of IA (IIA 1999), recognises that the IAF has several customers—mainly the audit committee and senior management. The foundation also states that the two organs need IA reports for different purposes. The IIA Research Foundation (2003) and the standards (IIA 2017) suggest that the IAF reports administratively to the senior management for the day-to-day administration of IA activities and budget and functionally to the audit committee or another appropriate governing body. Studies show that IA is effective when heads of IAF have sufficient access and report functionally to the audit committee, and researchers confirm that a dual reporting structure enhances IA objectivity (Cohen et al. 2004; Zain &
Zain, Subramaniam and Stewart (2006) confirmed that audit committees enhance IAE; however, not all IAFs in PSOs have dual reporting channels.

2.2.6 Organisation-level Determinants of IAE

Few studies exist on IAE, with research findings reflecting the examination of features at the organisation level (Endaya & Hanefah 2013). Arena and Azzone (2009) categorised these features based on the characteristics of the IAF, IA processes and activities. Mihret and Yismaw (2007) argued that organisational characteristics can influence IAE but the literature does not show the difference of varying organisations in similar sector. The current study examines organisation-level determinants of IAE because PSOs differ in their settings. Further, institutional requirements affect them differently because of their set-up, operational circumstances and practices. However, there are common factors (e.g., auditee attributes, auditee committee involvement in IA activities and relationship between IA and external auditors). These common factors affect the IAF to achieve stakeholders’ expectations hence IAE. This notion is significant when seeking to understand IAE in PSOs given the differences in the public sector institutional settings. There are dynamics at the operational level and due to organisational control systems (see Section 2.1), but the literature on IA has not explained how IAE will be influenced under such circumstances.

Novelty motives have sought to explore how IA achieves stakeholders’ expectations hence IAE in PSOs from this perspective. For instance, Dittenhofer (2001) described that auditees’ attributes influence IAE as consequence of the quality of IA work. Dittenhofer also argued that if the IAF performs well, quality work will greatly contribute to improving the performance of the organisation—specifically those audited—leading to favourable auditee attributes. This implies that cooperation from auditees is directly linked to audit performance, hence achieving IAE. Studies by Brierley et al. (2001), Gwilliam and El-Nafabi (2002), Al-Garni (2008) and Almohaimeed (2000) suggested that there must be a good relationship between IA and external auditors to facilitate the management of the organisation to offer good public service. Al-Garni (2008) and Almohaimeed (2000) identified that the absence of cooperation between internal and external auditors weakens the quality of both forms of audit. External and internal audits are two distinct functions, but their coordination
and cooperation are important for each other (Alzeban & Gwilliam 2014; Lenz & Hahn 2015). For instance, Mihret, James and Mula (2010) suggested that external audit affects the development of IA. The coordination of these two functions is also a requirement by the ISPPIA. This implies that an effective relationship would improve the auditing function in the organisation. Consequently, the better the IAF, the more effective the IA activities.

Further, literature on IA research shows that audit committee support is an important element for the IAF to be effective. For example, Zain, Subramaniam and Stewart (2006) suggested that audit committees could enhance IA effectiveness. Raghunandan and McHugh (1994), Scarbrough et al. (1998), Goodwin and Yeob (2001), Cohen et al. (2004) and Zain and Subramaniam (2007) noted that audit committees’ involvement in IA activities enhances oversight tasks—for example, monitoring whether internal audit results are given appropriate attention (Zain, Subramaniam & Stewart 2006). Studies have shown that audit committees are involved in the planning process of IA activities (Cohen et al. 2004; Goodwin & Yeob 2001; Zain & Subramaniam 2007; Raghunandan & McHugh 1994; Scarbrough et al. 1998), which implies that IA activities are properly supervised and monitored. This involvement enhances constant interactions, which is appreciated in the IA literature. For instance, Goodwin and Yeob (2001) and Scarbrough et al. (1998) suggested that constant interactions with audit committees enhance IA independence and objectivity. The existence of IA independence and objectivity are a requirement by the standards (IIA 1100) which is reflected by Al-Twaijry et al. (2003) because they drive IA processes and professionalism.

2.2.7 IA Processes and Professionalism

Arena and Azzone (2009) suggested that IA processes and activities are among the factors that influence IAE. An effective IA process starts with planning, which involves identifying priorities using a risk-based approach. This perception was confirmed by Spira and Page (2003), Gramling et al. (2004), Beasley et al. (2009) and Sarens, Adolmohammadi and Len (2012), who suggested that risk-based IA helps the system of the IAF to act as a deterrent to fraud and a protection against malpractice. This is directly linked to the objectives of the role of the IAF, as demonstrated by the IIA pronouncements and IA definition (IIA 1999). At the same time, the IAF must
have a disciplined approach to evaluate and improve the effectiveness of the risk management, control and governance processes of the organisation. The ISPPIA, (1210-Proficiency) also requires that internal auditors should possess the knowledge, skills and competencies needed to conduct an audit (IIA 2017). The literature confirms the significance of the IA process and professionalism considering their effect on the quality of IA work. The literature confirms that the quality of IA work influences IAE (Brierley, El-Nafabi & Gwilliam 2001; Dittenhofer 2001; Mihret & Zemenu Woldeyohannis 2008).

However, considering this study’s institutional theoretical perspective for understanding the factors that influence IAE in PSOs, examining the IA process and professionalism requires consideration of the IA environment from the institutional setting perspective. This is because the literature shows that organisations are always confronted with contrary instructions to uphold institutional requirements (Vermeulen et al. 2016; Bertels & Lawrence 2016). This notion was emphasised by Bertels and Lawrence (2016), Greenwood et al. (2011) and Thornton (2004), who argued that PSOs respond to institutional pressures (see Sections 2.2.1–2.2.3). Meyer and Rowan (1977) agreed, stating that there are complexities generated by the dynamism to conform to communal expectations. In circumstances where pressure prevails, the IA process is vulnerable (Mihret, James & Mula 2010), and efforts towards professionalism cannot be consistent, hence they are ineffective.

**2.2.8 Size of IA Team**

The size of the IA team is considered by the literature an essential element for IAE. Arena and Azzone (2009) stated that the size of IA team is a significant feature in the characteristics of the IAF. This is not only for the achievements of the objectives of the IAF, but also the capacity from the stakeholder point of view—for example, if external auditors use it to measure reliance on IA work or quality (Al-Twijiry et al. 2004; Felix et al. 2001; Zain, Subramaniam & Stewart 2006). The size of the IAF team is significant in determining the quality of IA work given the scope of the organisational activities. Previous studies by Dittenhofer (2001) and Mihret and Woldeyohannis (2008) suggested that the size of IA team should be considered a measure of IAE. This is also a requirement by the IIA standards for the IA activity to ensure that IA resources are appropriate, sufficient and effectively deployed to achieve
the approved plan (IIA 1230). However, from the theoretical perspective, the literature shows that PSOs operate in an embedded environment, and rules and regulations determine their course of direction. PSOs vary in nature, and individual functions link up for different provisions (Baum & Oliver 1992; Scott & Meyer 1983; Tolbert 1985; Zucker 1987). Given that the government maintains the authority for organisational control of PSOs for effective monitoring of national programs (see Section 2.2.3), there must be associations with IAE that literature has not yet provided.

2.2.9 Organisational Structure

Mihret, James and Mula (2010) stated that the IA environment is structured in a variety of dynamics. Vermeulen et al. (2016) and Bertels and Lawrence (2016) and Mihret and Yismaw (2007) agreed, stating that organisations are always confronted with contrary instructions to uphold institutional requirements. If these requirements are unfavourable towards the organisational structure, the IAF will not be spared because it is also part of the organisation. In that case, IA activities will be affected and IA stakeholders’ expectations will not be achieved, or they will be achieved with great difficulty, and IAE will be influenced.

2.2.10 Management Support

Researchers such as Mihret, James and Mula (2010), Mihret and Yismaw (2007) and Carcello et al. (2005) emphasised that management support is the key to the IAF and determines IAE. Cohen and Sayag (2010) considered the same provision in the literature, arguing that senior management has the authority to facilitate the IAF to obtain required resources. For instance, Baltci and Yilmaz (2006) argued that senior management has the potential to allocate the IAF with a sufficient budget, whereas Cohen and Sayag (2010) stated that the IAF can acquire resources with ease under the support of senior management. Mihret and Yismaw (2007), Mihret, James and Mula (2010) and Carcello et al. (2005) pointed out that management support improves IAF potential to execute their responsibilities. However, given the views of the theoretical framework of this study, organisational control systems (see Section 2.2.3) impede operations, and management support can be difficult to obtain. When organisations face a dilemma, the senior management of PSOs focus on overcoming institutional pressures.
2.3 Chapter Summary

The literature has shown that an effective IAF can significantly contribute towards achieving organisational goals. However, there are times during which IA activities are not effective. Further, there are dynamics in the IA environment that sometimes create pressure on organisations, which in turn affect the functional areas that influence the IAF, hence IAE. The literature review notes the following gaps:

i. IA research has not yet extensively examined the factors affecting IAE in PSOs. The few studies that exist mainly concentrate on private sector organisations.

ii. The literature notes that organisational control systems place pressures on organisations with conflicting institutional demands. However, there is no agreed upon framework that facilitates an understanding of the effect of institutional demands on IA activities in PSOs and how organisational responses to institutional demands can influence IAE.

iii. Methodical predictions about the way in which organisations and/or IAF are affected in response to such conflicts in institutional prescriptions are not provided. This study aims to address this gap.

iv. Previous research theories that are applicable to IA research have not extended the theoretical focus to multiple organisations in a public-sector setting.

Thus, it is important to understand IAE, which has a wider theoretical perspective because of various empirical settings. This is because IA has continued to evolve because of changes in corporate governance from diverse settings, varying business strategies and requirements. The literature review for this study has provided a theoretical foundation for understanding IAE in PSOs. Chapter 3 presents the conceptual framework, which explains the broad nature of the public sector institutional setting and the purpose of IAF involvement in the conceptual issues within the IA environment to fill the gaps identified in the literature review.
Chapter 3: Conceptual Framework

The literature review presented in Chapter 2 outlined the concept of IAE and highlighted the significance of IA in achieving organisational goals. The focus is on responding to the requirements prescribed by legislators in the institutional setting in PSOs. The review also emphasised IAE that contributes to achieving organisational objectives. Additionally, it argued that IAE is associated with institutional pressures and organisation-level dynamics in an IA environment. Thus, this study examines internal audit practices in selected PSOs in Rwanda to: a) explore how IAF meets IA stakeholders’ expectations and b) identify the factors that influence IAE. This chapter therefore outlines the research questions and the conceptual framework of the study.

This study draws on institutional theory to explain the public sector institutional setting because IAE is associated with institutional pressures and organisation-level dynamics in an IA environment. The study uses three strands of institutional theory: institutional isomorphism, institutional embeddedness with bureaucratic characteristics and institutional entrepreneurship to examine internal audit experiences in PSOs. Institutional embeddedness explains the nature of organisational arrangements within the public-sector setting. Institutional isomorphism explains how organisations are influenced by institutional agents and requirements, as well as the pressures that PSOs encounter for conformity within the requirements driven by institutional agents in the institutional field. Institutional entrepreneurship demonstrates how interrelationships within PSOs offer dependence arrangements that create influence (Mihret, James & Mula 2010). Institutional entrepreneurship explains how actors within organisations are influenced by the IAF to respond to the pressures generated by institutional requirements. By generating strategies for institutional entrepreneurship, the study explains how the IAF achieves stakeholders’ expectations hence IAE.

3.1 Research Questions

Insights drawn from the literature review show that organisations are always confronted with contrary instructions from elements holding multiple institutional requirements (Vermeulen et al. 2016; Bertels & Lawrence 2016). This observation compelled Mihret, James and Mula (2010) to argue that although IA strives towards professionalism, not all organisations have favourable factors for the IAF to add value
to organisational objectives. Their argument implies that if the IAF cannot add value, it cannot achieve effectiveness based on Ussahawanitchakit and Intakhan (2011), who state that the effectiveness of a program is linked to achieving its objectives.

Previous studies have provided a rich and coherent account of how organisations comply with regulative and perceptive environmental elements to protect acceptability and support. However, studies on IAE have not considered that organisations facing multiple and challenging demands face a dilemma because satisfying one demand may require the sacrifice of others (Pfeffer & Salancik 2003). Thus, if the sacrificed demands concern IA activities, the sacrifice could jeopardise the performance of the IAF and consequently affect IAE. Building on this argument, the literature on IAE in PSOs has not explained how organisations have developed strategic responses to these pressures. Strategic responses would protect operations from inter-organisational dynamics in which functions such as the IAF would achieve its objectives and enhance IAE. To generate knowledge to fill this research gap, the following research questions are developed:

**Research question 1:** How effective are IAFs in achieving stakeholders’ expectations in PSOs?

**Research question 2:** What factors influence IAE in PSOs?

### 3.2 Conceptual Framework

Given that IA remains a neglected area of research (Gendron & Bédard 2006; Roussy 2014) and there is no unanimously agreed framework for understanding IAE (Endaya & Hanefah 2013), the idea of using a conceptual framework to demonstrate a system of concepts, assumptions, expectations, beliefs and theories to support and expose a perspective is borrowed from Miles and Huberman (1994) and Robson (2011). The research design for this study considers using multiple approaches to accommodate the use of different types of data, sources and theories because the IA profession and the nature of IA activities need to be explored further since the literature shows that the profession is considered not fully formed (Endaya & Hanefah 2013; Gendron & Bédard 2006; Roussy 2014; Vinten 1996).
The literature shows that organisations are confronted with instructions that may be contrary to their operational circumstances (Vermeulen et al. 2016; Bertels & Lawrence 2016). Nonetheless, organisational responses and their effect on IAE appear to be unexplored. The use of a conceptual framework that considers the institutional setting will contribute valuable insights to knowledge.

A conceptual framework is designed based on the association between the bureaucratic institutional setting as a cause for institutional embeddedness, organisation-level driving factors of the IAF and the effort of IA to achieve stakeholders’ expectations hence IAE. Institutional theory and Weber’s ideal type of bureaucracy are used to assimilate the IA environment and describe the process undertaken by the IAF to achieve IA stakeholders’ expectations hence IAE. Figure 3.1 presents the conceptual framework for this study.

The conceptual framework merges with the main concepts discussed in Chapter 2 and exposes their connected features in the IA process (see Figure 2.1). As discussed from the institutional embeddedness perspective, the institutional setting is used to represent the public-sector context. Components in the institutional setting (legal framework, regulations and enforcement agencies) represent the drivers of institutional requirements in the institutional setting. Bureaucracy is used as an organisational control system in this type of environment to administer the drivers of institutional requirements. The control system describes the characteristics of operational attributes that prevail in the institutional environment. This description presents the nature of the public sector as an institutionally embedded setting. Institutional embeddedness describes the link between people within an institutional environment (Baum & Oliver 1992; DiMaggio & Powell 1983; Fombrun 1986). This concept is relevant to the theoretical perspective employed in this study (institutional theory). The conceptual model shows that the foundation of PSOs is in the same setting, thereby confirming the suitability of the theoretical perspective of the study. This conforms to the view that organisations operate under similar circumstances and using similar structures, forms and processes (Mihret, James & Mula 2010).
Figure 3.1: Conceptual framework for the IAF in a public-sector setting.

Q 1: How effective are IAFs in achieving stakeholders’ expectations in public sector organisations?

RQ 2: What factors influence internal audit effectiveness in public sector organisations?
Given that the public-sector setting is largely concerned with social service to the public (Vijayakumar & Nagaraja 2012), the bureaucratic system of organisational control is operated using institutional instruments (shown in Figure 3.1 as the legal framework, regulations and enforcement agencies). Bureaucracy in the public sector is given power through rules and regulations and the hierarchy of authority, which largely offer excellent service and benefits to the public. These instruments are successful given the relational density atmosphere of operationalisation under institutional embeddedness (Baum & Oliver 1992).

The literature has noted that institutional requirements induce bureaucracy to take root, and inflexible responses create pressure on organisations (Bertels & Lawrence 2016; Greenwood et al. 2011; Thornton 2004). This pressure determines the relationship and perception of actors within the organisation (management, audit committee, auditees, institutional agents and the IAF) towards the IAF at the operational level. The perspective behind the conceptual model is that IA activities are indirectly influenced by actors’ feelings regarding pressures from the institutional setting. The effect of the responses to these pressures regulates the organisation-level driving factors of the IAF.

The interrelationship exhibited in the form of dependence between functions within an organisation are legitimately embedded to survive and obtain resources (DiMaggio & Powell 1983; Frumkin, Frank & Jackson 2004; Meyer & Rowan 1977; Mihret 2010). The influenced organisation-level drivers in the institutional environment are not conducive to helping IA activities achieve stakeholders’ expectations hence IAE, and yet the IAF is expected to perform. The challenge within institutional linkages that determine legality and resource provisions (Baum & Oliver 1992; Scott 1995; Tolbert 1985; Zucker 1987) of the IAF are not always provided on time which this impedes IA activities. Besides, elements of embeddedness enhance bureaucratic characteristics, which measure the reality of what makes institutions successful (Raelin 2011a, 2011b; Schibler 2012; Weber 1978; Yasuyuki & Olejniczak 2014) to maintain their purpose. For example:

- Rules and regulations maintain their course of demands to help workers perform required tasks in a more professional manner to ensure smooth functioning of the bureaucracy system.
• The hierarchy of authority maintained by individuals or offices in charge of others and operates on a superior–subordinate relationship. Decision-making power is an ordinary path and sometimes there are delays caused by the process of this path and these delays have impact on timely performance of subordinate organisations or individuals.

The literature shows that the perspective of organisations’ decision-makers regarding the environment determines their ability to perform (Child 1972, 1997; Child, Lu & Tsai 2007). Therefore, this study extends the attempt to explore the categories or types of pressures within the institutional setting and how they affect PSOs and influence IA performance to achieve stakeholders’ expectations hence IAE.

3.3 Isomorphism

Institutionalisation, which is commonly defined as the establishment of an organisation, takes place after a collection of socially and culturally approved practices is motivated by the achievement of legitimacy of their actions (Washington & Peterson 2011). From the institutional theory perspective, practices and processes that society and culture consider legitimate determine how an organisation will be designed, administered and monitored (Suchman 1995). Organisations that are established within a highly controlled environment find that compliance with pre-existing legislature and institutional norms is the easiest way to attain legitimacy. Compliance involves conforming to the demands and expectations of the existing social structure in which the organisation exists (Zimmerman & Zeitz 2002). Compliance with the norms and legislations of the institution to achieve legitimacy creates isomorphism. Isomorphism is therefore referred to as the degree to which an organisation adheres to the norms and practices established and institutionalised within the environment (Washington & Patterson 2011). However, institutional theorists argue that as organisations consistently conform to similar norms and practices, they will eventually adopt the same practice and structures, thereby making them isomorphic (Deephouse & Carter 2005; Deephouse & Suchman 2008; Washington & Patterson 2011). The process of conforming to these norms and adopting the practices and structures includes underlying institutional pressures. DiMaggio and Powell (1983) outline three types of institutional pressures that organisations encounter in the process of achieving isomorphism: coercive, mimetic and normative. The relationship between institutional
pressures and Weber’s ideal type of bureaucracy is that the characteristics of bureaucracy enable the demands and expectations of the institution to exhibit the type or nature of institutional pressures directly to the organisation.

**Coercive Pressure**

Interrelation is mostly exhibited between organisations within an institution in the form of dependence. Some organisations determine the operations and existence of others. Independent organisations therefore influence those that are dependent in a bid to follow the legitimacy of the sectors in which they are embedded to survive and obtain resources (DiMaggio & Powell 1983; Frumkin & Galaskiewicz 2004; Frumkin, Frank & Jackson 2004; Meyer & Rowan 1977; Mihret 2010). Under such circumstances, the institutional pressures are coercive, with institutional linkages determining the legality and resource provisions of organisations (Baum & Oliver 1992; Meyer & Scott 1983; Scott 1987; Tolbert 1985; Zucker 1987). For example, coercive pressures may be generated by the government to request organisations to achieve the prescribed mandate for a national program (DiMaggio & Powell 1983). Dependent organisations must therefore comply to achieve legitimacy and provisions for continuity.

**Mimetic Pressure**

Mimetic pressures are generated by a lack of clear direction. Organisations with an unclear direction tend to imitate others in the same setting. According to DiMaggio and Powell (1983), this is possible when there are uncertainties in the environment and the organisations do not have appropriate objectives.

**Normative Pressure**

Normative pressures are inflicted on the professions of individuals or teams within an organisation. DiMaggio and Powell (1983) define professionalism as the way in which members within an occupation collectively interpret and define the appropriate way in which to perform. This is based on the theory that individuals within a profession understand the norms and ethical behaviours associated with that profession. Normative pressure is passed through ordinary standards of formal education to students and to individual associations with professional networks (DiMaggio &
Powell 1983). These standards of suitable behaviours are delivered to those within a profession through their involvement in professional training, schools, workshops and seminars, as well as professional and trade magazines (Ashworth, Boyne & Delbridge 2009; Brass et al. 2004). However, individuals with ambiguous and uncertain circumstances seek help from their professional networks to create stronger connections and take the best course of action (Galaskiewicz 1985).

3.4 Effect of Isomorphism on IAF

The IAF has consistently emerged as a powerful force in the internal control systems, risk management and corporate governance of an organisation (Hermanson & Rittenberg 2003; Hermanson, Ivancevich & Ivancevich 2008; Subramaniam et al. 2011b). IA plays a major role in monitoring organisations’ risk profile and determining areas that require intervention for risk management purposes (Goodwin 2004; Goodwin-Stewart & Kent 2006). There has been an increase in regulatory requirements in the public sector setting to establish an IAF (Sterck, Bouckaert & Scheers 2005). Further, the need for improved accountability is somewhat achieved through IA activities in the governance of PSOs (Normanton 1966; Sterck, Bouckaert & Scheers 2005). However, despite the perspective derived from the role of IA (Ramamoorti 2003), literature on IA and IAE shows that the IAF is not always effective (Al-Twajry, Brierley & Gwilliam 2003; Cohen, Krishnamoorthy & Wright 2004; Zain & Subramaniam 2007; Zain, Subramaniam & Stewart 2006). Thus, if the IAF is not consistently effective, then the quality of IA work that is essential (Sarens & De Beelde 2006). This implies that achieving stakeholders’ expectations is not consistently guarantee. Further still, the value-addition expectations perceived from the IA definition and literature arguing that effective IAFs support organisations to achieve their objectives (Dittenhofer 2001) will have no consistency.

Isomorphism therefore, creates room for examining the level of IA performance and real-life experiences. This attitude helps to understand the process that the internal auditing goes through to work for the organisations helping to achieve their goals. This attitude also helps us to identify the role and position of IA while the PSOs strive to respond to the established and institutionalised policies within the environment (Washington & Patterson 2011). The examination of IA performance and real-life experiences also helps to identify factors that influence IA that originate from the
organisation and within the institutional setting. This because the links within the institutional setting exhibit an interrelation and dependence to follow prescribed legitimate norms in the sector in which they are embedded to survive (DiMaggio & Powell 1983; Frumkin, Frank & Jackson 2004; Meyer & Rowan 1977; Mihret 2010). PSOs encounter challenges as they strive to achieve national objectives within embedded social links (Polanyi & Polanyi 2001; Vijayakumar & Nagaraja 2012).

The literature shows that institutional theory can be practical in IA research (Abu-Azza 2012; Al-Twaijry et al. 2003; Arena, Arnaboldi & Azzone 2006; Endaya & Hanefah 2013; Mihret et al. 2010). The strand of institutional entrepreneurship determines how PSOs can overcome organisational and IA challenges using innovative strategies. The institutional entrepreneurship perspective helps actors in organisations that are influenced by the IAF to respond to the pressures generated by institutional isomorphism. The process of generating strategies for institutional entrepreneurship help the IAF to achieve stakeholders’ expectations hence IAE.

3.5 Institutional Entrepreneurship

Given the IA challenge to perform, the conceptual framework describes the change in the IA approach using institutional entrepreneurship (see Section 2.1.5) to overcome pressure at the organisational level and answer the research questions. This approach conforms to the ISPPIA given that the IIA acknowledges that IA ‘is conducted in diverse legal and cultural environments; within organizations that vary in purpose, size, complexity, and structure’ (IIA 2017). The IIA does not provide this approach but acknowledges that differences can affect IA practice. The IIA emphasises that conforming to the standards is essential to meet the responsibilities of internal auditors and IA activities. However, the IIA also states that appropriate disclosures are required if internal auditors or IA activities cannot conform to the standards (IIA Standard, 1321, 1322). Thus, the IIA acknowledges diverse legal and cultural environments and encourages innovative IA activities.

Additionally, the provision of disclosure of non-conformance to the IIA standards provides room to revise IA techniques to an environmentally suitable approach. A change in the IA approach therefore enables the IAF to remain relevant to organisational functions and consistent in conducting IA activities to achieve IA
objectives, IA stakeholders’ expectations hence IAE. The conceptual framework shows the norms of institutional entrepreneurship (adoptability, co-optation and lobbyism, capacity to disrupt and maintain existing arrangement, membership and standardisation, influence through innovation). These norms are employed by individuals in the IAF, so they can achieve IA stakeholders’ expectations hence IAE. Chapter 4 discusses the research method used to generate information to answer the research questions.

3.6 Chapter Summary

This chapter outlined the research design employed in this study, including the research questions, defined concepts and specified relationships among the concepts in a conceptual framework for the study. Chapter 4 presents the detailed procedures employed to address the research questions.
Chapter 4: Research Methods

This chapter presents the practical approaches employed by the researcher to answer the research questions. It starts by explaining the research approach and the case study method used to explain the qualitative components, followed by a discussion of the data collection methods, data analysis techniques and procedures, and the chapter summary.

4.1 Research Approach

Few previous studies have explored IAE in PSOs, with studies calling for researchers to explore the drivers needed to achieve IAE (Barac, Coetzee & Van Staden 2016; Endaya & Hanefah 2013). The literature explains that a qualitative approach is appropriate for exploring areas where little is known (Malhotra 2012; Maxwell 2012). Therefore, the researcher used a qualitative approach to generate in-depth information while seeking to understand IAE in PSOs. The aim of this study was to understand IAE through the real-life experiences of internal auditors from various organisations in the public sector setting by generating insights after examining the context in which organisational experiences are structured. This is supported by Maxwell (2012), who noted that such a process should focus on individuals and interpreting the complexity of a situation. This led to a description of the process and ongoing and changing forms of actions, interactions and emotions taken in response to events and problems that arise to restrain actions and interactions (Neuman 2014).

The qualitative research approach enabled the researcher to spell out philosophical world views of social constructivists that were relevant to this study. For instance, social constructivists believe that individuals seek to understand the world in which they live and work (Maxwell 2012). This was the motivation for understanding IAE in PSOs. The approach therefore followed the process undertaken by internal auditors to achieve stakeholders’ expectations hence IAE by seeking participants’ views regarding stakeholders and their real-life experiences. The process involved identifying different relationships in the IA environment and studying how these connections and interactions determine participants’ behaviours and actions.
The research approach employed a case study research design to examine different issues related to IA real-life experiences. Lincoln, Lynham and Guba (2011) and Mertens (2010) described such exercises as naturalistic inquiry. The case study design helped to construct meanings from the IA activities undertaken in the public-sector setting. The case study method helped to generate data from research participants and their natural settings (Johansson 2003; Scapens 1990; Yin 2015) and understand the context of internal auditors’ social perspective in the public-sector setting. The case study design provided a method for analysing data to generate meaning arising from interactions in the public sector institutional social setting.

4.2 Case Study Method

The case study research method was the most relevant to the study and helped to generate appropriate data. For instance, it enabled the use of open-ended questions, which helped the researcher to generate in-depth data by probing during interviews. Interviews were conducted in the natural setting of the public sector, which contributed to understanding participants’ real-life experiences because the researcher could position herself as the manager of the study and influence the trend of the interview. This helped the study to remain focused on IA and IAE. Interviews enhanced collaboration with participants, which facilitated data validation. The researcher obtained documentary evidence of the responses provided, and the participants agreed to validate the transcribed data, which enhanced the accuracy of the findings. The case study method also enabled the researcher to include personal values in the study while interpreting the data collected to generate strong insights (Maxwell 2012; Yin 2009, 2015).

Figure 4.1 illustrates the case study approach and shows the framework of activities and guidelines that governed the conduct of the researcher and the research project. This approach enabled the researcher to conduct detailed analysis (Soy 1997) to generate strong insights while answering the research questions. Further, it allowed the researcher to create a well-structured set of procedures from the development process. It minimised variation by specifically laying out guidelines for each stage throughout the study. Applying the approach uniformly to multiple cases ensured that data collected from various organisations in the same setting could be compared. It
also enhanced the transparency of how activities were conducted, which in turn increased the reliability of the study findings (Yin 1994).

**Figure 4.1: Case study Approach designed for this study**
4.2.1 Getting Started

The qualitative approach enabled the use of logical descriptions and explanations of the reality of the social world with well-developed explanations and models (Malhotra 2012). A conceptual framework was designed to form coherent theoretical definitions that make sense of the preliminary ideas and the data. The institutional theory was employed to explore relational effects on PSOs and the IAF. This approach was considered because it provided opportunities for the researcher to step beyond the known and enter the world of the participants to understand how the IAF achieves stakeholders’ expectations, as well as the factors influencing IAE in the embedded setting of the public sector. Given that engaging and accessing participants for research can be difficult (Lloyd & Hopkins 2015), the researcher chose Rwanda—a country with which she was familiar. Rwanda was studied as a single unit of analysis to understand the social practice of IA (Scapens 1990; Yin 2009).

To answer the two research questions, the study used multiple organisations and their contexts to examine social processes. The institutional setting of these organisations was explored, along with their organisational set-up and IA professionalism. The case study research design was chosen because it enabled investigations to be conducted in a natural setting. Further, it facilitated the use of multiple data sources to allow the inclusion of different types of PSOs and the flexibility of comparing information to obtain results that could be applied to varying circumstances (Baxter & Jack 2008; Soy 1997; Stake 2010; Yin 2015). Information generated for research question 1 helped the researcher to understand the status of the IAF in Rwanda. This in turn enabled the study to generate information for research question 2 by examining the determinants of IAE.

4.2.2 Selecting Cases

To answer the research questions, the researcher first had to identify the population of interest—that is, PSOs. The scope of PSOs in Rwanda was narrowed down to a sufficient size and capable of answering the research questions (Eisenhardt 1989; Yin 2015). The characteristics used to select the organisations were organisational set-up, structure settings and administration (Firestone 1993; Omair 2014). All PSOs in Rwanda have an IAF, and although some can customise it to their setting (which is
discussed in Sub-section 551), the IAF in all government organisations is governed by the same legal instrument (Ministerial Order N° 002/09/10/GP/A; Organic Law N° 12/2013).

However, this required an understanding of the set-up of PSOs in Rwanda, which are categorised as autonomous, semi-autonomous and non-autonomous. All three categories were included in this study. Autonomous organisations are independent in their set-up. They have the capacity to generate funds for their budget and are not subject to external administrative controls. These are differentiated by their business activities, but the expectations of IA activities are the same. The semi-autonomous organisations have capacity to generate funds for their budget but are subject to external administrative controls. Non-autonomous organisations depend on government budget, are subject to external administrative controls and these include districts, provinces and ministries. One organisation was selected from each category, and a total of five organisations were studied. The selection exercise ensured that the study embraced the complete context of the public sector of Rwanda. Selecting an organisation from each category enabled data to be compared from different PSOs in the same institutional setting and under similar conditions (Firestone 1993).

**4.2.3 Selecting Participants**

The main criterion for choosing an organisation was that it must have an IAF. Interview participants were selected from organisations with a view to generating insights regarding their IA experience. A familiar environment helped the researcher to identify organisations with individuals that would be willing to participate. Although engaging and accessing participants for research can be difficult (Lloyd & Hopkins 2015), it was not a problem in this study because there was effective coordination with the data collection supervisor. The supervisor enabled the researcher to access the OAG and the OCIA, whose roles are significant in IA activities in Rwandan PSOs.

The researcher conducted the first interview with the OCIA to become more familiar with the culture of the IAF in Rwanda prior to the data collection. Although the researcher had consulted IA materials used by the IAF in Rwanda (www.minecofin.gov.rw), a session with the OCIA was like a preliminary visit to all
PSOs because data received from the OCIA provided an overview of the IAF for all PSOs. The OCIA’s role as the coordinator of all IA activities in Rwanda helped the researcher to understand the IA culture, legal system and structural framework. Data provided by the OCIA were of a higher hierarchical level regarding the IAF, which enhanced the trustworthiness of the research, as emphasised by Lincoln and Guba (1985), Pitney (2004) and Shenton (2004). The researcher then analysed the actual operations of IA activities in their individual settings to examine the extent to which stakeholders’ expectations and effectiveness were achieved, as well as the factors that influenced IAE.

The OCIA communicated to all IA units in PSOs via email that a researcher was conducting a study on IAF. As a senior government executive who was responsible for coordinating IA activities in the public sector, the OCIA’s willingness to participate was a strong endorsement of the study and the researcher. Further, the session with the OCIA generated information that helped the researcher to identify which organisations were suitable for the study in the three segments of PSOs. Prior preparations had helped to identify the concepts to be studied, but the session with the OCIA helped to identify the organisations that would be willing to participate. The session provided an understanding of people in positions of power, authority and with technical skills desired for the study. When choosing case organisations, the researcher focused on CEOs, whose willingness to participate influenced the participation level of their organisation.

The researcher obtained a list of PSOs and the contact details of CEOs, who were contacted by phone. The researcher introduced herself, briefly explained the reason for the call, outlined the study and requested permission to conduct interviews within the organisation. When the CEO agreed, they were informed that a plain language statement and a consent form would be sent via email, and they were asked to sign the form and return it to the researcher.

After receiving the signed consent copy, the researcher arranged an appointment to conduct the interview. Almost all contacted CEOs were willing to participate, except one who was not comfortable sharing organisational data. This CEO was replaced with another from the same category of organisation. The respondents were therefore obliged to participate, and challenges were negligible. At the researcher’s request, the
CEOs informed their audit committee that the researcher wanted to interview them. Table 4.1 outlines the participation in all organisational categories and how the identity of each participant was encrypted to protect their identity and enhance confidentiality. The table below shows the date and duration of the interviews. Since participation in interviews of this project was voluntary, and no rewards was expected from it participants had the liberty to withdraw from participation at any time during or after the interview. A withdraw of consent form would be attached, in that case would be signed and sent by email to let the researcher know that a certain participant withdrew his or her consent to participate in the project interviews. However, none of the participants withdrew his or her consent for the duration of this study.
<table>
<thead>
<tr>
<th>Organisation type</th>
<th>Participants</th>
<th>Date of interview</th>
<th>Duration of interview</th>
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<tr>
<td>OAG</td>
<td>Deputy Auditor General</td>
<td>17/11/2016</td>
<td>1.30 hrs</td>
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<tr>
<td></td>
<td>Chief Internal Auditor (CIA)</td>
<td>01/11/2016</td>
<td>2 hrs</td>
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<td>Office of Government Chief Internal Auditor</td>
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<td>Autonomous organisation</td>
<td>CEO—Participant 1 Au</td>
<td>30/11/2016</td>
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<td>Audit Committee—Participant 2 Au</td>
<td>19/12/2016</td>
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<td>Head of IAF—Participant 3 Au</td>
<td>20/12/2016</td>
<td>2 hrs</td>
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<tr>
<td></td>
<td>Auditee—Participant 4 Au</td>
<td>17/11/2016</td>
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<tr>
<td>Semi-autonomous organisation</td>
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<tr>
<td></td>
<td>Audit Committee—Participant 2 Semi</td>
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<tr>
<td></td>
<td>Head of IAF—Participant 3 Semi</td>
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<td>Advisor to the State Minister in the Ministry of Finance and Audit Committee at another ministry — Participant 2 Ministry</td>
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<td></td>
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<td></td>
<td>Auditee—Participant 4 Ministry</td>
<td>20/11/2016</td>
<td>1 hr</td>
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<td></td>
<td>Governor of the Province—Participant 1 Province</td>
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<td></td>
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</table>
4.3 Data Collection

Data collection for this study included both primary and secondary sources. Appropriate research instruments were chosen to collect reliable data to answer the research questions. These were obtained from reading journals, which described suitable instruments for case study research. The research instruments used in this study were interviews and a document review. Interviews were used to generate primary data, and secondary data were obtained from a document review (Cooper & Schindler 2006). Interviews were conducted with four participants from each of the five PSOs (see Table 4.1), as well as the OCIA and the OAG because of their connection to the IAF. There were 22 interview respondents in total.

The OAG was involved in the interviews as the external auditor for the government of Rwanda (MINECOFIN 2006a; OAG 2017). Interviews were conducted at the organisations during office hours. The process of conducting interview sessions is expounded in Section 4.4.3. Ritchie and Lewis (2003) and Gillham (2000) described interviews as a managed verbal exchange, and Yin (2009) noted that interviews are the most important sources of case study information. Thus, interviews conducted with multiple participants require well-developed interview questions to help generate comparable data to answer the research questions.

4.3.1 Development of Interview Questions as a Research Instrument

Semi-structured interview questions were developed to generate in-depth data through the effective application of interview skills. The development of the interview questions was mainly guided by the research questions to generate the data required to understand how IAF achieves stakeholders’ expectations, as well as the factors that influence IAE in PSOs. The interview questions were designed in two parts. Part one was designed to generate data concerning stakeholders’ satisfaction, and part two was designed to generate data regarding the factors that influence IAE.

The use of semi-structured interview questions required the researcher to listen attentively (Clough & Nutbrown 2007), pause where necessary, generate probing questions from responses and prompt interviewees to talk more where necessary. The approach to interviews followed David and Sutton’s (2004) proposal of listing key
themes and sub-questions in advance to create order from which to draw questions for unplanned encounters. Key themes proposed by David and Sutton (2004) were the concepts generated from the conceptual framework. Along with sub-questions, these concepts helped the researcher to stay focused on the research objectives during the interview sessions.

The trend of the interview session was flexible and allowed interviewees to speak freely. In most cases, this changed the order of the questions depending on the direction of the interview, and additional questions were asked to guide the interview and probe for more information. This helped the researcher to determine the order of generating information for the topic under investigation (Gray 2004; Lloyd & Hopkins 2015). Semi-structured interviews helped the researcher to maintain discretion regarding the issues, and they generated information that would not have been generated if the participants had been asked direct questions (Corbetta 2003; Lloyd & Hopkins 2015). Supplementary to the list of interview questions, the researcher asked sub-questions focusing on the concepts to probe for an in-depth understanding of the subject. The concepts that were generated were complementary to the sub-questions and supplemented the semi-structured interview questions. The concepts included a legal framework that establishes the public organisation, dependence affiliations, effect of bureaucracy, stakeholders’ satisfaction, professionalism, internal audit performance and IAE.

The interview questions were prepared in different sets for each group to enhance focus and consistency (see Appendix 2), and to maximise the time available. The first set of questions were for CEOs (set A), the second set was for audit committee members (set B), the third set was for heads of the IAF or internal auditors (where there was no fully flagged IA structure; set C) and the fourth set was for operational managers (auditees; set D). Two sets of interview questions were also designed for the OAG and OCIA. Thus, there were six sets of interview questions in total.

4.3.2 Interview Process

A list of questions was sent to each participant prior to the interview session to help them understand what to expect. After arriving at the participant’s organisation, the interviewee led the researcher to the pre-arranged place. The researcher was welcomed
to the organisation and given an opportunity to provide an introduction. The researcher introduced herself and explained the purpose of the study and the interview process. Sufficient information about the study was provided, repeated what was written in the plain language statement, but did not ask the interview questions before the discussion begun. The researcher allowed the participant to ask questions for clarification. When the participant was satisfied and prepared to continue with the interview, the researcher asked the participant to sign the consent form. This exercise confirmed that the individual participants agreed to participate in the data collection process for that particular area.

The interviewer began by asking a question and allowing the participant to understand the aim of the interview before going into detail. The interviewer waited for the initial response without interrupting. She waited for the participant to answer the question in their own words, and she used encouraging body language. The interviewer requested examples or relevant documents to illustrate the participant’s responses by asking questions such as: ‘Can you tell me more about that?’ or ‘Can you give us an example from your own experience?’ and giving them time to think and talk.

After asking the questions, the interviewer asked the participant whether they had anything to add. Some participants added further information, and others did not. The interviewer was flexible, but at the same time strict with time. She thanked each participant and told them that the interview recordings would be transcribed and returned to them for approval. After concluding the interview, the interviewer shed light on how the data would be analysed and used, and she committed to providing feedback with the thesis report or papers that would arise from the study.

There were no language issues during the interviews; the interviewer and all participants understood English and the local language because the researcher had a similar background. This helped the researcher to establish a bond of respect and trust, which encouraged the interviewees to talk freely. This approach created a conducive atmosphere to generate in-depth data (David & Sutton 2004; Lloyd & Hopkins 2015); therefore, the interview process was successful.
4.3.3 Document Review

A document review was used as a complementary source of data. Table 4.2 shows the types of documents used, the objective of each document and its purpose in the analysis of the data generated.
Table 4.2: Document Types, Objectives and Purposes

<table>
<thead>
<tr>
<th>Document type</th>
<th>Objective</th>
<th>Purpose in the analytical framework</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Internal audit documents:</td>
<td>Document showed: a), b) Examine scope, content of reports and format to assess</td>
<td>a) quality and quantity prepared whether they are easy for</td>
</tr>
<tr>
<td>a) Audit reports</td>
<td>b) scope of completed prepared everyone to read and</td>
<td>b) Examine how comprehensive the scope would be and</td>
</tr>
<tr>
<td>b) Activity reports</td>
<td>c) scope of completed tasks understood</td>
<td>c) Examine the level of planning and how effective as</td>
</tr>
<tr>
<td>c) Internal audit plans, programs and other working papers</td>
<td>d) scope and level of planning activities</td>
<td>d) Examine how comprehensive the scope would be and</td>
</tr>
<tr>
<td>d) Feedback (audit committee, CEO, auditees and auditors)</td>
<td>e) interactions and how active they were compared with special assignments</td>
<td>e) Examine how useful is the feedback from the superiors</td>
</tr>
<tr>
<td>e) Minutes from several meetings (audit committee, CEO and auditors)</td>
<td>f) level of involvement in IAF activities and</td>
<td>f) Examine issues discussed with audit committee, CEO and auditors</td>
</tr>
<tr>
<td>2. Organisational chart</td>
<td>Establish the organisational position of the IAFs within the organisations</td>
<td>Examine independence, authority and assess objectivity of the IAF</td>
</tr>
<tr>
<td>3. Constitution and the organic law</td>
<td>Generate data on regulations of the IA profession in Rwanda</td>
<td>Examine legal support and government expectations</td>
</tr>
<tr>
<td>Correspondence between the IA unit and other functions</td>
<td>Collect data on decisions relevant to IA activities</td>
<td>Examine how the IAF is perceived and assess independence and objectivity</td>
</tr>
<tr>
<td>5. Internal audit charter and rules prepared by the Ministry of Finance and Economic Planning for IADs</td>
<td>Collect data relevant to authority and responsibility of IA activity</td>
<td>Examine whether the function guides the responsibilities of the area in the provision of independent internal audit services</td>
</tr>
</tbody>
</table>
These documents were collected during interview sessions as evidence of some of the research participants’ responses. Research participants were willing to provide printed copies, but the researcher preferred soft copies for easy storage and retrieval. The participants sent the documents via email, which provided assurance of their security and validity.

4.4 Ethical Considerations

Ethical approval was obtained from the university to conduct research on IA and IAE specifically. Thereafter, permission to collect data from Rwanda was granted by the Ministry of Education in Rwanda. Except for the information that is publicly available on the websites, the rest of the documents used in this study were provided on request and after permission was granted to use them for research purposes only. Direct quotations are presented anonymously, even if names were included in the primary data collected. The audio files and original transcribed interviews are stored in an untouched form. The data collection process demonstrates enhanced mechanisms for reliability and validity of the research.

4.5 Reliability and Validity of the Research

The reliability and validity of the research were inherently bonded within all activities conducted to ensure that the study results were meaningful, and that the information generated could reliably answer the research questions. For example, the process of seeking access to the study area (Rwanda) necessitated obtaining a research permit. Permission to collect data from Rwanda was granted by the Ministry of Education after obtaining a competent supervisor to oversee the process. Having a supervisor in the field of data collection enabled the researcher to communicate with participants of high calibre, which increased the legitimacy of the data received. The research permit was submitted to CEOs along with the plain language statement form and the consent form. Further, the supervisor’s consent letter was sent via email and was also presented in hard copy prior to the start of the interview. This approach enhanced the researcher’s confidence because all participants understood that she was legally recognised by government authorities to collect the data.
The interviews focused on establishing data validity in the information generated. Primarily, this was enhanced by the process of seeking consent from the data collection supervisor, who gave the researcher access to interview respondents at higher levels (e.g., board members and CEOs). The data collection process began after obtaining consent from all participants. The provision of interview transcripts to participants also helps to ascertain the validity and reliability of the data collected for the study.

Opting to use multiple PSOs prolongs engagement within the study area and exposes the researcher to multiple experiences to facilitate an understanding of the factors that shape the characteristics of the IAF and influence IAE in Rwandan PSOs. Therefore, studying multiple cases provides persistent observations of the identified characteristics and elements in different organisations. This process enables the researcher to pursue and focus on these characteristics and elements, thereby providing an in-depth understanding and hence reliability of the study findings (Lincoln & Guba 1985).

Meeting the chief coordinator of the IAF (OCIA) in the public sector, briefing the participants on the purpose of the interview and explaining the procedures to be followed was important for participants to understand the study and to increase the validity of the data generated (Fowler 2002). Further, several activities were conducted to enhance reliability in the process of interacting with the interview respondents. For example, the purpose of designing similar questions for a set of interviewees (see Appendix 1) from different organisations was to enhance reliability by testing the same concepts from all respondents at the same level. This approach helped to assess the quality and content of the information generated to answer the research questions.

The other element that enhanced validity and reliability was in selecting the type and number of PSOs. All types of PSOs were represented so that the content of the information generated would be generalised to enable valid inferences. A decision was made to select participants who would provide information that would generate reliable conclusions. The process of securing evidence for some of the responses generated was considered part of the document review to analyse the tested concepts. Participants were asked to sign individual consent forms to enhance ethical requirements. The researcher ensured that the correct operational measures were
planned for the concepts being studied and were sufficiently demonstrated. Methods for ensuring this included using multiple sources of evidence.

Data were collected in audio format during the interview sessions and were transcribed into text and sent back to the participants for review and approval. All participants read through the transcribed text but did not raise any issues regarding the accuracy of the data generated. After transcribing and compiling the data generated about the IAF in Rwanda, the data were sent to the administrative assistant to the governor at one of the provinces that participated in the research. The administrative assistant proofread and confirmed that the data were correct. This process enhanced the reliability and validity of the data used in this research.

4.6 Data Analysis

This section explains how data from multiple sources were merged, analysed and presented to answer the research questions. Data were captured in audio, transcribed and added to the data extracted from the documents. Information was generated with insights relevant to the study in line with Miles and Huberman’s (1994) steps of data analysis, which include data reduction, data display and conclusion drawing. Data reduction included summarising interview responses along major themes that emerged from the data. Interviews were uniformly conducted by one researcher, and reliability was ensured (Fowler Jr 2013). The process was manually conducted by the researcher; there was no division of labour at any stage of the study. This helped the researcher to achieve an in-depth understanding of the material being studied and to refine the interpretations to enhance academic rigor. The study benefited from data analysis exercise that is all-encompassing activity conducted by one person throughout the qualitative research process (Basit 2003). This implies that the researcher assessed every step taken. She assessed the literature, and the environment during the data collection, and she analysed the dialogue with the interview respondents (technicians and professionals). This helped the researcher to understand how the data received would connect with the concepts being studied to explain the phenomenon.

To remain focused and maintain a consistent approach, this study employed thematic analysis, which is a method of qualitative synthesis that involves identifying key and recurring themes and concepts from a body of literature (Braun & Clarke 2006; Dixon-
Woods et al. 2005, 2006; Goldsmith, Bankhead & Austoker 2007). The thematic process involves several activities (examining, categorising, tabulating, testing and documenting the evidence) to address the initial propositions of a study (Yin 2003a). This approach helped the researcher to present the study findings in a scholarly manner. This section therefore provides details of how data from multiple sources were merged, analysed and presented. Figure 4.2 outlines the data analysis process following six phases of conducting data analysis (Braun & Clarke 2006).

Data analysis in qualitative research is all-encompassing, as shown in the case study approach in Figure 4.1. The process of analysis starts when the researcher notices patterns and concerns of potential interest to the information related to the research questions. Then follows reporting of the content and meaning of patterns or themes in the data identified before, during and after analysis (Ryan & Bernard 2000) to clarify how the insights generated in the study were obtained in a scholarly manner. Analysis of data for this study involved a continuous moving back and forth between the dataset, the coded extracts of the data being analysed and the analysis of the data that are produced (Braun & Clarke 2006).
Figure 4.2: Thematic analysis process.

Source: Braun and Clarke (2012)
**Phase 1: Familiarisation with Data**

Data were captured in audio form and transcribed. Familiarisation with the data involved listening to the audio files as many times as possible. This was during and after transcribing the data from audio to text to maintain accuracy. As the researcher listened, she noted down what needed to be learnt or elaborated in detail. This helped the researcher to modify the interview questions to include the identified concepts that would help to generate in-depth insights to answer the research questions. The need to become familiar with the data encouraged the researcher to continually re-read the transcribed texts and listen to the audio files and that is how she gained an in-depth understanding of the information obtained.

**Phase 2: Generating the Codes**

After re-reading the data and becoming familiar with it, the researcher identified features that were relevant and suitable to generate answers to the research questions. This process helped the researcher to identify features that would show how IA stakeholders in Rwanda perceived IAF—for example, how the auditees related to the IAF on a day-to-day basis—and generally recognise potential elements that would be relevant to answer the research questions. These features were then classified to obtain insights into the research questions. For example, if the researcher identified that quality report was significant to stakeholders, she conducted further analysis to understand the factors behind achieving or not achieving the quality report. The extracted data that were identified to generate the codes were highlighted and marked, and the codes associated with them were written down (see example in Table 4.3). Table 4.3 illustrates how the data from the extracts were coded. After coding the extracts, the codes were organised in their diverse patterns to generate themes.
### Table 4.3: Coding Extracts

<table>
<thead>
<tr>
<th>Data extracts</th>
<th>Coding</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Participant 1 Au</strong>: Like in any other institution, IAF is very important for this organisation. Basically, what the internal audit does, it plays an independent role in helping the management and the board to understand the effectiveness of our internal control systems, help us to mitigate risks in the organisation and evaluate all the processes in the organisation to enhance good corporate governance. Information generated by IAF through its activities is shared with the board because the head of internal audit report directly to the head of audit committee of the board of directors and that gives a very strategic level of independence from the management to ensure that the board have the sense of what is happening in the institution. The IAF have a set target of what they must do every year. This is what we call annual action plan. This plan is also tailored to the strategic plan and areas of the institution. Those strategic areas are assessed in terms of risks and importance.</td>
<td>IAF helps the organisation achieve its goals Stakeholders acknowledge the role of IAF Risk management Dual reporting of IA IA activity plans IA structure IA professionalism</td>
</tr>
<tr>
<td><strong>Participant 4 Au</strong>: Like I said, I am talking on behalf of the Eastern province, but this is a general case to all the provinces in the country. The structure allows only one internal auditor for each district and one principle auditor for at the province. When there are demands for audit in certain area this one internal auditor cannot complete the exercise alone.</td>
<td></td>
</tr>
</tbody>
</table>

### Phase 3: Searching for Themes

At this stage, the researcher started reorganising the codes to map the themes. The themes captured important aspects about the data in relation to the research questions. Based on the conceptual framework designed for this study, the themes and subthemes were generated from clustering codes that seemed to share unifying features. For example, the factors that related to the IAF were clustered together, factors that related to organisation were clustered together and those that related to the institutional setting were clustered together. However, these clusters are interlinked, as shown in Figure 4.3, given that PSOs are embedded in the institutional setting, which exhibits interrelations and dependence that follows prescribed legitimate norms to achieve national objectives (DiMaggio & Powell 1983; Frumkin, Frank & Jackson 2004; Meyer & Rowan 1977; Mihret 2010).
Main themes - 
Sub-themes - 

**Figure 4.3: Theme development and mapping.**

Figure 4.3 shows the initial thematic mapping with the themes and subthemes developed from codes. However, as the analysis continued, some of the themes were merged to form main themes and others were discarded as the researcher focused on the significance and coherency to answer the research questions.
Figure 4.4: Final theme mapping.

Figure 4.4 displays the cluster themes that reflected and described a coherent and meaningful pattern to answer the research questions. After grouping the codes in three unifying clusters (IAF, organisational and institutional setting), they were combined to focus on their relevance to the research questions. After merging the clusters and codes in relevant patterns, the miscellaneous codes were discarded, and two major themes were generated into two main clusters (IAF and IA stakeholders). These two clusters showed two major themes (IA approach and stakeholders acknowledge the role of the IAF), each with one subtheme but shared with four other subthemes (1. the level of IAE in public sector institution, 2. Institutional field and its influence, 3. Level of IA stakeholder interaction with IAF and 4. Institutional entrepreneurship and IAE). These provided the best mapping of the identity data relating to the research questions. The two clusters helped to identify their relationships, and this helped the researcher to start discerning and considering how the identified themes would work together to demonstrate the extent to which the IAF achieves stakeholders’ expectations and factors that influence IAE.

Phase 4: Reviewing Potential Themes

At this stage, the researcher wanted to know whether the developed themes were valid. The themes generated were reviewed in relation to the coded data and the entire dataset. This exercise was essential to enhance quality checks, and it was conducted when searching for themes. It involved checking themes against the organised data extracts and exploring whether the themes worked in relation to the data. The data were then organised and categorised to enhance their connection and show their relationships and how one concept influenced another. This involved eliminating several codes, relocating others under another theme and re-identifying the actual themes and their quality. The quality of a theme was measured alongside its usefulness to the data and the research questions. Each theme or subtheme was placed into one of the three clusters (later, two clusters) to enhance coherence. The same approach enhanced coherency, consistency and the development of distinctive themes, which enabled the researcher to discuss the congruency between the extract analytics and claims.
Phase 5: Defining and Naming Themes

Given that a theme is a concept that captures something important about the data in relation to the research questions and represents some level of patterned response or meaning within the dataset (Braun & Clarke 2006), the process of validating the potential themes led to data analysis, organisation of themes and description of the scope and content of each theme. This process helped the researcher to realise that the driving force behind the IAF achieving stakeholders’ expectations hence IAE is not the sole responsibility of the IAF. Linking data analysis to the conceptual framework showed the abilities and disabilities of the IAF and the organisations and empathised the necessity for studying IA and IAE considering institutional settings. Thus, the analysis led to two main clusters that are significant in IA and IAE and generated themes and subthemes that led to the conclusions presented later in the study.

Phase 6: Producing the Report

After discussing the data analysis and identifying the generated main theme and subthemes of the data, a thesis report was produced.

4.7 Chapter Summary

This chapter detailed the research methods employed in this study. It explained the type of data collected using the case study design method. The description of the research methods explains why the qualitative approach was adopted. Further, this chapter discussed the methods used for data collection, with special attention paid to issues of reliability and validity, and it conducted thematic analysis of the methods used for data analysis. The next chapter presents the process of case study analysis.
Chapter 5: Case Study Results and Analysis

This chapter analyses the case study evidence from the data generated regarding the IA practices of PSOs in Rwanda. Data were collected from multiple organisations that represent the public sector setting in Rwanda to analyse the business processes and institutional context of IA experiences in different categories of PSOs. The process was guided by two research questions that generated insights to inform IA research. Thus, institutional and organisation-level conditions were explored throughout interviews with individuals who were directly involved in IA practices and document reviews. The data analysis followed a six-phase process of thematic analysis based on Braun and Clarke (2006) to generate a study report (see Figure 4.2). The analysis considered the factors that influence IAE in Rwandan PSOs, IA experiences and how the IAF achieves stakeholders’ expectations hence IAE.

The first section explains the institutional background and reforms in Rwandan PSOs. It exposes the motivation for the reforms that led to the establishment of IA to create a platform for the conceptualisation of the study. It demonstrates the nature of the institutional setting by discussing institutional agents and requirements, how the IAF was established and how IAE is perceived in Rwanda. The following section presents an analysis of the information on IA practice in PSOs, focusing on selected cases. This section discusses different types of PSOs in Rwanda and how IA is practiced in different ways, and it compares IA experiences to facilitate an in-depth understanding of the study. The subsequent section examines how IA stakeholders perceive the IAF and the government’s contribution to its effectiveness. The last section summarises the study findings.

5.1 Institutional Background and Reforms in Rwandan PSOs

When the RPF ended the genocide against the Tutsi ethnic group and took office in July 1994, the country was devastated and became a collapsed state (Britannica 2010; Rosenberg 2014). Development aid in support of Rwanda’s transition to a peaceful and more prosperous future demanded better responses to state violence against civilians. The 1994 genocide taught Rwandans not to rely on external aid to solve their problems. Rwanda’s wariness of relying on external actors to protect its civilians created a reflective sense of responsibility. The moral lessons taught by the experience
of genocide provided opportunities for the Rwandan government to promote a strong agenda characterised by programs aimed at building a state that could manage crises. Along with the learnt experience, external support and influence from international lending organisations and development aid, the Rwandan government started to implement institutional reforms (Kumar 1996).

Reforms implemented in collapsed and devastated systems aimed to rebuild an effective state, which required the implementation of bold development policies (ECORYS 2012). The policies used a systematic problem-driven approach to public sector reform, tackling all sectors at the same time. The main purpose of the reforms was to create a system that would help Rwandans overcome the irritations of old regimes, reduce corruption and create an effective and efficient state in which social services were equally shared. The desire to build a state that could manage crises led the government to employ a self-reliance approach in its systems. The government intensified awareness of self-reliance in its civilians and minimised the perspective of dependence. There is a constant campaign to initiate solutions for the problems arise (Fullan 2011; Golooaba-Mutebi 2014).

Attributes of self-reliance in Rwandan reforms have generated an inspiring slogan—‘Kwishakamo ibisubizo byibibazo bitwugarije’—which translates to ‘self-solution generators’. This slogan is cyclically reflected in speeches made by senior executives, such as His Excellence the President of the Republic of Rwanda, to motivate a mindset of urgency, ownership, responsibility and service (Chemouni 2016; Mpunzwanall 2016). The motivation to be self-reliant has been imparted to the people of Rwanda to the extent that it has become a culture in which national systems and performers are naturally innovative. Underpinned by a strong ideology of national reconstruction and self-reliance, which called for efficient use of state resources, the government established policies and processes that facilitated the implementation of political and socio-economic programs.

5.2 Overview of IAF in Rwandan PSOs

Rwanda rebuilt its economy, peace and political stability, and it re-established macro-economic and structural policies backed by a substantial legal framework (GOR 2006; MINECOFIN 2006), which is the same program that generated the IAF. Initially, it
was a unit in the Ministry of Finance known as ‘Inspection Générale des Finances’. The unit had three divisions, including one in charge of projects, another for public administration and the third for decentralised services (former commune and prefectures). The main role of Inspection Générale des Finances was to assess how the budget allocated in those institutions was used (Participant 3 Ministry, Head of IAF; OAG; OCIA).

Reforms emerged with regulations that established internal control and internal audit in government (GOR 2003, 2009, 2011, p. 53). The IAF helps ministries, districts and agencies (MDAs) satisfy their statutory and fiduciary responsibilities and ensures that they use public resources effectively and efficiently. Government IAs must ensure an independent and systematic evaluation of risk management, control and governance processes in government (GOR 2011a, p. 53). The activities of the IAF in PSOs are generally cross-cutting, and its mission is summarised in Figure 5.1.

Figure 5.1: Mission of internal auditor in PSOs in Rwanda.

Figure 5.1 presents the entire scope of the IAF in PSOs in Rwanda. This scope is expected for all types of PSOs, whether autonomous, semi-autonomous or non-autonomous. The scope and approach of operations according to the document review show a plea for effectiveness. Regardless of the structure of the IAF in an organisation, every PSO must establish an IAF. Various types of IA are expected to be conducted,
including systems, financial, performance, compliance and forensic audits. The law requires IA activities to follow a risk-based approach (GOR 2011a, 2013b).

The ministerial order defines what effectiveness means in the Rwandan context, stating that effectiveness is the extent of actual outcome relative to the corresponding planned outcome. That is, it is the degree of achievement of an activity relative to the plan (GOR 2009). This definition is slightly different from the perception of this study, which assumes that IA will achieve its expectations given the desired resources. The ministerial order does not define ineffectiveness in the Rwandan context. However, the definition of IAE in the Rwandan context is viewed according to the activities that are conducted in relation to expectations and how these activities are conducted. It does not consider why an IAF would not be effective. This study focuses on IA processes relating to institutional factors. It implies that an IAF that breaks through the odds of institutional complexities should be effective; otherwise, it is just an ordinary IAF.

The government of Rwanda expects IA to provide value to organisations’ operations by providing objective assurance that the major business risks are being managed appropriately. Other expectations were that IAF would provide assurance about risk management and the level of internal control. For example, an internal control system is considered effective if it provides reasonable assurance that:

- Government resources at the entity are used with economy, efficiency, effectiveness, and are consistent with the mission of the entity.
- Government assets at the entity are safeguarded against waste, loss, misuse, damage or mismanagement.
- Government programs executed by the entity achieve intended objectives, goals and targets.
- The entity complies with laws and established regulations, policies, plans and procedures.
- The entity’s management information and financial reporting are reliable and of high integrity (GOR 2007).

However, this study interprets the description of an effective internal control system in the Rwandan ministerial order as a mechanism for engaging actors to be innovative.
Rwanda looked forward to an effective internal control system in its PSOs. The law bestows the responsibility of establishing and implementing an effective internal control system to CEOs and all other personnel in the organisation. It states that employees in an organisation are responsible for ensuring that internal controls are effective (GOR 2011b).

The study interprets the government approach as creating institutional isomorphic pressures for actors within the public-sector setting. The process of an organisation responding to the requirements of institutional isomorphic pressures of an IAF becomes significant. Actors in PSOs seek IA services to achieve acceptability and legitimacy (DiMaggio & Powell 1983, 1991):

- Through the audit committee, the board of directors expects to receive ‘objective assurance and consulting activity’.
- Senior management expect to find ‘added value and improvement on organization’s operations’.
- Auditees expect ‘help to accomplish objectives’.
- Institutional agents expect to find ‘a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, internal control systems and governance processes’ (IIA 2017).

Government programs were implemented from institutional structures that were strengthened by compliance to several requirements prescribed to enhance effectiveness, transparency and accountability. This process was implemented and reinforced by complementary components that encompassed a range of activities, including planning and budgeting, budget execution and expenditure control, audit and inspection (internal and external), reporting and accountability, and oversight arrangements. Various reviews have indicated that the basic structures, systems and procedures, and the legal and regulatory framework are now in place to support government policies (GOR 2011a, p. 53). These arrangements are conducted in all types of PSOs—autonomous, semi-autonomous and non-autonomous. Adding to the external reviews, there are citizen outreach programs which are conducted by the president of the republic of Rwanda himself. The citizen outreach programs allow citizens to expose their problems to the president face-to-face. The citizen outreach programs are preserved like all other organisations’ performance evaluations and
PSOs’ leaders fear these confrontations because there are tougher measures that follow, like layoffs, forced resignations and imprisonment (Sabiiti, 2017; Mugabo, 2017). That is why senior management officials and operational managers have found the IAF most significant.

This study interprets government expectations of IA involvement in internal control systems as strengthening controls. Further, the government perceives that the IAF can break through the odds of institutional influences, and that it will have the capacity to achieve the expectations of an effective internal control system through risk management processes in terms of both their design and the implementation of the design (IIA 2009; Subramaniam et al. 2011a). The next section outlines the public sector institutional set-up. The setting illustrates several institutional agents that drive institutional requirements within PSOs.

5.3 Public Sector Institutional Set-up of Rwanda

The public sector institutional set-up provides the overall context in which PSOs operate and IA takes place. Enforcement mechanisms such as expenditure control, audit and inspection to enhance reporting, accountability and oversight arrangements originate from the broader institutional set-up. Figure 5.2 describes the agents that operationalise institutional norms in the Rwandan public sector, their relationship to the organisation level and the implication of the IAF. These agents are conceptualised in this study as external organs that interact with organisations that share the same institutional domain.

The interview respondents stated that every organisation in the public sector—whether autonomous, semi-autonomous or non-autonomous—relates to and interacts with all listed organs in one way or another. However, the frequency varies, and the variance depends on organisational status and business. Table 5.1 outlines the relationship of institutional agents and requirements in PSOs and their purpose for interaction in the Rwandan public sector setting. This study only considers institutions whose involvement with the participating organisations affects IA activities. For example, OCIA is the overall coordinator of IA activities in Rwandan PSOs (see Section 5.4.4), whereas OAG, RPPA and RBPM are institutional agents for effective use of government funds to enhance accountability and equal opportunities (see Sections
5.4.1–5.4.3). Further, affiliated ministries enforce institutional requirements, whereas MINECOFIN coordinates budget and financial requirements. Institutional agents and requirements aim to enhance the consistency of organisations’ business activities with government programs.

This study interprets that the government of Rwanda did not take for granted the roles given to PSOs. This suggests that the creation of these features contributes towards internal control systems in PSOs. This contribution is also interpreted as a premeditated effort in the process of organisational development and strengthening the institutional framework. Premeditation efforts aim to achieve organisational goals and ambitions using individual and/or collective organisational efforts. This study considers premeditation efforts an attribute of complexity for being aware of the
problems and weaknesses that may be present in internal control systems and laying policies to be more strategic (Beckert 1999).
Table 5.1: Summary of Relationship between Institutional Agents and Requirements in PSOs

<table>
<thead>
<tr>
<th>Institutional agents and requirements</th>
<th>Autonomous organisations</th>
<th>Non-autonomous organisations</th>
<th>Semi-autonomous organisations</th>
<th>Complete non-autonomous organisations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Office of the Chief Internal Auditor (OCIA)</td>
<td>IAF may attend organised training</td>
<td>IAF may attend training organised by OCIA</td>
<td>Submit reports according to OCIA’s requirements</td>
<td>All activities of IA are coordinated by the OCIA. Attend trainings organised by OCIA</td>
</tr>
<tr>
<td>Office of the Auditor General (OAG)</td>
<td>Conduct external auditor services on behalf of the government</td>
<td>Conduct external auditor services on behalf of the government</td>
<td>Conducts external auditor services on behalf of the government</td>
<td></td>
</tr>
<tr>
<td>Rwanda Public Procurement Authority (RPPA)</td>
<td>Audit procurement executions</td>
<td>Audit procurement executions</td>
<td>Audit procurement executions</td>
<td></td>
</tr>
<tr>
<td>Results Based Performance Management (RBPM)</td>
<td>Performance evaluation is conducted by affiliated ministry</td>
<td>Performance evaluation may be conducted by RBP</td>
<td>Performance evaluation is conducted by RBP</td>
<td></td>
</tr>
<tr>
<td>Administration requirements conducted by affiliated ministries</td>
<td>Affiliated ministry may be informed of decisions made</td>
<td>Affiliated ministry makes major decisions regarding administrative matters</td>
<td>Affiliated ministry makes major decision regarding administrative matters</td>
<td></td>
</tr>
</tbody>
</table>

With these features, the government is assured of its constant connection in PSOs. However, given that institutional rules are not always comprehensible to organisational circumstances (Beckert 1999; Scott 1995; Scott & Meyer 1994), these features instead create isomorphic pressures on organisations in the public-sector
setting. Table 5.2 describes the isomorphic pressures that are created, including coercive, mimetic and normative pressures.

### Table 5.2: Types of Isomorphic Pressures

<table>
<thead>
<tr>
<th>Institutional agents and requirements</th>
<th>Process</th>
<th>Type of institutional pressure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Requirements determined by laws and regulations</td>
<td>Determine the organisational status, administration structures and operational framework</td>
<td>• Coercive pressures to comply with rules and regulations established by the government to execute government programs</td>
</tr>
<tr>
<td></td>
<td>Affiliations create inflexibility and bureaucratic administration procedures that halt organisational activities</td>
<td>• Normative pressure from the government, which continues to redevelop and redefine the legal framework</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Normative pressure to comply with established standards adopted by affiliations that govern how operations will be conducted</td>
</tr>
<tr>
<td>Institutional Agents (OAG, RPPA, RBPM, OCIA)</td>
<td>Establish policies for enforcement agencies to conduct external reviews and evaluations of public sector operations</td>
<td>• Coercive pressures regarding the presence of institutional agents that conduct external reviews</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Mimetic pressures to adapt to the standards adopted by institutional agents that review the implementations of government programs</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Normative pressure to comply with established standards adopted by institutional agents</td>
</tr>
</tbody>
</table>

As institutional agents enforce isomorphic pressures to PSOs, the affiliate departments/functions to PSOs observe organisational connections as described in Table 5.1 to remain legitimate, relevant, accepted and trusted. Actors within PSOs start seeking IA services. This is relevant to institutional theory, which argues that in situations where the best course of action is uncertain, institutional entrepreneurs will initiate principles that are perceived to be productive. However, evidence shows that the level of IAF tends to lack exclusive control of the factors that determine its effectiveness in the highly institutionalised public-sector context of Rwanda. This
study shows that in the process to achieve stakeholders’ expectations, the IAF employs institutional entrepreneurship strategies. These strategies described in section 6.2.5 are designed to suit the prevailing circumstances of individual PSOs by their IAF. For example, demands initiated by institutional requirements to comply with the legal system create coercive pressures.

When constrained by institutional demands operational functions, who are at the same time IA stakeholders within the organisation, seek advice from the IAF, which also initiates an alternative course of action to offer the help required. If advice offered by the IAF is considered and compels organisational success IAF is perceived effective. This suggests that effectiveness is determined by the ability of the IAF to initiate strategies that yield to organisational success. Implementation of IA advice by operational functions is test for IA’s ability. The effectiveness of these strategies indicates that the IAF has achieved IA stakeholders’ expectations. This implies that IAE in PSOs is dependent on the IAF and operational functions within the organisation. However, this study interprets the influence of institutional features on IAE as important for understanding IA’s relationships within organisational structures and the wider social environment in which organisational structures are established.

Since institutional theory claims that changes occur in institutions that are failing (Beckert 2010; Sutheewasinnon, Hoque & Nyamori 2016), internal auditors are strong actors that can influence change as institutional entrepreneurs.

The above explanations provide evidence that the IAF is not exclusive to achieve the expectations outlined in its role as a sole player. This evidence shows that efforts that lead to the achievement of IA stakeholders’ expectations hence IAE emerge from both the IAF and the IA stakeholders involved in implementing the advice sought from IA engagement. Nevertheless, organisational actors must understand the role of the IAF not waiting to seek IA intervention when organisations are challenged. The IAF also needs to offer advice that is suitable for actors to implement focusing on required remedial actions. The next section explains how institutional agents who create an opportunity for organisational actors to connect with the IAF to achieve stakeholders’ expectations hence IAE.
5.4 Role of Institutional Agents

As stated earlier, government programs have been implemented from institutional structures and strengthened by compliance to institutional requirements and enforced institutional agents. Institutional agents are organisations that execute external review policies and ensure compliance with institutional requirements. The policies that establish these requirements aim to control and enhance the effective implementation of government programs. The agents are involved in managing risks, mitigating threatening practices and verifying the appropriateness of policies and procedures that PSOs adopt while executing their obligations. This exercise creates tension to all PSO in general with uncertainties that cause inconsistencies and hence isomorphic pressure. The three types of isomorphic pressure (see section 3.3) and their effects (see section 3.4) threaten the organisational performance. Intensified regulatory establishment require the PSOs to have IAF to help achieve organisational goals. According to the Deputy Auditor General no PSO wants to be involved misappropriation. Institutional agents related to the current study include the OAG, RPPA, RBPM agents (GOR 2006, 2013) and the office of the OCIA, which coordinates IA activities for all PSOs.

5.4.1 Office of the Auditor General (OAG) of State Finances

According to the constitution of the Republic of Rwanda of 4 June 2003 as amended to date, the Auditor General of State Finances conducts external audit activities in Rwandan PSOs. These activities include:

a. auditing revenues and expenditures of the state, as well as local administrative entities, public enterprises, parastatal organisations and government projects
b. auditing the finances of the institutions referred to above, particularly verifying whether the expenditures were in conformity with laws and regulations in force and sound management and whether they were necessary
c. carrying out all audits of accounts, efficient management, control of the functioning of state organs and institutions (OAG 2016).

The OAG of State Finances submits its audit reports to the Chambers of Parliament and provides copies to the President of the Republic, the Cabinet, the President of the Supreme Court and the Prosecutor General. The contents of the Auditor General’s
report include observations on the use of government funds and a complete report on the balance sheet of the state budget. The Auditor General’s report also indicates the way in which the budget was used, and the nature of expenses incurred, with a thorough examination of the misappropriation and accountability of resources (OAG 2013, 2014, 2015, 2016). The OAG’s reports have resulted in normative pressures on PSOs because numerous professional weaknesses have been found. This forced the OAG to suggest that the government needs to strengthen corporate governance in general and specifically enhance IAE in Rwandan PSOs:

There is need for government to strengthen corporate governance in public entities, ensuring that structures in public entities are effective. This included effectiveness of internal audit function through the office of Chief Government Internal Auditor, there is need to ensure effective oversight and coordination of government programmes by line ministries and regulatory agencies. (OAG 2014/15)

The review by the OAG compels normative pressure on PSOs after failing to find the IA reports not useful during their review exercises. This becomes evidence that institutional agents rely on or use IA reports and acknowledge the effect of an effective IAF. This recommendation from the Auditor General’s report also shows the enforcement of normative pressures advocates for effectiveness which led to the revision of the IA structure in some PSOs:

We understand the need and significance of IAF in public sector institutions but during our reviews we found that the quality of IA activities needed great improvement given what we found and what they reported. We are among the organs that advocate for IA structure reform. (Deputy Auditor General)

The above statement as well as the interviewee agree that the OAG review sought to address this gap because the IAF was not achieving expectations despite the usefulness of their activities. The OAG expected organisations with an IAF to demonstrate relatively effective performance, but they did not. Thus, the OAG advocated for an effective IAF in PSOs. However, this is also evidence that institutional agents seek to find an effective IAF because of the perceived ability to use IA expertise during their exercise to examine the internal control system of the organisation while executing government programs.
5.4.2 Rwanda Public Procurement Authority Reviews

Law N° 25/2011, which establishes and determines the mission, organisation and functioning of RPPA, provides the requirement for auditing to be conducted using the methods of procurement proceedings and contracts. The implementation of public procurement proceedings is subject to regular monitoring by the RPPA to ensure compliance with the prevailing procurement legal framework. Every procuring entity and any entities in charge of contract execution are required to cooperate with the RPPA to carry out this mission (GOR 2003, 2007, 2009, 2011, p. 53). The RPPA therefore serves as another institutional agent. The interest here is how the exercise and frequency of RPPA audits within PSOs creates strain that results into isomorphic pressure. Due to fear of bad reports being generated by the RPPA, operational areas seek IAF to review what RPPA will come to audit and this has enhanced the relationship between the IAF and auditees (IA stakeholders). The interview respondents demonstrated that:

Other functions in the organisation used to see internal auditors as policemen/women, but nowadays the story has changed. There is team work and auditees consider IAF as colleagues/helpers. (Au Participant 1, CEO)

Initially, IAF suffered a challenge of perception as they were looked at as ‘police’ by most public institutions. We felt this too as the OAG and eventually realised that the IAF suffered most because, the function was least understood even by some senior members of the institutions. IAF became actively desired when institutional agents frequented organisations. IA stakeholders in the organisation realised their claim for professionalism and ethics. (Deputy Auditor General).

These statements indicate that the IAF was the least understood, but awareness was enhanced by the IA contribution as the necessity for collaboration soared. Internal auditors are no longer perceived as fault-finders:

To date, that perception has changed and now IA stakeholders in some organisations have started looking at internal auditors as workmates, advisors and even consultants. (Deputy Auditor General)

The fact that internal auditors were initially perceived as ‘fault-finders’ or acted like ‘police’ does not mean that stakeholders did not need them. The stakeholders needed
IA services but awareness was minimum which isomorphic pressures have gradually changed. In the process of offering the operational functions to overcome the pressures internal auditors have apparently been perceived as workmates, advisors and/or consultants. This is evidence that the IAF employed certain strategies that were persuasive and influential to address stakeholders’ responsiveness towards IA. For example:

Before the RPPA auditors start auditing an organisation, they meet with the head of IAF for the organisations they want to audit. This meeting is intended to share information on important issues that need special attention. The RPPA auditors also review IA reports before they start procurement auditing. (GOR 2013a)

Analysis of the above statements shows that IA activities are not only valuable to IA stakeholders within the organisation alone but also IA stakeholders outside the organisation find them necessary to be considered during their work. RPPA auditors are after compliance to public procurement regulatory system for PSOs, monitoring and building capacity in public procuring entities. This exercise cannot be accomplished without help from internal organs.

5.4.3 RPPA Reporting Levels Augment Normative Pressure

The RPPA audit report is transmitted to the ministry of finance, which has the responsibility of public procurement, with a copy to the procuring entity audited. For Districts, Provinces and the City of Kigali, a copy is forwarded to the Ministry of Local Government for information (GOR 2007). The level of reporting regarding organisational procurement to higher authorities in the government generates isomorphic pressure to PSOs. This is because individuals and organisations want to maintain a clean reputation; every organisation wants to appear genuine; fear of inconsistencies make the operational functions seek help from IAF because they must ensure that they comply with the prescribed standards. The need for solutions compels the IAF and the operational functions to work together to initiate appropriate responses to these pressures generates. This approach creates awareness of the responsibility and support from each other. The auditee takes the lead and connects with the IAF to ensure that they receive a clean report but the IAF also tries to generate responses that would serve as a remedial action. This is because the IAF is perceived as effective when clean reports are obtained:
I was transferred from one department to procurement function. I was new to the tasks but entrusted to manage procurement activities of this organisation. When I started, I immediately received institutional agents’ notices. These were the RPPA auditors and another from the OAG. I know that reports by these organs are about the performance of the organisation to higher authorities within the government, to the Prime Minister’s office and even to the president. I approached the head of IA and he assigned a team to evaluate the internal control systems, assess compliance with the legal requirements and operational processes. After the IA evaluation then the institutional agents were let in and their reports were clean. From then onwards it became a habit to use IA to evaluate their operations before institutional agents and they have never got a bad report. (Participant 4Au, Auditee)

These explanations demonstrate how the relationship between the IAF and auditees improved through seeking remedial action to isomorphic pressures. Collaboration generates favourable atmosphere for IA activities to achieve IAE. The relationship is a mechanism to respond to normative pressure. This response enhanced compliance with the procurement regulatory measure established to enhance effective service delivery and the use of government resources to protect government resources and ensure proper execution of government programs. Analysis of this perception shows that the response to isomorphic pressures (DiMaggio & Powell 1983) has created a platform for effective networking between organisational functions.

5.4.4 RBPM

RBPM was a policy implemented by government agents to assess whether organisations achieved their goals in the performance contracts. This policy is extremely serious because heads of PSOs sign performance contracts in a cerebrated function presided over by the president of the republic of Rwanda. This study interprets this policy in two ways. However good this policy seems to improve operations of the PSOs this study finds that it has scientifically become a platform for introducing isomorphic pressures into the operations of PSOs. For instance, the policy sets out guidelines for implementing RBPM practices in the Rwandan public service. The policy has concepts and principles that are fundamental to facilitating accountability, ownership, inclusiveness, alignment of operations to RBPM, evidence-based learning, transparency in operations and a culture of results. The policy is built on Rwanda’s ancient culture of performance contracts, ‘Imihigo’, where institutions or individuals
commit to deliver given targets in a stipulated time. This captures the broader framework that governs the national planning, monitoring and evaluation of government programs (GOR 2015). The policy necessitates planning, which is conducted by responsible institutions and provides systematic and harmonised mechanisms to identify priorities. The identified priorities are distributed in a cascading manner from institutional to individual employees in an organisation. These results-based performance contracts are designed to fast-track the delivery of interventions and the achievement of aspirations. Monitoring and evaluation is conducted on each contract, cascading from individuals to institutions (GOR 2015).

The policy involves monitoring and evaluation frameworks, which are progressive across all sectors and institutions in the implementation of the results under the National Development Framework. The National Monitoring and Evaluation System (NMES) informs the national planning process and provides evidence on the implementation. Monitoring is conducted at the national, sectoral and institutional levels (MDAs). Monitoring involves collecting data and producing reports on the implementation of planned activities and results. Evaluation is also conducted at the national (national development strategy), sector and program or project levels (GOR 2015). Ministries or parent institutions have the coordination role of monitoring progress against the execution of action plans for such institutions and their affiliated agencies. Accordingly, quarterly and annual reports are submitted to line ministries, which then consolidate the progress of their performance, including that of their affiliated agencies, and submit the reports to the ministry in charge of national planning. This ministry submits the consolidated reports to the office of the Prime Minister regarding the performance of the respective ministries and implementing agencies, together with agreed upon remedial actions (recovery plans) to address areas of weakness (GOR 2015).

The RBPM policy for Rwanda has reward and sanction mechanisms for both individuals and organisational performance. The policy requires the production of reports that illustrate the best performance of individuals and organisations that are recognised and rewarded, while non-implementation is sanctioned for explanations and appropriate actions taken by the office of the Prime Minister. Responsible organisations consistently work hard to obtain reports without, or with minimum,
weaknesses. The policy then enhances competition perceptions within organisations in the institutional setting. Competition creates mimetic and normative isomorphic pressures regarding the need to provide quality products and services. This study finds that the process of responding to pressures creates strong internal connections within the organisation. These connections are enforced to enhance effective performance. The RBPM policy therefore creates isomorphic pressure on PSOs because the policy contains fundamental principles that help to achieve the goals set out in the Rwanda National Vision and medium-term strategy. These principles include careful planning, monitoring and the evaluation framework in the context of results-based performance (GOR 2015). Organisations are operationally stressed to achieve the signed goals which is coercive pressure, no organisation wants to be labelled with bad performance and since they are graded to achievement they are later compared at level of performance which creates mimetic pressure and they have standards to measure their achievements which created normative pressures. Organisations operate on fear because any of threats from isomorphic pressure. The fear compels the operational managers to connect with IAF. Yet, IAF is not an independent unit it is also part of the organisation and sometimes IA organisational level drive factors cannot support the function to help its stakeholders.

5.4.5 Office of the CIA

Government reforms and restructuring recognised the need for change from the old system of “Inspection Générale des Finances”. This was combination of both, internal audit and external audit roles conducted as one function and focused on the utilisation of budget allocated. Reforms and restructuring established the OAG and then a consolidating office of internal audit activities within government systems. This led to the establishment of the office of OCIA in the Ministry of Finance and Economic Planning. The scope and mandate of this office focuses on the IAF in government budget agencies and all organisations that benefit from state resources. The OCIA is responsible for supervising and supporting all internal audit units in government organisations. The OCIA reports administratively to the permanent secretary and functionally to the Minister in Charge of State Finances (OCIA; Participant 2, Ministry, Audit committee).
The role of the IAF in Rwandan PSOs is described in the IA Charter designed by the ministerial order. The charter states that all internal auditors: should audit all activities of the MDA; possess full and complete access to all records, physical properties and personnel relevant to the performance of an audit; acquire full access to top management and the supervisory board; are entitled to appropriate resources, set frequencies, select subjects, determine scopes of work and apply the techniques required to accomplish audit objectives; and obtain full cooperation of personnel in MDAs (GOR 2011a, p. 53). However, autonomous organisations may make adjustments that suit their specific circumstances. Customisation of the IA Charter has created differences in the structure of the IAF in PSOs, whereby autonomous organisations must consider which provisions suit it best, unlike in semi – autonomous and non-autonomous organisations (OCIA).

The interview respondents stated that PSOs are constantly frequented by institutional agents (OAG, RPPA and RBPM) (Participants 3, 4 Au, Head of IAF and Auditee; Participants 3, 4 Semi - Au, Head of IAF and Auditee; Participants 3, Ministry Head of IAF and Auditee; Participants 3, 4 Province, Head of IAF and Auditee; Participants 3, 4 District, Head of IAF and Auditee). According to the interview responses, when institutional agencies (OAG, RPPA or RBPM) deliver the terms of reference to a PSO, the CEO instructs area managers to be audited to ensure that operations are conducted properly. The process of reviewing the operations of PSOs by institutional agencies generate mimetic, coercive and normative isomorphic pressures on PSOs. These pressures compel compliance to standards to achieve certain performance levels, whereas others require the accomplishment of certain governmental mandates. The operational managers seek IA prior review to evaluate areas in the terms of reference before the institutional agencies arrive. This approach enables the organisations to obtain clean reports and enhance compliance with institutional demands because ‘organisations that get sufficient help from IAF are able to get a clean report’ (Participant 4 Au, Auditee).

Institutional agencies evaluate organisations’ internal control systems and risk management, and they examine and review annual operations from the past year of executing an act. The ability to have all PSOs externally reviewed is interpreted as a significant attempt towards institutionalisation. These reports are submitted to the
Prime Minister and the parliament; they reveal how government programs are implemented, how resources are used and the sustainability of continuous public-sector development.

This study interprets this approach as a provision of avenues for institutional pressures (DiMaggio & Powell 1983, 1991) and institutional entrepreneurship at the same time. They lead to teamwork between organisations, the IAF and the use of IA resources in the process of implementing institutional entrepreneurship strategies (see discussion in section 6.2.5) employed by the IAF. The next section analyses IA experiences in multiple organisations within Rwandan PSOs. The analysis is conducted based on organisational type. With the help of the conceptual framework, the study captures important aspects about the data that are used as subthemes by examining how effectively the IAF achieves stakeholders’ expectations, therefore answering the research questions.

5.5 Analysis of Case Study Evidence

The analysis of case study evidence focused on reorganising the generated data and categorising aspects into codes to map the themes. The subthemes include factors that capture important aspects of IA experiences in relation to the research questions, such as IA structure, risk management, communication and professionalism, but focusing on the conceptual framework designed for this study. The themes and subthemes were generated from clustering codes that shared similar features. For example, factors that related to the IAF were clustered together. Analysis of the case study evidence explained the subthemes within their categories and the system of organisational affiliations usually used in the public sector institutional setting of Rwanda.

The affiliations of PSOs are categorised into three segments: autonomous, semi-autonomous and non-autonomous. All PSOs are affiliated with ministries, but the levels of dependence and independence determine the autonomy of the organisation. Autonomous PSOs are independently administered by their senior management and board of directors. The administration of other organisations is controlled by an affiliation with ministries, and some of their activities are partly monitored by other government organs (GOR 2011b). These organisations may be semi-autonomous - or completely non-autonomous. Semi-autonomous and non-autonomous organisations
are organised and operated for the benefit and in support of government programs, but they have no independence to make strategic decisions regarding major administrative matters. Organisations that are being developed towards independence are semi-autonomous. Such organisations must constantly liaise with their mother organisation, which has overall responsibility for coordinating activities between the main organisation and the affiliated organisation (OCIA).

Non-autonomous PSOs in Rwanda are ministries and government local administrative bodies, which include all districts and provinces. These interact with the OCIA regularly about IA issues. They submit internal audit reports to the office of the OCIA, which provides feedback. Internal auditors at affiliated organisations receive technical support from the OCIA, and the IA attends training organised by the office of the OCIA (OCIA). These types are distinguished by the legislature that established each organisation. Understanding affiliations and segments of PSOs in Rwanda helped the study to explain how the IA system in PSOs varies and operates.

5.5.1 IAE in Autonomous Organisations

Autonomous organisations are established as independent and self-managed organisations. IA activities at these organisations are considered low risk and sufficiently coordinated at the organisational level (OCIA; Deputy Auditor General). Autonomous organisations are managed by executive members and have a board of directors that performs the oversight role. Boards of directors are composed of both executive and non-executives. The chairman of the board may or may not be an executive member of the organisation. Such organisations have the capacity to generate funds for their budget, and they require no financial support from the government treasury (Participants 1, 2, 3 Au, CEO, Audit Committee and Head of IAF; OCIA). Instead, they generate income to finance government programs, and they plan and execute these programs without seeking approval from the affiliated ministries. The IAF in these organisations is designed and structured per the organisations’ business activities. The IA design is based on the organisational legal framework, performance evaluation and capacity development for IA staff, coordination and monitoring of IA activities and IA budget, which are all determined at the organisation level (Participants 1, 2, 3 Au, CEO, Audit Committee and Head of IAF; OCIA).
IA Structure

The IAF in autonomous PSOs is a full-fledged department designed to meet the audit demands of the organisations (Participants 1, 2, 3 Au, CEO, Audit Committee and Head of IAF; OAG; OCIA). Figure 5.3 outlines the IAF structure in an autonomous organisation.

![IAF Structure Diagram](source)

Source: Rwanda Revenue Authority

**Figure 5.3: IA structure in autonomous organisations.**

Risk Management

The IA structure of autonomous organisations shows distinctive roles at different levels of managing IA activities. There is a head of the department, a middle manager and IA team leaders for each IA team composed of two internal auditors. The structure depends on the organisational business processes. Different levels of hierarchy and their involvement in IA activities demonstrates attention to detail; hence, they are risk-focused and help other functions in the organisation to mitigate risks (Participants 1, 2, 3 Au, CEO, Audit Committee and Head of IAF; OCIA):
Our internal auditors are involved in risk management. We enforce their involvement in most risky area that we feel threaten the performance of the organisation. This helps us to mitigate the risks, which we feel that without IA activities our risks management potentials would be marginalised. (Participant 1 Au, Head of IAF)

Considering the structure and this statement, it is perceived that the quality of work performed under this structure helps organisations to achieve their objectives. The quality of IA activities is obtained from effective coordination and is conducted and evaluated by different people who examine an item with varying perspectives. The number of people involved in an activity increases the frequency of conducting a review of the work completed. This approach leads to effective internal control systems and enhances effective risk management. Increased frequency also leads to constant monitoring of activities, timely execution of IA activities and mitigation of risks and attention to detail.

**Effective Communication**

IA activities are performed and communicated in a timely manner to facilitate the function to address urgent issues and keep abreast of actions:

When we send internal auditors out on field work we expect feedback. They must report to their team leaders every day and the team leaders interact with IA manager who reports to me all the time after examining issues in detail. This helps us to address matters arising on timely basis and follow up on actions taken. (Participant 3 Au, Head of IAF)

Different levels facilitate effective communication and execution. This approach emphasises the significance of nearness to issues that matter, as well as timely risk management processes. When urgent information is generated, immediate intervention is possible. The head of the IAF has access and effectively communicates to different operational managers to prevent or mitigate the continuity of the risk (Participant 3 Au, Head of IAF). However, senior management and the board of directors have the right to determine and provide required resources to achieve the organisation’s pre-determined agenda. This creates an IAF that is imperious to institutional pressures and helps to achieve organisations’ objectives (Participant 3 Au, Head of IAF).
Professionalism

Autonomous organisations have the right to hire the quality of staff desired for the IAF. They consider relevant qualifications required for IA activities, and their performance is evaluated and monitored intensively:

I am evaluated annually by the senior management and the audit committee and I evaluate the IA manager and the manager evaluates team leaders and internal auditors on each team. However, even during execution of IA activities, I evaluate the quality of work performed by the entire departments and highlight areas that need capacity improvement. (Participant 3 Au, Head of IAF)

Evaluation of internal audit staff and activities facilitates the management of the IAF to decide the training needs for individual internal auditors. This creates IA teams that can help the organisation to achieve its goals. The process provides assurance to the senior management, the board of directors and every IA stakeholder that the IAF has the capacity to achieve its expectations hence IAE. This notion therefore enhances trust and confidence, which is partly shown by involving the head of the IAF in senior management meetings at which organisational strategic matters are discussed (Participant 3 Au, Head of IAF).

Compliance to Legal Requirements

The IAF in autonomous PSOs complies with the organic law on state finances and property, the ministerial order on financial regulations and the Internal Audit Manual and processes and procedures provided by the Ministry of Finance:

The senior management and the Board of directors have the right to adjust the legal framework of their IAF to suit their business process. They can revise the structure determine the levels of the IA staff and determine everything as far as the function can suitably positioned to achieve organisational objectives. (OCIA)

This statement shows how legal challenges are managed in autonomous organisations to facilitate the IAF to achieve stakeholders' expectations. Thus, there are IA practices that are prompted by organisational factors to suit operational requirements. Further, the general considerations used while designing the IA legal structure are not applicable to all organisations in the institutional setting. Hence, capacity is granted to
autonomous PSOs to design additional legal requirements to suit organisations’ objectives.

**Coordination and Monitoring of IA Activities**

Coordination and monitoring of IA activities is easy because staff can attend to multiple activities in a fiscal year while simultaneously completing activities on the IA plan and the special audits assigned by senior management and the audit committee:

> We plan IA activities and ensure that we allocate sufficient time to work and development activities. Our internal auditors perform their activities here at the head quarter office and even to the branch offices. We encourage proper and alternate annual leave planning to ensure continuity of activities and attendance of trainings needed for continual professional development. (Participant 1 Au, CEO)

This level of analysis outlines the systematic procedure of IA in autonomous organisations. There is consistent performance of IA activities, and optimum resource provisions enhance consistent timely executions and effective planning and supervision of IA activities. It is evident that the IAF has the potential to review several operational processes in a fiscal year; hence, some PSOs are less risky than others (Deputy Auditor General; OCIA).

**IA Reporting Channels**

The head of the IAF submits performance and administrative reports to senior management, and functional reports are made to the audit committee. The reporting frequency to senior management is weekly, monthly, quarterly and annually. Upon receiving the reports, the management provides feedback on IA performance and any other input or observations that concern IA activities:

> We find it necessary to provide feedback to IA reports and all other interactions they make so that they can help us better. We understand their role and the importance of our feedback in the performance of their activities. (Participant 1 Au, CEO)

The audit committee receives functional reports quarterly and annually. Audit committee members meet quarterly or intervene when required by the head of the IAF and provide feedback on IA activities. The board of directors and CEOs in PSOs understand the role of IA, as affirmed by Participant 3 in the ministry, (head of IAF)
implying that management and audit committee support is easily obtained when sought because they are aware of the usefulness of the IA activities in the organisations. Both audit committee members and CEOs in autonomous organisations are nominated considering suitability of competence and individuals’ professional qualifications to organisation’s business:

We know it is in our mandate to technically facilitate the IAF to improve its activities. (Participant 2 Au, Audit Committee)

This suggests that the IAF can improve its performance given the support from competent personnel and at higher authorities. With the rich feedback received, constant supervision and monitoring the performance of IAF enhances the quality of work and IAE. This confirms the interview responses that autonomous organisations that have fully fledged IA departments are less risky (Deputy Auditor General; OCIA).

**Internal Audit Budget**

At the start of every fiscal year the IAF prepares its annual business plans under the coordination of the head of IAF. The business plan is then forwarded to the senior management to ensure that all the desired audit tasks are included on the plan and then approved by the audit committee. The approval of the IA business plan is made after considering the availability of all desired resources as they are influenced by the budget. Once the budget is approved, all the necessary resources are readily available when required for timely execution of internal audit plans. (Participant 3 Au, Head of IAF)

The budget of IA activities is prepared in the organisation together with other organisational functions. The only external actor involved in this process is the audit committee, which is also part of the IAF according to the legal structure (GOR 2011a). However, permission and authority for the IA budget process to be conducted in this manner is obtained through the legal framework of the autonomous organisation. The organisation does not seek external funding for its budget:

Our organisation generates income for the government and we retain 2% of the money we generate. The retained funds are channelled into the organisational budget. Then we have the right to makes decisions of what should be done and when we should do what we think is best for the organisation. (Participant 1 Au, CEO)
This implies that their mandates are executed with minimum external pressure and financial constraints. Control of financial structures makes it easy to make substitutes and/or spread costs depending on urgency and unpredicted circumstances. This makes it easy for affiliated functions to perform effectively, implying that an IAF in such circumstances is likely to receive sufficient support to achieve stakeholders’ expectations. Nevertheless, institutional agents must still verify compliance with government policies.

_Collaboration of Organisational Actors_

Collaboration between actors within autonomous organisations is evident and issues that arise are facilitated by the power to make decisions by the senior management. The IAF is be facilitated by the legal structure, which allows flexibility to adjust IA operations to organisational circumstances. Effective collaboration with other organisational actors and flexibility of the legal structure helps the IAF to implement proper risk management processes, support internal control systems and allows consistence of the IA activities to achieve IA stakeholder expectations. Support from senior management with powers to make decisions hastens operational practices which also helps the IAF to be proactive in generating advice on effective business processes. The head of IAF is a member of senior management team which enhances timely communication. Timely communication enables IAF to build a trusting relationship with the top-level management when communications made by IAF improves organisational performance. IA stakeholders build a significant relationship with IAF when IA services deliver a new level of added value to improve internal control systems, the risk management approach and governance processes.

For example, an autonomous organisation had a fast-growing information technology (IT) function. It faced a challenge that required making a provision that had not been budgeted for:

Execution of IT processes in this organization is purposed to ensure that processes are more workflow-driven and can significantly benefit from the specialized software support tools introduced. We need constant assurance that software development enables delivery of expected services. The operations managers had shown some gaps in their expectations from IT function and auditing IT areas. We informed the head of IAF that we did not want the AOG to come and tell us that our
software development is not effective. The head of IAF informed us that we do not have competent staff to perform the current IT audit desired. This item had not been planned but because of urgency and significance of our IT systems towards the goals of this organisation, we decided as management and outsourced the IT auditors. (Participant 3 Au, Head of IAF)

The head of the IAF, who was a member of senior management, provided a base for effective communication between the CEO and the IAF. The CEO had confidence in IA, so he invited them to audit before the external auditors arrived. The invitation for the IAF to conduct IT auditing shows that the IAF was perceived as a partner to achieve the organisation’s goals. Thus, a decision was quickly made to liaise with the director of finance and procurement to outsource the service:

We were asked to conduct an IT auditing of our newly developed software, but we did not have competent people to conduct such an audit. I informed the CEO and he authorised the directors of finance and administration (procurement) to start the process of out sourcing. However, the CEO asked me to attach a team of our IT auditors to the outsourced team so that they can learn from them. Afterwards our IT auditors proceeded for professional training and now we have our own well-trained IT auditors. (Participant 3 Au, Head of IAF)

The incident at the autonomous organisation is analysed and interpreted in two ways. First, normative pressure generated the desire to conduct the IT audit. Second, an institutional entrepreneurship strategy was employed in response to the normative pressure through collaboration and influencing operational functions and pulled management support. Collaboration was between the CEO and the head of the IAF, between the head of the IAF and the directors of finance and administration, between the head of the IAF and the IT auditors and between the IT auditors and the outsourced IT auditors. Expeditious outsourcing is interpreted as facilitation of management support enhanced by the power of management to make decision (organisational status). Alas, management support towards IAF is evident in facilitating internal auditors to learn from the outsourced IT auditors. The IAF moved strategically and advocated for improvement of IA skills and this is evidence for support for continuous learning to improve IT skills of staff within the IAF. This facilitation by the senior management does not only demonstrate that the nature of the institutional setting has minimum influence towards organisational factors in autonomous organisations. It
also implies that IAF in Autonomous organisations can develop to consistently perform better to achieve its stakeholders’ expectations hence, become effective.

5.5.2 IAF in Semi-Autonomous Organisations

Semi-autonomous organisations in the Rwandan public-sector setting are government organisations that have some degree of independence, but no rights of complete self-management. They prepare their own mission objectives and action plans. The organisation generates funds and contributes to the government budget and has the right to retain 2% of its revenue for its budget. However, they have no administrative rights to make major decisions. Certain items await approval from the ministry to decide their inclusion on the budget. For instance, revising the structure of the organisation, making new investments, performing major strategic activities and amending or adjusting the budget must be considered and approved by the affiliated government agency, the ministry or both (Participants 1, 2, 3 Semi-Au, CEO, Audit Committee and Head of IAF).

The semi-autonomous organisation in this study was a newly merged organisation that managed five government schemes that were once independent organisations. They were merged to ensure that the services and products provided were geared towards improving the quality of life for Rwandan people. The government made a beneficial decision for different organisations to become a single legal entity in the belief that expenses would be reduced through shared costs and duplicate services would be eliminated to offer better services through effective administration (Participants 1, 2, 3 Semi-Au, CEO, Audit Committee and Head of IAF).

IAF

The IAF at semi-autonomous organisation is fully fledged. This implies that the IA structure has the positions for the IA staff needed in the organisation. And, the organisation has the capacity to employ them all because it generates its income and retains enough provisions for its expenses. However, the organisation cannot recruit the needed internal auditors for the designed IA structure until the suggested structure is approved by the affiliated ministry. (Participants 1, 3 Semi-Au, CEO, and Head of IAF)
The above statement is evidence that this category of organisations (semi-autonomous organisations) have no discretionary powers. The management of such organisations has no authority to make decisions. For instance, the approval of the IA structure must be sought from the affiliated ministry. One would expect to find the same level of management, coordination and monitoring of IA activities as in autonomous organisations (as described in subsection 5.5.1) but this is not the case. Instead, semi-autonomous organisations operate under bureaucratic controls (Weber 1978). For example:

The head of IAF planned to conduct an assignment which required provision of a significant amount of funds. Management was informed, agreed and the item was included on the annual activity plan. When it was due to conduct an audit, there were no funds availed for the IA activities to proceed because the affiliated ministry had not approved. (Participant 2 Semi-Au, Audit committee)

It is evident that administrative protocols to comply with legal requirements that establish semi-autonomous organisations hinder the operations of dependent organisations. Operational decisions must go through the ministry and/or other government agencies (Participants 1, 2 Semi-Au, CEO and Audit Committee) and can take more than two years to approve. This implies that planned activities are not executed on time:

The board of directors and management revise the salary structures basing on the nature of business, competition in the labour market, cost effectiveness and the availability of resources but execution of such plan await approval even for such an organisation that can generate funds for its budget. (Participant 2 Semi-Au, Audit Committee)

Although organisations have the capacity to generate funds for their budget requirements, management is limited because it lacks the power to make decisions. Decisions to acquire staff are made by the Ministry of Labour. The CEO, audit committee, auditee (procurement manager) and the head of the IAF expressed concern over these challenges and how they affect the organisation’s performance. For example:

The organisation is currently not doing well and the main problem rests on staffing. They have less than half of staff required on the structure. Those who left have not
been replaced. They are doing very little work now. Yet this issue has been known for a long time which means that they are not working to the organisation’s expectations. The whole institution is suffering because of that not only IAF which we are talking about. It takes long as MIFOTRA wants to monitor the recruitment process. (Participant 2 Semi-Au, Audit Committee)

It was generally observed that certain decisions concerning some public organisations are made by those with a responsibility to discharge administrative rights over them. For example, salary for employees of semi and non-autonomous organisations are determined based on the job classification and in accordance with general principles regarding salaries in public service. This results in high staff turnover from PSOs to the private sector or autonomous organisations. The interview responses showed that it is difficult to retain skilled and competent employees. The general principles of salary calculation in public service do not have the potential to protect the organisation from competition with autonomous organisations and/or the private sector (Participants 1, 2, 3 Semi-Au, CEO, Audit Committee and Head of IAF). The IAF becomes vulnerable in such an environment.

If similar aspects in autonomous and semi-autonomous organisations are compared, there are differences in their attributes towards their contribution to operationalisations. For instance, even if semi-autonomous organisations collaborated or generated funds for their own budget like in autonomous organisations, the significance of collaboration within semi-autonomous organisations or generation of funds for their budget is be minimum because of administrative restrictions. The IAF must be painstakingly innovative to create problem solving strategies to achieve its stakeholders’ expectations in this constrained environment of semi-autonomous organisations.

IAE Expectations

According to the respondents, IAE expectations are applicable to all IA stakeholders. However, they stated that the environment at this semi-autonomous organisation was not conducive for IA activities because what affected the organisation also affected the IAF. The IAF exists anyway and was expected to help the organisation achieve its goals. IA stakeholders will always need IA services. However, they require an IAF that can understand the prevailing challenges that an organisation is facing and help to
achieve organisations’ goals. Other functions within the government need an IAF that can break through the complexities and provide solutions that will sustain organisations’ operations because the activities of other linked organisations do not stop despite the organisational challenges (Participant 1 Semi-Au, Audit Committee).

For instance, the OAG must perform the oversight role for the government, while the RPPA continues to assess how procurement activities are executed and the RBPM unit also actively evaluates the performance of the organisation. Pressures exist, but the organisation must continue operating despite the imaging dynamics of the organisation, delays in decision-making of administrative concerns and insufficient staff within the organisational setting. Yet still, the board members (audit committee), CEO and operational managers expect the IAF to remain consistent with the role of IAF. (Participants 1, 2, 3 Semi-Au, CEO, Audit Committee and the Head of IAF).

However, staff from at least the middle managers are aware of organisational setbacks (Participant 3 Semi-Au, Head of IAF).

All interview responses showed that there was awareness and concern of middle managers about organisational challenges and the requirement to perform to meet government expectations. Further, the interviewees showed, that organisational setbacks do not stop or change their expectations of the IAF; instead, the services of the IAF are highly required, and there are strategic initiatives to overcome the pressure (Participants 1, 2, 3 Semi-Au, CEO, Audit Committee and the Head of IAF).

The head of IAF at the semi-autonomous organisations explained that the senior management or board of directors in this organisation are limited by regulations that establish this organisation. The management has no capacity to decide on the IA structure and these have consequently led to:

- fewer internal auditors compared with the number IA team required to accomplish the scope of IA work
- insufficient resources to execute all the items on the IA action plan
- high staff turnover of IA professional staff (3/5 internal auditors with ACCA had resigned and no recruitments were readily to be conducted)
uncertainty for IA activities smooth progress since they are not sure when resources would be availed.

The semi-autonomous organisation case studied showed no financial difficulties because the organisation retains funds from its business activities for its budget. The government believed that it would be beneficial to merge five different organisations to improve overall service delivery to the public. However, this level of analysis shows that the government’s purpose for deciding to bring about effective performance by merging the five government schemes was not fully supported within the institutional setting. The interview responses showed that constraints of the semi-autonomous organisation studied, which deter the achievement of its plans, are not financial but rather stem from the legal structure. For example,

We are told that the responsible hierarchies understand the challenges that the organisation goes through but it’s now two years without any action because management and the board of directors are not final decision makers of what happens in the organisations. (Participant 3 Semi-Au, Head of IAF)

This level of analysis facilitated comparisons between the autonomous and semi-autonomous organisations which showed that the legal structure can affect IA activities and therefore influence IAE. The analysis of findings from the autonomous organisations showed liberty to adjust and modify their IAF to suit their operations which helps to achieve their goals. Whereas the operational system of the semi-autonomous organisation is limited because the legal structure does not allow the management and /or the board of directors to make major decisions or exercise self-management rights. The organisation was suffocating with the legal structure, which caused isomorphic pressure and responses that rendered the IAF ineffective:

Given the few staff available we cannot go on with the ordinary IA activities. We have put on hold the items on the IA business plan and focus on what the organisations is doing right now. We conduct follow up of audit recommendations for the previous audits. We use the team members to review operations before the institutional agents come because for them they keep coming to monitor and evaluate the internal control system of the organisation. (Participant 3 Semi-Au, Head of IAF)
The above statement was analysed from the institutional entrepreneurship perspective and it was found that, despite limitations, the IAF in semi-autonomous organisations has not completely stopped helping its stakeholders to achieve their objectives. The statement reveals how the institutional entrepreneurship perspective stretches the IAF to interrupt the isomorphic pressures. The complexity which is evident in the statement above is that institutional agents would be auditing areas that IAF had not reviewed by IAF due to lack of sufficient staff. There likely hood of the organisation to obtain an unclean report. The IAF opts to conduct audits demanded by its stakeholders when institutional agents are about to come for investigations.

5.5.3 IAE in Non-Autonomous Organisations

The legal framework that provides guidance for IA activities is the same in all PSOs. The Internal Audit Manual and process and procedures provided by the Ministry of Finance are applicable to all government sector organisations (Participants 1, 2, 3 Semi-Au, CEO, Audit Committee and the Head of IAF; OCIA). This study analyses the uniformity of legal application to all non-autonomous organisations as an avenue for mimetic and normative isomorphic pressures. Unlike autonomous organisations, in which the legal framework and IA process and procedures are revised to suit the organisational structure, major and minor changes are made at the approval of the board of directors. Non-autonomous organisations have no such luxury, yet their business operations and capacities differ. Any changes or proposals in non-autonomous organisations must seek review, consideration and approval from the line ministry, or the request goes through the Cabinet meeting and/or waits for a replacing order from the Prime Minister. However, the IAF has the OCIA, who oversees IA activities for all PSOs (OCIA). The law does not permit decisive authority from the management of the organisation, the board of directors or the OCIA:

The management makes administrative plans but lacks the power to make decisions that would enable acting on those plans. The senior management or Board members (or council for the sake of districts) do not have ultimate authority to make decision on the strategies and /or direct access to resources that would facilitate accomplishment of those strategies. (OCIA)

This environment exposes organisations to the demands of strict compliance with the legal system in an atmosphere of institutional embeddedness. Non-autonomous
organisations are ministries, provinces or districts. These organisations are responsible for coordinating good governance and high-quality territorial administration programs that promote economic, social and political development throughout Rwanda. The next section analyses IA experiences from the ministries, provinces and districts.

5.5.4 IAE at the Ministry Level

A ministry as a government organisation has the responsibility of managing specific public organisations in its sector of public administration. The PSOs are affiliate agencies under ministries and the ministries enact and monitor implementation of government decisions under the affiliate agencies. Ministers are responsible for the effectiveness and efficiency of agencies within their portfolio. Working with the appointed heads of these agencies, they implement government policies and ensure that agencies meet their goals and purposes within their allocated budgets. An IA unit in the structure reviews and evaluates internal controls, risk management and government processes at the ministry level. However, regardless of the size of the budget for most ministries, they have one internal auditor for all activities in the ministry (Participants 1, 2, 3 Ministry, CEO, Audit Committee and Head of IAF). Figure 5.4 illustrates the IA unit at the ministry level and its reporting channels.

![IA structure at the ministry level](image)

**Figure 5.4: IA structure at the ministry level.**

The solid lines on the figure indicate multiple reporting of an IA engagement to the permanent secretary (PS) and the audit committee. The dotted line indicates that an engagement is reported once to the OCIA. The IAF submits to the PS both the draft and final reports. Copies of only the final IA report are then submitted to the PS, audit committee and the OCIA (Participant 3 Ministry, Head of IAF). The ministry receives funds for its budget from the government budget (MINECOFIN). Supervision and
monitoring of IA activities, evaluation and continual professional development is conducted by the office of the OCIA.

The analysis of this structure stumbles on quality of IA activities if it cannot support the IAF to accomplish it objectives. Evidence shows that there is one staff member within the IA unit. This make one question how one person can have the skills and ability to review all the activities of an organisation given the different operations. This study interprets the approach as an ultimate challenge towards the IAF especially where the organisations must respond to coercive and normative isomorphic pressures. The coercive pressures are generated through institutional settings where there is no possibility of having more than one staff member on an IA unit. Nevertheless, the input generated by several reviewers of IA work should not be under looked, their input would influence IAE especially when the IA structure is reliable. Otherwise, interview responses show that the IAF is challenged when it faces insufficient resource provisions yet expected to conduct different types of IA activities at the organisation.

However, amidst normative pressure for standardisation because different operations required to possess different skills and follow different standards, the study finds some evidence which shows that an individual’s character can be reliable when he or she receives feedback and input to IA activities from different people in the structure. This feedback helps to execute responsibility of IAF and overcome the isomorphic pressures. For example:

I joined IAF when the organisation consistently received bad institutional agents’ reports every year. The operational managers were summoned over and again to the parliament to explain especially the findings in the Auditor General’s report. Sometimes the operational managers would be summoned by the organs in the prosecutor general. I worked hard to ensure that we minimised malpractices and the summoning stopped. There is more to be done for the institution but at least all such petitions stopped. The organisation had never had a clean report from the institutional agents especially the Auditor General’s audit report and the public financial management evaluation team. Now, the organisation has received clean reports from the Office of the Auditor General for three consecutive years, 2012–2013; 2013–2014 and 2014–2015. (Participant 3 Ministry, Head of IAF)
This statement shows how an individual in the IAF improved the reputation of the organisation and stopped its staff from being summoned by the prosecutor general over misappropriations generated by institutional agents’ reports (OAG, RPPA or RBPM). The internal auditor stated that when he faced this challenge, he understood his relevance in this organisation and worked hard. This is evidence of the self-reliance attribute that was generated by the Rwandan reforms, which motivated urgency, ownership, responsibility and service (Chemouni 2016; Mpunzwanall 2016). The motivational attitude from Rwandan reforms helped to generate solutions for the problems that had perverted this organisation (Fullan 2011; Golooaba-Mutebi 2014). However, this study interprets the approach as an institutional entrepreneurship mechanism through networking, adoptability, membership and standardisation. The internal auditor engaged the auditees and advised them to conduct multiple checks before submitting a dossier. Thus, the strategy of collaborating with IA stakeholders (auditees and engaging with senior management for support) eventually succeeded. This is evidence that the isomorphic pressures created a favourable base for organisational teamwork and collaboration because the auditees realised that the IAF was of help and continually demanded IA to review the operations prior to institutional agents (Participants 1, 2, 3 Ministry, CEO, Audit Committee and the head of IAF).

This analysis confirms the response by Participant 2 Ministry (audit committee), who argued that IAF is well established and its effectiveness should depend on the individuals’ ability who performs the audit. Further analysis of this response demonstrates the need for institutional entrepreneurship attributes. The fact that Participant 2 insisted that the IA system is well built and strong enough to support IA activities in PSOs, this study translates that inherent challenges can be managed using innovation, creative and problem-solving skills initiated by individuals within the system. Institutional entrepreneurship attributes therefore, strengthen the IA approach to create a framework that facilitated the IAF to help the organisation achieve its objectives despite the challenges faced by both the IAF and the organisation. The IA approach however, requires the framework to combine efforts with IA stakeholders (e.g., senior management, auditees, audit committee and coordination with OCIA).
5.5.5 IAE at the Province Level

A province serves as a coordinating organ to ensure the efficiency and effectiveness of central government planning, execution and supervision of decentralised services. It mainly serves as an advisor to decentralised entities and coordinates development activities. The governor of the province is the custodian of the authority of the state and the government’s delegate in the province. The governor of the province ensures effective execution of, and adherence to, existing laws and regulations; effective implementation of government programs; and all measures and initiatives to promote the general development of the province. The provincial coordination committee comprises the governor of the province as the chairperson, the provincial PS, the chairpersons of councils of districts that make up the province, the coordinators of departments in the province and the heads of decentralised services of the province. The main functions of the provincial coordination committee are to examine and coordinate all matters concerning the administration and development of the province. The provincial PS ensures the coordination of the administrative and technical services of the province (MINALOC 2011).

The IAF at the province level coordinates all IA activities in all districts within the province and conducts audits of the province as an organisation. The provincial PS is the auditee when IA activities are conducted at the province level. Figure 5.5 displays the structure of the IAF at the province level. It has one internal auditor in the IA unit.

![Figure 5.5: IA structure at the province level.](image)
The solid lines indicate multiple reporting of an IA engagement to the governor and executive secretary of the province, and the dotted lines indicate that an engagement is reported once. The IAF submits the draft and final reports to the governor and executive secretary of the province. Copies of only the final IA report are then submitted to the OCIA and the OAG. However, the IA structure exposes the function to the challenges of capacity:

We can’t complete what we plan to do in a year but when we are called to support IA activities in other areas it becomes even worse. We cannot even complete like 50% of what we planned. (Participant 3 Province, Head of IAF)

This statement shows that this framework is perceived with complexities, and it is difficult to facilitate consistency in the flow of IA activities at the province and district levels. Activities at the province level, which are reviewed by one person who must coordinate the IA activities of the districts, are exposed to isomorphic pressures in the IA environment. The process of coordinating IA activities in the region involves combining internal auditors to carry out audits that district internal auditors have not conducted. Although the exercise creates teamwork on an assignment, it stops ordinary district activities. The draft reports of such audit activities are issued to the governor on behalf of the province leadership (also known as the security committee), and the responsible district mayor is invited as the auditee. The final report is issued to the governor of the province, and copies are issued to the Offices of the OCIA and OAG (Participant 3 Province, Head of IAF). Analysis of IA experiences at the province and district levels shows obscurity at the structural level. For example, not only are the IA activities stopped in individual districts (Participant 3 Province, Head of IAF), but both draft and final reports are made to the same authority (governor of the province). The above statement shows that the performance rate is already low. This means that stopping IA activities significantly affects the performance of the IAF in the district. However, reporting to the same authority insinuates a potential conflict of interest.

This study finds that this approach is an avenue for normative, mimetic and coercive isomorphic pressures towards these PSOs. Interview respondents stated that despite the one-person structure and demands to participate in IA activities of other areas, institutional agents, who evaluate performance and internal control systems and
execute government programs, are not stopped. Consequently, IA expectations are not met and IAF is considered ineffective:

We have a challenge of responding to several requirements from multiple government organs that come to evaluate us. We are few on the team, we must give support any time we are needed at the province, yet sometimes we have not completed even our own work. (Participant 3 District, Head of IAF)

This statement demonstrates the frustration of IA staff in the district. The complexities and pressure within the IA environment in the district is overwhelming because of workload. According to the District IA staff what she/he needs is not coordination to report what she/he has done but help to execute the expected mandate of the IAF for the organisation. Thus, it is necessary to examine the IA structure and its contribution to IAE in PSOs. Although some audit committee members did not have any problems with the IAF and its structure with limited resource evidence from IA, it was criticised by the staff who performed the IA role. The legal framework that establishes internal audit activities is positioned so that the provincial regional audit function is static unless the law is revised by a ministerial order (Participant 3 Province, Head of IAF).

More complexities were evident at the province level of reporting. IA reports prepared by the regional internal auditor were not reviewed at the operational level. Further, there was no audit committee or functional supervisor of IA activities at the province level. The draft report or ordinary audits conducted at the province level were issued to the governor of the province, with the regional executive officer as the auditee. The final audit report was issued to the governor of the province, the OCIA and the OAG (Participant 3 Province, Head of IAF):

Senior management have the responsibility to enhance accountability and make effective use of the minimum resources that the government provides to execute its programs … I am lucky that he understands the role of IA; he is helpful because when I ask him to help me in the process of executing IA activities he does it immediately. (Participant 3 Province, Head of IAF)

This study interprets the senior management acknowledgement and support of the IAF as efforts of institutional entrepreneurship through influence and networking to overcome isomorphic pressures. In the process of assisting the IAF to conduct its
duties, the senior management ensured that communal services were rendered as planned while simultaneously responding to isomorphic pressures. The support by senior management rendered to the IAF when needed, helped the IAF to remain relevant to achieve stakeholders’ expectations hence IAE.

5.5.6 IAE at the District Level

Reforms and decentralisation aimed to provide an integrated policy framework to clarify roles and responsibilities and ensure the efficient use of existing resources with clear goals, enhanced efficiency and equity in Rwandese service delivery. The IAF was introduced as means of enhancing accountability between citizens, policy-makers and service providers. The IAF at the district level facilitates monitoring and makes service providers more accountable (MINALOC 2011). Districts therefore exist as administrative organisations only in local government, with limited powers and responsibilities. However, they are responsible for implementing government program and development plans.

The IAF at the district level is required to evaluate operations and help organisations achieve their objectives. Figure 5.6 illustrates the structure of the IAF at the district level, with 1–3 internal auditor(s) employed in the entire IA functional unit.

Figure 5.6: IA structure at the district level.

The solid lines in Figure 5.6 indicate more than one reporting of an engagement to the district mayor and district council, and the dotted lines indicate that an engagement is
reported once (these received final copies of the IA reports). The IAF at the district level reports functionally to the district council, which serves as the board of directors for the district. The district council has a subcommittee that acts as the audit committee and receives the final report of IA engagements. However, the IAF has access to the audit committee and can report to the committee all relevant matters. The district executive secretary is the auditee and receives both the draft and final reports. The final reports are then copied to the district council, provincial governor, office of the OCIA and the OAG (Participants 1, 2, 3 District, CEO, Audit Committee and the head of IAF).

Review, monitoring and supervision are conducted by members of the district council, who serve as audit committees. These members are appointed for political motives rather than IA professional considerations. Performing as audit committee for the District council is a task assigned to the members later. Some of them have no background in IA. The other review of IA work at the district level is conducted by the OCIA upon completion of the IA work and the submission of the IA report. The OCIA contribution to IA report reviewed helps the next IA activity not the actual report where the need for collections would be found (Participants 1, 2, 3 District, CEO, Audit Committee and the head of IAF). According to the IA ministerial order, internal auditors in Rwanda have unlimited access to the audit committee, and their intervention is significantly evident in the approval of IA business plans and after the reports have been produced. However, the audit committee’s intervention is always sought when required:

We have a challenge of the IA structure. For example, working alone on the IA structure in this organisation is quiet challenging, if am not careful and objectively focused I can easily be manipulated. I once conducted an IA assignment and the district mayor was not comfortable with the audit findings. He asked me to remove certain items from the report. I refused, then he threatened that I would lose my job and contacted the audit committee. When the audit committee intervened, the situation calmed down, I did not lose my job and the items in the report were maintained. (Participant 3 District, Head of IAF)

This statement reveals the sentiments generated by increased isomorphic pressures in an embedded setting. The conflict between the district mayor and the internal auditor
is driven by isomorphic pressure. The district mayor wanted a false IA report to create a pleasant sense of identity to higher authorities as a response to coercive pressures, whereas the internal auditor was responding to normative pressures. The statement also suggests that the IAF has a sense of self-worth and aims to improve operations, which confirm staff motivation and a mindset of urgency, ownership and responsibility in service (Chemouni 2016; Mpunzwanall 2016). However, the statement reveals that there is a possibility of IA staff being manipulated.

The challenges of the IA structure at the district level have been stated by institutional agents (e.g., OAG) who advocated for the IAF to have more than one internal auditor. This led to a few districts obtaining two or three internal auditors; however, some still have only one internal auditor, and even those with two or three are all at the same level. One was elected as the team leader, but there were no benefits attached to the role. This person was underemployed and did not carry out the leadership task. This implies that, despite the institutional agents’ advocacy, there is still no review or supervision of internal audit activities conducted at the district level. Lastly, three internal auditors are not sufficient for IA activity demands (Participants 2, 3 District, CEO, Audit Committee and the head of IAF).

This suggests that there are normative pressures given the expectation of the IAF in organisations that engage in diverse activities at their operational centres. Critics argue that it is difficult to find employees with multiple qualifications to conduct or coordinate all activities. Thus, there is a higher possibility of dissatisfied employees, which leads to higher turnover of skilled staff (e.g., interview respondents at the semi-autonomous organisation stated that they lost ACCA-qualified staff because of dissatisfaction; Semi-Au Participant 3, Head of IAF) and poor performance. As a result, stakeholders’ expectations are not achieved, and the IAF is therefore ineffective.

5.6 Comparison of IA Features in PSOs in Rwanda

The analysis of IA experiences in Rwandan PSOs involved reorganising the aspects into subthemes to show similarities and differences. This helped to determine significant similarities and differences in IA approaches that mainly emanated from the organisational setting. These determined the extent to which stakeholders’ expectations are achieved. For instance, interview respondents showed that:
IA is significant in all public-sector organisations of Rwanda. IAF has government support and most institutions understand the role of IAF and the established legal framework. Establishment of the office of the OCIA’s office is evidence for government support to strengthen IA activities in the country. The office of the OCIA provides technical support to IAF in PSOs. The OCIA has final decision on any decision that is brought to motion concerning IAF especially for non-autonomous organisations. (OCIA)

This statement suggests a shared interpretation and understanding that was previously discussed regarding the purpose of reform in the Rwandan government. It implies that there is commitment from the top, and the tone must flow to the lower levels. This is evidence of the development of bold policies (ECORYS 2012) by the government to create a systematic problem-driven approach in public sector reform.

All interview responses showed that there is teamwork between the IAF and auditees, as well as management support, desire for higher-quality IA work, strong IA policies and enhanced compliance with IIA standards. Table 5.3 discusses the differences in the IA features in PSOs in Rwanda:

All IAFs in PSOs employ risk-based approach and this is emphasised in the Ministerial Order N° 002/09/10. It is a legal requirement for IAF in PSOs to involve in risk management, internal control systems and corporate governance processes. (OCIA)

This statement is drawn from the legal framework, which shows a corporate understanding of the IAF and how it should enhance public accountability, effectiveness and efficient management of public operations and good governance. The IA legal document sets out the basic standards and format with which IA in PSOs must comply. Included in the legal framework is the process for conducting IA engagements, the role of government bodies in IA executions and guidelines for the structure of the function (GOR 2011a, 2009). These elements facilitate the IAF to achieve stakeholders’ expectations hence IAE.

However, the emphasis in the legal document does not always show in practice. The views expressed by the interviewees revealed that IA performance is associated with the structural setting. Table 5.3 shows the real-life IA experiences in PSOs in Rwanda.
Table 5.3: Summarises the legal and operational aspect of IA in Rwandan PSOs

<table>
<thead>
<tr>
<th>No</th>
<th>IAF</th>
<th>Autonomous organisation</th>
<th>Semi-autonomous</th>
<th>Ministry</th>
<th>Province</th>
<th>District</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>IA structure.</td>
<td>The structure of the IAF depends on the ministerial order on</td>
<td>Fully flagged</td>
<td>One internal auditor for the entire institution</td>
<td>One regional auditor for the entire province</td>
<td>4 internal audits structured, but varying deployments as recruitments await approval of external organs Some still have 1 and others have 2 internal auditors</td>
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<tr>
<td></td>
<td></td>
<td>financial regulations 2016 (art. 115, 116, 125…), Internal Audit Manual and process and procedures provided by the Ministry of Finance</td>
<td>department that functions normally</td>
<td>Note: 2 years of resource straggles (e.g., understaffing)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Compliance with IA Institutional Requirements. Legal structure pursuant to the organic law on state finances and property 2013, art.70; the ministerial order on financial regulations 2016 (art. 115, 116, 125…), Internal Audit Manual and process and procedures provided by the Ministry of Finance</td>
<td>Independent and can freely revise the regulations and Internal Audit Manual and process and procedures provided by the Ministry of Finance where necessary</td>
<td>Partially independent, but must obtain approval to implement significant decisions</td>
<td>Complies with the ministerial order and Internal Audit Manual and process and procedures provided by the Ministry of Finance</td>
<td>Complies with the ministerial order and Internal Audit Manual and process and procedures provided by the Ministry of Finance</td>
<td>Complies with the ministerial order and Internal Audit Manual and process and procedures provided by the Ministry of Finance</td>
</tr>
<tr>
<td>3</td>
<td>Reporting channels</td>
<td>Functionally to the audit committee, administratively to senior management</td>
<td>Functionally to the audit committee, administratively to senior management</td>
<td>IAF reports functionally to the audit committee, administratively to the PS</td>
<td>IAF reports functionally to the governor and administratively to the executive office</td>
<td>IAF reports functionally to the district council (some members are nominated to serve as audit committee)</td>
</tr>
<tr>
<td>№</td>
<td>IAF</td>
<td>Autonomous organisation</td>
<td>Semi-autonomous</td>
<td>Ministry</td>
<td>Province</td>
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</tr>
<tr>
<td>4.</td>
<td>Management of IA activities. Access to resources (e.g., budget for IA activities, capacity building and staffing)</td>
<td>Independent Budget plans are determined by senior management and go through the approval process with the board of directors Budget sources are fully generated by the organisation</td>
<td>Dependent on approval at the semi-autonomous organisation, the budget plans are prepared by senior management, go through the approval process with the audit committee and forwarded to the line ministry for consideration and more approval, although budget sources may be fully generated by the organisation</td>
<td>Those related to the IAF are dependent on provisions from the office of the OCIA</td>
<td>No audit committee</td>
<td>Those related to the IAF are dependent on provisions from the office of the OCIA</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Funds for the planned items are provided as they are due</td>
<td>Dependent on approval; for semi-autonomous, staffing depends on the function’s design (e.g., head of IAF, managers, internal auditors), but has legal and budget limitations because recruitment must wait for approval from external organs (line ministries and/or government agencies)</td>
<td>Dependent on approval by government; there is only one internal auditor for each ministry, but one IA can hardly cover the scope of IA activities in a single fiscal year; given different operations in the ministry that require varying skills, one can hardly possess sufficient skills to audit all ministry operations</td>
<td>Those related to the IAF are dependent on provisions from the office of the OCIA</td>
<td>At the province level, budget plans are determined by management and await approval from the Ministry of Finance</td>
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<td></td>
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<td></td>
<td></td>
<td>District provides part of funds for its budget, but no district generates enough; they are topped up from the government through the Ministry of Finance</td>
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<td>District provides part of funds for its budget, but no district generates enough; they are topped up from the government through the Ministry of Finance</td>
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<td>Those related to the IAF are dependent on provisions from the office of the OCIA</td>
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<td></td>
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<td></td>
<td></td>
<td>At the district level, budget plans are determined by management and the council and await approval from the Ministry of Finance</td>
</tr>
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<td></td>
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<td></td>
<td></td>
<td></td>
<td>District provides part of funds for its budget, but no district generates enough; they are topped up from the government through the Ministry of Finance</td>
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<td></td>
<td>Dependent on approval by government; districts have 3 internal auditors in the structure per the legal framework—all at the same level; however, practically, some districts have staffing challenges (some still have 1 internal auditor, others have 2 and those with 3 have a challenge with review of</td>
</tr>
<tr>
<td>No</td>
<td>IAF</td>
<td>Autonomous organisation</td>
<td>Semi-autonomous</td>
<td>Ministry</td>
<td>Province</td>
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</tr>
<tr>
<td></td>
<td>Head of IAF after evaluating staff performance and capacity requirements and considering the available budget</td>
<td>Head of IAF after evaluating staff performance and capacity requirements, but must seek approval from external organs</td>
<td>Centrally determined by the OCIA depending on the available budget at the Ministry of Finance</td>
<td>Centrally determined by the OCIA depending on the available budget at the Ministry of Finance</td>
<td>Centrally determined by the OCIA depending on the available budget at the Ministry of Finance</td>
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</table>

5. **IA Support**

- Head of IAF, managers and internal auditors for day-to-day activities of IAF
- Functionally supervised by the audit committee, administratively by senior management

- Head of IAF, managers and internal auditors, but has legal and budget limitations because some executions (e.g., structure design, recruitment, conducting certain audits) must await approval from external organs (line ministries and/or government agencies)
- No review of IA work at the operational level; the only review conducted is on the report when the audit committee or management may have a query
- No review of IA work at the operational level; the only review conducted is on the report when the audit provincial governor or provincial executive secretary may have a query
- No review or supervision of internal audit activities at the operational level; the structure provides 3 internal auditors for each district and all at the same level; review, monitoring and supervision are conducted by members of the district council who are tasked to serve as an audit committee
IA Structure

The IA structure is one of the elements that shows significance differences. It is uniform for autonomous and semi-autonomous organisations, but different for IA structures in non-autonomous organisations (ministries [see Figure 5.4], provinces [see Figure 5.5] and districts [see Figure 5.6]). Details of the IA structure in non-autonomous organisations were presented in section 5.5.3. However, having a fully-fledged IA structure like it is at the autonomous and semi-autonomous organisations does not automate a criterion for influencing IAE. The interview responses showed broad differences between real life and what the framework portrays. The leafy framework that governs the organisation determines flexibility to facilitate the IAF to achieve stakeholders’ expectations hence IAE. However, the IA structure in autonomous and semi-autonomous organisations which appears similar in framework representation differs in real life practices. The demographic data on IA structure for autonomous and semi-autonomous organisations look similar, especially in terms of revenues principles and IA operational structures. However, they are different in terms of IA staffing setup and this influences practices. While IA operational structures in autonomous organisations are backed by the organisational autonomy of management to make decisions, at semi-autonomous organisations IA practices within IA operational structures are different because management decisions go through bureaucratic channels of organisational control. This process creates setbacks for the progress of IA activities. The interview responses show that the IAF in semi-autonomous organisations succeeds by initiating solutions (Fullan 2011; Golooba-Mutebi 2014) to overcome the difficulties faced by the organisation from institutional pressures. Thus, interpersonal interaction can lead to IAE (Lenz, Sarens & Hoos 2017).

Compliance with IA Institutional Requirements

Institutional requirements are described in the legal framework, which is generally designed pursuant to the organic law on state finances and property, the ministerial order on financial regulations and the Internal Audit Manual and process and procedures provided by the Ministry of Finance. However, some organisations (e.g., autonomous) were eligible to customise the requirements to suit their operations. Others had to seek approval to implement significant decisions. Approval was not
automatically granted but went through bureaucratic channels that sometimes impeded the operations of affiliate departments as the organisation struggled to comply with legal requirements.

*Management of IA Activities*

The legal system of Rwanda includes IIA pronouncements. The IA legal system states that IA practices in PSOs should conform and be consistent with the standards issued by the IIA (Ministerial Order № 002/09/10). However, the application of these requirements is different depending on the type of organisation in the public sector of Rwanda, especially examining the IA structure of some organisations. Those with a unique IA structure find it difficult to comply with the legal/IIA requirement for the effective management of IA activities. For example, it is easy to deploy different teams to facilitate IA to focus on the entire scope of different operations of the organisations’ core functions, support functions and IT (Au Participant 1, CEO; Semi-Au Participant 2, Audit Committee). One respondent explained that:

Organizing IA activities in groups facilitates the IAF right from planning and deployment, capacity development, activity planning and generally coordination and supervision of IA activities. It is easy to plan for what we must do, deploy the resources available and supervise the activities. (Participant 2 Au, Audit Committee)

This statement is applicable to the IAF with fully fledged IA departments. However, this cannot be implemented by IA structures whose resources are still disputable and/or all at the same level.

*Reporting channels*

Reporting of IA activities in autonomous and semi-autonomous organisations has no concerns but reporting of IA activities faces the same challenges as management of IA activities in non-autonomous organisations. The law requires audit findings to be formally communicated and signed by the head of the IAF and the auditor who performed the audit (Ministerial Order № 002/09/10):

a. Some IAFs have only one auditor; thus, they do not comply with two provisions noted above.
b. Others have more than one internal auditor, but all at the same level.

A respondent stated that when a team of internal auditors does not have a lead auditor, they work individually, no one reviews their work, and they are scattered at different work stations (Participant 3 Province). This requirement is applicable to autonomous and semi-autonomous organisations in Rwandan PSOs. They are the only types of organisations that comply with this requirement, but it is assumed that the IA legal document for PSOs is uniform.

*Internal Audit Support*

In the interest of efficiency, economy and effectiveness of IA activities, the law established for IA in PSOs provides the requirement of an audit committee as part of the recipients of IA reports. The IAF in Rwandan PSOs get support from senior management of the organisations they serve but there are also audit committees in the structure of autonomous and semi-autonomous organisations, ministries and a subcommittee tasked with IA issues at the district council. The audit committee receives IA reports functionally and has the authority and responsibility to monitor IA activities (Ministerial Order N° 002/09/10). However, interviews with respondents at the province level revealed that in addition to having an IAF with one internal auditor, there is no audit committee in the structure:

> There is only one internal auditor on the IA structure for the province and we do not have an audit committee. We interact with the governor directly and the IAF in Governor’s office. All the interactions made with employees of the province they respond to governor’s office. (Participant 3 Province, Head of IAF)

This statement not only shows a lack of compliance with institutional requirements, but it also creates ambiguity when seeking to understand the quality of IA work performed in such a structure. This implies that IA reporting channels in Rwandan PSOs differ yet in the same setting. However, it is beyond the scope of this study to examine how this difference affects the quality of IA work. Future researchers should examine the quality of work among varying structures given that the literature suggests that dual reporting channels can significantly improve IA performance (Abbott, Parker & Peters 2010). However, this level of analysis shows that some non-autonomous organisations are suffocating because of institutional requirements.


5.7 Summary of Key Findings

This chapter presented the data generated from the interviews and document review, the data analysis and the major findings of the study. The way in which these findings answer the two research questions was shown in the analysis. For instance, the data suggest that the IAF is not a standalone function but affiliated with an organisation. Thus, the findings of this study focus on how the IAF achieves stakeholders’ expectations hence IAE, and it examines the contribution of efforts made by both the IAF and other performers to the organisational setting. The findings show that the benefiting actors must understand what IA is expected to do for them. This led to interpretation and analysis from the data collected, which showed that the IAF cannot achieve either IA stakeholders’ expectations or IAE by itself or to the exclusion of other organisational actors in the institutional setting. Figure 5.7 presents the data analysis and interpretation of the public sector institutional set-up and how it attracts organisational responses, showing how the IAF becomes significantly involved and influenced.

![Diagram](image)

**Figure 5.7: Data analysis and interpretation.**

The argument embraced in this figure is that what affects the organisation affects the affiliated departments, which includes the IAF. Insights generated from institutional agents and requirements described the effects on organisational operations. However, among the technical and structural constraints encountered, the IAF is perceived as helping PSOs to achieve their expectation, although not necessarily in the manner that was initially anticipated. The change of approach, which this study has conceptualised as institutional entrepreneur, has created a favourable arena for the IAF to achieve stakeholders’ expectations hence IAE. The aspects focused on for this approach helped to cluster themes that reflected a coherent and meaningful pattern to answer the research questions. The major findings are summarised below:
• The public sector institutional setting is significant in achieving IAE
• Teamwork between IAF and IA stakeholders is significant to achieving IAE in public sector institutional setting.
• The condition and position of the IAF can facilitate implementation of institutional entrepreneurship perspective in PSOs.
• Institutional entrepreneurship perspective can break the institutional obstacles, facilitates IAF to achieve stakeholders’ expectations and contributes towards the IAE in constrained organisational structures in the public sector institutional setting.

The next chapter discusses the study’s findings.
Chapter 6: Discussion of Study Results

This study has examined how the IAF in PSOs achieves stakeholders’ expectations hence IAE. The investigation considered factors beyond the boundary of the IAF and individual organisations and explored how IA performance can be affected by the institutional setting. Chapter 5 presented the case study evidence using thematic analysis, which helped to generate subthemes from the re-arranged data relating to aspects that answered the research questions. The subthemes helped to explain aspects of generated insights by building on previous research of IA and IAE (Al-Twaijry, Brierley & Gwilliam 2003; Arena & Azzone 2009; Badara & Saidin 2013; Barac, Coetzee & Van Staden 2016; Endaya & Hanefah 2013; Mihret & Zemenu Woldeyohannis 2008; Mihret, James & Mula 2010; Yee et al. 2008). Hence, the major findings of this study show that there are variations in how IAE is achieved in PSOs in Rwanda as perceived by IA stakeholders. This study argues that factors behind the variations are grounded in the institutional setting. However, IAE remains significant in PSOs. This claim is generated from the findings of this study, which show how PSOs require IA provision for the continuous review of the effectiveness of risk management, control and governance processes.

These findings were obtained to answer the following research questions:

1. How effective are IAFs in achieving stakeholders’ expectations in PSOs?
2. What factors influence IAE in PSOs?

The researcher used the case study method to examine the relationship between actors within the institutional setting and the basis for their interactions. The findings show how the institutional setting of the public sector with established institutional agents and requirements influence social relations within and around PSOs. Institutional agents enforce institutional requirements to execute established policies within PSOs as they evaluate operations. Institutional requirements serve as isomorphic pressure drivers as organisations endeavour to comply. The significance of IAE is revealed in the way in which IA activities liberate PSOs in response to isomorphic pressures.

Despite the impression caused by organisational responses, this chapter elaborates how these circumstances create an arena for the IAF to achieve stakeholders’ expectations
hence IAE. It also discusses the methodology used to explain the approach that helped to generate significant insights. The discussion of the methodology used for the study explains how the IAF achieves stakeholders’ expectations hence IAE by helping PSOs respond to institutional isomorphic pressures. The methodology discussion also explains a system of ideas and objectives that led to creation of a consistent set of research rules. The methodology section in this chapter considers the ideas and concerns that informed the research. The last section presents the chapter summary.

6.1 Overview of Major Findings

Driven by how the IAF achieves stakeholders’ expectations to understand how IAE in PSOs is influenced, this study examined internal audit experiences in Rwanda. Evidence generated from the data collected suggests that the institutional setting of the public sector contains factors that affect IA activities through the organisations served. These factors are composed of institutional agents that drive institutional requirements, which are designed by the government for effective implementation of government programs. Institutional agents are meant to drive these requirements within the setting; however, conflicts sometimes emanate from these demands because of divergence between institutional requirements and organisational circumstances. Organisational response mechanisms during these encounters create isomorphic pressures, and affiliate departments collaborate with the IAF. The IAF as an affiliate department is also affected by these circumstances. As IAF can fail to execute its role due to institutional circumstances but survives through its collaboration with other organisational actors who are at the same time the IA stakeholders. While helping them to achieve their objectives, the IAF also achieves stakeholders’ expectations hence remains relevant and becomes effective.

The major findings of this study include, that IA in the public sector operates in a complex and interconnected institutional environment that tends to limit IAE in individual PSOs. This was evident within IA activities, which is why studies on IA and IAE should not underestimate the effect of this complexity and the interconnected institutional field of operation.

Second major finding which builds from the first one is, that given the institutional field of operation, IAE should be determined by the achievement of IA stakeholders’
expectations with consideration of the circumstances prevailing in the institutional setting. This is when the circumstances that influence the real-life experience of internal auditors are featured. Otherwise, if real-life experiences of internal auditors are not considered, insights that inform the study would not be captured and the information generated could be peripheral and not provide significant insights.

The other major finding of this study is that the condition and position of the IAF create opportunities for institutional entrepreneurship in PSOs in the process of generating suitable responses to solve organisational challenges. The process creates opportunities IAF to conduct audits on demand. IA stakeholders are forced to seek IA intervention as they plea for side factors to ensure compliance with institutional requirements. The outcome of this exercise is that as IAF generates conducts the audits demanded, IAF achieves its stakeholders’ expectations. When the recommendations suggested by IAF are accepted and implemented and organisations obtain positive feedback from institutional agents and/or achieve their goals IAF is perceived as effective. Overall, institutional requirements have become helpful to the public sector institutional setting, PSOs and facilitate the IAF to be perceived as significant and acceptable. While the institutional agents are assessing compliance to institutional requirements in the operational setting, the process compel organisational functions to collaborate with the IAF and the outcome of this teamwork help overall achievement of the organisation and institutional goals. The next section discusses the study findings in more detail.

6.2 Discussion of Major Findings

This study provides a conceptualisation that generates solutions to setbacks that threaten the activities of the organisation but serve as an opportunity to validate IA, achieve stakeholders’ expectations hence IAE. IA experiences in Rwandan PSOs helps to understand how IAE should be perceived given the uniqueness of the public sector institutional setting, as discussed below.

6.2.1 Public Sector Institutional Setting and Its Significance in IA Activities

The IAF in PSOs of Rwanda is designed to operate under a uniform legal framework that determines its scope, reporting structure and status in an organisation. However,
these PSOs are established under varying status and operational designs (see Section 5.5). All these organisations are designed for different business programs and have a different capacity in terms of operational status and the number of employees. They all have an IAF designed within the parameters of a uniform legal framework. The complexity generated from the design and legal framework is how organisations can differ in scope, structure, status, business program, capacity in terms of operational status and number of employees but have a similar IA legal framework. Understanding IAE in the public sector institutional environment helped to realise the difficulty of this phenomenon with varying organisational segments. The complexity also emanates from organisations’ variety, given their resource provision differences and the nature of the work. PSOs conduct programs with diverse schemes that involve different professions (e.g., IT, construction, health, marketing, education) and are exposed to varying budgets plans and allocations. For instance, a ministry has one internal auditor despite the diverse activities conducted to accomplish government programs; a district has an expenditure budget of more than US$10 million and the IAF has one or two internal auditors both at the same level. The complexity is that the structure is not suitable; one or two internal auditors cannot conduct required IA activities and its associated budget for an organisation with such diverse schemes. This study found that not only is a uniform legal framework not generally suitable for all PSO in an institutional setting but also 2 or 3 internal auditors cannot achieve IA expectations of an expenditure budget of over USD10 million in one fiscal year.

Second, the PSOs differ in their purpose and set-up, even IA activities are conducted with differing operationalisation, but they are interconnected within their institutional environment. The interconnections are created by system designers to create strong organisational control systems that safeguard resources and help achieve government programs. For instance, other than autonomous organisations, the senior management of other PSOs does not have the power to make certain decisions; they must seek approval from either line ministries or other government agencies to perform certain duties. This requirement emphasises the need for organisational actors to focus on government programs, but it creates setbacks that hinder the progression of organisational activities. The IAF in PSOs is affected by this relationship because it operates under interconnections of a legal framework in the institutional setting. IAF
therefore suffers especially from time constraint and resource shortage if the concerns that need approval relate to IA activities.

This study found that having a fully-fledged IAF can be misleading and misinterpreted as significant to achieving IA stakeholders’ expectations hence IAE if institutional setting is not examined. This is because the law that established the organisations in public sector setting determine the segment of that organisation; these may be autonomous, semi-autonomous or non-autonomous. The segment will also determine the IA structure such organisation should have. Having a full-fledged IAF can be misleading thinking that it is effective when it cannot achieve its stakeholder expectations. For example, the semi-autonomous organisation studied was fully fledged (see Figure 5.3); however, with several restrictions hence staff turnover in the IAF could not be controlled. The organisation could not retain skilled and competent internal auditors, which implies that factors that transcend in individual organisational boundaries shape IAE. Internal auditors are recruited but later leave because of organisational restrictions that affect work continuity. In contrast, autonomous PSOs which provide a relatively more flexible institutional setting for IA activities can be more effective. Staff turnover is not a threat and has the capacity to attract experienced and professional people and retain them. These factors that create a difference in the work environment emanate from the law that establishes PSOs and cannot be understood without examining the institutional setting. Institutional setting is significant given that there are institutional requirements created by the legal framework which support some organisations whereas others are restricted. Yet, the purpose of the legal framework is to shape certainty in adaptable relations between substances and subjects.

Institutional agents and requirements keep up with the ever-increasing demands of compliance to institutional expectations, and this creates complexity. Institutional agents (e.g., OAG, RPPA and RBPM) aspire for monitoring and evaluating, whether implementation is consistent with accomplishing government programs. Given that social factors which determine organisations’ conduct are volatile, consistency in better implementation of the legal rule is least expected. Therefore, the IA, which is an independent, objective assurance and consulting activity that is designed and required to add value and improve an organisation’s operations (IIA 2017;
Ramamoorti 2003), becomes most relevant. Nevertheless, the assurance and/or consulting activity that the IAF offers to the organisation to improve its operations is dependent on factors that transcend individual organisational boundaries. For example, a comparison of autonomous and semi-autonomous organisations that have similar IA structures show differences in the latitude of IA experiences and the approach to IA activities. Factors that rise above individual organisational boundaries such as the law that established them do not grant similar operational independence. These confines create variance in the performance of the IAF and express substantial influence on IAE at these two types of organisations. Studies on IA and IAE should not underestimate the effect of this complexity and the interconnected institutional field of operation. Understanding IAE PSOs requires consideration of organisational status and the institutional environment. Otherwise, institutional complexity tends to impact IAE in individual PSOs, which may not be directly evident within IA activities.

The legal framework establishes explicit settings or restrictions that must be conformed within pursuing aims and objectives or gaining access to privileges. The legal rule states what should be prescribed as the conduct of the legal substances and subjects to which the law is applicable. The government establishes enforcement agencies that execute the requirements of the legal rule and affiliations that serve as administrators of the implementing bodies. The institutional agencies and requirements enforce the implementation of the legal rule in the same institutional field. This creates a setting embedded in interrelationships, connections and networks for different motivations, but with an aim to achieve government programs. However, although legal rule prescribes expected conduct, it does not determine the conduct of the actors, which is instead determined by many social factors that prevail in the institution and organisational setting. Social factors in PSOs relate to the type of relationship, quality and stability of social connections, participation, cohesion and usefulness of the work environment. PSOs and their affiliations pursue better implementation of the legal rule.

Although the IAF is described as an independent function, its activities are halted by the interconnections of the organisations they serve. For instance, if organisations must wait for approval for budgeted items that concern IA activities, stakeholders will not appreciate IA performance and IAF will be considered ineffective. This therefore
becomes the platform for isomorphic pressures. For example, although professional requirements state that IA activities should be risk based (Spira & Page 2003), several risky areas cannot always be audited. For example, when the IAF is constrained by lack of resource provisions like it was evident in semi-autonomous and non-autonomous organisations (see Table 5.3) achieving IA stakeholders’ expectations becomes difficult hence IAF considered ineffective.

6.2.2 The Significance of Teamwork to Achieve IA Stakeholders’ expectations in public sector institutional setting.

Several determinants of IAE have been suggested in the literature (Al-Twajjry, Brierley & Gwiliam 2003; Hanim Fadzil, Haron & Jantan 2005; Spraakman 1997). However, little attention has been paid to how circumstances prevailing in the institutional setting affect IA activities. The literature has not provided information on the real-life experiences of IA in diverse cultural environments and organisational variances in purpose, size, complexity and arrangements. The current study explains that undervaluing circumstances that prevail in the institutional setting while studying IAE is naivety. Explanations show that power generated by institutional requirements influence expectations of these requirements, and varying organisational circumstances and settings affect organisational responses. Given the complexity of the institutional field of operation and its interconnectedness, IAE should be determined by the achievement of IA stakeholders’ expectations with consideration of the circumstances prevailing in the institutional and organisational settings.

The concept of IAE is cited by many academic researchers who point out that IAE is essential in IA (Al-Twajjry, Brierley & Gwilliam 2003; Arena & Azzone 2007, 2009; Barac, Coetzee & Van Staden 2016; Christopher, Sarens & Leung 2009; Cohen & Sayag 2010; Dittenhofer 2001; Endaya & Hanefah 2013; Paape, Scheffe & Snoep 2003). This study argues that determining IAE after examining the achievement of IA stakeholders’ expectations considering the circumstances prevailing in the institutional setting is unbiased and open-mindedness. Paying attention to real-life experiences of the IAF helps to generate reliable information and provide significant insights because PSOs operate in a solid regulatory setting and have enhanced commitment to compliance (Pfeffer & Salancik 2003). A lack of consideration of the real-life experiences of the IAF in the institutional setting will lead to the generation of
peripheral outcomes. Thus, IA and IAE studies must pay attention to the factors surrounding the IAF in the organisation and institutional setting. Examining factors within the settings would help to understand how IAF and organisation are influenced to determine the level of direct factors that reveal IAE as shown in the literature; internal auditor competence, the quality and scope of their work, the organisational setting and operations, the status and structure of IAF, the IA relationship with its stakeholders, professional proficiency and the level of management support (Al-Twaijry, Brierley & Gwilliam 2003; Arena & Azzone 2009; Badara & Saidin 2013; Barac, Coetzee & Van Staden 2016; Endaya & Hanefah 2013; Mihret & Zemenu Woldeyohannis 2008; Mihret, James & Mula 2010; Yee et al. 2008). Otherwise, IA research had not explained what IA would to do when ordinary circumstances are threatened. Understanding the institutional setting provides details on the factors that determine the perception about the IAF and achieving IAE. This is supported by the supposition that every actor in an organisation wants their existence to be perceptible.

For example, the head of the IAF at the semi-autonomous organisation felt frustrated when resources could not be availed, and IA activities were on a standstill. The supposition of perceptibility makes it important to examine the surroundings beyond the IAF and the organisational setting. Perceptibility gives the impression that if studies on IA and IAE in PSOs do not conduct in-depth analysis of institutional settings, the actual experiences cannot be revealed and the effect of institutional influence on organisations in a solid regulatory environment cannot be understood. When in-depth and real-life examinations are not conducted in the process, generated factors would not show genuine causal factors. Information provided would be bare and in the open; hence peripheral and consequential. It is significant to consider that organisations that operate in a solid regulatory environment are expected to address multiple obligations, which sometimes leads to a predicament (Pfeffer & Salancik 2003). Therefore, we cannot ignore that an organisation trying to satisfy certain demands in unfavourable circumstances can forfeit or sacrifice others.

The findings in this study show that this kind of forfeiting affects the performance of affiliated departments to which the IAF belongs. Thus, while analysing the affiliated departments, it is necessary to understand the atmosphere of operation to generate insights from real-life experiences. For instance, studies at semi-autonomous
organisations show that when forfeited resources concerned the IAF, IA activities in branch offices were stopped for two years. At the district level, the forfeited demands to increase IA staff affected the IA and the planned activities were put on halt. This information was obtained after considering examining of the institutional set-up.

Understanding the institutional setting helped to identify actors involved at different levels in the IA environment and their contribution to the scope of IA. The findings showed that none of the IA activities in PSOs were performed in isolation, and some were members or non-members of the organisation. The regulatory environment of the PSO links them as they strive to meet their individual statutory aims. The interview responses showed evidence that factors that transcend in individual organisations influence what they do and their interactions within the environment. For example, the IAF of the organisations studied was linked to multiple relationships for the execution of the IA role in organisations. The scope of IA activities covers all operations of the organisation, interacts with institutional agents (e.g., OAG, RPPA and RBPM) and coordinates with senior management and the board of directors through the audit committee. These relationships have an impact on the organisations’ operations which cannot be understood without understanding what the organisation goes through. Focusing on prescriptions of the factors generated from examining the formal organisational structures and effects of the structure and structural representation can be misleading. This is because both formal and informal structures are complex and many-sided.

Considering the institutional setting therefore, helped to understand how relationships influence IA performance, especially in an institutional field of embeddedness. This approach helped to estimate the influence and implications that institutional pressures and complexities (Greenwood et al. 2011; Thornton 2004) can have towards organisational activities (Holm 1995; Mihret 2010), as well as consequences for IA activities. This study findings revealed that institutional pressures and complexities sometimes demand special attention because responses can sometimes conflict with organisational circumstances which IA literature had not provided. This implies that little attention has been paid to institutional settings, while studying IA and IAE which disregards informal interactions, networks, social influences and the control of valued resources. Yet, they have a significant effect on job-related perceptions in addition to
effects of traditionally emphasised sources of influence such as formal position and departmental affiliation (Ibarra & Andrews 1993; Pfeffer & Salancik 2003). This notion makes it easy yield intellectual findings from the natural setting of the IAF to reveal real-life experiences to establish how the IAF relates to achieve stakeholders’ expectations hence IAE.

The IAE concept is important in helping organisations to achieve their goals (Cohen & Sayag 2010; Sarens 2009; Subramaniam et al. 2011b). However, despite this significance, IAE in action has been insistently debated by practitioners (Deloitte 2010; Ernst & Young 2006, 2008; KPMG 2009; PwC 2009, 2010). This debate is generated by the disproportion between theory and expectations from IA activities and achievements. Studies have shown that IA often seems to over-promise and under-deliver (Lenz & Sarens 2012). Using examples from Rwanda, reports from different anti-corruption organs (OAG 2013, 2014, 2015, 2016; OMB 2016; TIR 2016) and the media (Bachorz 2009; Emmanuel 2010; IGIHE 2017; Ivan 2016) show that Rwanda continues to deal with several weaknesses in the performance of audited PSOs. Although Participant 2 Ministry stated that the government has created a strong IA legal system that provides sufficient support to IA activities in every government organisation, issues of malpractice, which include the mismanagement of public resources, are still committed. The respondent’s expectations were like those of IA researchers who believed that a system of internal control would act as a deterrent to fraud and a protection against incompetence (Beasley et al. 2009; Gramling et al. 2004; Sarens, Abdolmohammadi & Lenz 2012; Spira & Page 2003). Given the dilemma and the essentiality of IAE, this study argues that, in the case of doubt in the effectiveness of IA activities, IA researchers and professional practitioners should seek to understand the institutional setting. It is important to determine how IAF achieves stakeholders’ expectations hence IAE to understand the institutional setting.

6.2.3 The condition and position of the IAF and opportunities to break institutional obstacles in PSOs to achieve IAE.

As discussed earlier, the IAF cannot achieve the expectations outlined within its role as described in its definition (IIA 2009, 2017; Ramamoorti 2003) as a distinct actor. This study shows that efforts that influence IA activities to achieve stakeholders’ expectations hence IAE are enforced by IA condition, position and collaboration with
other actors in the organisation. These features within the IA environment affect the design of IA approach for its responsibility towards IA stakeholders. The condition and position of IAF which would be made ineffective by constraints within the institutional setting are activated by collaboration with other operational functions to achieve institutional requirements driven by institutional agents. The process of examining compliance by the institutional agents is not always coherent with organisational circumstances leading to isomorphic pressures. Realities of lack of coherence with organisational circumstances create opportunities for institutional interaction and networking with IAF. The other functions within the organisation interact with IAF to seek help whereas institutional agents interact with IAF to understand the organisation’s internal control systems, level of risk management and governance processes. The position and condition of IAF facilitates the process by providing information that neutralises institutional obstacles within the organisation. This creates organisational coherence with institutional requirements in PSOs and helps IAF to achieve its stakeholders’ expectations hence IAE.

This study found that governments do not take the roles given to PSOs for granted. They create features that drive their efforts within the social environment of these organisations by executing external review policies. This is viewed as a government contribution and interpreted as a premeditated effort in the process of organisational development and strengthening the institutional framework. Premeditation efforts aim to achieve organisational goals and ambitions using individual organisational efforts and/or collective ones. This study considers premeditation efforts an attribute of being aware of potential problems and weaknesses in internal control systems and enacting policies to be more strategic (Beckert 1999). This attribute leads governments to create institutional environments with features such as laws, regulations and affiliations to ensure that there are constant organisational connections. However, given that institutional requirements are not always comprehensible to organisational circumstances (Beckert 1999; Scott 1995; Scott & Meyer 1994), institutional environments create isomorphic pressures on organisations.

When features within the institutional environment enforce isomorphic pressures, the affiliate functions within the PSO seek help from organisational connections to remain legitimate, relevant and trusted. The institutional theory employed in this study claims
that changes occur in institutions that are failing (Beckert 2010; Sutheewasinnon, Hoque & Nyamori 2016), but there is a need for strong actors that can influence change to sustain these institutions. The findings show that this is where IA influence in PSOs becomes exceptional. An in-depth understanding of institutional setting and the theory facilitated the conceptualisation to investigate how IA initiates side factor strategies to help organisations respond to institutional pressures. Institutional theory also helped to explain how the situations created an opening that reinforced IA opportunities for PSOs to adopt suggestions made by this function, and hence to achieve stakeholders’ expectations hence IAE.

This study therefore suggests that research on IA that seeks to examine IAE should use approaches that appreciate the complexity and real-life experiences of internal auditors given the IA condition and position. Yet, approached and theories employed by previous studies, like the agency theory employed by Adams (1994), a combination of theories employed by Endaya and Hanefah (2013), models developed by Mihret and Wondim Yismaw (2007) and Arena and Azzone (2009) and compliance with the ISPPIA employed by Al-Twajry, Brierley and Gwilliam (2003), do not consider the institutional setting to appreciate the complexity and real-life experiences of IA. That is why this study finds that institutional theory which argues that in situations where the best course of action is uncertain, institutional entrepreneurs would initiate principles that are perceived as fruitful. Institutional theory therefore, helped to show how other function’s success would lead to their (IA) own success (Battilana 2006; Beckert 1999; Garud, Hardy & Maguire 2007).

The response to isomorphic pressures demonstrated how institutional agents approach IAF to get awareness of how the organisation is managed whereas actors within organisations sought alternative course of action from the IAF. The study found that the IAF took the lead and initiated institutional entrepreneurs’ strategies that yielded to organisational success. Subsequently, organisational success through institutional entrepreneurs’ strategies facilitated the IAF to achieve IA stakeholders’ expectations hence IAE. This implies that IAE in PSOs is dependent on the IAF and actors within the organisation. There was no evidence of achievement by either the IAF or organisational actors independent of each other as far as IA and IAE was concerned. This study showed that achieving IA stakeholders’ expectations required
organisational actors to seek IA intervention. The IAF employed a suitable alternative course of action, but actors then had to implement the suggested remedial action. The findings showed that these moves were made in response to institutional isomorphic pressures. The study interpreted the isomorphic pressures within the institutional setting as catalysts that helped to reveal institutional entrepreneur attributes of the IAF. The IAF attributes generate IAE and the ability to influence stakeholders’ acceptance of the IAF.

This confirms the proposition in the literature that institutional entrepreneurship can mobilise resources to conduct material actions (Battilana 2006; Beckert 1999; Garud, Hardy & Maguire 2007; Khan, Munir & Willmott 2007; Levy & Scully 2007; Misangyi, Weaver & Elms 2008; Mutch 2007; Zilber 2007). These resources can be intangible, but they also mobilise IA stakeholders (Fligstein 2001a; Garud & Karnøe 2003; Levy & Scully 2007; Suddaby & Greenwood 2005; Wijen & Ansari 2007). For example, despite limitations caused by lack of decision-making powers, which hindered organisational operations in non-autonomous organisations, when the RPPA, OAG and RBPM required a review of these organisations, which enforced isomorphic pressures, the expectations of these organisations within the institutional setting remained the same and the institutional operations remained active. These circumstances instead created opportunities for the IAF to mobilise actors within the organisations. This approach helped the organisations to appropriately respond to the isomorphic pressures, which led to the IAF being accepted and adopted as a colleague. This study interpreted the IA mobilisations of IA stakeholders in the organisation as mechanisms to solicit resources to achieve IAE.

6.2.4 IA and Institutional Entrepreneurship Perspective in PSOs

Literature on IA has straightforwardly explained the significance of IAF in helping organisations achieve their goals (Sterck, Bouckaert & Scheers 2005; Vijayakumar & Nagaraja 2012). IA professional services in different types of organisational systems can be viewed in a comparable way for the emphasis of the need for improved accountability (Normanton 1966; Sterck, Bouckaert & Scheers 2005) which led internal auditors to be viewed as helpers (Al-Twajry, Brierley and Gwilliam 2003; Bou-Raad 2000; Yee et al. 2008). This has made IA to be regarded as a service meant to transform the existing system (Dittenhofer 2001; Ramamoorti 2003;
Ussahawanitchakit and Intakhan 2011) so that it yields the expected outputs. However, consumption of IA services is dependent on the beneficiaries. They have the choice of accepting the risk of not acting (Standard 2500 and 2600, IIA 2017) but when the contribution from IA services is consumed is when the transformation takes place. Findings of this study show that if IA role and/or activities are least understood in an environment, utilisation of IA services becomes negligible and the function holds the lowest level of relevance. Nevertheless, this study agrees with the literature which provides that if the broader organisational agenda is oriented towards solving a problem to improve operations, responsiveness to solving problems becomes a common objective (Iyengar, Katz and Durham 2016). This argument explains why IAF is required to develop mechanisms that enable organisations to achieve their goals and add value to operations (Lenz & Hahn 2015). Especially, PSOs which lack coherence with institutional requirements due to organisations’ circumstances need IAF that have the capacity to help them to overcome the constraints exposed from lack of coherence that threaten organisation’s competence in the public sector institutional setting. This study finds that the prevailing tension draws the operational functions to IA services. The level of perception of IA stakeholders about IAF is therefore linked to the tension and IAE is determined by the capacity of the IAF’s innovativeness to create solutions to prevailing challenges and risks minimisation.

This study draws ideas of institutional entrepreneurship perspective to explain IA innovativeness and creativity. This helps to demonstrate the IA’s attempts to generate solutions for the PSOs as an element of transformation of existing organisational practices. The transformation fostered by the IAF may not be necessarily a complete change to a new system or organisations but engaging a process by which functional systems are transformed and improved to generate valuable output. This study finds that the created approach has the capacity to stop organisational constraints, create coherence with institutional requirements to mitigate the risks of losing validity. This interpretation of the IA approach is in alignment with the description of institutional entrepreneurship which is provided by the literature; as a method where activities of actors who have interest in institutional arrangements and who pull resources to create new institutions or to transform existing ones (Maguire, Hardy and Lawrence 2004 pp, 657). Ideas drawn from the theory of institutional entrepreneurship help to explain how internal auditors have become change agents and transformers. This study finds that
internal auditors engage in activities that help organisations to reshape existing practices. This approach helps organisations achieve their goals hence remain relevant to the public sector institutional setting. This study finds that losing relevance and failure to maintain coherency to institutional requirements is a big threat to employees in PSOs. This is because the senior government executives perceive that leaders of PSOs that do not maintain coherency to institutional requirements cannot deliver to their expectations. There have been tougher measures after evaluations of organisations’ performance. Negative outcomes from monitoring and evaluation lead to employee layoffs and forced resignations of senior officials (Sabiiti, 2017; Mugabo, 2017) and senior corporate executives are being jailed for abusing resources and opportunities (BBC News 2010; Hitchen 2013; Mwai 2013; The East African 2016; Transparency International 2010, 2011, 2013, 2014). There is no tolerance for resources abuse where transparency and accountability are an institutional focus (see section 1.4.6 on the establishment of IAF in Rwandan PSOs). Losing relevance in public sector setting where the government is commitment to achieve the highest standards of accountability and transparency in public fiscal management threatens acceptability of the PSOs.

This study provides evidences that demonstrate IA approaches with institutional entrepreneurship perspective. For instance, the semi-autonomous organisation and the ministry are evidences of organisations which were threatened by legal constraints but were required to maintain compliance with institutional requirements. The semi-autonomous organisations had lost consistency in its operations. The organisation’s lack of autonomy to make final decisions limited resources supply and influenced operational capacity in a negative way for all functions including the IAF. Yet, despite the legal barriers (see Section 5.5.2) IAF changed the approach, to solve the prevailing organisational problems and the semi – organisation maintained consistence to institutional requirements.

The other evidence is the ministry whose reputation in the institutional setting had deteriorated. The organisation had not consistently complied with institutional requirements. The employees were being summoned by the government prosecutor general to give accountability of mismanagement of government resources and unexecuted government programs (see Section 5.5.4). The organisation was helped by
the IAF which changed the approach of the operational processes and the organisation regained its validity. This study finds that the IA approaches created change that helped organisations remain relevant. This finding is like the literature which states that institutional entrepreneurs are actors, who serve as catalysts for change and take the lead in being the forward motion and giving direction to change (Leca, Battilana, and Boxenbaum 2008). The crucial role of the IAF in the organisations they serve is not to implement the desired change, but contributing to its promotion through innovation, creativity and to enhance problem-solving abilities. This study findings show that internal auditors served as catalysts for change when they provided advice on the direction and process of change in response to organisational demands that challenged their existence within institutional arrangements.

When the IA advice is implemented, it is not only a response to change of organisational circumstances. The process involves conversion of IA stakeholders’ perception towards IAF; renovation of relationships and levels of interactions which enhances teamwork within the organisation; and adaption of operational drive towards a common goal and ensure relevance to institutional requirements. These achievements from the internal audit approach make it suitable for this study to consider it as a transformation process. This study finds it significant to mention that effective IAFs possess institutional entrepreneurship perspective. This is because the process of an effective IA approach does not only help organisations to achieve their goals but creates change that transpires the entire organisation and goes beyond to influence all actors within the institution setting. This is relevant to the literature which puts forward that the explanation to the institutional entrepreneur's capacity to act as a catalyst for change is his or her legitimacy in the organisation, social position in the field, social capital and formal authority (Bruton, Ahlstrom and Li 2010; Battilana, Leca and Boxenbaum 2009; Breton, Lamothè and Denis 2014; Eriksson and Ujvari 2015; Iyengar, Katz and Durham 2016).

The evidence in this study shows, that the IAF in PSOs of Rwanda had been perceived as fault-finders (see Section 5.4.2) and there was no evidence of collaborated with other functions in the organisations prior to when they realised that IAF could be of help. This notion facilitated the IAF to attain its legitimacy, but the impact spread to the entire environment. This study finds that IAF was perceived as a significant
function after portraying its capacity as a catalyst that brought valuable change in PSOs of Rwanda. Multiple cases examined in this study show that an appropriate IA approach helps the IAF to maintain its validity. Consequently, the exercise leads the IAF to achieve its stakeholders’ expectations hence perceived as effective.

6.2.5 The Influence of Institutional Entrepreneurship perspective and IAE

This study found it significant that IA in PSOs can foresee, break away from patterns of behaviour (Dorado 2005) and champion positive change in a field of institutional embeddedness following the implementation of institutional entrepreneurship concepts. This finding contradicts the literature, which notes that actors who are fully embedded are not supposed to imagine, desire or realise alternative ways of doing things (Garud, Hardy & Maguire 2007). This argument does not confirm that IAF can influence complete change of an organisation processes to form a new one. However, based on institutional structures that define arrangements and limits of flexibility for actors within embedded institutions IAF can initiate innovative strategies that would lead to problem solving. It is argued that while enforcing inflexibility, dominant actors can force change but fails to instil motivation whereas minor actors are motivated but lack the authority to change institutions (Garud & Karnøe 2003; Garud, Hardy & Maguire 2007). The role of IAF enables conditions and position of identifying legal violations, processes that are not working, pulling resources and suggesting areas for potential improvement in an organisation. This discussion presents the uniqueness of the IAF as a minor actor in an institution but through skilfully integration should influence and have impact on organisational performance. This is achieved by breaking the odds of the public sector setting with its institutional embeddedness and creating change through engaging in actions with institutional entrepreneurship perspective.

Prior research has noted that institutional entrepreneurs can be individuals (Fligstein 2001b), organisations (Garud & Karnøe 2003), professions (Greenwood & Suddaby 2006) and networks (Dorado 2005). This provision eligibly relates to internal auditors as institutional entrepreneurs regardless of their varying structures in PSOs (see IA structures Figures 5.3, 5.4 and 5.5). This implies that activities of IAF can be related to institutional entrepreneurship perspective whether they are conducted by an individual or a team. This study therefore, discusses IA approaches employed by IAF
from the multiple cases studied comparatively to institutional entrepreneurship. This is intended to demonstrate institutional entrepreneurs’ actions with special characteristics, abilities and qualities (Garud & Karnøe 2003; Garud, Hardy & Maguire 2007; Greenwood et al. 2008) and consistence with the role of IAF.

This definition helps the study to relate the special position for the IAF involvement and interaction with all actors within the institutional setting. This study finds that the position provides an avenue for which IA can provide an alternative course of action when IA is required to get involved to confront the challenges and create change. The change that IAF initiates would be of value as organisational goals are achieved through actions that transform the operations for better results hence IAF achieving legitimacy. Interestingly, this is relevant to the literature which provides that institutional changes ‘arise when organized actors with sufficient resources realize that they can use them to gain interest of higher value’ (DiMaggio 1988). This study suggests that sufficiency of resources for IAF can be relative. For instance, focusing technical skills and considering that achieving interest of higher value for IA is to help organisation achieve its goals which is achieving stakeholders’ expectations, hence being perceived as effective.

This discussion presents circumstances whereby IA creates change with an institutional entrepreneurs’ perspective in odd situations. Initially, the environment was not conducive for IA activities. Internal auditors were perceived as ‘police’ (Participant 1 Au, CEO). The vulnerability of the IAF relates to operating from a field of institutional embeddedness. All actors, interests, goals and strategies are institutionally, culturally and historically designed (Friedland & Alford 1991; Meyer & Rowan 1977). Given the established legal framework of such a setting, sometimes organisations are constrained and seek protection from losing relevance from the setting. This section explains how IA in PSOs uses position and conditions to change patterns of behaviour in the field of institutional embeddedness and champion positive change through institutional entrepreneurship.

Previous research has shown that conditions have been identified as a major focus and response to institutional entrepreneurship, and these conditions can be emerging, mature, stable or crisis fields (Greenwood et al. 2008). Like all institutional entrepreneurs, internal auditors also find opportunities in emerging fields that take
advantage of influencing how structures should be designed because the legal framework had created barriers towards the established patterns and they could not be followed. This study emphasises that IAF which is traditionally considered fault-finders (Deputy Auditor General) exploits crisis to create conducive field for being accepted by other functions within the organisation hence institutional entrepreneurship perspective.

Evidence of this study show that when crisis occurs, and expose contradictions and highly structured tensions, IAF emerges with innovative, creative and problem-solving traits. This crisis is isomorphic pressures in PSOs caused by, for instance, overdependence on the affiliation or characteristics of bureaucracy which create avenues for the dominance of principles that are not coherent with organisational circumstances. It is a crisis because characteristics of bureaucracy and/or overdependence on affiliation affect the performance of affiliate organisations—for example, when management is given a mandate to accomplish a task, but they are not granted full administrative rights to make major decisions regarding the operations, like in the case of semi–autonomous organisations for this study, this study interprets that principles are not coherent with organisational circumstances. Consequently, the organisation lacks the flexibility to accommodate all the demands. There is inflexibility in the division of labour, compliance with rules and regulations and the persistent hierarchy of authority, which are characteristics of bureaucracy (Holton 2013; Raelin 2011a, 2011b; Schibler 2012; Weber 1978; Yasuyuki & Olejniczak 2014). Inflexibility hinders the revision of structures, programs and adjustments of operations. Hence affecting continuity of organisational operations which creates a crisis and limitation because of the uncertainty in the institutional setting (DiMaggio & Powell 1983).

The literature shows that crisis conditions emerge with a lack of institutional practices, conflicting values and the absence of clearly identifiable norms (Garud, Hardy & Maguire 2007; Greenwood et al. 2008; Maguire 2007). These circumstances constrain organisations as well as the affiliate functions in the process of responding to isomorphic pressures, hence causing tension (Fligstein 1997; Greenwood et al. 2008), shock (Fligstein 1993) and prompting events (Rao & Giorgi 2006) that opt to pursue several arrangements to solve the problems. Solutions can be generated by actors with
special characteristics, abilities and qualities that are different from other functions in the organisation (Garud & Karnøe 2003; Garud, Hardy & Maguire 2007; Greenwood et al. 2008) which make IAF most relevant. It is important not to underestimate the effect of these pressures on the IAF because organisational limitations do not exempt IA activities. Yet, it is expected to perform as a tool for evaluating risk management, internal control systems and governance processes (IIA 2017) in such fields of institutional embeddedness. Thus, with the literature which shows that IA is sometimes marginalised (IIA 2013; Lenz & Hahn 2015; PwC 2013) that the IAF is not always effective (Al-Twajry, Brierley & Gwilliam 2003a; Arena & Azzone 2009; Cohen, Krishnamoorty & Wright 2004; Mihret & Wondim Yismaw 2007; Zain, Subramaniam & Stewart 2006) organisational constraints become an arena to demonstrate otherwise. Practitioners have revealed this ineffectiveness, arguing that IAE in practice is debatable (Deloitte 2010; Ernst & Young 2006, 2008; KPMG 2009; PwC 2009, 2010). Until now, this study points out that IA researchers had not considered the effect of crisis in the IA environment and its influences on IAE, which is the current focus.

The literature shows that organisations in crisis are often motivated to contemplate on several responses due to institutional pressures to initiate change (Greenwood et al. 2010; Jarzabkowski, Matthiesen & Van de Ven 2009; Kraatz & Block 2008; Pache & Santos 2010; Reay & Hinings 2005). The findings of the present study show that the effect of institutional pressures is cross-cutting in an organisation. The affiliate functions or individuals in the centre of the crisis become motivated to initiate change. Once change becomes a solution to the crisis, its source (peripheral or major) is important. Previous studies have shown that when constrained, all that responsible functions or individuals look for, are actors that can create change. This study finds therefore that IAF in an organisation possesses characteristics, abilities and qualities that are different from its stakeholders within the organisation (Smets & Reihlen 2012).

Being considered independent by its stakeholders within the organisation creates an opportunity to achieve legitimacy. This agrees with the literature, which suggests that peripheral actors are disadvantaged by the existing rule system but are motivated to take entrepreneurial action (Smets & Reihlen 2012). This study therefore, found that
the IAF is suitable to initiate change because its position as a helper in the organisation and the conditions become an opportunity to exercise its role. What the IAF finds as an opportunity for IAF to exercise its potentials as a helper, this study interprets it as an opportunity to demonstrate institutional entrepreneur perspective and the organisation achieves its goals. The process of institutional entrepreneurship helps the IAF to achieve stakeholders’ expectations if the help offered is perceived as effective. The example of an internal auditor who helped the organisation to achieve clean reports from institutional agents for four consecutive years was perceived effective because operational staff had been consistently summoned by the prosecutor general of government for mismanagement of government resources. IA intervention was positively perceived and implemented and this brought change within the organisational performance. The perception of IA stakeholders towards the IAF changed because IA stakeholders could see the internal auditors as helpers. The findings of this case in this study show the characteristics, abilities and qualities that position the IAF as solution providers.

When other functions perceive IAF as a problems solver that makes IA being sought after for assurance of risk management, control systems, governance processes and consultants by IA stakeholders. For example, all the auditees interviewed confirmed that they could not receive external reviewers before they are reviewed by their IAFs. Being sought after motivates the IAF to examine legal violations, identify areas that are not operationally effective, embrace networking and interaction to pull resources together. This helps the IAF to arise employable strategies that challenge institutional arrangements and suggest actions for improvement. When institutional pressures are put on a standstill IAF becomes relevant because they enforced operations to handle their challenges and its stakeholders perceive IA as effective which this study considered to be institutional entrepreneurship perspective.

6.2.6 IA Strategies for Institutional Entrepreneurship

When approached by actors from constrained circumstances of the organisation, the IAF finds it as an opportunity to re-establish a platform of influence by providing helpful contribution. The process generates strategies that position the IAF as consultants in areas that need change, prompting operational managers to cognitively reinterpret their organisation’s current situation (Ernst & Kieser 2002). This study
finds that the situations encourages the IAF to develop an institutional entrepreneurship perspective and strategies embodied in the process of providing IA services (assurance and consulting services) to the other functions within the organisation concentrate on influence for acceptability. This process of providing assurance and consulting services through the re-established platform creates foundation for employing strategies for institutional entrepreneurship and perspective. This study finds that IAF is successful at employing institutional entrepreneurship strategies through inspiring others and co-opting with them which is enabled by being members of the same organisation and with well-defined standards that persuasively enforce transparency.

*Consultancy Services*

Evidence in the study showed that when IAF was introduced in PSOs, other functions within perceived it as fault-finders who acted like police (Deputy Auditor General, OCIA, CEOs and Heads of IAF). With the emergent reforms in the country which introduced several institutional agents to monitor compliance with institutional requirements in all PSOs, all IA stakeholders now seek IA to review their operations before external reviews are conducted. IAF as consultancy service provider helps to reconfigure existing processes and advises the constrained functions to adopt to redefined organizational practices to achieve the organisational goals. Although the literature states that the IAF varies significantly among companies from a traditional assurance orientation to a value-added and consulting orientation (Nagy & Cenker 2002), this study found that the IAF in PSOs continue to be trusted as consulting services providers. These findings resonate with the literature, which states that consultancies have been able to contact potential clients and apply their expertise to new types of problems that had traditionally not been open to their services (Ernst & Kieser 2002). However, the process of providing consulting services is primarily determined by the function in need of the service, and it depends on the type of isomorphic pressures to which the organisation is responding. This study’s findings showed that given the tension the pressures put on the entire organisation the IAF must provide advice about better trends of action. Despite the fact that some PSOs have legal constraints which weaken the entire operational systems including IA capacity through its structure and resource provision but can still be sought after every time.
external reviewers are coming it is evidence for relevance. The actors involved examine the IA consultancies or advice against conditions, and once they are successfully implemented it motivates the beneficiaries to consider that the IAF is effective which this study interprets as institutional entrepreneurship. This study argues that IA consultancy serves as an institutional entrepreneurship strategy when it enables institutional and organisational conditions to influence strategic action, with an expectation of increased competitive advantage and economic rewards.

*Influence and Co-opting*

Responding to institutional constraints require resources. When other functions approach IAF seeking help, it becomes easy for IA to influence and co-opt them to participate in designing and implementing the suggested recommendations. This study explains that process as gathering resources to get things done focusing on improving the operations of the organisation. All cases studied showed that the process of generating suitable responses to the constraints that affect the organisations, the IAF collaborate with the beneficiary functions. This helps the IAF to identify weaknesses in the operations and beneficiary functions participate in generating ideas for premeditated solutions. This study interpreted this process as IA call for intensive networking for consistent collaborations. The process creates strong relationships within the organisation and enhances teamwork which helps the IAF to incorporate required people from other functions into achieving its objectives. Incorporating people is helpful to include for instance management because the IA activities require support and resources. This study finds that this approach helps the IAF to overcome the constraints resulting from inflexibility of affiliate functions in PSOs. The process also helps the IAF overcome challenges of constant adjustment to bureaucratic systems within the surroundings to remain legitimate, relevant, accepted and trusted, and enhancing compliance with the legal framework.

For example, when the internal auditor for the ministry was recruited and solved the problem of bad external reports, subsequent IA activities gained necessary support from the senior management, audit committee and all operational functions. When the IAF obtained senior management support, all other junior staff were convinced to liaise and collaborate with IAF. It became easy for IAF to suggest recommendation for improved action and responsible functions implemented them with haste.
Consequently, external reviewers obtained clean reports, staff were no longer summoned to the prosecutor general of government, and the organisation obtained a good reputation. The approach did not create a new system but transformed it to become a stream of fresh effort. This study finds that the approach employed, which created such an institutional capital that attracted the attention of significant participants and new talent of problem solving is of an institutional entrepreneur.

**Membership**

The literature has shown that membership strategies specify which organisations can legitimately exercise certain tasks and generate benefits resulting from their activity (Smets & Reihlen 2012). The IAF is part of the organisation hence a member, with certain levels of independence in its operations with objective to provide assurance and consulting activity designed to help organisations accomplish their objectives (IIA 2017). Being a member of the organisation enables the IAF to understand the operations of the organisation, identify violations and areas that can be innovatively modified to reduce the influence of constraints which this study interprets as power of position. Further, it helps to initiate strategies (Lawrence 1999) to challenge the existing procedures that did not mitigate the risks that caused the crisis. Being a member of the organisation facilitates IA to initiate responses that are strategic, thereby avoiding counter-productivity to protect its occupational title, formal professional accreditation and reputation, and to serve as a representation of quality performance. In all cases studied, the IA stakeholders agreed that the IAF helped them to overcome institutional pressures. They used the reputation of ‘membership criterion’ (Smets & Reihlen 2012) to form a strategic alliance of managing institutional pressures. As the IAF must maintain its reputation of representing quality performance, it is exposed to strict demands to uphold the exclusivity of the circle. This study finds it is an institutional entrepreneurship perspective for emphasising on legitimation and reputation which created an arena of access to knowledge and process re-design in which best practices were created, validated or diffused (Suddaby & Greenwood 2001). This perspective facilitated IA to achieve stakeholders’ expectations hence IAE where organisational relevance in the public-sector institutional setting had lost its confidence.
Standardisation

Standardisation strategies describe what is typical for a practice, which makes membership and standardisation interdependent strategies. The literature states that they both promote and institutionalise consistent values of professional practice and service quality (Smets & Reihlen 2012). The study findings show that the execution of IA consultancy in PSOs follows a prescribed legal design that requires consistent compliance with the standardised legal framework and structures. IA also has got IA professional standards that must be complied with during execution of IA activities. This implies that consultancies offered by the internal auditors hence members of same organisation who understand all its corners there is consistence and promotion of standardisation. This strategy helps the IAF to gain legitimacy advantages and becomes more significant when the organisation to achieves its objectives. The semi-autonomous organisation for instance, to strengthen the collective reputation and legitimacy as an IA in a newly emerged organisation was achieved because of dwelling on membership and standardisation. The organisation was in a crisis of inflexibility of bureaucratic mode of organisational control, the IAF advised actors in the organisation to use the available resources and focus on compliance with institutional law and regulations. Standardisation helped the IAF to identify areas of legal violations, operational areas that were not working well and suggested suitable areas of improvement. The IAF at the semi-autonomous organisations encouraged teamwork, acknowledged the impact of authority to get things done.

Regulations that govern the IAF are well set and demonstrate the indispensability of professionalism and compliance with policies and regulations. The IAF consistently followed up its recommendations, and the organisation continued operating regardless of delayed approvals and the provision of resources. In line with the institutional entrepreneurship perspective, this shows that the standardisation strategy was effective for the IAF to appear as a strong entrepreneur. The IAF used restrained alternatives to exercise its role and changed the perception of IA stakeholders as they achieved their goals. In this context, the creation of alternative methods of performance constitutes a standardisation strategy. Within this field, the IAF status enhances the effect and ‘positive normative emulation’ of the ideas (Suchman 1995). Thus, provided alternatives become socially created business solutions. This implies that if the IAF
successfully establishes its own concepts or procedures that help the organisation achieve its objectives in a crisis, its own position is strengthened and can influence others with its strong strategies.

Influence

The literature also suggests that an influence strategy with a fundamental attitude can provide consultancy services with normative and eventually cognitive legitimacy (Røvik 2002; Suchman 1995). In the present study, IA at the ministry level helped to achieve clean reports from institutional agents through the influence strategy, and it empowered IA stakeholders within the organisation. This was facilitated by isomorphic pressures, which emphasised standardisation and required actors to execute what IAF suggested. For example:

- IA used logical persuasion and expertise to convince IA stakeholders to agree with IA suggestions.
- As IA is part of the organisation, it is aware of what goes on. This makes it easy to identify risky areas and key actors, and to obtain their support. It was easy to employ interpersonal awareness, which helped to relate to actors’ concerns and their ideas to address the concerns.
- As IA provided a consultancy, it built a relationship with the actors. These relationships facilitated the IAF to obtain access to information and communication. Once there is effective communication, it is easy for the IAF to make requests and bargain to obtain support and/or resources.
- It was easy for the IAF to employ the empowerment strategy because it was not supposed to be involved in operations. The process of letting others conduct the tasks made them feel valued because their own decision was being executed.

Given the outline of the above strategies employed by the IAF to influence IA stakeholders in the organisations, the interviewee showed that the influence strategy was achieved through manipulation. However, people were manipulated because of the positive influence that IA performance had in the organisation. The findings showed that successful influence depends on positive perceptions of both the IAF and its counterparts as they engaged to achieve organisational objectives. This is directly
related to the literature which suggests that fresh innovations of entrepreneurial efforts spread to social groups and new mobilized legitimacies are created (Garud, Hardy & Maguire 2007). Similarly, to this study, interview evidence showed that positive perception was achieved in previous engagements that successfully influenced the achievements in the organisation. For example, the attainment of a clean report from institutional agents for four consecutive years was desired by this constrained organisation. This study finds that attainment of clean reports became reason for the IAF to be well perceived by other organisational actors. Research confirms that active engagement in society and the environment influence management with traditional norms (Smets & Reihlen 2012).

By employing institutional entrepreneurship techniques, IA could use material or cultural resources to justify and encourage change and expose contradictions in logic. However, the IAF was functionally motivated by creating its own legitimacy and acceptance, considering the literature Garud, Hardy & Maguire (2007). This implies that isomorphic pressures, which facilitated IA being sought by its stakeholders in the organisation for help, were an opportunity for IA to exercise its role and be accepted; consequently, its perceived description as ‘police’ was erased. As stakeholders accumulate desired information, it amounts to evidence for relying on the IAF hence perceiving a good reputation. Figure 6.2 shows that the social context was not always favourable for the IAF. This social perspective aligns with the literature, which shows that entrepreneurs are exposed to several constraints in their social network, but they are sought after to help others. The process of helping others to achieve their objectives enables entrepreneurs to achieve legitimacy and acceptance (Aldrich & Fiol 2007). The findings in the present study show that internal auditors are sought by actors who need help to overcome isomorphic pressures from the institutional setting.
This implies that institutional entrepreneurship in PSOs is a mechanism played by more than one actor. There must be interest to change, actors who seek help and others who offer help then implementers of change. For the outcome of institutional entrepreneurs to be realised, the help that is sought must be implemented. However, because the IAF is supposed to refrain from assessing specific operations for which they were previously responsible (IIA standard 1130), the help seekers are simultaneously implementers. The research suggests that actors must fulfil two conditions: they must seek help and they must actively participate in the implementation of these changes (Battilana, Leca & Boxenbaum 2009). This implies that when actors implement the changes, they accept that the changes meet their expectations. This study determines that the process of breaking through isomorphic pressures to achieve actors’ expectations is a journey towards effectiveness. When help is offered, and actors’ expectations are achieved, IAE is also achieved. Institutional entrepreneurs’ perspective and attributes advocate for combined efforts. Applied in the IA context, this perspective and attributes create collaboration because other organisational actors benefit and the IAF achieves stakeholder’s expectations and consequently IAE. This study finds that institutional entrepreneurs’ perspective and attributes by the IAF facilitate innovations and relevant quality services. When they are combined with relevant contributions from IA stakeholders during engagement, they help IA activities break the isomorphic pressures within the institutional setting. Table 6.1 outlines the achievements of the collective efforts from the cases studied.
Table 6.1: Achievements from Collective Efforts

<table>
<thead>
<tr>
<th>Nº</th>
<th>Achievement from combined effort</th>
<th>Case</th>
<th>Expectation achieved</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Conveniently tracked and analysed organisational challenges</td>
<td>Ministry-influenced management for authoritative voice; engaged auditees to review their work</td>
<td>Achieved clean reports from the OAG for 4 years consecutively</td>
</tr>
<tr>
<td></td>
<td></td>
<td>All cases showed high level of cooperation between IAF and auditees</td>
<td>Stopped receiving bad reports from external reviews</td>
</tr>
<tr>
<td>2.</td>
<td>Quick response to institutional demands</td>
<td>Autonomous organisation—hired external people to enforce the IAF</td>
<td>External IA auditors hired for IT auditing were asked to train the existing IA team to enhance consistency of quality service</td>
</tr>
<tr>
<td></td>
<td></td>
<td>IAF acquired IT skills that were lacking</td>
<td></td>
</tr>
<tr>
<td>3.</td>
<td>Present a consistent image</td>
<td>Province—compliance with institutional legal system</td>
<td>Cooperation with actors within the IA environment</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Semi-autonomous—boosted relationship-building with operational departments, which enabled the IAF to acquire credibility and reduced resistance during the auditing process</td>
<td>Remained relevant to the role of IA in the organisation</td>
</tr>
<tr>
<td>4.</td>
<td>Improve quality of service</td>
<td>District—audit committee intervened when IA encountered threats that required subjecting to unethical demands</td>
<td>Items in the report were not changed, no one lost their job and the quality of work was improved</td>
</tr>
</tbody>
</table>

With collective efforts, IA performance obtains significant resources, which enables the IAF to focus on organisations’ risks and enhance innovation, hence achieving stakeholders’ expectations hence IAE. The findings of this study show that IAE should be viewed naturally on IA engagement rather than as a general concept. This is because different stakeholders have varying perceptions of the IAF, and this variation leads to variations in the level of contributions to IA activities.
6.3 Methodological Considerations

Despite the criticisms of case study methods for their inability to generalise findings, the case study method remains the core methodology for this study because of its ability to generate information that represents the phenomenon and real-life IA experiences in PSOs, and it determines the extent of occurrences in each population (Scapens 1990). The methodology recognised and explained the processes of individual internal auditors’ behaviour and that of a team of internal auditors or IA stakeholders from the same institutional setting. This facilitated an understanding of IA experiences both in terms of procedures and prevailing systems to understand how systems are embedded within the institutional setting. It was an exploratory case study that was descriptive in nature. The exploratory elements helped to ascertain how IA achieves stakeholders’ expectations hence IAE. The descriptive nature of the methodology helped to describe the unit of analysis and to select several organisations as cases to illustrate different IA experiences and similarities of varying PSOs.

This approach facilitated the study in the identification of innovative practices and distinguished them not only from common practices, but also from inferior practices. The study did not seek to understand IA practices and compliance with ISPPiA but the rules—both explicit and inherent—that structure the social behaviour (Scapens 1990) of internal auditors. Understanding the social behaviour of IA in PSOs necessitated examining the relationship between day-to-day social actions and the dimensions of interactions. This involved locating structures, setting them in their wider social context and examining how they have evolved over time—for example, exploring how IA is conditioned by the socio-economic system, how it provides a set of recommendations that structure certain types of organisational behaviour and how these recommendations emerge from the social practices of the organisational actors.

According to Scapens (1990), it is inappropriate to study individual parts taken out of context to avoid peripheral outcomes of the study. Understanding IAE in PSOs using a case study methodology therefore helped to understand the empirical observations in context by developing a conceptual framework that explained the observations of IA using a holistic research approach. This approach helped to explain the public sector institutional setting, agents and requirements in their contexts. In general, the methodology helped to develop a rich theoretical framework that could explain the
holistic quality of observed social systems and experiences for which the context provided the basis by employing six phases of thematic analysis (Braun & Clarke 2006) to explain the themes generated from the data analysis.

6.4 Chapter Summary

The discussion of the study findings made in this chapter present the effect of the interaction between the IAF and institutional actors within the institutional setting, and how they influenced the real-life experiences of internal auditors in PSOs. Their interactions reveal stakeholders’ perception towards IA services and factors that impact the real-life experience of internal auditors. The study discussed the unreciprocated demands concerning the consequences of the institutional–organisational relationship on IA and IAE in the public sector. This was explained by implementing government programs and enforcing compliance with several prescribed requirements for expenditure control, audit and inspection (internal and external), reporting and accountability, and oversight arrangements, but which create isomorphic pressures. The ensuing pressure is driven by institutional agents into PSOs and plays a significant role in organisations’ operations with strong sanctions attached to negative outcomes. The pressure compels organisations to build their internal capacities in response to external demands. This study interpreted the approach as an appendage of the government to influence actors within PSOs to focus their interests on government programs. In the process of responding to institutional requirements, IA gains acceptance within PSOs. Yet, this acceptance is linked to the level of satisfaction from the IA services offered.

This chapter explained several factors that demonstrate how the IAF operates from an institutional field of embeddedness to achieve stakeholders’ expectations, and how the IAF position and conditions help PSOs to achieve their goals. This helped to explain the public-sector setting, implications from institutional pressures and complexities that cause institutional dynamics towards organisational activities. The discussion considered the usefulness of the findings in view of the existing literature and the methodology used.

Chapter 7 presents the recommendations of the study and the conclusion.
Chapter 7: Conclusion

This chapter concludes the study on IAE in PSOs; a Rwandan multiple a case study. The chapter summarises the study, outlines the major findings, draws the main conclusions and discusses the implications of the findings. After examining the IA experiences in Chapter 5, Chapter 6 identified several determinants of IAE in the public sector institutional context. The multiple cases studied explained IA performance with various factors that influence the effectiveness of the IAF. These cases provided real-life experiences of IA and shows stakeholders’ perceptions towards the role of IAF in PSOs. This conclusion highlights some of the main features of the analysis, with an emphasis on the aspects for which clear differences have emerged the in real-life experiences given the different setups of PSOs. The chapter provides commendations arising from this study and provides suggested areas for future studies. It winds up with a discussion of the study limitations and overall concluding remarks.

7.1 Overview of the Study

This thesis sought to understand IAE in PSOs using the Rwandan context as a case in point. It was driven by two research questions: How effective are IAFs in achieving stakeholders’ expectations in PSOs, and what factors influence IAE in PSOs? The motivation of the study is rooted in the significance of IAF in PSOs. IA literature has consistently shown that IA and/or IAE is essential (Arena & Azzone 2007, 2009; Christopher, Sarens & Leung 2009; Dittenhofer 2001; Paape, Scheffe & Snoep 2003). Most literature links the importance of the IAF to help organisations achieve their objectives (Cohen & Sayag 2010; Sarens 2009; Subramaniam et al. 2011) which this study agrees with. However, this is largely driven by the concepts within the definition of IA as stated by the IIA (2017) and previous researchers such as Gramling et al. (2004), Hermanson and Rittenberg (2003) and Mihret (2010), who pointed towards value addition, arguing that the purpose of the IAF is to help organisation achieve their goals and add value to their performance. This argument was supplemented by Al-Twaijry et al. (2003), Bou-Raad (2000), Gwilliam (2003), Ussahawanitchakit and Intakhan (2011) and Yee et al. (2008), who stated that a program is effective if its outcome matches its objectives. Nevertheless, practitioners argue that IAE is
contentious (Deloitte 2010; Ernst & Young 2006, 2008; KPMG 2009; PwC 2009, 2010) which gains support from the literature also arguing that IA may not always be effective (Al-Twajry, Brierley & Gwilliam 2003; Cohen, Krishnamoorthy & Wright 2004). IA researchers continue dis-engage institutional environment and its influences on IAE when they focus on IAF and organisational settings alone, with few attempts made to study IA in the public-sector setting.

The contentions in the literature and the argument put forwards by practitioners hold the purpose of this study to identify why IA may not always be effective (Al-Twajry, Brierley & Gwilliam 2003; Cohen, Krishnamoorthy & Wright 2004) given the minimum attention to understanding the factors that influence IAE in PSOs. This study therefore, examined IAE from the public sector institutional setting perspective. The study observed the generated isomorphic pressures in PSOs’ operations in general, as well as their influence towards IAE. The literature had not yet suggested how organisational responses to institutional demands can affect IA performance and impact achievement of IA stakeholders’ expectations which demonstrates the novelty of this study. Yet, previous IA researchers have acknowledged that the IAF is not a sole player (Arena & Azzone 2009) besides not always effective (Al-Twajry, Brierley & Gwilliam 2003a; Arena & Azzone 2009; Cohen, Krishnamoorthy & Wright 2004; Mihret & Wondim Yismaw 2007; Zain, Subramaniam & Stewart 2006). Another novelty aspect of this study was the opportunity to show the impact of the institutional–organisational relationship towards IA activities in the public sector setting and its influence on IAE.

This study advises that IAE in PSOs cannot be understood outside of the institutional environment. This advice is dependent on the fact that IAE is an achievement obtained through collective efforts from this setting. This was realised after the examination of IA stakeholders from within and outside the organisation but within the public-sector setting. Institutional fields were considered in the context of analysing the IA experiences, varying settings of the PSOs and the process undertaken by the IAF to achieve stakeholders’ expectations. This advice is also linked to the fact that IAE is IAF is not an independent body, but a function affiliated with an organisation. This relationship makes the prevailing conditions have impact on IA activities and influence the prospects of IAF and expectations of IA stakeholders.
Insights generated from the real-life experiences of the IA while understanding IAE in PSO has revealed that this experience is directly linked to the organisational circumstances generated by the institutional setting. Requirements from institutional setting determine the nature of the organisational responses. The process of these responses has impact on IA activities and influence the level of IA performance. This study advises therefore, that since PSOs’ need for responses to institutional requirements which influence the environment with different isomorphic pressures is undisputable understanding IAE must consider the institutional circumstances to inform the research.

This study points out the benefiting element to the IAF; that once there are institutional isomorphic pressures that demand organisational responses, IAF gets directly. This involvement becomes an opportunity for the IAF when sought after by other functions to provide quality services/ responses that make IA a dependable helper. When the responses sought after are obtained, it determines the level at which the IAF achieves stakeholders’ expectations hence IAE. This dependence is significant because it becomes a platform for teamwork and collaboration between IA and the other functions of the organisation. This relationship facilitates IAF with an institutional entrepreneurship perspective bring about the necessary transformation within the organisation’s systems. When organisational goals are achieved (IA stakeholders’ expectations), then the IAF can claim its effectiveness and its stakeholders can acknowledge that the organisation has an effective IAF.

7.2 Institutional pressures and IAE in PSOs

The study points out that even if institutional pressures sound much of a threat to PSOs they are helpful for the PSOs to remain focused to the intended goals. The IAF also benefits from these pressures to overcome the challenges of perception by other functions. The literature points out that institutional entrepreneurship is employed by individuals or people who can exploit the opportunities (Kirzner, 1997; Shane and Venkataraman, 2000). Relevant to this circumstance therefore, helps this study to show how isomorphic pressures and institutional entrepreneurship act together to focus on service delivery in PSOs. Makin relevance to this circumstance helps the study to show the beneficial outcomes of the social service to the public and management of risks involved. However, it also reveals how the IAF exploits the prevailing opportunities
through innovation, creativity, problem-solving change the ordinary system of how things are done to achieve stakeholder expectations hence institutional entrepreneurs according to this study. Evidence shows that this approach helps to explain how actors (internal auditors and IA stakeholders) within the IA environment respond to institutional pressures and complexities to achieve stakeholders’ expectations hence IAE.

This study finds that government reforms and restructuring that took place after the aftermath of the war and genocide that befell the country bear the mantle of transformations of public sector organisations of which IAF came to exist. This explains how reforms within the institutional setting which saw the need for change were influenced. The relevance of these reforms to this study was the segmentation of PSOs and the establishment of institutional agents (OAG, RPPA, RBPM and OCIA) and requirements—that call for compliance with the administrative and operational framework. Institutional agents and requirements generated and drove institutional pressures to PSOs. Institutional requirements emphasise that the effect of strategies employed by the PSOs aim at delivering social service to the public with minimum risks. The process of managing risks emphasised the creation of policies and the enforcing agents for the government to achieve the desired objectives that led to the establishment of each PSO.

Institutional agents and requirements created intensive external reviews in the environment, which attracted the attention of the PSOs towards the IAF. The IAF which was considered a ‘fault-finder function’ that acted like police was sought to help operational functions in the PSOs minimise weaknesses that led to bad reports by institutional agents. This is because, these reports are linked to sanctions and a bad reputation from higher authorities in the government. However, the study found that, given the institutional setting and the status of individual organisations, the IAF sometimes lacked the required resources to perform its role. The management of some organisations had no powers to make decisions to avail the resources. This study found that the IAF in some PSOs (semi-autonomous and non-autonomous) lacked consistency of the IA programs because of organisational compliance with institutional regulations. Nevertheless, regardless of a lack of comprehension of institutional regulations and inconsistency with IA programs, the IAF was still
responsible for observing hierarchical obligations. The study found that this challenge was not unique to the IAF when it occurred but affected the entire organisation. Sharing unnatural circumstances therefore, led complexities into a common adversary and created a platform for collaborations and combining efforts to overcome.

This study found that IAF contributed as opportunity to reveal its capacity to help the organisation overcome the pressures. In accord, the study interpreted the situation as a platform that IAF uses to employ institutional entrepreneurship strategies to achieve organisational expectations amidst institutional pressures and complexities. The study also showed the efforts of institutional entrepreneurs to keep IA focused on change regarding its difficulty. Evidence from all the cases studied showed that IAFs were institutionally challenged, which confirms that increased complexity and regulations may mean greater demands from the IAF (Mihret 2010; Mihret, James & Mula 2010).

The study found that some public-sector organisations encountered varying pressures, but IA stakeholders’ expectations from IAF did not stop instead changed and desired to be met. During this dilemma when institutional requirements were not coherent to organisational pressure, IAF decided to be innovative to create solutions for problems that prevailed, which this study interpreted as Institutional entrepreneurs’ perspective. Institutional entrepreneurs’ perspective of the IAF therefore, influenced stakeholders and eventually stakeholders’ expectations were achieved hence IAE. The notion generated opposes perceptions in the literature that the IAF can fail to adapt to challenges in its stiff and dynamic environment (Zain, Subramaniam & Stewart 2006).

This study justifies that an IAF with an institutional entrepreneurs’ perspective can revise the IA approach to suit the control systems, risk management of organisations and achieve IAE.

Evidence has shown that when IA activities planned are put on hold because resources for performing those tasks are not provided, it does not terminate the need for IA to achieve stakeholder expectations and need for IAE in PSO. The study found that IAF will always be sought after by its stakeholders because the dynamism of the public-sector setting makes IAF a necessity and consistent helper. This study suggests that the main resources that the IAF should possess are institutional entrepreneurs’ perspective and attributes. IA literature provides that attributes or characteristics of the IAF include but not limited to capacity for the scope of IA activities and IA
competence (Yee et al. 2008), the size of the IA team (Arena & Azzone 2009), IA structure and management support (Carcello, Hermanson & Raghunandan 2005a, 2005b; Cohen & Sayag 2010; Mihret, James & Mula 2010). However, their existence is not guaranteed and should not be automatically linked to the existence of the IAF per se. This study insists that examining IAE in PSOs should always be conducted with review of institutional circumstances to understand the real-life experience of internal auditors. This would help institutional entrepreneurs’ perspective to employ strategies that are applicable to individual organisational circumstances given their institutional setting.

IA researchers have used various approaches to determine IAE, but there is no common understanding over the appropriate definition of IAE. This study suggested that an appropriate approach must ensure the quality of IA services, considering the challenge of diverse operationalisation of IA customers, their settings and experiences. The quality of IA services would be determined by the perception of IA stakeholders considering the level of achieving expectations which in most cases tend to be similar to organisational goals. For example, IA experiences in the multiple cases studied showed that IA approaches can vary within an environment. Understanding the environment helps to understand also the stakeholders’ relationship with IA and IA approaches in the individual organisational setting. This is because the relationship, and IA approaches that work in one organisation may not be successful in another because of their varying setups.

The findings of this study from the semi–autonomous organisation and ministry cases studied, which had varying challenges but overcame them all to achieve stakeholders’ expectations, showed that an internal auditor or IAF with the institutional entrepreneurs’ perspective can create an IA approach that enhances inclusion and ownership. This study found that an IA approach with institutional entrepreneurs’ perspective engages others to generate efforts that help IA to achieve stakeholders’ expectations. This implies that an internal auditor or IAF with the institutional entrepreneurs’ perspective can generate an appropriate approach for given engagements to help achieve stakeholders’ expectations hence IAE. This study also found that inclusion create ownership and the will of all actors hence matching skills and capabilities suitable to achieve the desire goals. This approach influences IA
stakeholders to generate suitable responses to operational demands and helps the IAF to achieve stakeholders’ expectations hence IA acknowledged as effective.

7.3 Contributions of the Study to the IAE Literature

To the researcher’s knowledge, this study is the first to explore IAE in the public-sector setting using multiple case studies with an institutional perception though it employed institutional theory, like previous IA researchers. Institutional theory was employed mainly to explain IA development at the institutional setting level and to outline patterns of IA implementation at the organisational level in an institutional environment. Hence, extended the IA research using institutional theory and IAE in multiple organisations in a public-sector setting. Despite the need to validate the results using similar studies in different settings, this study makes several useful contributions to the IA literature:

1. This study contributes to the existing research in that, given the inter-temporal nature of this study’s approach, understanding IAE in PSOs cannot be appropriately accomplished with disregard of the institutional setting. It is the institutional setting that exposes the real-life experiences of internal auditors after examining organisational circumstances. This study therefore, provides a better understanding of the factors that influence IAE in PSOs by focusing on the institutional setting, organisation and the IAF, whereas previous research that examined IAE provided evidence regarding the organisation and IAF (Arena & Azzone 2009; Lenz, Sarens & Hoos 2017; Mihret & Wondim Yismaw 2007).

2. This study agrees with previous studies that suggested that the IAF is never a sole player in the execution of its roles. This study however contributes that the IAF operates in a complex and interconnected institutional environment that has a significant effect on organisational circumstances which have substantial influence towards IAF to achieve be effective. IAF should have the flexibility to think outside the ordinary norms.

3. Finally, this study contributes the importance of incorporating factors that enable understanding the real-life experience of internal auditors. This is because once IA experiences are not captured when examining IAE in public
sector setting, insights generated would be peripheral and can barely inform the research.

**7.4 Implications to Practice**

This section provides a summary of the main implications of the cases studied and indicates key areas of importance as evidence for both theory and practice regarding specific issues relating to the contextualisation of IAE. Despite the significance of IAE pointed out by IA researchers, IAE in achievement has been insistently debated by practitioners (Deloitte 2010; Ernst & Young 2006, 2008; KPMG 2009; PwC 2009, 2010). This debate is generated by the discrepancy between the theory of IA activities and actual achievements. For instance, studies have shown that IA often seems to over-promise and under-deliver (Lenz & Sarens 2012). This is confirmed by evidence from multiple cases studied in Rwanda, whereby different organs (OAG 2013, 2014, 2015, 2016; OMB 2016; TIR 2016) and the media (Bachorz 2009; Emmanuel 2010; IGIHE 2017; Ivan 2016) showed that Rwanda continues to deal with several weaknesses in the performance of audited PSOs. However, issues of mismanagement of public resources are evident alongside strong legal systems. This is confirmed by IA researchers, who argue that IAF is not always effective (Al-Twajiry, Brierley & Gwilliam 2003a; Arena & Azzone 2009; Cohen, Krishnamoorthy & Wright 2004; Mihret & Wondim Yismaw 2007; Zain, Subramaniam & Stewart 2006).

This study is an attempt to scientifically examine the factors that influence IAE in public sector organisation considering the institutional setting. It is also an attempt pursued after previous studies that are directly related had focused on IAF and the organisation, which approach this study finds that it disassociates the IA and /or internal auditors with real life experiences. This study recommends professionals, practitioners, regulators and other IA stakeholders to consider the usefulness of this study as elaborated below.

1. IA professionals, practitioners and regulators should consider that IA structures are flexible to suit prevailing circumstances and have sufficient resources—for example, by providing an appropriate number of staff to enhance the effective implementation of IA activities in PSOs.
2. The results of this study show that IA practitioners and regulators should ensure that IA activities have sufficient levels of managing IA activities to enhance effective planning, coordination, supervision and monitoring.

3. This study helps IA professionals and beneficiaries to consider the significance of institutional entrepreneurship perspective, understand the implication of teamwork and support to achieve organisational goals.

4. Finally, the notion that the IAF is not a sole player in executing its role is no longer common to IA researchers alone; IA stakeholders acknowledge that it operates in a complex and interconnected institutional environment that tends to limit IAE in individual organisations. This understanding will improve the relationships, interaction and connections of all organisational actors, and respect the power of networking.

7.5 Limitations and Future Research

Fortunately, this study did not suffer the challenge of ethics. The researcher’s relationship with the subject was quite good unlike being a common acknowledged challenge in case study research. There were no challenges in obtaining the required access to organisations, and confidentiality was assured by having an affiliate supervisor. The researcher was known to most participants because she originates from the same area where data was collected. This relationship encouraged participants to reveal their views and opinions about the subject. Research participants were open in their dealings with the researcher and confident that the information disclosed would be treated in confidence. Their confidence led to the provision of documentary evidence for checking the validity of the data collected, and they agreed to be recorded during the interview and to review the transcribed data to enhance reliability. The researcher had access to several executive audiences in the PSOs. Access to several executives enhanced participants’ appreciation of the study’s context and was essential in obtaining confidential information. For instance, it was easy to study the relationships between members of an organisation within the institutional setting to generate insight about IA real-life experiences. However, while the ethics of the researcher’s relationship with the participants was effective, it exposed the researcher to the difficulty of drawing boundaries around the subject matter of the case:
The holistic perspective exposed the researcher to several interactions within the institutional setting and determining the expansion of cases in studying interrelations within the institutional setting was a challenge. The ideal of studying all aspects of a social system is clearly unattainable, and we must be satisfied with approximations (Scapens 1990).

The researcher placed limits on the time and scope of the subject matter to permit a detailed study of the area. Therefore, it is suggested that future researchers use different methods.

Based on this comprehensive study of IAE in PSOs in Rwanda, some areas for future research are suggested to make IA in the public sector more helpful. Although efforts have been made and a positive perception of IA has been achieved, the IAF in PSOs requires improvement. IA professionals, legislators and practitioners should take the institutional setting into account when addressing IA issues. They need to be aware of threats that interrupt IAE in the institutional environment. This study suggests that further research should be conducted on IA in PSOs in relation to several aspects, namely: (1) considering professionalism to achieve IAE, (2) effectiveness in the management of IA activities in PSOs and (3) understanding the effect of the IA legal structure on the quality of IA work. Research should be conducted to examine the significance of internal audit laws and audit standards, and to assess their effectiveness on the quality of IA work in PSOs (see Sections 5.5.3 and 5.6).

7.6 Overall Conclusion

This thesis examined IAE in PSOs to understand the factors that influence IAE. Examining how the IAF achieves stakeholders’ expectations, revealed the IA stakeholders’ perception of IA. Understanding the public sector institutional setting helped to identify factors influence the organisation’s operations as well as the IAF and their impact towards IAE. The study revealed several IA experiences and found that achieving IAE is highly dependent on practices of the IAF and stakeholders’ awareness of the role of IAF and acting upon it. The study also revealed that the IA institutional environment is affected by isomorphic pressures and complexities. This
is one part of a complex network of oversight and assurance activities that mutually interact to collectively provide assurance about government programs.

The study suggests that IA professionals, practitioners and regulators need to understand this network and its strengths and weaknesses rather than concentrating on IA component in isolation. The findings of the study confirmed that research on IA and IAE should not underestimate the effect of institutional influences when concerns of IA and IAE in the public sector are being addressed. This study suggests that IAF in PSOs should consistently employ approaches that promote institutional entrepreneurship perspective focusing on collaboration with IA stakeholders to be productive despite the complications generated by institutional influences. The study confirms, that if the IA stakeholders acknowledge the contribution and impact of the IA activities in an organisation, the influence of a collaborative approach is significant. A collaborative approach helps both the IA stakeholders and IAF to overcome the impediments generated by the incoherence between organisational circumstances and institutional requirements to achieve organisational goals and IAE in the public-sector setting.
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Appendixes

Appendix 1: Interview Questions for Each Group

SET A: Interview Questions for the CEO

Part 1: Question relating to your profile

1. How long have you been the head of this organisation?
2. Is the IAF an independent department or unit in this organisation or performs its roles under another unit?
3. If IA activities are performed under another unit or combined with another unit, please state which unit and why?

Part 2: Questions related to perception of the IAE

1. What are your expectations in the IAF?
2. Do you think that the IAF has met those expectations in execution of its activities in this organisation?
3. Do you receive internal audit reports at completion of an engagement? If yes, what is the importance of these reports?
4. Do the reports presented by the IAF address issues that are of importance to you?

Part 3: Questions related to factors contributing to IAE

1. Are you involved in IA activities at some extent? If yes, to what extent are you involved in the internal audit activities?
2. What exactly do you do during your involvement in the activities of the IAF?
3. Is the IAF involved when discussing strategic activities of the organisation?
4. If yes, what do you expect from IAF when you involve the head of IAF in strategic issues of the organisation?
5. If the head of IAF is involved in the strategic activities of the organisations how has it influenced organisational performance?
6. If no, why do you think IAF should not be involved when discussing strategic issues of the organisations?
7. In your view, does the IAF have any challenges in this organisation?
8. What sort of challenge(s) do the IAF come across in this organisation?
9. What opportunities are there for the IAF to overcome this challenge(s)?
10. Thank you for all the valuable information you provided, is there anything else you would like to add before we end?

SET B: Interview guide questions for Audit Committee (AC)

Part 1: Question relating to your profile

1. How is your experience in (internal audit function) IAF in this organisation and when did you start?
2. How long have you been on the AC for this organisation?
3. What is your professional qualification?

Part 2: Questions related to perception of the (Internal Audit Effectiveness) IAE

1. Do you think that the IAF has achieved its role in execution of its activities in this organisation?
2. What is your contribution towards IA achievements?
3. If you think IAF has achieved its role in execution of its function in this organisation, would you please give examples of some of these achievements?
4. If you think that IA has not achieved its role, what do you think IAF should do to achieve its role?
5. What do you expect the IAF should do for the AC and does the IAF in this organisation do it?
6. If you think the IAF provides what the AC expects from them, what do you think facilitates them?
7. If you (the AC) do not receive what you expect from the IAF, what are you doing to make sure your expectations are met?
8. Do you receive IA reports? If you receive IA reports, how often do you receive them?
9. Do the reports received from the IAF address issues that are of importance to you?
10. Please give examples of important issues that have been addressed in the IA reports.
Part 3: Questions related to factors contributing to IAE

1. As much as the AC depends on IAF for information they feed the board of directors, ACs are involved in the work of IA. Are you involved in the activities of IA in this organisation?
2. If you are involved in the activities of IAF, at what level and to what extent are you involved in the internal audit activities?
3. Please provide examples of activities you do in the IAF of this organisation
4. In your view, do think that the internal auditors provide reasonable assurance on the performance of this organisation?
5. If the internal auditors provide assurance on the performance of this organisation, what do you think facilitates them to make this achievement?
6. If you think that the IAF does not provide reasonable assurance to this organisation, what do you think is missing in the IAF of this organisation?
7. Do you think IAF is involved in strategic planning of this organisation? If no, why?
8. If yes, how is it involved and what impact has it had on the performance of IAF and the organisation as well?
9. Thank you for all the valuable information you provided, is there anything else you would like to add before we end?

SET C: Interview questions for Head of IAF or Internal Auditor (in a non-flagged IAD)

Part 1: Profile

Part 2: Questions related to perception of the IAE

1. Please tell me more about the current process of the IA engagement in this organisation.
2. What impact has the activities of IAF brought to this organisation?
3. In your view, do you think that the IAF has achieved the expectations of its role in execution of its activities in this organisation?
4. Do you get requests from operational departments inviting you to help them by reviewing certain areas or programs?
5. If no, why do you think you do not get these requests (audit on demand) from business operational departments in your organisations?

6. If you receive requests from business operational department, which issues are you normally called for?

7. Which operational departments seek your intervention in such a manner of audit on demand?

8. Why do you think those departments happen to seek internal audit intervention to review their operations?

**Part 3: Questions related to factors contributing to IAE**

1. Do you have a designed work plan for internal audit activities?

2. If a designed work plan for internal audit activities, what criteria do you use to determine which areas to audit?

3. How do you identify the priority areas that need attention?

4. Is there a supervisory or authority level that approves internal audit plans? Who approves the IA plans?

5. Is the senior management involved in IA activities? If yes, how is the senior management involved in activities of IAF?

6. Is the board of directors involved in internal audit activities? If yes, how are they involved?

7. How has the IAF benefited from the board of directors’ involvement in the activities of IAF?

8. Whom do you report to and what is the frequency of your reporting?

9. What is the reporting procedure, if you uncover a weakness of the Internal Control system?

10. How is this reporting different from the normal reporting procedure?

11. Does the IAF face any challenges in execution of its duties? If yes, what are the examples of these challenges encountered by the IAF in execution of its duties?

12. How have this challenge(s) influenced the performance of the IAF?

13. What impact has IA activities made to this organisation? Please explain with examples.

14. How is the relationship between the internal auditors and the auditees?
15. How has this relationship influenced the activities of IAF?
16. Thank you for all the valuable information, is there anything else you’d like to add before we end?

SET D: Interview Questions for the Auditees

Part 1: Profile

Part 2: Questions related to perception of the IAE

1. Has your department been audited, if yes, what are your expectations in the IAF when they come to audit?
2. Do you get reports after audits, if yes do the reports presented by the IAF address issues that are of importance to you?
3. What important issues do you look for in the IA reports?
4. Why do you consider these issues as important that need to be addressed in IA reports?
5. How have the activities of IAF impacted your department?

Part 3: Questions related to factors contributing to IAE

1. In your view, is the IA process well-articulated for you to understand?
2. Other than when internal auditors come to conduct audit, do you have any other source of information about IA process?
3. If yes, do you understand the internal audit reports when they are communicated?
4. If yes, how long does it take you to implement the audit recommendation?
5. If there are delays, what is the common cause of these delays to implement IA recommendations?
6. How is the IA relationship with your function?
7. Have you ever invited the IAF to come and review some of the processes in your department, if yes please explain?
8. Thank you for all the valuable information you provided, is there anything else you would like to add before we end?
Appendix 2: Plain Language Statement

DATE:

FULL PROJECT TITLE: INTERNAL AUDIT EFFECTIVENESS IN PUBLIC SECTOR ORGANIZATIONS: A RWANDAN MULTIPLE CASE STUDY.

PRINCIPAL RESEARCHER: UWIMANA ENID

PROJECT SUPERVISOR: DR DESSALEGN MIHRET

Reference N°: BL – EC 13 - 16

We request you to take part in this research project intended to explore internal audit effectiveness in public sector organizations; A Rwandan Multiple Case Study. Participation in any research project is voluntary. If you do not wish to take part, you are not obliged to. Deciding not to participate will not affect your relationship to the researchers or to Deakin University. Once you have read this form and agree to participate, please sign the attached consent form. You may keep this copy of the Plain Language Statement.

The interview will take place at your office at your appointed time. I also request permission to interview the head of internal audit unit, auditors and external auditors of the organizations. This interview is intended to be held in a private setting and would be a 1-2 hours session and would be audio taped to help the research transcribe the information with minimum difficulty.
The research will be asking questions concerning internal audit function of your organization only and complete anonymity of interview participants and their organizations will be preserved from research report. Confidentiality will be respected at all times. All interview records and any associated notes will be coded before it is transcribed so that your identity will not be associated with your response. Otherwise, after the study all participants will be communicated of the results before being published.

Participation was voluntary, and no rewards should be expected from it. You may choose to withdraw at any time during or after the interview. A withdraw of consent form has been attached in that case should be signed and sent by email to let the researcher know that you withdrew your consent to participate in the project interviews.

A consent form has been attached for you to sign and acknowledge your consent to participate in these interviews.

**Complaints**

If you have any complaints about any aspect of the project, the way it is being conducted or any questions about your rights as a research participant, then you may contact:

The Manager, Ethics and Biosafety, Deakin University, 221 Burwood Highway, Burwood Victoria 3125, Telephone: 9251 7129, research-ethics@deakin.edu.au

Project number [BL – EC 13 - 16].
Appendix 3: Consent form

DATE:

FULL PROJECT TITLE: INTERNAL AUDIT EFFECTIVENESS IN PUBLIC SECTOR ORGANIZATIONS: A RWANDAN MULTIPLE CASE STUDY.

Reference Number: BL – EC 13 - 16

I have read, and I understand the attached Plain Language Statement.
I freely agree to participate in this project according to the conditions in the Plain Language Statement.
I have been given a copy of the Plain Language Statement and Consent Form to keep.
The researcher has agreed not to reveal my identity and personal details, including where information about this project is published, or presented in any public form.

Participant’s Name (printed) ...........................................................................................................
Signature ......................................................................................................................... Date ..............................

Please mail this form to: UWIMANA Enid, Email: emu@deakin.edu.au
Appendix 4: Organizational Consent Form

(To be used by organizational Heads providing consent for staff/members/patrons to be involved in research)

DATE:

FULL PROJECT TITLE: INTERNAL AUDIT EFFECTIVENESS IN PUBLIC SECTOR ORGANISATIONS: A RWANDAN MULTIPLE CASE STUDY.

Reference Number: BL – EC 13 - 16

I have read, and I understand the attached Plain Language Statement.

I give my permission for …………………………. Of ……………………………… [Name of organization] to participate in this project according to the conditions in the Plain Language Statement.

I have been given a copy of Plain Language Statement and Consent Form to keep.

The researcher has agreed not to reveal the participants’ identities and personal details if information about this project is published or presented in any public form.

I agree that

The institution/organization MAY / MAY NOT be named in research publications or other publicity without prior agreement.

Name of person giving consent (printed) ………………………………………………………

Signature ……………………………………………………… Date ……………………………

Please mail this form to: UWIMANA Enid, Email: emu@deakin.edu.au
Appendix 5: Withdrawal of Consent Form

(To be used for participants who wish to withdraw from the project)

DATE:

FULL PROJECT TITLE: INTERNAL AUDIT EFFECTIVENESS IN PUBLIC SECTOR ORGANIZATIONS: A RWANDAN MULTIPLE CASE STUDY.

Reference Number: BL – EC 13 - 16

I hereby wish to WITHDRAW my consent to participate in the above research project and understand that such withdrawal WILL NOT jeopardize my relationship with Deakin University.

Participant’s Name (printed) ..........................................................

Signature ............................................................... Date ..................

Please mail this form to: UWIMANA Enid, Email: emu@deakin.edu.au