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INTERNAL AUDIT MECHANISM ENABLING LESOTHO REVENUE AUTHORITY LEADERSHIP TO ACHIEVE CORPORATE GOALS

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WITS Business School

Thesis presented in partial fulfilment for the degree of Master of Business Administration to the Faculty of Commerce, Law, and Management, University of the Witwatersrand

April 2021

DECLARATION

I **Lekata Mothebe** declare that this research report entitled 'Internal audit mechanism enabling Lesotho Revenue Authority leadership to achieve corporate goals' is my own unaided work. I have acknowledged, attributed, and referenced all ideas sourced elsewhere. I am hereby submitting it in partial fulfilment of the requirements of the degree of Master of Business Administration at the University of the Witwatersrand, Johannesburg. I have not submitted this report before for any other degree or examination to any other institution.

_____

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Signed at Johannesburg on 30th April 2021

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ABSTRACT

Author: Lekata Mothebe **Supervisor** Dr Jenika Gobind

Thesis title: Internal audit mechanism enabling Lesotho Revenue Authority leadership to achieve corporate goals

Purpose: The main purpose of the study is to examine how internal audit contributes to the achievement of corporate goals or objectives. The extent to which internal audit is independent is likely to determine the objectivity and quality of the audit reports this function issues. The research further investigates the relationship between internal audit and the leadership of the organisation.

Methodology: The researcher used qualitative methodology to conduct this explanatory research. Semi-structured questions were developed, and interviews held with purposively selected participants to understand their views regarding the internal audit. Qualitative methodology does not require too many participants to make findings and conclusions, and therefore a sample of 15 people was selected for the interviews. However, only 12 participated.

Findings: Internal audit is a tool or mechanism that leadership uses to evaluate the effectiveness and efficiency of processes across all departments. The work of the internal audit function becomes more valuable when it is engaged as strategic partner of the organisation. Presence of reliable risk management processes, strong control environment and good governance is a result of effective leadership.

Key Words: Internal Audit, Leadership, Organisations Goals, Corporate Governance

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Johannesburg, April 2021

TABLE OF CONTENTS

Declaration……ii

Abstract……iii

Table of contents……iv

List of tables and figures……vi

List of tables and figures in the appendices……vii

List of abbreviations……viii

Acknowledgments……ix

Definition of key terms and concepts……x

INTRODUCTION TO THE RESEARCH……11

1.1 Introduction……11

1.2 Background and context to the study……11

1.3 Research conceptualisation……14

1.4 Delimitations and assumptions of the research study……16

1.5 Significance of the research study……17

1.6 Preface to the research report……18

LITERATURE REVIEW……19

2.1 Introduction……19

2.2 Research problem analysis……19

2.3 Research knowledge gap analysis……23

2.4 Theoretical frameworks for interpreting research findings……26

2.5 Summary……41

RESEARCH STRATEGY, DESIGN, PROCEDURE AND METHODS……42

3.1 Introduction……42

3.2 Research strategy……42

3.3 Research design……44

3.4 Research procedure and methods……45

3.5 Research strengths – reliability and trustworthiness measures applied51

3.6 Research weaknesses – technical and administrative limitations 52
3.7 Summary 52
PRESENTATION OF RESEARCH RESULTS 54
4.1 Introduction 54
4.2 Internal controls currently in place within departments 57
4.3 Internal audit mechanism as leadership enabler to achieving corporate goals 66
4.4 The relationship between leadership and internal audit 75
4.5 Summary 85
DISCUSSION OF RESEARCH FINDINGS 86
5.1 Introduction 86
5.2 Analysis 86
SUMMARY, LIMITATIONS, RECOMMENDATIONS AND CONCLUSIONS 95
6.1 Summary 95
6.2 Limitations 96
6.3 Recommendations 97
6.4 Conclusions 98
REFERENCES 100
Appendix 1.1: Data collection instrument(s) 108
Appendix 2.1: One-page bio of the researcher 109
Appendix 2.2: Ethic Documentation (Survey letter) 110
Appendix 2.3: Ethic documentation (Consent form) 111

LIST OF TABLES AND FIGURES

Table 4.1 Number of Staff members at Lesotho Revenue Authority…….52

Table 4.2 Respondents Bio-data…….54

Table 4.3 Interview questions and responses to research question 1……..57

Table 4.4 Interview questions and responses to research question 2……..67

Table 4.5 Interview questions and responses to research question 3……..75

Figure 2.1 Transformed vs. traditional risk assessment approach…….22

Figure 4.1 Structure of Internal Audit Function at Lesotho Revenue Authority……53

Figure 4.3 Themes identified in research question1…….55

Figure 4.4 Themes identified in research question2…….64

Figure 4.5 Themes identifiedin research question3…….74

LIST OF TABLES AND FIGURES IN THE APPENDICES

Appendix 2.1: One-page bio of the researcher……108
Appendix 2.2: Ethic Documentation (Survey letter) ……109
Appendix 2.3: Ethic Documentation (Consent form)……110

LIST OF ABBREVIATIONS

AC	Audit Committee
ADB	African Development Bank
BCMP	Business Continuity Management Processes
CAAT	Computer-Assisted Auditing Techniques
CIA	Chief Internal Audit
CG	Commissioner General
COSO	Committee of Sponsoring Organisations
DC	Deputy Commissioner
ERM	Enterprise Risk Management
ERMP	Enterprise Risk Management Process
HR	Human Resources
IA	Internal Audit
IAF	Internal Audit Function
IIA	Institute of Internal Auditors
IT	Information and Technology
JSE	Johannesburg Stock Exchange
LRA	Lesotho Revenue Authority
LTMP	Lesotho Tax Modernisation Project
PMS	Performance Management System
RBIA	Risk-Based Internal Auditing
TC	Tax Clearance Certificate
TIN	Taxpayer Identification Number
US	United States
YDP	Youth and Development Programme

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"Both tears and sweat are salty…the difference is in the outcome; the former will provide you with sympathy, the latter with 'RESULTS'."

My mother, Mrs Malekata Anna Mothebe, referred me to these words whenever I wanted to surrender on this challenging journey of life.

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Glory be given to God Almighty: His thoughts are not our thoughts, nor are His plans our plans.

DEFINITION OF KEY TERMS AND CONCEPTS

Internal audit: An independent, objective assurance and consulting activity designed to add value and improve an organisation's operations.

Leadership: The process of influencing people towards achieving an aim or goal.

Organisations goals: Specific and quantifiable targets that the company sets and commits to attaining to achieve its mission.

Corporate governance: A relationship between company stakeholders (specifically management and shareholders); also a structure designed to achieve the objectives of the organisation and monitor performance.

INTRODUCTION TO THE RESEARCH

1.1 Introduction

This research is about an internal audit mechanism enabling the leadership of the Lesotho Revenue Authority (LRA) to achieve its corporate goals. As a starting point, the report will introduce some concepts used to conceptualise this research. Underneath research conceptualisation are the research problem statement, the purpose of this research and the research questions. This chapter will also suggest the delimitations and assumptions of the research study, explain the significance of the research study, and provide a preface to the research report.

1.2 Background and context to the study

The LRA is a tax collection institution in Lesotho established in 2001. Its mandate is to collect tax revenues in the country through administering tax laws aimed at ensuring that residence individuals and corporations pay fair and equitable tax (Lesotho Revenue Authority, n.d.). Since the LRA is a government agency, the government is the sole shareholder, but the Authority has been autonomous in that it operates independently from the government. It is therefore reasonable that it is expected to follow corporate governance rules and principles to ensure accountability and conformity. The internal audit function (IAF) exists to provide independent and objective assurance and consulting services that are designed to add value by improving the organisation's operations (Institute of Internal Auditing, 1999). The section will first introduce some relevant concepts such as authentic leadership, internal audit, corporate goals and corporate governance, which will shed light on the context of the study.

(i) Leadership

Effective leadership has seen the successes of organisations. Parks (2017) suggests that strong leadership has direct positive impacts on all areas of the business, including growth and expansion, employee motivation, policies and procedures, and productivity and development. According to Johnson et al. (2017), leadership is a process of influencing people towards achieving an aim or goal. William (2008)

postulates that leaders bring other people together around a shared mission, purpose and set values – they empower others to understand the objectives of the organisation so that they are also able to lead while serving the interests of all stakeholders. Russell and Underwood (2016) further expanded a 'leader' to be a leader with purpose. A leader is someone whose mission is to leave the legacy in an organisation, who intends to achieve financial and business objectives, and impact at team, organisational and stakeholder levels. Leaders intend to align their values with the definition of success.

(ii) Internal audit

Leadership has to inspire confidence in the followers that they are moving in the right direction – this is considered to be decisive leadership. Effective leadership shall ensure that the IAF is in place, as the latter is a key factor in an effective strategy to prevent the organisation from derailing from its direction. Treadway (1987) reports that the National Commission on Fraudulent Financial Reporting in the United States (US) made the recommendation that all companies have to ensure effective internal audit function. COSO (1992) and Cadbury Report (1992) indicate that from that time, corporate governance committees around the world have subscribed to this idea. More so, companies that are listed on the stock exchange are required to establish an internal audit function (King report III, 2009). The King report further indicates that should the board decide otherwise, the full reasons should accompany the integrated report, together with an explanation of how reasonable assurance of risk management, effective governance and internal control environment has been observed.

According to Adams (1994), the main role of internal audit is to provide the reasonable independent assurance that risk management, control environment and governance processes are effective. Internal audit deals with issues that are fundamental and directly or indirectly affect the survival and prosperity of organisations (Adams, 1994). Effectively, the scope of internal auditors goes beyond financial risks – they consider broader issues such as organisational growth, impact on the environment, reputation and the manner in which employees are treated.

Perhaps a summary may be that internal auditors are there to support the organisation to achieve its objectives. In so doing, they provide assurance to the top management or the board, and play a consulting role – they inform managers about the effectiveness of systems, processes and procedures designed to ensure that the organisation is on the right track (Institute of Internal Auditing, 1999). The consultative role is to help improve those systems and processes that are weak or lacking.

Cadbury Report (1992) ascertains that the internal auditor gives assurance to the executive management and board of the effective management of the organisation, on behalf of its shareholders, by reporting how risk has been evaluated and highlighting areas for improvement. As Broody and Kaplan (1996) allude, internal auditing is concerned with the improvement of the effectiveness of risk management, governance and control processes, through coaching, advising and facilitating to avoid undermining the role of management.

(iii) Corporate goals

Corporate goals are what the company aspires to achieve. As Kotler (1980) alludes, almost at the beginning of every year, companies will set the objectives that will be a guide to measure performance. The company is believed to be doing well if it can meet or exceed these targets. According to Lazarus (2004), these goals have to be "SMART". This is a mnemonic acronym that is used to provide criteria when setting organisational objectives. The acronym will always apply, but the objectives will differ from company to company.

Specific: Goals must be well defined, clear and free from ambiguity.

Measurable: There should be specific criteria for progress measure.

Achievable: May be challenging, but must be attainable.

Realistic: Must be within reach.

Timely: There should be a starting date and target date. The intention is to create a need for urgency.

(iv) Corporate governance

According to the Committee on Corporate Governance (2001), corporate governance “refers to the processes and structure by which the business and affairs of the company are directed and managed, in order to enhance long-term shareholder value through enhancing corporate performance and accountability, whilst taking into account the interests of other stakeholders.” BPP (2015) therefore postulates that good corporate governance encompasses both enterprise and accountability. In the area of accountability and audit, the committee drew a clear line of distinction between the roles and responsibilities of management and the board of directors. It stresses that management is accountable to the board, and therefore it is important to provide members of the board with monthly management accounts. Another emphasis is the recommendation of quarterly reporting so that even minority shareholders are able to access the organisation’s information timely.

Further, from the perspective of audit, good corporate governance requires the chairperson of the audit committee to be an independent director, and the committee should have some meetings with both external and internal auditors in the absence of management (OECD, 2004). In addition, it is important for the IAF to be independent of management as it helps the audit committee to carry out its duties effectively. Lastly, the committee reiterates the responsibility of management in establishing a sound system of internal controls. The board has the responsibility of overseeing that the above is done.

1.3 Research conceptualisation

The section below discusses and presents the research problem and objective.

1.3.1. The research problem statement

Internal audit is a powerful mechanism that exists to add value to an organisation by providing leadership with reasonable assurance on the direction of the company. Little has been said about how internal audit supports leadership in achieving organisational goals. This study intends to reflect whether leadership does indeed benefit from the establishment of an IAF. Large organisations are a meeting place for different stakeholders, such as directors, employees, shareholders and other related

third parties. This complex situation prompts a need for assurance to all stakeholders, with their different interests, on the proper route and direction the organisation is taking. This triggered the researcher to do analysis on how important internal audit is to the leadership of the LRA.

The researcher's experience of working in different organisations brought to his attention that different leadership cultures have a direct impact on how the IAF is perceived. Soh and Martinov-Bennie (2016) highlight that in the aftermath of corporate scandals and the global financial crisis forced regulators and the public to speak tough about corporate governance, and the regulatory responses have focused on disclosure requirements around that corporate governance. In turn, it has driven more demand for assurance on processes of corporate governance, internal controls and risk management.

It is believed that internal audits may make a significant contribution to corporate goals. Saud and Marchand (2012) allude that it may also help the actors of an organisation at all levels to improve the performance of the firm. Saud and Marchand (2012) further indicate that internal audit allows all business partners, personnel, shareholders and the state to ensure reliability and high quality of information for better decision-making.

The LRA is a big government agency that collects tax revenues. Its size makes it difficult for executive management and the board to determine the effectiveness and reliability of the information they receive from operations managers. The best way to trust such information is if the IAF provides them with reasonable assurance that the processes are indeed taking the organisation in the right direction. Hence, leadership has to ensure that the IAF is properly in place.

1.3.2. The research purpose (aim and objectives) statement

Internal audit is a mechanism available to a company used to evaluate how effective and consistent the internal controls are. It is the internal auditors' task to review activities across the organisation, assess the level of risks posed by those activities and the mitigating measures put in place, and then make appropriate

recommendations to improve and increase efficiency (IFACI, 1998). The IAF is seen to be an independent body within the organisation and so has to upgrade if it does not meet the expectations of the board. The main aim of this study is to examine how internal audit mechanisms enable leadership to achieve corporate goals at the LRA. In reviewing some theories of leadership, and their implications, the study will continue to investigate how internal audit affects organisational goals and objectives to ensure continuity or sustainability.

Furthermore, the intention is to understand the link or relationship between leadership and internal audit. By so doing, we will examine if the leadership of the LRA considers internal audit to play a major role in the achievement of the corporate goals.

1.3.3 Research questions

Question 1: What internal controls are currently in place within your department?

Question 2: How can internal audit mechanism enable leadership to achieve corporate goals?

Question 3: What is the relationship between leadership and internal audit?

1.4 Delimitations and assumptions of the research study

Delimitations and assumptions are set below.

1.4.1 Delimitations

The research will concentrate only on the LRA, and will interview a sample of four junior and seven management staff. This means that the researcher will not pay attention to what transpired in other organisations in Lesotho, and will not cover every employee at the LRA. This implies that the research will reach a conclusion based on generalisation. Furthermore, this study will exclude temporary staff as they may not fully understand how much of the decline in performance of the Authority

can be associated with weak internal controls. The research is limited to those permanent employees who have been with the organisation for a period of at least 12 months. Even though the researcher assumes a representative sample, the results may be different if big sample was engaged. One of the biggest challenges with this is time constraint. Furthermore, it may not be possible to reach every individual to find his or her opinion regarding the matter as LRA employees are too many, and others are reluctant to participate in this kind of research.

1.4.2 Assumptions

The assumptions are as follows: Internal controls are currently in place at the LRA; the internal audit mechanism enables leadership to achieve corporate goals; and there is a relationship between leadership and internal audit. The researcher further assumes that top-level management will avail itself to provide the necessary answers. The researcher further assumes that all the interviewees will be honest in providing answers to the questionnaires because all information will remain anonymous and confidential. In addition, everyone has the right to refuse to participate in the study. Another assumption is that management will not change during this period of study, and the same individuals are the ones who will respond to the questionnaires. Furthermore, there is an assumption that by the time this study is conducted, staff would have returned to work to continue with normal business operations following the lockdown measures associated with COVID-19.

1.5 Significance of the research study

Internal audit contributes significantly to the achievement of organisational goals (Saud & Marchand, 2012), and the LRA is no exception. The LRA strategic document for 2018-2022 sets out its objectives, which include improving client satisfaction, enhancing voluntary compliance, and reducing the cost of collection of tax revenues. Internal audit will act as a watchdog or play an oversight role to ensure mitigation of risks the organisation could be exposed to when carrying out its mandate, or at least that little to no harm would be done should anything undesired

happen. Failure to take good care of the IAF will affect business operations, which could lead to poor performance and, ultimately, bankruptcy.

According to Kwan (1999), an organisation with a strong commitment to managing risk has to develop a risk-based culture. Such a culture is created by senior management and the board of directors (Steinmetz & Arthus, 2001), and Kwan (1999) postulates it results in the development of a risk management framework. The tone set by management is cascaded to lower managers, who now know the risk appetite of the organisation and therefore understand how far they can go in taking risks. Risk appetite is the amount or level of risk an organisation is willing to take in order to pursue its objectives (Reding et al., 2013). An example is that internal audit was able to discover and make recommendations on the declined morale of the employees. This is because there is a positive correction between employee satisfaction and high performance (Plunkett, 2008).

1.6 Preface to the research report

This research report consists of six chapters. The first chapter was an introduction, and is followed by Chapter 2, which covers a literature review of the problem, the past studies, the explanatory framework and the conceptual framework. Chapter 3 explains the research strategy, design, procedures, reliability and validity measures, including their limitations, and discusses how they apply to this report. Chapter 4 presents the findings, while Chapter 5 discusses those findings. Finally, Chapter 6 gives a summary and conclusion of the research. The next section will look into the literature review.

LITERATURE REVIEW

2.1 Introduction

This section is divided into three sub-sections: Taking a deep dive into the research problem; identifying the knowledge gap and conducting knowledge gap analysis; and creating and discussing frameworks to interpret the research findings. To be more precise, section 2.1 will look into research problem, while section 2.2 will research knowledge gap analysis. Section 2.3 will elaborate on the theoretical frameworks that will be used to interpret the research findings.

2.2 Research problem analysis

As organisations grow bigger in size, the operations become more complex and geographically dispersed. Reding et al. (2013) ascertain that it now proves impractical for senior management to observe personally those operations that were their responsibility, and they do not have enough direct contact with staff members who report to them. According to Reding et al. (2013), this distancing between the leadership and operations of the organisations created a need for someone, perhaps within the firm, to examine the operations and report the findings to the leadership. They do the work of internal audit, which enables management to make appropriate decisions based on the recommendations.

Saud and Marchand (2012) state that a condition of organisational survival is its members' ability to perform their duties reliably and efficiently to achieve organisational objectives. There are various ways to achieve this coordination of behaviour, depending on the size of the organisation. For small businesses, it is easy for the manager to ascertain and verify that activities are carried out according to the plan, and that any form of risk is well managed and monitored. The manager’s supervision, however, becomes insufficient as the firm grows in size or geographical stations or both (Mintzberg, 1982). Even though this form of supervision may be desired, it can only be successful in some parts of the organisation and not the whole entity. This is why leadership will have to develop means or mechanisms to address the problem.

Moreover, the importance of global competition puts the performance of the business at the heart of the organisation's leaders. Several factors attributable to this performance are considered, and one is the ethical and responsible behaviour of the performers. Bertin (2007) postulates that the scandals of some companies such as Enron and WorldCom were a clear indication of insufficient controls in organisations. These scandals provoked regulators to take action regarding internal controls to ensure that leaders achieve the objectives of the organisations rather than their own self-interests. Internal audit is there to evaluate the justification of the company's activities; this is in the interest of ethical norms and values (Mercier, 2000).

Another explanation of organisational performance may be the capacity and ability of the company to develop and implement suitable strategies to pursue its objectives (Bouquin, 1997). The bottom line is that objectives vary from company to company. The objectives of some companies may be to go global, for example, or to lead in specialised goods. The objectives of the LRA were stated earlier. The success of a company is largely dependent on its ability to develop and implement relevant strategies. Since these strategies involve the carrying out of activities, it is important to note that these activities are prone to risks because they in turn involve processes. Susceptibility to risks may hinder the desired performance of a company, and cannot be ignored. Internal controls are put in place to minimise the risk or damage that could occur during the process.

Periodically, these internal controls are evaluated to test their efficiency and effectiveness, and internal auditors are responsible for this task. The process of examining and evaluating the effectiveness of processes, procedures and systems of an organisation in achieving expected objectives is known as auditing. This should happen because the company is faced with everyday challenges that may need to be addressed differently from what has been the practice. By so doing, leadership establishes an independent function within the organisation to oversee the operations on its behalf – and this function is responsible for advising leadership whether the processes are adequate to take 'us' to where we are going; if not, amendments or revision of these systems and procedures will be made. The findings

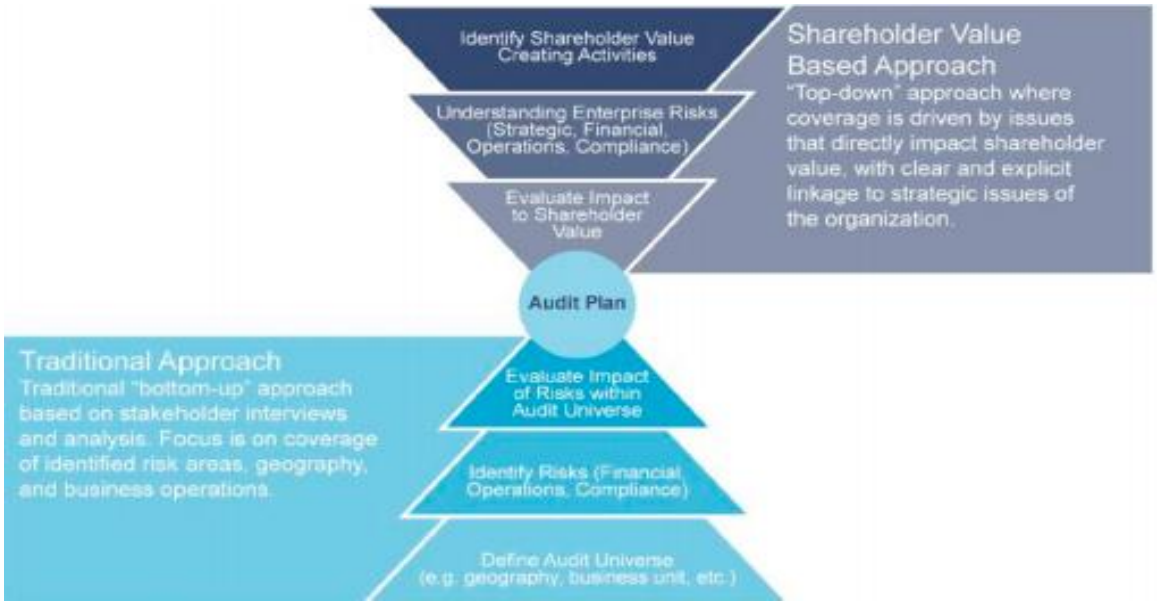
by internal audit are communicated to management, the audit committee and the board of directors.

It must be noted, however, that the role of internal audit is not to participate in the formulation and carrying out of company strategies. It is the ultimate responsibility of management to design, adequately and effectively, the operation of systems of internal controls (Reding et al., 2013). Thereafter, internal auditors play an important role in verifying that management has done its part in the best interests of the organisation. Nabulsi and Haidoura (2018) highlight that the business environment is changing fast, exposing businesses to more risks. To remain relevant and competitive in the market, these emerging trends in the business space cannot be ignored. Stakeholders should remain alert to the emergence of new risks and put in place mechanisms to protect the business against anything that could jeopardise its operations.

According to Nabulsi and Haidoura (2018), chief executive officers (CEOs) are starting to pay more attention to various risks and regulation threats, in addition to uncertainties caused by geopolitical factors. More so, leadership faces a huge challenge with regard to increasing demand from customers and other stakeholders to address complex issues in a complex marketplace (this is because many people are now able to influence business operations due to the availability of information). Organisational leadership and regulators advocate for internal audit to put its focus on regulatory compliance matters.

Globalisation, the regulatory environment, new technologies and so on have seen firms having to incorporate strategies with the launch of new product lines, cost-reduction methods and entry into new markets. These issues create more complex risks that internal audit must comprehend and address prior to execution. There is still debate in senior management around how to get risk management and internal audit more involved. Hall (2007) suggests that organisations are abandoning traditional risk management and embracing the enterprise-wide risk management approach. This has nonetheless raised questions as to who are the architects, implementers and overseers of the process.

Fig. 2.1. Transformed vs. traditional risk assessment approach



Adapted from Chartered Institute of Internal Auditors (2014)

Internal auditors use a risk-based approach to carry out their auditing work, which stimulates a desire for enterprise risk management (ERM). COSO (2004) defines ERM as “a process, effected by management and other personnel, which is applied in strategy setting and across the enterprise, designed to identify potential events that may affect the entity, and manage risk to be within its risk appetite, to provide reasonable assurance regarding the achievement of organisation objective”. Reding et al. (2013) postulate that the IAF can carry out its mandate more effectively and add more value to the organisation when it obtains a thorough understanding of the business risks to which the organisation is exposed. Developing the risk profile is therefore paramount – it identifies and ranks various risks to achieving individual strategic objectives.

Treadway (1987) reports that the National Commission on Fraudulent Financial Reporting in the US made a recommendation that all companies establish an internal audit function. The Committee on Corporate Governance (2001) reiterated the notion that internal audit is paramount to the success of all companies. Earlier, it was indicated that a requirement of corporate governance is that listed companies have an IAF. The NYSE (2002) states that the Corporate Accountability and Listing Standards Committee endorsed this requirement. The Johannesburg Stock

Exchange (JSE) strongly encourages listed companies to have an IAF to assure their boards that operations are conducted in the best interests of the companies and hence shareholder value. This is owing to the fact that listed companies are usually large and it is therefore impractical for their executives to manage all the operations, let alone have close contact with all managers responsible for the various divisions. Thus, internal audit will report on the effectiveness of the controls in place to manage any form of risk that might materially have a negative impact on the achievement of individual objectives of the organisation.

2.3 Research knowledge gap analysis

The research-knowledge gap analysis section will focus on the gap the researcher established in the review of previous research. According to Muller (2017), the research knowledge gap is research that no other researcher has conducted before, and where missing or inadequate information has compromised decision-making or conclusions. No prior empirical research has been conducted on the role of the IAF in the ability of leadership to achieve corporate goals. Thus, the main objective of this study is to understand how internal audit would help leadership to achieve organisational goals at the LRA. According to this research, the IAF plays an important role in ensuring that organisations meet their objectives.

The LRA is a government agency with the mandate to collect tax revenues for the government. The agency theory is therefore relevant because the authority has to account to the government (which is the sole shareholder of the organisation). This is why it is important to have an internal audit department for reliable information. According to Kopp (2020), agency theory is aimed at explaining and resolving issues in a relationship between principals (in this case the Lesotho Government) and agents (LRA executives). If diverging interests are not resolved, the Lesotho Government may fail to provide mandatory services to the public. Statistics in 2015 indicate that about 75 per cent of Lesotho’s national budget comes from tax collections.

The study conducted by Goodwin (2004) focused mainly on comparing and contrasting internal audit in the private and public sectors. The study was to draw

insights from other internal audit literature. The objective of this paper was to identify and analyse any distinction of characteristics of the IAF between companies in the private and public sectors. Carhill and Kincaid (1989) and Coupland (1993) argue that there are significant differences in internal auditing in the private and public sectors in terms of framework and scope of tasks. Usually, government agencies are established by statute, and may or may not be required to have an IAF, depending on the particular legislation that governs them. A typical example would be local government Acts, which require councils to establish an internal audit function. In Lesotho, the Acts do not indicate explicitly that government agencies should have an IAF. Carhill and Kincaid (1989) indicate that public-sector agencies usually operate in a less flexible framework; the tasks are usually authorised by way of legislation. Carhill and Kincaid (1989) further allude that the public sector is more service-oriented and internal audit activities have to cover a wider scope compared to the private sector.

As Malan (1991) postulates, two types of audits are appropriate to the public sector, namely financial-related and performance audits. Financial-related audits assess the extent to which resources are directed towards achieving organisational objectives, while performance audits are essentially value-for-money audits that focus their attention on efficiency and effectiveness of resource usage to minimise wastage. A comparison of the two sectors was done by Spraakman (1985), who found that efficiency and effectiveness had increased in both sectors in Canada, but government organisations paid more attention to these philosophies.

Nabulsi and Haidoura (2018) conducted another study on “Making a Difference through Internal Audit Leadership and Enterprise Risk Management”, with the objectives to (i) persuade the senior leaders that corporate strategies could be more effective and efficient if internal audit leaders were involved in strategy formulation; and (ii) highlight how internal audit leadership and enterprise risk management could work together in formulating a professional-risk view to address the coming threats, and sustainably maintain governance and control processes and procedures. Ideally, every organisation is unique and has a different structure, processes and culture. This makes their attitude to and appetite of risk different. The internal auditors will

have to adapt to every situation to be able to implement a risk-based approach more efficiently. Nabulsi and Haidoura (2018) suggest that risk-based internal auditing (RBIA) effectively links the organisation's risk management framework to internal audit to achieve the goal of providing reasonable assurance to the board or executives that the risk management processes are adequate and effective.

Reding et al. (2013) unwaveringly stipulate that management and the board are responsible for managing risks. A risk management framework has to be in place so that it becomes easy to implement the RBIA. The RBIA empowers the internal audit. The Chartered Institute of Internal Auditors (2014) lists some benefits of the RBIA to internal auditors: It proves that management has acted on the risks, based on risk appetite; those responses are trusted to be effective; residual risk is in line with risk appetite; management is monitoring the risk management processes to ensure effectiveness; and risks and responses are correctly categorised and reported. The risk management framework has to be revisited and revised from time to time to address current challenges since it has already been indicated that the environment in which the business is operating is dynamic and therefore requires agile leadership.

Another study was conducted by Chambers and Odar (2015), who found that internal audit was a solution to failed corporate governance in trying to prevent a crisis. IIA (2012) articulates how internal audit has expanded as a way to evaluate and improve the processes of operations. By so doing, a path to success is monitored; there is a high level of accountability and preservation of values. Chambers and Odar (2015) argue that in difficult financial periods there is an escalation of fraud and abuse. Nonetheless, they become more visible because concealment becomes difficult. The argument may be that internal audit becomes more vital during good times when fraud and abuse become easily concealable, however, concealment still happens during recession. It is the time when internal audit should play an investigative role. A concern is raised that internal auditing standards (IAS) do not see a need for internal auditors to acquire skills similar to those of investigators of fraud. This was reflected in a scandal at banks' LIBOR,

when internal audit could not prevent and failed to detect major fraud committed by bank traders and allegations of oil-price fixing reported in 2013.

Coffee (2006) scathed the 'gatekeepers', who are the professional agents of the shareholders, for failing to prevent fraud and abuse at Enron. These gatekeepers are external auditors, lawyers, credit rating agencies and so on. Meanwhile, Loughrey (2011) later pointed the finger specifically at lawyers.

Nonetheless, this particular study will pay attention to how the LRA internal audit work adds value in support of leadership towards achieving the main objectives of the institution. Even though the function is in place at LRA, no study has been conducted to evaluate its performance relative to leadership and its attitude towards this function.

2.4 Theoretical frameworks for interpreting research findings

Here, the research will look at the principles, assumptions and general ideas to unpack the theoretical perspective for data interpretation. The frameworks used in this research to interpret research findings are internal audit, authentic leadership, corporate governance and corporate goals frameworks.

2.4.1 Internal audit

The next section speaks holistically to internal auditing.

2.4.1.1. Concept

The Institute of Internal Auditing (1999) developed a definition of internal audit as "an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes." Clarke (2018) provided a similar definition of internal audit as a department within an organisation that is mandated to provide an independent and unbiased opinion on the effectiveness of the systems, processes and business organisation. Its main objective is to provide the organisation's leadership with objective information about

risks management, operational control environment, and compliance with relevant laws and regulations.

Reding et al. (2013) hint that it is difficult, if not impossible, for the organisation to reach its goals and achieve sustained success without the presence of effective risk management, as well as control and governance processes. Reding et al. (2013) further indicate that the complexity and interrelatedness of these processes require an independent function that will ensure they work according to plan, which is the internal audit function. IA plays a role of oversight on internal controls established by leadership across the organisations. Presence of internal audit will make the work of external auditors easier because many possible weaknesses on control environment are already addressed, and hence the cost of external audit is reduced. According to IIA's Code of Ethics and IIA's International Standards for the Professional Practice of Internal Auditing (Standards), key to internal auditing are independence and objectivity. COSO (2004) distinguishes independence and objectivity as follows: Independence is being free from any condition that may threaten or compromise objectivity; anything that poses that threat must be addressed at all levels, be it individual, functional or organisational. Objectivity is an unbiased attitude that enables internal auditors to carry out audit work with honesty and no material compromises on the quality of the report. Internal auditors ought not to subordinate their judgment to that of others. Failure to observe these key words will jeopardise the quality of reports produced by IAF. It renders the function's work to be in vain. Today's business world requires internal auditors to further review organisational objectives and operations, and advise management accordingly. The objectives of the organisation provide a direction of what the company wants to achieve.

2.4.1.2. Qualification of internal auditor

IIA's Standards (Standard 1210) require the internal auditor to be competent to perform his duties. The specific knowledge and skills necessary depend on the current stage of the responsibilities he undertakes. Balkaran (2008) suggests the employers' judgment plays a role in determining suitability of the candidate. For example, an employer may need qualified engineers, salespersons, management personnel and even accountants to occupy the office of the IAF. Someone who fully

understands the business operations may qualify. As Porter and Gowthrope (2004) reiterate, when the auditor possesses high qualifications, it becomes a good way of reducing the performance gap. Meanwhile, an accounting background is preferred as the auditor will be involved in appraising financial reports (Harrington, 2004). This should be in addition to a pool of experts in different fields to cover all spheres of the firm. Furthermore, technology cannot be neglected in this function, as its use will enable auditors to leverage better validation of reports (Hirth, 2008). According to Ahmi and Kent (2012), computer-assisted audit techniques (CAAT) are able to test large volumes of data within a short space of time and increase accuracy, boosting confidence in the auditor's opinion.

2.4.1.3. Roles and responsibilities of internal auditor

As indicated earlier, internal audit helps management to achieve organisational goals. By so doing, it provides independent assurance that management has put in place satisfactory controls to mitigate risk. IIA (2011) stipulates that internal audit has to assist with consulting services concerning training, pieces of advice, and facilitation across all levels of the organisation. IIA (2000) suggests that internal audit will help management to effectively discharge its duties by providing it with analyses, recommendations and comments regarding the processes reviewed. This goes beyond financial records to a broader picture and understanding of the operations reviewed. Benefits of internal auditing assistance are provided by Sawyer and Vinten (1996), and include but are not limited to opinion on the performance of the internal controls aimed at managing risk.

Sawyer and Vinten (1996) further highlight that the internal auditor must provide reliable reports, including recommendations, timeously so that management can act to address any limitations discovered with regard to the internal controls and operations of the business. The business operations are appraised to determine the results with the objectives. In addition, the internal auditor appraises the adequacy and effectiveness of the company's internal controls. The aim of assessing internal controls is to establish whether the company could meet its objectives more efficiently. IIA (2011) classifies internal auditing as internal control and risk management. Concerning enterprise risk management (ERM), IIA Standard 2120

postulates the internal audit activity must dig deep to understand risk management processes to contribute to improvement of their effectiveness.

2.4.1.4. Internal audit as a risk-management mechanism

COSO (2012) defines risk as the probability that an event may occur and negatively affect the ability of the organisation to reach its goals. In order to understand and show determination to mitigate risk, leadership develops a risk management philosophy to be embraced across all divisions of the company. ERM is a process aimed at dealing with uncertainties (these may be both risks and opportunities). According to Reading et al. (2013), the components of ERM are internal environment, objective setting, event identification, risk assessment, risk response, control activities, information and communication, and monitoring. Internal auditors will provide reasonable assurance that the susceptibility of an organisation to risks is well understood and adequately managed. This is another way of adding value and contributing towards the achievement of organisational goals.

The function plays a significant role in monitoring the risks the company is exposed to. By so doing, it has to identify areas where controls need to be reinforced (Saud & Marchand, 2012). Kwan (1999) further indicates that risk-based culture needs to be developed to create and build an unsinkable commitment towards risk management, hence the integrated risk management framework. Reding et al. (2013) provide with the generally adopted business risk model strategic risks such as reputation, customer satisfaction, industry and technology; compliance risks including policies, litigation, regulatory and ethics; reporting, accounting and financial reporting risks such as budgeting, taxation and performance measures; and operational risks including employee satisfaction, supply chain, catastrophic events, innovation and interest rates.

COSO (2012) also discusses the importance of risk assessment and concludes that it enables the company to establish the extent of the impact the risk may have that will hinder the achievement of objectives. Generally, all businesses are exposed to

external and internal risks. Collectively, they are called inherent risks. The two perspectives from which risk is assessed are ‘likelihood and impact’ and, depending on these perspectives, the risk responses will fall into the following categories: (1) avoidance – high likelihood and high impact; (2) transfer – low likelihood high impact; (3) reduction – high likelihood and low impact; and (4) acceptance – low likelihood and low impact. Reding et al. (2013) list some of the core roles that internal audit plays in risk management as provision of assurance with regard to risk management processes, evaluation of those processes, evaluation of management reporting of major risks, and review of management on key risks.

2.4.1.5. Internal audit as a control mechanism

Essentially, management's perspective on internal control is based on organisational objectives. According to Reding et al. (2013), analysis of costs and benefits is important before deciding on internal controls. The systems of control allow management to act swiftly whenever the situation warrants. Again, leadership can determine if it is still complying with appropriate laws. While management is charged with establishing internal controls, internal auditors will independently verify if those controls are adequate and effective. Components of internal controls are:

- **Control environment**: Includes all areas of the organisations: The board of directors and the senior management are expected to set the tone with regard to the significance of internal controls, which include integrity and ethical values, the separation of powers between management and the board, processes to attract, develop and retain talent, performance measures, etc.
- **Risk assessment:** All risks, whether internal or external, need to be assessed. Earlier, it was indicated that every entity faces risks. As a precondition, objectives within operations, reporting and compliance are established to analyse risks associated with those objectives. This also helps to identify critical success factors, which in turn determine the measurable criteria to assess performance
- **Control activities:** The course of action taken by management to mitigate risk and increase the likelihood of achieving organisational objectives. Examples include segregation of duties, authorisation, IT access control activities and physical inspection.

- **Monitoring activities:** Internal controls have to be monitored continually to remain reliable. COSO (2001) postulates that the ongoing evaluation that is built into the business systems ensures that information is provided on time. Independent evaluations are conducted periodically by the internal audit function.

2.4.1.6. Internal audit as an internal governance mechanism

Agency theory looks at the issues arising in a relationship between the shareholders and those charged with running the organisation on behalf of shareholders, that is management or leadership. Cohen et al. (2002) state that strong governance will align the interests of management with other stakeholders to reduce agency costs. Some mechanisms put in place to monitor the behaviour of management are independent directors, and internal and external audit. Interaction is complex among these mechanisms and, due to information asymmetry to executive and non-executive board members, Cohen et al (2002) suggest that internal audit will bring the two together with this necessary information. IIA Standard 2110 states that internal audit must promote appropriate ethics and values. It also has to communicate risk and control information to relevant bodies of the firm.

It is the responsibility of the internal audit function to ensure it has a full understanding of the governance direction and expectations of the board. The audit plan will encompass the governance assurance activities, and communicate periodically to the board and senior management about the effectiveness of risk management programmes. As the third line of defence, internal audit does not have any other management responsibility and therefore is expected to be the most objective function. The first and second lines of defence are internal controls and risk management, and compliance, health and safety respectively.

2.4.1.7. Pillars of effective internal audit

The following are the pillars of internal auditing.

(a) Independence and objectivity

It was stated earlier that independence enhances objectivity (free from bias), which means being factual without any prejudice or personal feeling. This reflects that

when the same facts are given to different people with the same level of understanding and expertise (Reding et al., 2013), they will judge circumstances similarly. Any threat to independence and objectivity must be dealt with immediately. Conflict of interest is a threat to independence and objectivity. A conflict of interest is described in Standard 1120 as a situation whereby an internal auditor has a competing personal interest; for example, if an internal auditor who specialised in accounting is requested to assume a temporary position in the accounting department.

(b) Proficiency and due professional care

Proficiency and due professional care are the second and third pillars of effective internal audit services. Since the auditors will provide assurance and consulting services, it is important to have the requisite knowledge and skills to perform these duties. Otherwise, failure to apply care will result in their work being futile and fruitless (COSO, 2004). Even though the Standard does not specify those skills and other competencies, internal auditors must be proficient for their work to be reliable. Standard 1220 indicates that the use of technology-based audit and other data-analysis techniques should be another skill possessed by internal auditors. An example is the teammate audit package, which helps to select sample size, determine materiality, store working papers for future reference and generate audit reports.

2.4.2 Corporate goals and objectives

This section reflects on corporate goals and objectives.

2.4.2.1. Definition

Corporate goals are specific and quantifiable targets that the company sets and commits to attaining to achieve its mission. Ideally, goals become a translation of the mission and objectives of a firm into specific and quantifiable terms that enable the outcome to be measured. For example, the goals of the LRA are to improve the level of quality of service to clients to 65 per cent by 2022, and to reduce the cost of collection to less than three cents for every one rand collected. The mission of the LRA is to become the leading tax revenue collector in Africa, and those specific

targets work towards achieving that mission. Lilien and Kotler (1983) conclude that even though in some firms profit becomes an overriding goal, it is not the consideration when deciding on plans of action. An organisation is a set of a complex hierarchical systems with the aim to achieve a variety of organisational and individual targets. Commonly, the objectives are sales growth, innovation, risk diversification and profitability (Kotler, 1980). Some earlier studies discovered that instead of profit maximisation, large companies are aiming for cohesiveness, which is considered to play a large role in decision-making. As stated by Gouldner (1959) and Hall (1972), goals can be a studying point for organisational design and structure. This is crucial because an organisation has to navigate a complex and dynamic environment to attain its goals. By so doing, the organisation can prepare itself for any obstacle along the way and, of course, for risk.

2.4.2.2. SMART goals and objectives

It was earlier mentioned that corporate goals are essentially what the company aspires to achieve in a specific period of time. Lazarus (2004) indicates that organisations prefer the use of the 'SMART' acronym as a guide to developing quality goals. Generally, the benefits of using this acronym range from financial security to achieving dreams in career, inner peace and lifetime happiness (O'Neil & Conzemius, 2006). The acronym stands for specific, measurable, attainable/achievement, realistic and time bound.

(a) Specific

The goal must be clear and unambiguous. Every member of the team must know what behaviour is expected. Lack of specificity may lead to members having different understandings and interpretations. Hence, effort will be expended towards the goal of each member as opposed to the goals of the organisation. The goals become a success when they are detailed. A typical example would be if people want to lose weight, they would need to specify how many kilograms they would like to lose.

(b) Measurable

Criterion has to be set as to how progress will be measured. Since the intention is to move from here to there, there must be some quantifiable steps to ensure 'we' reach

the destination. Measurability is critical to give the team feedback throughout the journey to ascertain progress.

(c) Achievable/attainable

O'Neil and Conzemius (2006) postulate that goals motivate if they require staff to stretch a bit, but still within their reach. Such challenging goals stimulate a sense of satisfaction when achieved. The main reason for setting goals is to close the gap identified. Attainability correlates with the size of that gap, and the amount of focus, resources and time the company is willing and prepared to invest in achieving the goal.

(d) Realistic and relevant

Goals have to be realistic and relevant. The goals should matter to the organisation and be aligned with other relevant goals. In an organisation, goals must drive everyone forward. There must be an honest evaluation of what is realistic and possible, taking into consideration the constraints of schedule. For example, as a MBA student at Wits, I may not have time to compete in a marathon. Even though it is realistic, it is not relevant to my ultimate goal of completing my MBA.

(e) Time bound

Every goal will have a set target date, so that there is a deadline to pay attention to and work toward. According to O'Neil and Conzemius (2006), should the goal not be met within the stipulated time, the opportunity should be taken to reflect and make necessary adjustments. In addition, time frames create a culture of accountability and commitment.

2.4.3 Authentic leadership framework

Leadership style has the potential of affecting culture by shaping followers' beliefs about how a leader will treat them (Rotemberg & Saloner, 1993). According to Jacobs et al. (2013), effective leadership has the potential to anticipate how much impact change has in an organisation. Kotter (2011) further indicates that as opposed to making plans, solving problems and organising people, authentic leaders

are preparing the firms for future change and helping them to cope as they strive to survive in that change.

2.4.3.1. Authenticity

Authenticity means real self, not a replica of anybody else. Harter (2002) defines authenticity as ownership of one's personal experiences; they may be thoughts, needs, emotions or wants. A person acts according to true self, meaning one expresses oneself in a manner that is the same as one's feelings and inner thoughts. Whereas sincerity involves judgment of self according to honesty with others, authenticity does not require any involvement of others. According to Goffman (1963), authenticity calls for a sense of self-experience.

2.4.3.2. Authentic leadership

Avolio, Luthans and Walumbwa (2004) define authentic leaders as people or leaders who are aware of their thoughts and behaviours, and others perceive them as people who are cognisant of own and others' values, strengths and knowledge. They are confident, hopeful, resilient and optimistic. Shamir and Eilam (2005) allude that authentic leadership has the following characteristics: (1) Authentic leaders do not fake their leadership; they are true to their selves and not influenced by the expectations of others; (2) they draw motivation from their own personal convictions; they are not motivated by personal gain; (3) their style of leadership is from their own point of view, they do not copy anyone else; and (4) their actions conform with their own values.

2.4.3.3. Differences between authentic leadership and other leadership theories

To make this exercise easier, I compare authentic leadership with transformational leadership. George (2003) notes that authentic leadership may incorporate other forms or styles of leadership, such as transformational, spiritual, charismatic and visionary leaderships. Contrary to transformational leadership, authentic leadership can be charismatic or not. Authentic leaders are not necessarily seen as charismatic, as is the case with transformational leaders. Instead, those leaders are determined to build long-lasting relationships, to lead with purpose and work hard (Bass, 1985).

The other important aspect of authentic leaders is that they acknowledge that they have some areas of improvement, and so surround themselves with capable people as a way to address their weaknesses (Avolio & Gardner, 2005).

They work to accommodate those weaknesses by surrounding themselves with extremely capable followers, and building an inclusive and engaged positive organisational context. Such contexts support followers for being actively involved in performing their job roles and responsibilities, as well as in contributing to the leader's own development.

2.4.3.4. Dimensions of effective leadership

Effective leadership centres on the three dimensions of strategic leadership, supervisory leadership and inspirational leadership, which represent the head, hands and heart respectively.

Strategic leadership – head (macro)

Bycio, Hacket and Allen (1995) allude that strategic leadership pays attention to the entire organisation, with the main objective of strategic productivity, and develops organisational context, which drives employees to forecast the needs of the company in alignment with their own jobs. It must be noted that the behavioural components significantly affect the performance of the organisation and so the leader will have to make strong strategic decisions. A strategic leader gives priority to 'big rocks'. This type of leadership is also defined as the ability to translate the firm's vision into a workable plan, and to motivate and influence the followers to buy in to the vision. As Nicholls (1994) ascertains, a leader sets the direction of the organisation, and describes how he wants the organisation to look. He is concerned with navigating how to move from here to there and, in doing so, creates and builds a culture that will be the organisation's identity. In addition, his business is to analyse the operating environment in order to acclimatise the business. He believes in a collaborative approach in which he encourages key stakeholders in the decision-making process to take ownership of the results.

Supervisory leadership – hands (micro)

Kur (1995) states that supervisory leadership may have a medium to short-term practice-time horizon. Ideally, the manager-leader takes full responsibility for the implementation of plans. Supervisory leadership is the behaviour intended to give guidance and support, and provide feedback on the daily activities and tasks of the members of the work unit. Its focus is to accomplish goals, and the target group is individuals and/or teams. Execution of work takes place here, and high innovative ideas emerge because the future is uncertain and the present is constantly changing. Supervisory leaders are more agile to get work done.

Inspirational leadership – heart (meta)

A brilliant strategy may be developed, but its execution requires people who are motivated and committed. Inspirational leadership establishes some means to unleash and exploit the potential of followers, and inspire them to push themselves to achieve more. People are emotional beings who need respect and to be treated well. A leader with high emotional intelligence is able to perceive the emotions of followers and address them accordingly. It is therefore important to listen to the views of other people and provide constant feedback. Building good relationships with followers is crucial for the inspirational leader, who does this in order to understand their feelings and 'nudge' their minds to have a different view of the business space. The notion is that if "you win their hearts, you get their minds". This leader is cognisant of the role of performance management and employee engagement as mechanisms to motivate employees, aiming to improve their performance.

Ideally, authentic leaders will show self-confidence in anything they deliberate on; they are positive about a better future, revealing optimistic behaviour in difficult situations of life because of their resilient character. This leader cannot coerce or force relationships; instead, they believe that values and behaviour act as stimuli to influence other people to follow. Authentic leaders do not consider the current situation as the determinant for the destiny of the organisation; they use the condition as a planner for the future. Their resilience is reflected in a gloom-to-doom perspective. Modelling and developing the behaviour of followers is not optional for the authentic leader; it is what ought to be done. The above speaks to the issue of internal audit. The leader would have to ensure that organisational processes and systems are in order, and would require reasonable assurance that the company was on the right path to achieve its organisational goals. Internal audit can provide that kind of support.

2.4.4 Corporate governance

The next section unpacks the role of corporate governance.

2.4.4.1. Definition

BPP (2015) defines corporate governance as a set of processes, rules or laws by which organisations are controlled, operated or regulated. This term covers all factors (internal and external) that affect the interests of different stakeholders of the organisation. The OECD (2004) provides another definition of corporate governance as a relationship between company stakeholders (specifically management and shareholders), as well as a structure designed to achieve the objectives of the organisation and monitor performance. Tentatively, it is the responsibility of the board of directors to develop a framework for corporate governance to align the conduct of the business with its objectives. In corporate governance, the shareholders are cast as the principal and the directors as the agents. Berle and Means (1932) postulate that the separation of ownership and control of organisations stimulates the need for the principals to ensure that the agents serve their needs. The principals are now vulnerable to the self-interest of their agents because they do not have control with regard to the operations of the company. Roberts (2001) suggests that to remedy the situation the principals accept the agency costs in the form of incentives or sanctions to motivate executives' interests with those of the shareholders.

2.4.4.2. Corporate governance and a stakeholder approach

Freeman and Reed (1988) define stakeholders as any group or individual who can affect or be affected by the operations of the organisation towards the achievement of goals. This view is an indication that organisations have to account to stakeholders, and forms the basis of the stakeholder theory (Freeman & Reed, 1983); Goodpaster, 1991; Donaldson & Preston, 1995). The stakeholder theory developed a matrix depicting how the organisation should conduct itself towards each group in the facet; one axis as the level of interest and the other as the level of power. The high power, high interest group comprises the most important stakeholders, and the organisation has to do everything in its power to serve the interests of this group and involve them in decision-making. Nonetheless, the interests of other stakeholders are still important (Johnson et al., 2017).

Other scholars criticise the stakeholder theory because of what they call misuse of an organisation's resources to the detriment of the wealth of shareholders

(Williamson, 1979; Boatright, 2002). This notion is essentially pure capitalism, which perceives ‘business of business as businesses. Only shareholders are therefore entitled to the benefits of the company. These criticisms can no longer stand the test of time because of the call for corporate social responsibility. Johnson et al. (2017) articulate that a business should expend as much effort as it does in achieving profits on having a positive environmental footprint, commonly known as the triple-bottom-line approach. It is therefore important that governance structures ensure that the claims and interests of the stakeholders they serve are well managed.

2.4.4.3. Corporate governance and a stewardship approach

Low (2006) stipulates that the stewardship theory is advocated as an alternative theory. This theory elaborates how governance relates to the principals and agents. The argument here is that agency theory in corporate governance neglects the non-economic influences to guide managerial activity (Donaldson & Davis, 1991). These influences can be psychological and situational. Directors are assumed to be trustworthy (Davis et al., 1997). The reason for this assumption perhaps is that they are vetted rigorously before assuming positions of directorship, and their level of competence in making rational decisions should be beyond question. In addition, non-executive directors of the board oversee and challenge the decisions of the executive. This they do not to undermine the latter, but to ensure that no stones are unturned when making those decisions. They will strive to maximise shareholder wealth. More importantly, the culture of trust will help achieve these (Mason, Kirkbride & Bryde, 2006).

As for social enterprise, the stewardship theory emphasises alignment of the social and psychological profile of managers. Management should show full support of this approach because it is part of the society that the organisation serves. The balancing and safeguarding of interests is increased because the manager has empathy towards the recipients of these benefits. Mason, Kirkbride and Bryde (2006) further conclude that corporate governance aims to ensure sufficient representation on the board of all stakeholders in order to fulfil the differing interests of the organisation. Contrary to the stakeholder governance model, the board should have enough freedom to identify a wide range of stakeholder interests.

2.5 Summary

In this section, the key concepts of internal audit, authentic leadership, corporate goals and corporate governance were discussed. Effectively, the four frameworks are brought together to understand how they influence one another. The overall target is to ensure that material risks are mitigated so that the organisation does not fall into danger of failing to achieve its mission owing to poor internal controls.

Qualitative methodology will be employed in this study as it allows participants to express their own opinions while the researcher is trying to gather information on their views of internal audit. Since the methodology is a descriptive qualitative narrative, the case study is considered to be the most appropriate research design for this study because it will allow the researcher to understand the individual perceptions of the participants. Semi-structured interviews will be used to enhance open-ended answers to the questions. The semi-structured interviews will allow the researcher to follow up on the predetermined questions with other ‘why or how’ questions.

RESEARCH STRATEGY, DESIGN, PROCEDURE AND METHODS

3.1 Introduction

There are three questions in Section 1.2.3 that the research hopes to answer: What internal controls are currently in place within the organisation? How can the internal audit mechanism enable leadership to achieve corporate goals? What is the relationship between leadership and internal audit? In this chapter, the researcher will discuss the research approach and design together with the procedure and methods to be employed to collect, process and analyse empirical evidence. Further, the chapter will describe the reliability and trustworthiness measures that make the report credible. Lastly, the section will discuss the technical and administrative limitations of the choices made.

3.2 Research strategy

Jenny (2014) suggests that research strategy helps the researcher to focus, with the aim of minimising confusion and frustration, improving quality, and saving resources and time. It may be defined as a plan of action that is intended to enable a researcher to conduct his research systematically, based on the schedule to produce quality output and detailed and understandable reporting. According to Barnham (2014), there are three types of research strategy, namely quantitative, qualitative and mixed. Tentatively, none of these methods can be described as better than the other; their suitability depends on the context, nature and purpose of the underlying research. Quantitative strategy is linked with ‘what’ questions, and is therefore considered to provide ‘hard’ and factual data, while qualitative research is considered softer, diving deep into understanding and insight. Qualitative strategy is criticised as being subjective and may depend on individual interpretation because it is associated with ‘why’ questions. Mixed strategy occurs when the two are employed concurrently.

Based on the problem statement, it is indicative that qualitative research strategy is best suited for this study. According to Domegan and Fleming (2007), this

methodology is aimed at exploring and discovering some ongoing issues about the challenge faced, because of a lack of sufficient information about the problem. They further allude that “it uses ‘soft’ data and obtains ‘rich’ data”. This strategy enables the researcher to understand and appreciate the views, thoughts and perceptions of participants (Myers, 2009). In addition, it is intended to understand people’s feelings. By so doing, it allows the researcher to find the possible answers to the research questions. In this method of study, the researcher is instrumental in data collection and analysis. As informed by qualitative methodology, semi-structured questions will be used to conduct face-to-face interviews – or virtual interviews through the use of Teams, Google Meet or any other virtual platform as a result of COVID-19 protocols – through which an understanding of the participants’ thinking will be recorded, and participants will be duly informed of the ethical considerations of the study. Some narratives will be gathered and recorded during the interview process for transcription, so that researcher can analyse those narratives using themes and codes to arrive at the findings.

Similar research was conducted by Saud and Marchand (2012) in the study **“**Contribution of internal audit in the achievement of corporate goals”. The objective was to investigate how the IAF contributes to organisational goals. Saud and Marchand (2012) wanted to know who drafts the recommendations, how it is done, and how management takes them into account. The study used two universities and the Security of Exchange Commission of Pakistan as a sample, and interviewed a total of nine participants. It observed that internal audit indirectly contributes towards achievement of the objectives of the organisations and improves efficiency, though the cultures of internal audit at the two universities were different.

Likewise, my research intends to appreciate participants' thinking. I will be able to do some follow-up questions to try to obtain information about the role of leadership to ensure effective internal audit at the LRA. The questions are designed to allow for open-ended answers because participants have different opinions. This methodology will ensure that in the discussion with the researcher, the participants will express their views based on their own experiences and perceptions about the mechanisms put in place by the LRA in response to risks.

3.3 Research design

Bell, Bryman and Harley (2015) define research design as a framework for collecting and analysing data. This framework brings together all major parts of the research study, be it samples or groups, treatments or programmes, and illustrates how they collaborate to provide answers to research questions. It effectively works like an architectural outline. Mouton (1996) indicates that research design aims to "plan, structure and execute" the study to maximise credibility of the findings. As Yin (2003) postulates, research design is a set of activities that are intended to drive the research from here to there. ‘Here’ can be assumed to be the research questions, and ‘there’ is the answers to those questions. Bryman (2012) discusses five generic research designs: Cross-sectional, longitudinal, case study, comparative, and experimental. Tsinyane (2019) highlights that the choice of research design is a decision on the priority given to different dimensions in the research process.

Since the methodology is a descriptive qualitative narrative, the case study is considered to be the most appropriate research design for adoption. Case studies may be used when the researcher wants to appreciate the perceptions of participants, and ask them ‘how and why’ questions. In addition, case studies are used when researchers want to observe behaviour. The methods involved in gathering data include observation, interviews and historical documentation. Rowley (2002) divides case studies into two categories: Holistic and embedded studies. The former considers examining a case as one unit. As an example, the focus may be on one big issue like culture. Holistic studies are said to take a ‘helicopter view’. The embedded approach picks up different sub-units, such as meetings and roles. Each sub-unit is explored individually, and the results give the general or overall picture.

Soh and Martinov-Bennie (2019) adopted the case study in their research on “The internal audit function: Perceptions of internal audit roles, effectiveness, and evaluation”. The aim was to give some insight on the roles and responsibilities of the IAF as well as important factors to ensure effectiveness. The outcome was that there has to be expansion of the role of the IAF. In addition, there is a misalignment of the role in terms of evaluation – it becomes difficult to assess to what extent the IAF

meets the expectations of stakeholders, and those factors necessary to its effective functioning. This design is adopted to help provide more detailed and rich qualitative information.

3.4 Research procedure and methods

This section elaborates on the research procedure and methods employed in this research to gather, collate, process and analyse empirical evidence. Generally, there will be a discussion about the data and information collection instruments, the target population and sampling of participants, and the ethical considerations during the research process. It goes further to speak about the data and information collection process and storage, and data and information processing and analysis. In addition, the background description of the respondents who provided empirical evidence for this research study will be provided.

3.4.1 Research data and information collection instrument(s)

According to Kumar (2014), research data collection instrument is a tool used to collect data, and there are three types of data collection, namely observation, interview and questionnaires. Observation includes participation and non-participation. The interview can be unstructured, semi-structured or structured. The unstructured interview does not follow specific predetermined questions, but the researcher will have in mind particular topics they want to cover during the process. Essentially, unstructured interviews flow like casual conversation, and are more informal and open-ended. Semi-structured interviews are used in qualitative research; the interviewer asks participants a set of predetermined questions, but the answers are open-ended. Structured interviews, meanwhile, aim to ensure that the interview follows a set of predetermined questions, and that the participants are asked the same questions in the same order or sequence.

For the purpose of this study, the researcher commits to semi-structured interviews because even though the researcher predetermines the questions, it is inevitable that the interviewees or participants will have different views or perceptions about how management conducts itself in terms of internal audit at the LRA. The semi-structured interview is conducted with one participant at a time, and the questions

are usually followed up by why or how questions. This style is more suitable if a probe is taking place, and the researcher wants to understand the independent opinions of individuals in a group. Adams (2015) alludes that semi-structured interviews may supplement other approaches.

A study was conducted by Mason, Kirkbride and Bryde (2006) entitled “From stakeholders to institutions: The changing face of social enterprise governance theory”. The paper aimed to set out the theoretical landscape of social enterprise governance. The current institutional theory better explains the governance dynamic in an organisation. Social enterprise governance does not fully encompass influence, values, symbols and norms in organisations. The reason why the researchers employed this method was to appreciate the differences in opinion of participants to gain deep insight into the risks faced by the tourism industry. This also applies to this study because different people have different views of internal audit.

3.4.2 Research target population and selection of respondents

The next section will look at the research target population and selection of participants.

3.4.2.1 Research target population

Lavrakas (2008) describes the research target population as the whole set of units from which the sample is drawn to collect data to make inferences. This population will determine the eligibility or ineligibility of sampled cases. This study targets employees of the LRA, including both management and junior staff.

Saud and Marchand (2012) selected a similar target population. The authors selected senior management and internal auditors, with the objective to gain a thorough understanding of the role of internal audit in an organisation.

Involving all affected parties in the study is inclusive and eliminates bias, ensuring that the conclusion is made on sufficient representation.

3.4.2.2 Sampling or selecting participants from the target population

Selecting a small group from the population from which to collect data is known as sampling (Lee, 2015). McCombes (2020) states that sampling is the actual individuals from which data will be collected. It must be from the target population, and not include anyone who is not in this population. There are two types of sampling: Probability sampling, which is random selection, allowing researchers to make inferences on the entire group; and non-probability sampling, which is a technique where participant odds cannot be calculated for the sample (McCombes, 2020). In a qualitative research, the relevant and commonly used non-probability sampling techniques are quota, purposive and snowball sampling. The researcher commits to purposive sampling. With this sampling technique, the researcher will strategically select the participants who are knowledgeable about the key words or the research topic itself (Marshall, 1996). The technique allows the researcher to recruit or select participants who can provide in-depth and detailed information about the phenomenon under scrutiny or investigation. It may also require the researcher to develop a framework of variables that can influence the participant's contribution, and the basis will be the researcher's practical knowledge of research area, the literature available and evidence from the study. In this study, the researcher aims to recruit participants who understand and are directly affected by the work of internal audit.

Goodwin and Yeo (2001) conducted a study using the purposeful sampling technique. The objective of the study was to examine two factors that might influence the independence and objectivity of internal audit. The reason for this technique was to select people who have an in-depth knowledge of internal audit and fully understand the purpose of the function. The authors selected chief internal auditors in both listed and unlisted companies. That group of participants can articulate the importance of independence and objectivity of the IAF.

The benefit to the current study is to ensure that the information collected is provided by participants who are familiar with audit jargon so that there are no extremes from the responses.

3.4.3 Ethical considerations when collecting research data

Silverman (2000) warns researchers that the research study effectively means entering the private lives of participants. A qualitative study calls for deep interaction of participants and tutor, leaving all susceptible to exposure of weaknesses, learning disabilities and so forth. It is therefore important to address ethical issues during and after the research. Creswell (2003) stresses that the researcher must respect the rights, values and needs of informants. Researchers must adhere to ethical norms in their research. Moreover, ethics can be defined as norms and morals that determine acceptable and unacceptable behaviour in the research study.

Pledge: The intention of the study is solely for completion of my academic studies, which is a requirement of the programme for which I have enrolled. The researcher is a student at the University of Witwatersrand pursuing a Master's degree in Business Administration (MBA). The researcher hereby assures the participants' rights to confidentiality, dignity, anonymity and privacy. Furthermore, guided by Bryman's (2012) guidelines to ethical issues, the researcher shall:

- obtain the necessary permission from the LRA before commencement of interviews;
- provide all necessary information before interviews – the participants shall never be deceived in any way whatsoever;
- obtain ethical clearance from the University of Witwatersrand as a rule;
- inform all participants of the purpose, data-collection method and scope of the study before gaining consent;
- maintain privacy and anonymity of participants by removing any characteristics that may make it easy to recognises participants' identity; and
- make participants aware of their voluntary participation, and that they can withdraw from the interview process at any time.

3.4.4 Research data and information collection process

According to Dudovskiy (2018), data collection may be defined as the process of collecting or gathering and measuring information on variables in which the researcher has interest. The process is developed in a systematic way that ensures that research questions are answered, hypotheses are tested and outcomes are evaluated. Irrespective of whether the study is qualitative or quantitative, data-collection accuracy should be maintained to ensure credibility and integrity of research. Maughan (2003) suggests different modes of research-data collection, which are participant observation, interviews, focus group discussion and documents.

The face-to-face interview is the most appropriate mode of data collection for this study. Shneiderman and Plaisant (2005) describe the essence of the interviews since the researcher can pursue particular issues that may ultimately lead to constructive suggestions. According to Genise (2002), one of the advantages of the interview data-collection mode is that only a few participants are required to obtain detailed and rich information or data. More specifically, the researcher will adopt the semi-structured interview, which has features and elements of structured and unstructured interviews, and therefore uses both closed and open questions. A predetermined set of questions is prepared as a guide for the sake of consistency.

Rousseau (1995) used a similar approach of data collection in a study to "assess the factors that influence psychological contract formation and development". To achieve this, Roussseau used semi-structured interviews – several organisations and individuals were requested to participate so that interviews could be conducted. This benefited the research study as perceptions and beliefs were shared by participants. It helps to have deep insight into the feelings and opinions of the participants. For security and ethical purposes, the recorded responses of the interview will be encrypted and a security code used to ensure confidentiality.

3.4.5 Research data and information processing and analysis

Kumar (2014) alludes that research data processing includes, but is not limited to, editing, coding and analysing data. According to Davidson (2009), data transcription is the term used to refer to interpreting the audio and translating it into words to

further study code in a qualitative research study. The researcher intends to digitally record the participants. Non-verbal interruptions will be recorded on a sheet to maintain the context. Duggal (2020) describes data processing as methods used to input, verify, organise and interpret data. Bean (2010) indicates that data fragmentation is a message ordered and service interface design approach that balances the requirements of information scope and support of elements of data to meet the processing needs of the individual consumer of that data. A method of analysing qualitative data is thematic analysis. Researchers have to familiarise themselves with the data, describe the content of data by assigning initial codes, search for patterns or themes, define the themes, and produce the report.

3.4.6 Research data and information analysis

According to Bell (2018), the large amount of data collected must be reduced. Bogdan and Biklen (2003) define data analysis as organising data and breaking it down into workable units; giving data codes, synthesising and searching for themes. Qualitative data analysis aims to explain causal relationships in the database. The researcher pays attention to all data, then breaks it down and, finally, reconstructs it meaningfully (Yin, 2003). Data collection and analysis inform each other; the most important aspect being able to analyse data. Data analysis methods include regression, cluster and content analysis. For the purpose of this study, the researcher will use content analysis. Westhuizen interviewed learners (Westhuizen & Maree, 2006), and recorded and transcribed the interviews. As the open-ended questions were posed to the learners, some useful information linked to individual experiences emerged. The responses were categorised with transcripts, triangulated and subsequently interpreted to draw conclusions.

3.4.7 Description of the research respondents

The LRA has four layers of responsibility: Executive level, senior management, operational management, and junior staff. All four levels will be asked to participate in the study. The expected and anticipated number of participants is 12. The researcher anticipates to include the following set of participants, representing both male and female participants: One from executive, two from senior management,

four from operational management, two from junior staff and three from the internal audit function, with each having more than 12 months' experience.

3.5 Research strengths – reliability and trustworthiness measures applied

Next, the reliability and trustworthiness measures applied will be discussed.

3.5.1 Reliability

Merriam (1998) ascertains that reliability is the extent to which the findings of the research could be repeated and the same results produced "using similar subjects in similar context". Merriam (1998) further indicates that due to the nature of human behaviour being agile, reliability in the qualitative research methodology is determined by whether the findings are consonant with information gathered. To determine reliability in a qualitative study, the following techniques are suggested:

- **Assumptions and theories are stated**
- **The use of multiple methods of data collection, that is triangulation**
- **Preparation of information to allow audit trail, should it be required**

According to Kumar (2014), external and internal consistency procedures are appropriate approaches and ways of testing and determining reliability. For this study, information to allow an audit trail shall be prepared so that the report is reliable. This is supported by Seale (1999), who stipulates that dependability is usually achieved by way of auditing the researcher's data documents, methods, decisions and product of the thesis. Sometimes, research design may be adjusted, as new findings emerge in the process of data collection.

3.5.2 Trustworthiness

According to Pilot and Beck (2014), the level of confidence on data and methods used to produce the quality report is referred to as trustworthiness. The researchers have to ensure that appropriate protocols and procedures are followed for research to be worthy of reference (Amankwaa, 2016). Meanwhile, Leung (2015) reiterates that it is highly debatable as to what constitutes trustworthiness. Lincoln and Guba (1985) outline criteria for trustworthiness, including dependability, transferability and

credibility. Nickasch, Marnocha, Grebe, Scheelk and Kuehl (2016) conducted a study that addressed trustworthiness in different ways. The study was based on the confusion and uncertainty of nurses concerning cardiac monitoring. As Cope (2014) concludes, trustworthiness and transparency of the research study and its conduct are paramount to determine integrity of the results and findings.

3.6 Research weaknesses – technical and administrative limitations

Unavailability of senior management: Senior management may be too busy to allocate time for face-to-face interviews. Sometimes, senior management may need questionnaires to be sent to them, which is not ideal for this method of study. This is because semi-structured interview questions may have other follow up questions. It is therefore important to speak in person in order that those follow ups are possible.

Difficulty in investigating casualties: Qualitative data cannot be analysed mathematically. This research is based on judgment, which may differ dramatically. Qualitative studies are unique; replication may be difficult. There cannot be any assurance that similar studies conducted in future will produce same results as this research project because of uniqueness of qualitative studies and subjectivity in judgment.

Restructuring at the LRA: Staff seem hostile due to ongoing restructuring; people are reluctant to have one-on-one interview sessions. Since the interview questions deal with the attitude of management towards internal audit, staff members are hesitant to voice out their views as they fear information may be used to victimize them. That the researcher assured them of confidentiality and anonymity of their identities is not enough to feel safe and comfortable. Otherwise, they may only speak positively about management for fear of reprisal.

3.7 Summary

This section discussed the two methodologies of research, namely qualitative and quantitative research. It further discussed the research design and adopted the case study. It also described the research procedure and methods, under which are the research data and information-collection instrument, research target population and selection of respondents, and research data and information-collection process. Finally, research strengths and weaknesses were discussed. The next chapter looks

at the actual responses of participants to the interview questions about their perceptions and experience of internal audit.

PRESENTATION OF RESEARCH RESULTS

4.1 Introduction

In this chapter of the study, the researcher coherently and systematically presents the empirical data. The data was collected from employees of the LRA, who voluntarily agreed to participate in the interviews and give their responses to the questions administered by the researcher. Some potential participants turned down the request to participate, however, the positive response receipt rate was 81% on different dates.

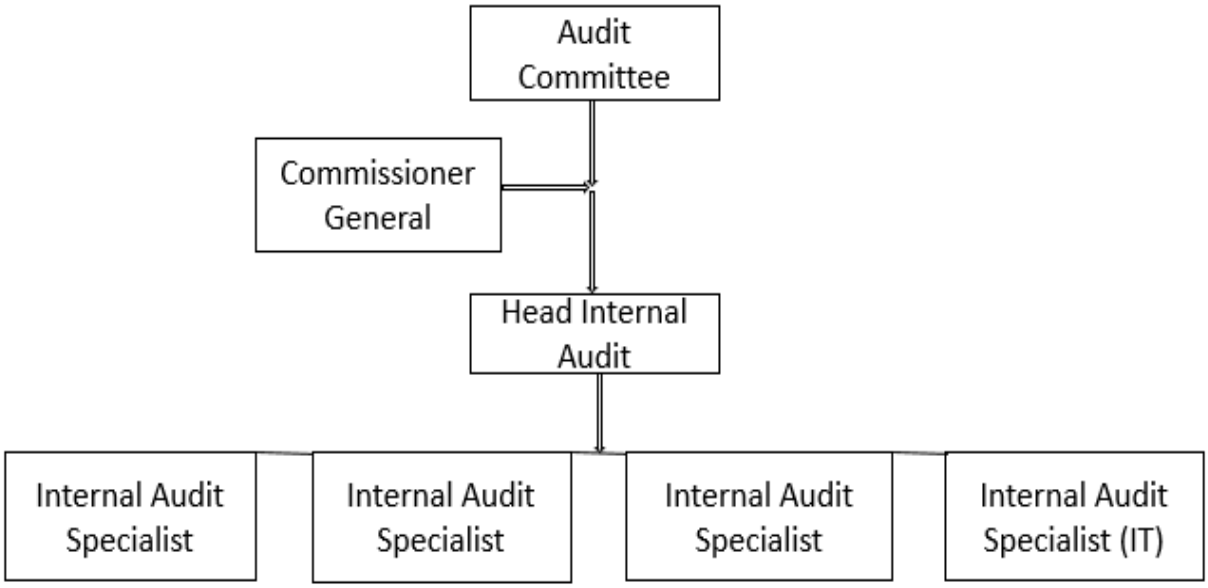
The LRA comprises five main divisions, under which are many diverse departments. The divisions are client services, core operations, business enablement, operations support, and Commissioner General. Staff are categorised as permanent, contract and temporary employees. The contracted staff are from the level of manager to Commissioner General (CG), while temporary staff members are those who have just graduated from tertiary institutions and are employed under the Youth Development Programme (YDP).

Table 4.1 Number of staff members at Lesotho Revenue Authority

Description	Permanent	Contract	Temporary	Total
	567	73	124	764

The internal audit function is a wing under the CG's office. It has four specialists who report to the Head Internal Audit. It is said that the latter presents the audit reports to the chairperson of the audit committee, even though he first sensitises the CG to their findings and recommendations. Otherwise, administratively, the CG is the one who is accountable. There has to be a coherent relationship between the Head Internal Audit and the board. Figure 4.1 shows the structure of the IAF at the LRA and the chain of command, indicating where the CG comes into the party.

Figure 4.1. Structure of Internal Audit Function at Lesotho Revenue Authority



Source: LRA HR department

Various types of audits are conducted by internal audit at the LRA, including financial, performance, compliance and operational audits. The purpose of internal audit is to review existing policies, regulations and procedures of the LRA's operations. The financial audits determine if the financial models used reduce costs.

Respondents to the Questionnaires

The researcher tried to cover the research study gap by conducting interviews related to the work of internal audit. Interviews conducted from different dimensions provide a deeper understanding of internal audit, and help to solve the research question.

Table 4.2. Respondents' Bio-data

Name	Level	Gender	Age Group	Area of Specifications	Experience (Year)
P1	Executive	M	45-55	Chartered Accountant & Taxation	15
P2	Senior Management	M	35-44	Project Management	20
P3	Senior Management	M	35-44	Accounting	8
P4	Operational Manager	F	35-44	Economics, Statistics & HR	17
P5	Operational Manager	F	45-55	Finances	10
P6	Operational Manager	M	45-55	Statistics	18
P7	Operational Manager	M	35-44	Information & Technology	2
P8	Internal Audit	M	35-44	Finances	5
P9	Internal Audit	M	35-44	Enterprise Risk Management & Business Continuity	10
P10	Internal Audit	M	45-55	Information's Systems Audits	1
P11	Staff Member	F	35-44	Auditing & Assurance	17
P12	Staff Member	F	45-55	Financial Reporting	10

Key: P1 means Participant number one…P12 means Participant number 12
M: male; F: female

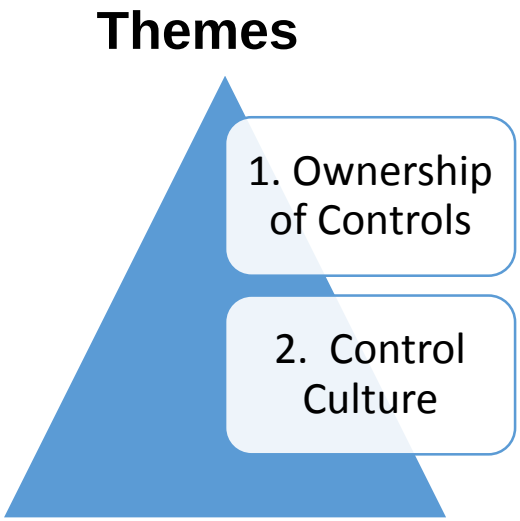
The respondents were identified and selected from the different departments. Six have a background in finance and accounting. Most importantly, the IAF is composed of diverse areas of specialisation, including finance, enterprise risk management and business continuity, and information and technology audits. This diversity is recommended by Harrington (2004), who talks about a pool of experts in different fields to cover all corners of the organisation. The level of experience of the

participants ranges from one to 20 years. Moving on, the research findings are presented based on the responses as per each research question.

4.2 Internal controls currently in place within departments

In answering the first research question, the following themes were identified:

Figure 4.3: Themes identified in research question 1



Theme 1: Ownership of controls

Most participants have mixed feelings about the present controls. They agree that controls may not be 100 per cent adequate, however, most of the controls available are able to mitigate major risks, though there is room for improvement. For example, **P5** said: "*Yes and no: They are adequate because I make sure that everything done is authorised by the responsible personnel. They are not adequate because some 'influential activities' from other sections. For instance, cases from debt may not be registered into the system, so the manager does not know about them*."

P4 indicated that "*to a larger extent, yes [controls are adequate]; the only worry is for registration: We do registrations here, we also have back office which does registration for companies.*"

The respondents are able to outline controls in their respective departments, but cannot say those controls are what they would like to have.

Theme 2: Control Culture

Some participants allude that current controls need to be refined as they were developed a long time ago. Perhaps they were relevant then, but the environment has changed and new controls are needed to address current risks.

P2 indicated that "*given that the business environment has changed, the controls are not adequate. For instance, the controls that are in place are relating to the traditional way of managing the projects, the method that is called waterfall. But LRA has adopted agile method of delivering projects. So, it means now LRA need to change the frameworks to address the new method*."

Similarly, **P6** alleged, "*They need some redefining. We extract the information and files manually to write the reports. There is a lot of human intervention, which is susceptible to more errors. They need to be computerised*."

Findings on the response gathered during the interview process are presented in Table 4.3.

Table 4.3: Interview questions and responses to Research Question 1

Participants	**Research Question 1: Questions and Answers**
Question #1: What internal controls are currently in place within the department?	
P1	There are a number of them. We have internal controls around generation of data or financial information; utmost importance is internal controls around cash payment and handling of payment; controls on procurement; physical controls in the security department; controls on fleet maintenance or operations; meetings are held with heads of five departments on monthly basis, or whenever issues arise.

Participants	Research Question 1: Questions and Answers
P2	Lesotho Tax Modernisation Project (LTMP) operates within the controls which have been developed across all the functions of the organisation. For example, if it is the matters relating to procurement, the project follows supply chain management policy, if it is finance, it follows finance policies of LRA. In terms of how it is managed, the project follows the frameworks developed by LRA portfolio management office.
P3	There are a lot of controls currently in place, and I am responsible for a number of business processes. One of them is enterprise risk management (ERM), and one of the controls in ERM is ERM policy. This policy guides LRA as to how to conduct risk management at enterprise level, operational level, project level and compliance risk management.

Participants	Research Question 1: Questions and Answers
P4	We have three levels of reporting: Officers, team leaders and manager. We register clients into the system and issue them with Taxpayer Identification Number (TIN). A prescribed form is filled by a client who also attach IDs. Officers only capture the information, and it gets approved by team leaders. Every one staff member has his/her own specific login credentials such that if anything goes wrong, we can have a track record as to who did what, when. Secondly, we receive clients' tax returns. All officers have access to lodge the returns, then they reflect to the next level for processing. We also issue Tax Clearance Certificates (TCC). Applications are sectored in such a way that others are for other regions; others are for special clients who are monitored. Every officer working on it has to click so that it can reflect who attended it. Officers have rights to issue TCC to only clients who are not owing at all, who are 100 per cent compliant. Should there be any discrepancies, say a return not filed or only filing at that time of TCC application, it is escalated to team leaders for approval (manager may do it if there are no team leaders present). If the discrepancy has to do with debt, then the application is referred to debt office. We also receive clients' mails – when they get into the system, before they can be referred for attendance, they have to be logged into the system to get unique number (reference). There are also timelines set for everything that comes in, otherwise. We also monitor influx of clients coming in. Token is issued to all clients on the queue to indicate when it is their turn to get service. Manager uses dashboard which tells how many people are on the queue, how many officers are occupied, and also tells if someone is skipping that time or duration stipulated.
P5	One has to arrive in time at work, all audit cases have to be registered before being attended to; all leaves of absence should be applied for in the LRA system; authorisation of sectional expenditure; budget control; authorise cases in the systems.

Participants	Research Question 1: Questions and Answers
P6	Weekly reporting on revenue collected and any other issues relating to services offered to clients; management of performance through performance management system; different types of letters are signed and counter-signed by respective officers and a manager. For instance, a letter introducing the office to the client or informing him/her that he will no longer be monitor by our office.
P7	When a person requests for access in any IT services or system, there is a process to follow; such officer fills in the form and be counter-signed by the respective manager, then it is forwarded to IT for approvals. It means no one will have access in IT systems or environment without having been approved first. There is also information security policy and guidelines which guide every person or device that joins the networks at LRA so that they abide by those guidelines. Termination: A form is filled when a person leaves the organisation or is suspended or has to change the rights he has for all those areas. The IT systems are configured in that when a person does not access a system for at least three period, his account gets automatic suspension.
P8	As internal audit, we are also obliged to follow internal auditing standards. We also embark on external quality reviews. Someone outside the organisation comes to review the internal audit processes to see whether we are adhering to the standards. Those people have to be accredited by the Institute of Internal Auditors to conduct quality review.
P9	Policies, internal audit and governance charters (documents that authorises internal auditor to have access to anything in the process of improving the control environment in the organisation).
P10	Internal Auditor Charter guides how you perform the audits; sign the code of ethics governing profession (e.g. confidentiality issues)

Participants	Research Question 1: Questions and Answers
P11	We are assigned the computer systems which we execute our work with. Every auditor has password; assigned telephone landlines and the use Zoiper installed in the computer systems. ETPM system from registration to auditing of the clients which has restricted access. For example, as a team leader, I allocate cases, review and approve them. A team leader cannot write a report in the system, only a senior auditor can. It is segregation of duties. There is also a signing process of audit reports, from senior auditor to deputy commissioner (DC).
P12	Authorisation of payment, budget, checking mechanism – every payment to be released has to be checked and matched with relative expenditure to confirm its legitimacy; there are also arithmetic controls; availability of supporting documents and milestones achieved.

Participants	Research Question 1: Questions and Answers
Question #2: In your opinion, do you believe they are adequate? Please explain.	
P1	I believe they are adequate, however, there is always one risk that not any kind of internal controls can be able to curb, which is the risk of collusion between a group of people. In that respect, I always feel that controls are never adequate to manage those risks.
P2	Given that the business environment has changed, the controls are not adequate. For instance, the controls that are in place are relating to the traditional way of managing the projects, the method that is called waterfall. But LRA has adopted agile method of delivering projects. So, it means now LRA need to change the frameworks to address the new method.
P3	The controls are not yet there, they are not yet adequate – we had internal audit on Enterprise Risk Management process and there are recommendations made to improve controls and processes. For instance, we still need controls of how to manage performance of

Participants	Research Question 1: Questions and Answers
	management in risk management. Risk management should be integrated into performance management system. There is a policy that risk management will be integrated, but not yet stipulated as to how it will be done – how to hold everyone accountable to manage risk.
P4	To a larger extent, yes; the only worry is for registration: We do registrations here, we also have back office which does registration for companies. And before you register a company, you have to register its directors, so it says a director may be a director in the other company. This may lead to duplication or manipulations in data whereby a certain officer, either at the back office or in front, erroneously erase the nature of the client without consulting the initial issuer of TIN as to what actually transpired. But it is being attended to; CD2 project is working on how to tighten security.
P5	Yes and no: They are adequate because I make sure that everything done is authorised by the responsible personnel. They are not adequate because some “influential activities” from other sections. For instance, cases from debt may not be registered into the system, so manager does not know about them.
P6	They need some redefining. We extract the information and files manually to write the reports. There is a lot of human intervention, which is susceptible to more errors. They need to be computerised.
P7	In terms of giving access and changing rights, yes, because they are triggered by business to IT for IT to effect the changes. But for termination, not 100% adequate because when a person leaves the division or resigns, sometimes the flow of a form to IT is delayed.
P8	Yes, according to me, they are adequate because those standards are not imposed by LRA. They are the standards which are followed worldwide or international.
P9	We are yet to have what is called combined assurance, but the control environment within the department is around 60 per cent in terms of efficiency or effectiveness.

Participants	Research Question 1: Questions and Answers
P10	Yes, if anyone who is a certified auditor breaks any of those guidelines, then he faces disciplinary action, which may lead to revocation of the qualification. That is how serious the controls are.
P11	To some extent yes, passwords and allocation of cases to approval. But to the issue of signing of the reports, the process is too long (there is an additional five days on top of seven days, which used to be the case when DC was not involved), even though the notion was for the head of the function (DC) to take accountability on the case, because if the case is to go to Tribunal due to client appealing any decision, DC is the one who represents his departments.
P12	Controls are never adequate because anything unexpected can happen at any time. For example, human errors, overriding of controls by senior officers (sometimes for emergencies). Nonetheless, there are controls from African Development Bank (ADB), procedures from LRA to be followed.

Participants	Research Question 1: Questions and Answers
Question #3: How often does internal audit review the processes in your department? Please explain	
P1	IA are with us on average once in every quarter. IA are always in Business Enablement division as a result of diverse departments that have been brought together under this division.
P2	Since 2018, IA plan had not covered the project, but the current financial year plan, the project is covered (but yet to confirm). Only external audit has been conducted, which is done by the Office of Auditor General Lesotho.
P3	Our internal audit is risk based. So, as risk management function, we conduct risk assessment to inform internal audit plan. Risk management processes have not been identified as high-risk areas. Internal audit has only been conducted once since the establishment of risk management in 2010. There are many high-risk areas in LRA, but internal audit is understaffed, so they cannot

Participants	Research Question 1: Questions and Answers
	touch other areas more often.
P4	At the beginning of every year, IA comes with their areas of interest. We report either weekly or monthly depending on the nature of service they are interested in. They set timelines of implementing their recommendations.
P5	On annual basis, but that is channelled through the supervisors. Internal audit and the department identifies risks, and are addressed.
P6	They only came for the first time in the financial year of 2021.
P7	Frequently; even in 2020, IA was auditing process in IT I can say on yearly basis, even though they are not focusing on one process. In IT, one process informs the other, so when the audit is conducted in one department, they end up touching the other departments as well.
P8	After every five years, internal audit processes are reviewed by external quality reviewers. In LRA, they do self-assessment after every two year, they select someone who is not an internal auditor but knowledgeable about internal audit and needs to be capacitated on the quality review by Institute of Internal Auditors (IIA).
P9	Every three years; the processes that the review depend on the work plan they have, but it has been advised by the board that at least every three years, Enterprise Risk Management Process (ERMP) and business continuity management processes (BCMP) should be reviewed to ensure that they adhere to the best practices that would help organisation to meet its objectives. When this is done properly, the practice in big institution is that they are reviewed every year to address any deficiencies.
P10	According to the IA charter, there needs to be a self-review in every two-year interval. Then followed by external audit who will review IA after every five years.
P11	It has been quite long time since they visited our department, though no exact time can be remembered, not unless the reports

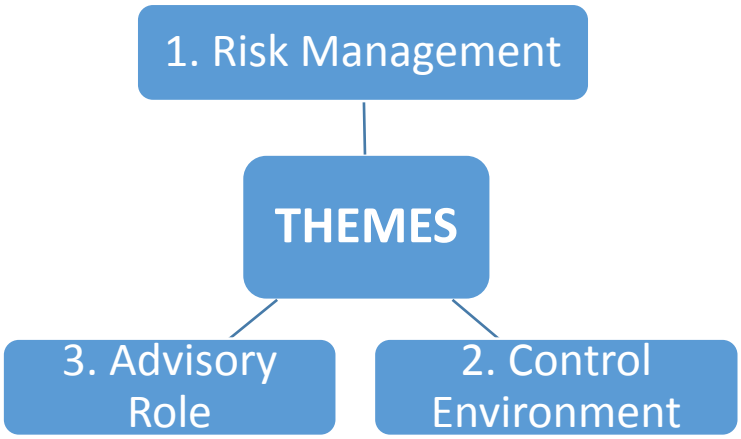
Participants	Research Question 1: Questions and Answers
	are given to the superiors who do not communicate them to us.
P12	No internal audit as yet; a request has always been made but the office seems to be understaffed with a lot of work to do.

It was expected that the internal controls in place would differ in the different departments. This is a result of different activities taking place in departments, hence the processes are not the same. One limitation of internal controls is collusion. It proves difficult to mitigate this risk because after studying the process, humans can always find ways to beat the systems of control. Ironically, some departments have not been audited since establishment.

4.3 Internal audit mechanism as leadership enabler to achieving corporate goals

The interviewees provided the information presented below in response to research question two.

Figure 4.4 Themes identified in research question 2



Theme 1. Risk Management

Most of the participants indicated that internal audit helps the organisation to mitigate or manage risks. These risks can either be strategic, compliance, operating or reporting risks. Participants **P1, P3, P7** and **P12** are of the view that enterprise risk management should be at the heart of leadership because failure to do so may

adversely affect the continuity of the organisation. Risks should be identified starting from a strategic point of view so that the processes developed already take into account any unwanted event that may occur along the way.

For example, **P3** suggests that "*risk management is applied based on corporate and operational objectives. Internal audit plan speaks to risk assessment (risk assessment informs internal audit plan). Internal audit comes to ensure that organisation mitigate those identified risks.*"

Similarly, P7 believes that "*after setting goals we need to analyse risks. IA should be there to advise which things may be obstacles towards achieving goals and also suggest the possible solutions. IA is there to give assurance*."

P12 also indicated that "*IA is meant to inform strategic management as to whether the business has been operating under correct systems to ensure that finances are incurred without fraud, negligence. IA should see to it that the systems in place are actually responding to the objectives set by the leaders. Without IA, it is not easy to also ensure that accounting standards, auditing standards, quality standards, environmental standards etc. are complied with*."

Theme 2: Advisory Role

Some participants are of the view that internal audit plays an advisory role to leadership. This function advises from the point of goal setting: It sees to it that the objectives set are 'SMART'. There is no point in committing the scarce resources of the organisation towards goals that are, for example, neither realistic nor achievable.

P8 hinted that "*IA should be called up during objectives settings so that they can give leadership that independent and objective opinion as to whether those objectives are SMART.*"

Similar sentiments are shared by P9, who said that "*they provide consultancy services; this is where they will be advising organisation as to whether or not some of the objectives set are achievable or not. Therefore, IA should have experts who*

will be in a position to advise in whatever areas of criticality that may need speciality. They add more value when involved from the onset."

There is another camp, however, that is opposed to IA taking part in goal-setting meetings. This camp believes that the independence of this function could be compromised. According to this camp, IA should only review the processes.

As an example, **P10** advises that "*it should only come to review the processes once objectives are set, otherwise it may be biased and lose focus. IA is expected to provide independent advice to management, so it should not be involved*."

Theme 3. Control Environment

This theme enjoyed the most support from the participants who were emphatic that internal audit would recommend proper controls on processes and policies to ensure they drive the organisation towards the achievement of objectives. The majority understand that it is the responsibility of the function to suggest or recommend controls that are perceived to be adequate to mitigate risk. This is a view most notable in the response of **P9**, who emphasised that "*the role of IA is to provide a reasonable assurance to the leadership and board on the effectiveness of the controls put in place and also provide advice on how the weaknesses identified could be addressed*."

Table 4.4: Interview questions and responses to Research Question 2

Participants	Research Question 2: Questions and Answers
Question #4: How do you think the internal audit mechanism can enable leadership to achieve corporate goals?	
P1	If IA move away from just being police, and they partner with a business, then they can be able to add value. They help a business to be a foresight. They assist in an advisory capacity without still compromising their independence; errors can be noted even before the external party comes through, and some of the improvements can be done well ahead in time, as opposed to IA only coming at the end and highlighting the weaknesses at the time that had already done a lot of damage. Whereas if they are working in partnership

Participants	Research Question 2: Questions and Answers
	with the business, they can also assist in an advisory capacity, though not sure if the internal auditing standards which govern them can allow that.
P2	Traditional ways of IA whereby systems, processes and procedures are developed and IA comes afterwards are really not working or are not supporting the organisation to move forward. If IA adopts a situation whereby as systems and procedures are developed, the IA is invited on some kind of advisory capacity, we will be able to deliver on our strategic mandate as organisation because, whether you are IA or project or any other function, all should come together as one. This also saves the resources as opposed to IA waiting for the processes to be developed and comes at later stage to say they are wrong. IA by their virtue will be able to see when processes being developed have some flaws. It minimises the gaps, which can only be seen at later stage if IA is not there. It was tried when LTMP started, and it proved to be working.
P3	Internal audit is risk based; it focuses on high-risk areas of the organisation. Risk management is applied based on corporate and operational objectives. Internal audit plan speaks to risk assessment (risk assessment informs internal audit plan). Internal audit comes to ensure that organisation mitigate those identified risks. That is how it adds value. Secondly, internal audit looks into internal control environment of the organisation. And internal audit is still doing well in this regard.
P4	Management set direction, but may not have close monitoring on the progress. The routine check-up by IA on the processes helps management to find out if things are going wrong, and follow-ups on the recommendations form part of management recommendations on how best securities be attended to.
P5	The presence of IA in LRA is very crucial because they monitor or check custodians of activities in LRA, especially the processes to assess their efficiency and effectiveness. These are linked to

Participants	Research Question 2: Questions and Answers
	strategy. Strategy without monitoring mechanism like IA cannot be easily achieved. It is important to make sure that processes are followed to achieve what is intended.
P6	IA may help on how to implement processes, and where there are no clear processes, they will advise or recommend on the appropriate processes to maintain uniformity in executing the work. It also assists to identify any duplication of processes, which may ultimately require the merging of department.
P7	To a greater extent, because even after the organisation has made a strategy and plan, IA immediately comes in even before execution to check which areas may end up being hiccups for achievement of the plans.
P8	IA should be proactive, not reactive. It should be called up during design of processes and systems to advise management about adequacy rather than waiting for processes to be designed and implemented, and after two or three years internal auditor is called to audit – that means they are reactive.
P9	The role of IA is to provide a reasonable assurance to the leadership and board on the effectiveness of the controls put in place, and also provide advice on how the weaknesses identified could be addressed. If IA is not strong enough, some of the risks could go unidentified, and if those risks materialise, we might not achieve the objectives of the organisations.
P10	From strategic point of view, management will plan for the organisation. IA will provide reasonable assurance with regard to risk management, proper controls on processes (processes are susceptible to inherent risks). IA identifies weaknesses and provide recommendations, hence add value to corporate goals.
P11	The IA plays a vital role towards achieving organisational goals. It helps to improve organisation's efficiency thereby giving reasonable assurance in processes and procedures. They control risk management, corporate governance and internal control

Participants	Research Question 2: Questions and Answers
	environment. The most important one is internal control (IC) – IA ensures that IC work efficiently and effectively.
P12	IA is meant to inform strategic management as to whether the business has been operating under correct systems to ensure that finances are incurred without fraud, negligence. IA should see to it that the systems in place are actually responding to the objectives set by the leaders. Without IA, it is not easy to also ensure that accounting standards, auditing standards, quality standards, environmental standards etc. are complied with.

Participants	Research Question 2: Questions and Answers
Question #5: Do you believe that the internal audit should be involved in setting organisational objectives? Please explain further	
P1	They should, in an advisory capacity. IA is one of the few sections within LRA which is able to see every single aspect of the business in final details. They have a broader knowledge of the business. Maybe in their capacity, they may identify risks better than leadership do. For example, a commissioner of business enablement might actually had zoomed in silo view of the business only from business enablement, whereas for them, they are able to see all other three divisions.
P2	Yes, IA should be able to understand the strategy. We cannot say IA has done its work well, if whatever is being audited is not linked to whether it supports the strategy or not. The systems and processes flow from strategy, for instance if the organisation's objective is to transform the current PMS, it immediately talks to processes and systems that have to be changed in relation to Human Capital. It is will not benefit an organisation to involve them (IA) only when operationalising strategy not involved at strategic development level.
P3	Yes, Chief Internal Audit should form part of executive committee even though he is not a voting member of executive committee. He has to be a permanent invitee of the executive. That is, he has to

Participants	Research Question 2: Questions and Answers
	participate as organisation develops objectives or determines strategic direction. Past internal audit reports provide a baseline to say where we have been; where our high risks are; where are controls limitations. IA will provide the information in order to advise in determination with loophole in the business model.
P4	Not sure
P5	No, it might subject itself to leniency. IA should not compromise its objectivity. It should be independent. There is to make sure that there are adequate controls to achieve what is been intended to. They should only be there to assist management to confirm that what have been decided will be successful or not based on the past experience and processes and procedures.
P6	I believe so, so that they may understand the objectives so as to have a clear understanding of the activities to be carried out to achieve those objectives and the risks attached to them. This helps them to be in a position to give proper advice.
P7	Yes, otherwise there may be some things that we may not be aware of and hence fail to mitigate what may end up being hiccups to achieve corporate goals. After setting goals, we need to analyse risks. IA should be there to advise which things may be obstacles towards achieving goals and also suggest the possible solutions. IA is there to give assurance.
P8	Implementation of internal controls, design of strategy, objectives and so on are sole responsibility of management. However, IA should be called up during objectives settings so that they can give leadership that independent and objective opinion as to whether those objectives are SMART. Remember IA does not give absolute assurance, but reasonable assurance.
P9	Yes, they should be involved; they play different roles. For example, they provide consultancy services. This is where they will be advising organisation as to whether or not some of the objectives set are achievable or not. Therefore, IA should have experts who will be

Participants	Research Question 2: Questions and Answers
	in a position to advice in whatever areas of criticality that may need speciality. They add more value when involved from the onset.
P10	No, it should only come to review the processes once objectives are set, otherwise it may be biased and lose focus. IA is expected to provide independent advice to management, so it should not be involved.
P11	Yes, IA see to it that the company accomplishes its objectives. At LRA, the objectives include service culture, improved compliance culture, reduce cost of collection, collaborative leadership etc.
P12	Yes, when setting out objectives, we actually say this is what we want to do. IA comes in and say, have you done it, have you done it correctly (according to how it had to be done). So, they need to understand those objectives and processes from the beginning to provide with some advices. If IA move away from just being police, and they partner with a business, then they can be able to add value. They help a business to be a foresight. They assist in an advisory capacity without still compromising their independence; errors can be noted even before the external party comes through, and some of the improvements can be done well ahead in time, as opposed to IA only coming at the end and highlighting the weaknesses at the time that had already done a lot of damage. Whereas if they are working in partnership with the business, they can also assist in an advisory capacity, though not sure if the internal auditing standards which govern them can allow that.

Participants	Research Question 2: Questions and Answers
Question #6: Why do you think that internal audit processes are not used by leaders to achieve organisational goals?	
P1	IA is seen as a 'police', not as an advisory or partner to the business. The feeling if that here is someone who comes for only two weeks, and tells us how to run our business. Leadership do not listen to

Participants	Research Question 2: Questions and Answers
	them in that way, but if IA takes a journey with business, they will be listened to.
P2	IA will raise a red flag when things are not according to the book. Leaders who are serving their own interests do not want to be exposed. If leadership does not understand the value which could be added by internal audit, but rather as a problem, then leadership will not support IA.
P3	It is the old phenomenon to believe so, leaders are currently using IA processes. Even the boards have audit committee. IA reports are presented to the board every quarter. So, it means management are to be held accountable to ensure that they are implementing IA recommendations. IA processes are used to improve organisational efficiencies. We used to have a culture that auditors watchdogs. IA has raised awareness to management about their role. Once management understands this, it is easier for them to accept IA's work. That old phenomenon is not existing at LRA.
P4	Here at LRA, they are using them. Even when the plan is drawn up, they start informing from the level of CG down to the officers.
P5	I do not believe the statement.
P6	Sometimes the leaders do not have the understanding of the clear role of the IA. They believe that IA is there to investigate or pinpoint any wrongdoing instead of assisting to achieve best processes.
P7	Sometimes leaders already have too much on the table, and IA comes with yet another load that has to be done. IA findings and recommendations become another load because they have to be implemented by management. Also, lack of proper planning from IA may cause inconvenience to management.
P8	Everyone does not want to be audited. Sometimes leaders want to achieve their objectives quickly. So calling upon IA might delay the process because IA might suggest that leadership goes back to the drawing board.
P9	Some leaders perceive IA as police, so lack of integrity amongst

Participants	Research Question 2: Questions and Answers
	leaders causes them not to like the IA to carry out its job. They want to hide some dodgy acts they are involved in.
P10	At LRA, leadership regards the IA. But in IT, that is where the problem lies. IT has to meet the deadlines in everything. So involvement of IA may delays the processes which will make them miss deadlines. Sometimes they want to bypass the controls to deliver on time.
P11	Leaders are the one in charge of corporate governance, that is, they direct and control the organisation, and so IA is not independent because it is part of the organisation. Leaders can decide to neglect or ignore the recommendations.
P12	IA focuses on high-risk areas to try minimise risk.

More responses focused on the risks that face the organisation. Internal audit is said to take care of the 'SMART' goals at a strategic level. As a strategic partner, internal audit has the capability to evaluate the level of risk at all levels, from strategic to operational levels. Some opposing views to IA taking part in goal setting were as a result of fear of the IA work being compromised since once it becomes involved in the operations of the organisation, it would no longer be seen as independent.

4.4 The relationship between leadership and internal audit

The intention was to explore and understand what form of organisational leadership can influence the effectiveness of internal audit. Three interview questions were developed to gain an understanding. The figure below presents themes identified.

Figure 4.5 Themes identified in research question 3



Theme 1: Strategic Partnership

As a strategic partner, IA has to be with the business, from developing the strategy to monitoring the processes and procedures. IA should not only come after implementation of the processes because it would have denied leadership its advisory role. Most participants share these views with regard to the relationship between leadership and internal audit. Ideally, IA should not work like police, who only come to investigate suspected fraud or crime; instead they should work as part of the organisation's journey.

P12 said, "*Every time we, the finance people, see an auditor, it has been an issue. If IA section can be capacitated with staff so that it conducts audits more often, and there should be a continuous che*cking."

Theme 2: Independence from leadership

All 12 participants agree that internal audit reports should not be presented to the management, but rather to the board of directors. They share the similar view that this function has to be seen to act independently of leadership so that the reports produced are considered to be objective and credible in the eyes of all interested parties.

P1 emphasised that "*IA should always be independent from executive management…Independence is important so that their opinion should be a genuine and true opinion; when controls are weak, broken or if funds are being embezzled, they should be free to say that without any compromised integrity or without any fear that their own personal lives will be somehow impacted by what their professional opinion is.*"

P3 also states "*IA needs to be independent. Audit plan is agreed between Auditor, management and board. But where there are issues between auditor and management team, it becomes difficult for an auditor to report to the board-management tries to hide information, and prevent auditor to report to chairman of the committee. It also depends on the maturity level of board and chairman of the committee. If chairman understands the role of an Internal auditor, then the latter will report directly to the board*."

P9 further alludes "*One of the IA standards clearly states that if you are to have the effective IA, CIA has to report directly to the board. IA should not report to the CEO of the organisation because the same person is also subject to audit. Even though professionalism requires that everybody should be exposed if doing wrong, but the practicality part of it is difficult. So to address the issue of conflict of interest and maintain objectivity, IA should report to the chairman of the IAC."*

In this case, there is no one who suggests otherwise. Important to note, however, is that the administrative issues that affect internal audit are reported to the Commissioner General of the LRA. This conundrum ensures that IA reports are not compromised.

The table below presents the responses.

Table 4.5: Interview questions and responses to Research Question 3

Participants	Research Question 3: Questions and Answers
Question #7: What is the relationship between leadership and internal audit?	
P1	IA should always be independent from executive management. However, it's like a conundrum, it's like the issue of chicken and egg. IA is working for and are paid by executive, but has to be independent. IA should have a dotted lines to the board of directors. In terms of reporting, they report to CG, and also have a dotted line to the chairman of finance and auditing committee. Basically, Head Internal Audit performance is reviewed by two people, the CG and chairman of audit committee. Independence is important so that their opinion should be a genuine and true opinion; when controls are weak, broken or if funds are being embezzled, they should be free to say that without any compromised integrity or without any fear that their own personal lives will be somehow impacted by what their professional opinion is.
P2	The traditional way of reporting where IA reports directly to the board, that is the right way. Under the issues of corporate

Participants	Research Question 3: Questions and Answers
	governance, the board's role is to make sure that executives do not serve their own interest. So it makes sense that there should be IA who has to make sure that everyone actually plays by the book on behalf of board. IA will discover where there are misalignment or misappropriation, and these can be sorted internally. Yes in terms of support, it should be supported by executive or CG's office.
P3	IA is reporting to the chairman of IA committee, functionally. It also reports to Commissioner General (CG). IA needs to be independent. Audit plan is agreed between auditor, management and board. But where there are issues between auditor and management team, it becomes difficult for an auditor to report to the board. Management tries to hide information, and prevent auditor to report to chairman of the committee. It also depends on the maturity level of board and chairman of the committee. If chairman understands the role of an internal auditor, then the latter will report directly to the board.
P4	IA should be a separate wing to avoid conflict of interest.
P5	IA should report to the board of directors, not executive management of LRA. Board are responsible for monitoring the acts of LRA management. IA looks at the effectiveness of processes to carry out LRA strategy. Board wants to know what the progress is as far as implementation of LRA strategy is concerned. So the efficiency and effectiveness of procedures will be provided to the board by IA.
P6	Leaders do not understand the relationship between the two. They do not understand that IA is there to provide assistance with regard to processes.
P7	IA reports to CG and to the board. It cannot give good assurance if it also report back to the people whom it is supposed to audit. It needs to be seen independent. The way it reports somehow provides independence.
P8	LRA is mandated to collect taxes. By so doing, it has to comply with government laws. The government and taxpayers want that assurance that LRA is still working within the parameters of laws.

Participants	Research Question 3: Questions and Answers
	That is why we have board of directors who are also not involved at the daily running of the business. They meet quarterly in line with the King Code. IA is therefore there to provide with reasonable assurance to the board that leadership is working within the set parameters.
P9	One of the IA standards clearly states that if you are to have the effective IA, CIA has to report directly to the board. IA should not report to the CEO of the organisation because the same person is also subject to audit. Even though professionalism requires that everybody should be exposed if doing wrong, but the practicality part of it is difficult. So to address the issue of conflict of interest and maintain objectivity, IA should report to the chairman of the IAC.
P10	IA reports are reported to the board, but administratively, they report to CG. Meanwhile, CG is also informed or sensitised of the reports to be presented to the board so that it does not look foreign to him in board meeting.
P11	IA fulfil the supporting role to leadership in the monitoring and improvement of risk management, compliance and internal controls.
P12	IA should report to the board of directors, not executive management to avoid conflict of interests.

Participants	Research Question 3: Questions and Answers
Question #8: How can leadership use and implement internal audit recommendations to achieve organisational goals?	
P1	Recommendations are essentially improvement on the systems of internal controls. So leadership should see the recommendations as betterment of their controls, so they can implement them fully and wholeheartedly.
P2	It depends on how executive sees the role of IA. If IA highlights the risks identified, but not attended to, it is not in the interest of IA, but in the interest of the entire organisation to mitigate those risks. The same energy and efforts executive give to the initiated strategy, the

Participants	Research Question 3: Questions and Answers
	same or similar energy should be directed towards implementation of IA recommendations. Usually IA recommendations may come with ultimatum that if not implemented, it is going to be catastrophic in the organisation, so every leadership with a good state of mind will have to act on the recommendations.
P3	Audit reports are first presented to management to agree on the recommendations, then taken to board who in turn holds management accountable to ensuring implementation. Over and above, during planning sessions every year or half yearly, audit recommendations should be regarded as inputs to planning process so that they do not get lost along the way. They need to be incorporated to the plan. IA should also be incorporated in the performance management system to hold head of divisions accountable, otherwise they may not be implemented.
P4	After the plan is drawn by IA, it is taken to management level for approval. Management do the follow-ups to ensure that intended audits are being done and recommendations are implemented; LRA cannot function without being audited.
P5	Management are to take the advice from IA. It is effectively the watchdog.
P6	IA has a template which they provide to respective departments as a checklist against their recommendations. The action plan is drawn to make sure that the department works towards the recommendations. The progress on the implementation is given to the management on monthly basis.
P7	If the management agrees on the recommendations of IA to close some gaps, IA should be there from time to time to ensure that they are properly implemented. IA should not just forget about their recommendations.
P8	The board should hold management accountable in order to enhance control environment of the organisation. So board has to again hold management accountable about the implementation of IA

Participants	Research Question 3: Questions and Answers
	recommendations. For IA to remain independent, it should functionally (audit work, appointment of CIA, performance assessment of CIA) report to Internal Audit Committee (CIA), and administratively (resources, budget etc.) to management (CG).
P9	The way the IA reports are structured, they provide recommendations of which it is up to the leadership to scrutinise them. The practice is that if leadership rejects or amend the recommendations of IA, they must come up with a workable solution to address a problem identified because IA is now a partner to the business, they are not policing to impose things on people. But in most of the time, the IA recommendations turn to be better. The board will have to monitor the progress against recommendations by auditors.
P10	IA does the research and benchmark with international best practices and standards. Leadership is at liberty to alter, take or drop the recommendation.
P11	They have to adhere to the recommendations of IA so as to enhance improved processes procedures to ensure effectiveness and efficiency. IA audit writes a report and submit it to board for approval, then will be implemented.
P12	The action plan which is reviewed quarterly; the issues and recommendations identified by the IA are incorporated. The action plan will identify a specific person for dealing with a certain matter; it will also stipulate timeframe for doing it. Action plan serves as a proper tool to ensure that all issues are dealt with. It will help leadership to track as to where we are as far as implementation of recommendations is concerned.

Participants	Research Question 3: Questions and Answers
Question #9: How can leadership ensure that internal audits processes are duly performed within departments without resistance?	
P1	Resistance is caused by: (a) people do not have a full understanding

Participants	Research Question 3: Questions and Answers
	of the role of IA; (b) people only see IA when they come to look at whatever they think is wrong – IA must be seen as a business partner, not come to a department only when things are wrong; (c) IA does not manage relationships well. They do not have capacity or knowledge to establish relationship. For example, if a policeman comes knocking at your house, and the neighbours are on looking, the neighbours are having the impression that something is wrong-just because police only come when something is wrong. IA should establish the relationships – they must walk a journey with a business, be seen as partners, advisors to an organisation. They should come to also look at what has been happening in the past, improvements made even before coming for an audit; and (d) IA have wrong mentality that they must find something wrong, even if things are working well. In that way, people turn to resist, the biggest issue is people build sandbags around them.
P2	Executive should first understand that IA is there to help them safe the organisation, not to be the policemen. If there is no understanding, leaders are at liberty to do anything wrong, but ensuring that IA does not cover it – so there will always be a problem. Leaders should be in a position to be worried when their respective departments are not in the audit plan; hence, we need leaders who will rather be inviting the IA.
P3	Organisation has to ensure that the head understands the role of IA, and has the highest buy-in of the role of IA. If there is a buy-in, every head of department (HOD) will be held accountable. During entrance meetings, CG should be there to ensure that head of department really understands and takes control of the processes to be audited. During exit meetings, where management makes the undertaking that they agree with the findings and recommendations, CG should also attend to realise what agreements are made. Then there is support from CG and HOD, which makes implementation easier. There might be hiccups when it comes to implementation of

Participants	Research Question 3: Questions and Answers
	recommendations because of lack of resources, but something will have been achieved.
P4	Hostility and resistance are not the case at LRA. There is proper planning. During strategic planning, each unit is communicated the importance of us being audited to see to it that we are up-to-date and doing in accordance with the set statutes of the organisation. When audited, we also report things which are not working, and they are incorporated in audit reports. But if there is no audit and report whatsoever to management, people may be assumed to have failed doing certain things yet they actually pointed on risk factors that could not be adhered to. LRA is in a proper way because reports are presented to the management, and you also task people who are accountable. Even if there are stumbling blocks, it is easier to report.
P5	There should be culture of trust between divisional managers and IA. Executive should come up with period presentation where IA will report about work done on different divisions and section. There should a culture of collaborative effort where meetings are held between the IA together with the entire management including middle management to understand the role of IA. Middle management are relevant because executive may not necessarily understand what is on the ground. There should also be clear guidelines from IA on how they will carry out their work. Finally, proper planning will also give middle management enough time to prepare for the IA.
P6	This has been addressed through on-boarding programmes. In this programme, staff are being introduced to different functions of LRA, including IA. We now understand that IA is there to audit the systems, not particular people. If there are no processes, they come to understand how the function operates and advise accordingly. On boarding has really played a huge role, we now under the role of IA.
P7	It is the responsibility of IA to create awareness to staff members and management to allay their fears that they are not there to police-

Participants	Research Question 3: Questions and Answers
	instead to provide assurance to try to see where gaps are; where their risks are, and assist to mitigate such risks. Awareness plays a great part because even in IT, there was that perception of IA being the investigators, but IA clarified their position of providing reasonable assurance; they are there to assist the business units to function properly. After such awareness, the IT is now at ease and fully cooperate with IA. Proper use of recommendations is also important. Recommendations should not be used to victimise individuals. After several meetings with IA, IT's resistance got away; it agreed to remove the walls and sand bags. But IT closely monitors what IA said to see to it that they meant their words. IA should also be flexible where the department disagrees with their recommendations, instead of trying to force implementations.
P8	In golden old days, IAF was seen as police. But it has since changed – IA does not audit people, but processes. There should be education to staff that IAF is there to assess adequacy of processes instead of policing people.
P9	The tone is set from the top. If the board holds executive accountable about the issues of IA, leadership will take the work of IA upon themselves. Auditors are also to raise awareness through the help of leadership. IA should be integrated into the operations of the business. Everyone should consider him/ her as auditor because it is the role of leadership to ensure that internal controls are effective, but IA will come to provide a deeper analysis and technical advice.
P10	IA run awareness sessions of the functions of IA. Each and every internal auditor is assigned to a particular division where the role of IA has to be preached to try take away that negative perception about IA. Another thing is the on-boarding programme, which also include IA. The intention is still to create awareness that IA is not internal affairs. IA also comments good job well done by highlighting good controls, not only pinpointing at wrong things.

Participants	Research Question 3: Questions and Answers
P11	IA have to observe legal frameworks. IA should not be seen to threaten the departments. IA approach will inform the behaviour of respective members of different departments.
P12	Every time we, the finance people, see an auditor, it has been an issue. If IA section can be capacitated with staff so that it conducts audits more often, and there should be a continuous checking. But as is the case now, they only come where there are issues like embezzlement of funds or fraud suspected. So they go there as people who are going to search who has done what.

In the above research questions, most participants were adamant that internal audit should present audit reports to the board or audit committee, even though functionally they report to the Commissioner General. Leadership in turn will incorporate those recommendations in annual plans so that they do not get lost. To be accepted by other departments, IA should with the help of the leadership educate employees about the work of this function.

4.5 Summary

The findings were presented in this chapter. Some responses really stand out and are suggestive in answering the research questions. For example, some participants were emphatic that internal audit should be engaged as a business partner, instead of as ‘police officers’. The responses were not filtered to ensure that the meanings were not lost in the process. Meanwhile, thorough details of the meaning of different responses will be discussed in the next chapter.

DISCUSSION OF RESEARCH FINDINGS

5.1 Introduction

This chapter aims to interpret and discuss the responses of participants. It analyses the information against the literature review. The discussion will further investigate the interpretive frameworks that were earlier deliberated on, in light of the responses in this research. The analysis will be followed by a conclusion, which gives a summary of the discussion.

5.2 Analysis

This section of the study will discuss the findings of each research question. Reference to chapter two of the study enables the researcher to relate those findings to the literature so that conclusion can be drawn as to whether the LRA really understands the role of the IAF in its organisational design.

5.2.1. Internal controls currently in place within the departments

This section will present a discussion of the first research question.

1: What internal controls are currently in place within the department?

According to Cohen et al. (2002), strong governance ensures that the interests of management and other stakeholders align with reduced agency costs. This governance requires a strong control environment within the organisation. Different participants have different internal controls in their departments since the business activities in those departments are not the same – hence the owners address the risks facing their business processes. There is separation of ownership and control of organisations and so appropriate controls are required to ensure that shareholder interests are taken care of (Berle & Means, 1932). It is therefore essential that leadership mitigate risks through internal controls. The LRA seems to subscribe to this notion because the participants in this research articulated the internal controls in their respective departments.

For example, **P4** outlines numerous controls in the department. It is the entry point of all clients who seek services from the LRA, and all this information has to be referred to the correct back office. Each client has to have a unique account number, which is commonly known as a TIN (Taxpayer Identification Number). The system has to reject any duplications of TINs, and identical names of clients must be distinguished by national identity number as well as physical and postal addresses. Moreover, since a lot is taking place here, it is not surprising to see complex controls aimed at ensuring that any client query and/or correspondence does not get lost. Bertin (2007) supports the presence of internal controls, indicating that scandals in some big companies provoked regulators to impose internal controls to ensure that leaders do not serve their own interests. Generally, the common control across all departments is segregation of duties in terms of allocation, authorisation and approvals. In addition, there are documented policies that serve as a guide to how duties need to be performed, such as the Audit Charter.

According to Reding et al. (2013), it is not practically possible to achieve organisational goals without adequate controls. It can be seen that all departments are striving to put in place relevant process controls. COSO (2012) suggests there should be clear control activities across the organisation, including segregation of duties and IT access. This is an indication that every step in a process must be clearly defined in order to put in place risk-mitigating mechanisms, and to give management some level of confidence about the effectiveness of a process in achieving the organisational objectives or goals.

2. In your opinion, do you believe they are adequate? Please explain.

The adequacy of internal controls depends on the level of risk facing the activity carried out. COSO (2012) alludes that risk assessment is based on the likelihood of occurrence and impact on the operations of the business. Saud and Marchand (2012) further ascertain that internal audit will identify those areas to beef up internal controls. Internal controls cannot be 100 per cent effective, but will ensure management of the material risks facing the organisation. COSO (2012) further highlights some of the limitations of internal controls, which include human error, collusion and cost-benefit effect. Materiality looks at the effect that occurrence and

non-occurrence of an event would have on an organisation. If either occurrence or non-occurrence of an event has high impact, then such event is said to be material. Therefore, controls are expected to be greater (Broody & Kaplan, 1996).

Most of the answers depict mixed feelings of the participants regarding adequacy of internal controls. In some cases, they are satisfied, while in others they are not. This is to be expected because, due to scarcity of resources, Saud and Marchand (2012) emphasise that internal audit is able to identify where more internal controls are required, where risk is material. One participant was adamant that internal controls would never be sufficient due to human collusion. This participant was emphatic about the matter, since no matter how strong the control environment, if people collude, they will continue to beat the controls. Interestingly, the concept of performance management was raised. Owing to the high significance of internal controls, it was suggested that risk management be integrated into performance management. It was further argued that everyone in his or her department participate in mitigation of risk, hence the development of a policy that relates performance management to risk management. This is consistent with Hall (2007), who showed that organisations are embracing the risk-enterprise management approach. Another issue that stood out was agility of leadership towards the delivery of projects. The organisation seems to use the old, traditional method of managing projects known as waterfall, which does not address the new method.

3. How often does internal audit review the processes in your department? Please explain.

Internal audit at the LRA is risk-based. The high-risk areas receive more attention. Business Enablement, through different departments, is a division often visited by internal audit. CIIA (2014) supports this approach because not every process can be audited or reviewed. Lack of resources forces the auditors to be discriminatory when deciding on audit work. The LRA internal audit function is perceived to be understaffed. There are many risky areas that need to be audited to confirm adequacy of controls, but lack of internal auditors makes it difficult to cover all these areas of interest. Nonetheless, due to the fast-changing environment in which the business is operating, Nabulsi and Haidoura (2018) argue that there is greater

exposure to risks. It is not clear with the audit function of LRA if those areas that have received less attention in the past are revisited to assess whether the level of risk has changed. With the use of computer-assisted auditing techniques (CAAT), internal audit will be able to test a large volume of data over a shorter period of time (Ahmi & Kent, 2012).

5.2.2 Internal audit mechanism as leadership enabler to achieving corporate goals

Below is a discussion of findings regarding the second research question:

4. How do you think the internal audit mechanism can enable leadership to achieve corporate goals?

The study shows that there is a positive correlation between internal audit and corporate goals. Internal audit will provide reasonable assurance to the board of the effectiveness of internal controls. The internal controls in turn are supposed to prevent or minimise any damage that may be caused by unwanted events (Reding et al., 2013). The presence of an IAF will ensure that processes aimed at achieving organisational goals do not jeopardise success and reputation, or the risks involved are properly managed. According to Berle and Means (1932), the separation of ownership and control of organisations necessitates that mechanisms be in place to ensure that agents do not serve their own interests, but rather serve the interests of the principals. Roberts (2001) further suggests that shareholders accept remedial agency costs.

Internal audit remedies the problem of information asymmetry between executive and non-executive board members (Cohen et al., 2002). The information provided to the board is more accurate and reliable to allow for proper decision-making. The responses are also in line with IIA (2000), which indicates that internal audit will provide analyses and recommendations on reviewed processes. Sawyer and Vinten (1996) further allude that internal audit will provide an independent opinion of the performance of internal controls managing risks. The opinion provided is free from bias, and will allow for high-quality decisions regarding the direction an organisation needs to take. IIA Standard 2120 stipulates that the internal audit activity must dive

deep to understand and have a word on the effectiveness of risk-management processes. Managing risk is a way of making optimal use of available resources.

5. Do you believe that the internal audit should be involved in setting organisational objectives? Please explain further.

The majority of the participants agreed with the notion. The findings support CIIA (2014); the transformed risk-assessment approach comprehends processes and risks from strategic level when the organisation's objectives are set. Internal audit will identify activities that create value for the shareholder. Hall (2007) subscribes to the notion of abandoning traditional risk management. This has nonetheless raised questions as to who are the architects, implementers and overseers of the process. Understanding enterprise risks (strategic, financial, compliance and operations) is key to providing risk-mitigating mechanisms on issues that directly affect shareholder value, with clear and explicit linkages to strategic issues of the organisation. According to Hall (2007), internal audit is a strategic partner, that is, the CIA should be a permanent invitee, in an advisory capacity, to executive meetings in order to have a thorough understanding of the organisational goals and give advice at a strategic level as to whether these goals are SMART. Lilien and Kotler (1983) in their study postulate that profit is not necessarily the consideration when drawing up an action plan. The benefits of SMART goals are financial security and achievement of dreams in career etc. (O'Neil & Conzemius, 2006). According to Lazarus (2004), the SMART acronym becomes a guide to the development of quality goals. Internal auditors, through their skills and competences, may advise whether the criteria of quality goals have been met.

Nonetheless, some participants (although they are few) are of the view that involving internal audit when setting goals may compromise the objectivity and independence of management. This argument is in line with the Institute of Internal Auditing (1999), that is, internal audit is supposed to be independent and objective at all times. Clarke (2018) emphasises the need for unbiased opinion from internal audit on enterprise risk management. The fear with this involvement is that internal audit may be conflicted when it has to review processes of which it was a part of the design.

In order to strike a balance and not be seen as hands-on in the operations of the business, internal audit may be involved in the setting of goals in an advisory capacity. This would assure the board of the independence of the function, and hence the creation of objective reports. CIIA (2014) raises concern about the traditional risk assessment approach, which waits until processes have been implemented. When involved in the setting of objectives, internal auditors are able to identify risks in process designs and make proper recommendations prior to implementation. This reduces costs because procedures and processes are determinants of organisational structure. They could therefore be corrected at the start.

6. Why do you think that internal audit processes are not used by leaders to achieve organisational goals?

Even though it is believed to be an old phenomenon that rarely exists, some participants believe that induction of leaders about the usefulness of the function is necessary, or the negative perceptions will continue to exist. Other participants believe the above question is the case because of the following reasons: (a) Some leaders are involved in dodgy deals, and fear internal audit may expose them; (b) leaders do not understand the work of internal audit, and see the function as ‘police’ who only come to investigate suspected fraud; and (c) internal audit is perceived as an additional burden since leadership already has a lot on its plate. The disuse of this function contradicts Treadway (1987), where the recommendation was made that all companies should establish an effective internal audit function. COSO (1992) and Cadbury Report (1992) share similar sentiments about the usefulness of the function in taking shareholders into confidence that the leadership does not serve its own interests. It also neglects Adams’ (1994) allusion that internal audit provides reasonable assurance about risk management, policy compliance, control environment and governance.

5.2.3 The relationship between leadership and internal audit

The responses to the last research question are discussed in the section below.

7. What is the relationship between leadership and internal audit?

The relationship between the two is such that internal audit requires administrative support (office equipment and finances) from leadership in order to carry out its duties effectively. Audit reports, however, are presented before the audit committee of the board, not the leadership. This serves to avoid conflict of interest because the same leaders are subject to audit. Reding et al. (2013) suggest that any threat to independence and objectivity has to be addressed timeously. This conundrum is ideally the best and effective way for leadership and internal audit to relate; independent and objective reports can only be achieved when internal audit is not answerable to the people who are subject to audit.

Chambers and Odar (2015) found internal audit to be a solution to failed corporate governance in trying to prevent a crisis. In some cases, leaders may want to suppress internal audit from reporting to the board, especially if those leaders' deeds are dodgy. It depends on the maturity of the board and the chairperson of the audit committee.

Reding et al. (2013) emphasises the need to deal immediately with any threat to independence and objectivity**.** Since audit reports will either take the board into confidence about or discredit leadership, they need to be free from bias; nothing should compromise these two pillars of effective internal audit. This form of relationship requires the auditor to be competent to produce quality reports (IIA's Standards, Standard 1210). Porter and Gowthrope (2004) support the idea, demonstrating that high qualifications of an auditor would reduce performance gaps. Furthermore, Hirth (2008) reiterates that the use of technology to perform duties will help auditors to better validate reports.

8. How can leadership use and implement internal audit recommendations to achieve organisational goals?

Essentially, it is in the interests of the entire organisation to mitigate risks. Sometimes recommendations come with the ultimatum that if not implemented, the organisation should expect catastrophe. Reding et al. (2013) indicate that the responsibility to manage risk lies with leadership. Even if leadership rejects or amends the recommendations of internal audit, there should be convincing solutions or mechanisms to address the problems identified. This is supported by the King report III (2009), which postulates that there must be reasons not to engage internal audit, and an explanation of how reasonable assurance on risk management must be given. Authentic leadership will ensure the firm is prepared for future change (Kotter, 2011). The uncertainty of the future is comprehended through risk analysis. The implementation of audit recommendations by leadership is a sign of authenticity of such leadership. According to Bycio, Hacket and Allen (1995), strategic leadership looks at the organisation holistically; they need a strong internal audit to take them into confidence about the effectiveness of the processes.

A strategic leader will establish a strong system of controls for sustainability and going concern. Reputation of the organisation is paramount to this leader. Nicholls (1994) alludes a strategic leader describes his vision of the organisation and what it looks like. The recommendations of internal audit are essential to be able to assess if the activities carried out are taking the organisation on the right path, and incorporated in the organisation's annual plan. They form part of what respective departments ought to do for the stipulated time, and follow-ups are made by the leadership, which has to account to the board of directors.

9. How can leadership ensure that internal audits processes are duly performed within departments without resistance?

The IAF should work as a strategic partner to the entire organisation. The function's role must be fully understood by all members of staff. Internal audit should not work as police officers, who only come to investigate suspected fraud, but should flow with the organisation throughout. Reding et al. (2013) assert that the responsibility of risk management lies with leadership, suggesting that the same leadership has to level the ground for internal audit processes. On-boarding programmes with new employees also help raise awareness of the function. In addition, internal audit

should be well-staffed to be able to regularly touch on all areas of interest so that everyone is at ease when an audit is undertaken. The importance of internal audit has to be understood, such that managers will get worried if the audit plan does not cover their respective business units. Shamir and Eilam (2005) argue that authentic leaders subscribe to the idea of cohesive leadership, where no one works in silos.

A tone will be set at leadership level with regard to internal audit, since Rotemberg and Saloner (1993) allege that leadership style can affect culture. This also applies to perceptions of internal audit.

5.3. Conclusion

Each question and their respective responses from participants were analysed and married to the theoretical frameworks discussed earlier. The analysis proved the significance of internal audit towards the achievement of corporate goals. There is high risk of lack of continuity if leadership ignores the work and recommendations of internal audit. It also violates the rules of good governance; that independent reasonable assurance about the risk management processes, control environment and compliance is essential to board of directors as a way of holding leadership accountable for whatever is happening in the organisation.

SUMMARY, LIMITATIONS, RECOMMENDATIONS AND CONCLUSIONS

6.1 Summary

The ever-changing business environment prompts agile leadership able to adapt to new ways of carrying out business. This study focuses on how internal audit participates and contribute towards the achievement of corporate goals at the LRA. The researcher investigates how leadership can best make use of the internal audit function to enhance effectiveness and efficiency. Internal audit is there to enable leadership follow a proper path towards the achievement of objectives. Corporate governance effectively expects the board of directors to hold executives accountable for what is happening in an organisation, whether it be positive or negative. The effective way of this accountability is through audit, which aims to provide an independent reasonable assurance about the processes designed to achieve objectives in order to maximise shareholder wealth. Nonetheless, internal audit only provides reasonable and not absolute assurance because, usually, only a sample of the items is tested.

The only shareholder of the LRA is the government of Lesotho, which mandated the LRA to collect tax revenues on its behalf. Failure by the LRA in the pursuit of its mandate will adversely affect the functioning of government, as approximately 75 per cent of the national budget is funded through those tax collections. Effective leadership ensures adequate risk-management processes, policy compliance, strong control environment and good governance.

The research questions were developed guided by the objectives of the study, which is to evaluate how the IAF contributes to the organisation. Those questions are as follows: What internal controls are currently in place within the organisation? How can the internal audit mechanism enable leadership to achieve corporate goals? What is the relationship between leadership and internal audit?

Previous research indicates that the absence or lack of effective risk management, control environment and poor governance hinders an organisation in reaching its goals and sustainability (Reding et al., 2013). These writers affirm that the responsibility of risk management lies with management. Chambers and Odar (2015) found that internal audit is actually a solution to failed corporate governance in trying to prevent crises. Furthermore, IIA (2012) ascertains that internal audit has expanded to evaluate and improve the processes of operations. There is no doubt that in the setting of objectives, internal audit can advises leadership if the goals are "SMART". An authentic leader is one who acknowledges his weaknesses and recognises capabilities in other people, who in turn will address those identified weaknesses (Avolio & Gardner, 2005). This leader is optimistic about the future and therefore needs reasonable assurance that the organisation is on the right track to reach its vision.

Qualitative methodology was adopted to allow the researcher to appreciate the different views of participants. Data was collected through interviews using semi-structured questions. COVID-19 protocols necessitated that virtual meetings be held via Zoom in order to avoid face-to-face contact. Twelve people participated, and they remain anonymous throughout the report. Participant responses were recorded and transcribed.

The results indicate the significance of internal audit at the LRA. They show that the best and only way to assess the effectiveness of complex interrelated processes is via audit. The participants agree that the IAF should remain independent so that the objectivity of reports is not compromised. As a strategic partner of the organisation, internal audit should not investigate people, but should rather audit processes and advise accordingly. The study was affected by time limitations, as only a few participants could be interviewed.

6.2 Limitations

Some potential participants did not want to take part. This reluctance may have been a result of people being busy as the study was conducted towards financial year-end and the beginning of the following financial year. Another reason may be the ongoing

restructuring that is taking place at the LRA. Uncertainty about the future causes panic, and people always think that whatever they say about the organisation could be used against them. Even though the researcher believes that their non-participation did not change the results, it is always important to have views from various people about the research in question.

Another limiting factor was time. Qualitative studies do not necessarily require many participants, but the number still needs to be representative of the entire population. Time constraints made it difficult to engage other potential participants. Moreover, it is not easy to investigate causalities: Mathematical analysis is not possible with qualitative data. Analysis is based purely on judgment, which may differ extremely. In addition, qualitative studies cannot be easily replicated; they are unique.

6.3 Recommendations

Staff: The point was made that the IAF is understaffed. This jeopardises ability of the function to carry out its duties effectively. The leadership has to ensure that this function be staffed appropriately; the scope of the audit must cover all areas of interest as failure to do so may compromise the integrity of the reports. This is of the utmost importance since the reports issued by the IAF affect strategic decision-making. The board can also not afford to have a compromised report because of lack of staff. Again, programmes must be in place to re-evaluate whether the risks facing those processes previously deemed ‘less risky’ have changed, so that they may be included in the audit plan.

CAAT: The business world is rapidly changing in the use of technology, and internal auditors must not be left behind. They have to find new ways of quick discovery of error, and improve audit efficiency. At the LRA, there is only one person who is responsible for IT audits, and focuses only on IT, and not on other divisions. This does not address the technological challenges posed on today’s business world. The computer-assisted audit tools (CAAT) is a significant tool that internal auditors can use to detect errors and fraud. For example, a teammate can flag if there is a step bypass in the process or a process has not been completed, etc. It also saves the auditor time in documenting and reviewing working papers and preparing their

reports, hence improving efficiency. CAATs may easily detect fraudulent and misappropriated practices in financial reports within the organisation.

Future studies

Another study could be conducted on a similar topic, trying to cover as many participants as possible, and the scope be extended to other organisations to obtain a broader picture of how leadership considers the work of internal audit. The researcher further suggests that quantitative methodology be employed to determine if the same results can be achieved. Quantitative methodology makes use of mathematical analysis, which employs techniques such as univariate, bivariate and multivariate statistical analysis.

Practical implications

The IAF needs to be independent at all times to be able to provide the required value within the organisation. Again, frequent and regular training of internal audit personnel is required to ensure they are up-to-date with the current issues of the ever-changing business environment. Training of IAF staff members will lead to real-time audit reports and efficiency of the function. This addresses the question of CAAT. With well-equipped audit personnel as far as skills are concerned, it becomes realistically practical to marry new technologies with this function to make audit work more efficient and more reliable. The use of CAAT improves the accuracy of audit reports and the confidence of the auditors.

6.4 Conclusions

The presence of internal controls in an organisation enhances focus on the staff, who in turn are entrusted to fulfil the mandate of the LRA. The question of adequacy and effectiveness of internal controls needs to be addressed through the regular review of processes. No leadership is able to monitor all the processes in an organisation as large as the LRA; there has to be an independent body or function like the IAF to provide leadership with an independent opinion of the processes. That function must remain independent, and be adequately equipped to do its work without fear or favour. The presence of strong risk-management processes and control environment may be linked to or affiliated with effective leadership in an organisation. These need to be reviewed periodically as their effectiveness today

does not guarantee the same tomorrow, owing to the dynamic environment in which the organisation is operating.

Finally, internal audit is one domain that has been highly impacted by technological advances. Paper-based auditing is an outdated way of performing this duty. CAATs used by internal auditors can be categorised into electronic audit working papers, generalised audit software (GAS), fraud detection and continuous monitoring. This software is commercially available and can also be developed internally. As a starter, comparisons could be made between results obtained using computer-assisted techniques and traditional tests and, if similar, would grow the confidence of an auditor.

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Appendix 1.1: Data collection instrument(s)

Research Question 1:

1. What internal controls are currently in place within the department?
2. In your opinion, do you believe they are adequate? Please explain
3. How often does internal audit review the processes in your department? Please explain

Research Question 2:

4. How do you think can internal audit mechanism enable leadership to achieve corporate goals?
5. Do you believe that the internal audit should be involved in setting organisational objectives? Please explain further.
6. Why do you think that internal audit processes are not used by leaders to achieve organisational goals?

Research Question 3:

7. What is the relationship between leadership and internal audit?
8. How can leadership use and implement internal audit recommendation to achieve organisational goals?
9. How can leadership ensure that internal audits processes are duly performed within departments without resistance?

Appendix 2.1: One-page bio of the researcher

Mothebe Lekata currently works at the Lesotho Revenue Authority (LRA) as Senior Auditor since 2016. His main duty is to test authenticity of, raise independent opinion about, and hence raise a tax liability assessment on discrepancies found on financial reports submitted by Taxpayers at LRA. He has also worked as Taxpayer Education Officer for a period of two years at LRA, where he was responsible for the dissemination of information about LRA to all residents by organising Seminars and holding Tax roadshows throughout the country. Before joining LRA, Mothebe was an Auditor at Office of the Auditor General in Lesotho for two-and-a-half years starting from 2012. In 2009 to 2010, Mothebe was a teacher at one Soofia International school in Lesotho. He obtained PDBA at Wits University (Wits) in 2019, and is now pursuing MBA at Wits. He completed Chartered Accounting stage with Association of Certified Chartered Accountants (ACCA) in 2016. Finally, he enrolled with the National University of Lesotho (NUL) in 2002, and obtained BComm Accounting. The researcher's passion is mentorship and coaching, hence, leadership in odd times.

Appendix 2.2: Ethic Documentation (Survey letter)

February 15, 2021

Dear Participant

I welcome you to this academic research interview. Thank you for agreeing to participate in this research project by assisting me to collect data with regard to internal audit at Lesotho Revenue Authority. Let me say this on record that my name is Mothebe and am a registered student at Wits University Business School (WBS) currently pursuing Master of Business Administration (MBA). As part of my coursework assessment, I am required to complete a research study in partial fulfilment of the course of the MBA programme. My research topic is centered on **"Internal audit mechanism enabling Lesotho Revenue Authority leadership to achieve corporate goals**

Kindly note that the results of this report will be used solely and strictly for academic purpose. You will not receive any direct benefits from participating in this study, and there are no disadvantages or penalties for not participating. You may withdraw at any time or not answer any question if you feel uncomfortable. This survey is held in the strictest form of confidentiality and the information you will provide to me will not be disclosed to anyone else unless otherwise expressly indicated. Your privacy will be maintained in all published and written data resulting from the study.

Furthermore, if you have any questions afterwards about this research, please feel free to contact me at any time.
Finally, please note that the meeting will be recorded for ease of reference.

Yours Sincerely,
Mothebe Lekata
+27 73 165 1844
Wits email address: 2273870@students.wits.ac.za

Supervisor
Dr. Jenika Gobind
Tel: +27 11 717 3761
jenika.gobind@wits.ac.za

Appendix 2.3: Ethic documentation (Consent form)

I, Mothebe Lekata, solemnly declare that I do not have any particular interest in the research except for the completion of my Master in Business Administration. No organisation has sponsored me to perform the study on their behalf. I will undertake to protect the participants by not to ever divulge their particulars to any person. I will not request for any further information that may identify any participant. All data collected will be stored securely by means of password protection.

CONSENT FORM

Title of project: Internal Audit mechanism enabling Lesotho Revenue Authority leadership to achieve corporate goals

Name of researcher: Lekata Mothebe

I, _____, agree to participate in this research project. The explanation of the research is clear to me and I do understand what my participation will involve.

Please mark the relevant options below.

I agree that my participation will remain private	Yes	No
I agree that the researcher may use anonymous quotes in his research report	Yes	No
I understand that the transcripts will be stored on a Computer that is password protected.	Yes	No

……..... (Signature)

…… .. (Name of participant)
25/03/2021

…… (Date)

……..... (Signature)

…… .. (Name of consent seeker)
25/03/2021

…… (Date